

**Consolidated Financial Statements  
With Independent Auditors' Report  
December 31, 2003, April 30, 2003 and December 31, 2002  
(Indonesian Currency)**

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**

*These consolidated financial statements are originally issued in the Indonesian language.*

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2003, APRIL 30, 2003 AND DECEMBER 31, 2002**

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## **Independent Auditors' Report**

Report No. RPC - 1548/02

### **The Shareholders and the Boards of Commissioners and Directors PT Bank Mandiri (Persero) Tbk.**

We have audited the consolidated balance sheets of PT Bank Mandiri (Persero) Tbk. (herein referred to as "Bank Mandiri") and Subsidiaries as of December 31, 2003, April 30, 2003 (after quasi reorganization) and December 31, 2002, and the related consolidated statements of profit and loss, changes in shareholders' equity and cash flows for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002. These consolidated financial statements are the responsibility of Bank Mandiri's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bank Mandiri and Subsidiaries as of December 31, 2003, April 30, 2003 (after quasi reorganization) and December 31, 2002 and the consolidated results of their operations and their cash flows for the periods then ended in conformity with generally accepted accounting principles in Indonesia.

As discussed in Note 63 to the consolidated financial statements, accounting principles generally accepted in Indonesia vary in certain significant respects from International Financial Reporting Standards. Application of International Financial Reporting Standards would have affected the consolidated shareholders' equity of Bank Mandiri and Subsidiaries as of December 31, 2003, April 30, 2003 (after quasi reorganization) and December 31, 2002 and the consolidated results of their operations for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002 to the extent summarized in Note 64 to the consolidated financial statements.

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Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information listed in the Index to Additional Information is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**Prasetio, Sarwoko & Sandjaja**

A handwritten signature in black ink, appearing to read 'Sandjaja', with a stylized flourish at the end.

**Drs. Sandjaja**  
Public Accountant License No. 98.1.0357

March 9, 2004

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

These consolidated financial statements are originally issued in the Indonesian language.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	December 31, 2003	April 30, 2003	December 31, 2002
<b>ASSETS</b>				
			<b>After Quasi Reorganization</b>	
Cash	2f	2,228,671	1,846,539	2,164,651
Current Accounts with Bank Indonesia	2f, 4	12,157,316	9,643,221	9,607,119
Current Accounts with Other Banks - net of allowance for possible losses of Rp3,203, Rp3,594 and Rp3,726 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2e, 2f, 5, 48	328,855	412,651	311,765
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp64,849, Rp70,339 and Rp51,317 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2e, 2g, 6, 48	10,141,761	7,019,538	14,846,820
Securities	2d, 2e, 2h, 2af, 7, 57			
Related parties		420,549	260,421	511,317
Third parties		12,271,149	13,650,706	2,524,075
		12,691,698	13,911,127	3,035,392
Less: Unamortized interest, unrealized gains from increase in value of securities and allowance for possible losses		(1,146,546)	(1,176,272)	(1,085,244)
Net		11,545,152	12,734,855	1,950,148
Government Recapitalization Bonds	2d, 2e, 2i, 3, 8, 32, 57	122,906,853	150,332,380	148,845,927
Trade Documents and Other Facilities - net of allowance for possible losses of Rp799,322, Rp769,498 and Rp829,362 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2e, 2j, 2af, 9	2,873,398	1,971,769	1,660,136
Derivative Receivables - net of allowance for possible losses of Rp10,343, Rp4,198 and Rp3,625 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2e, 2l, 10	1,039,791	417,761	361,323
Loans	2d, 2e, 2m, 2n, 11, 56, 57			
Related parties		1,024,044	1,023,251	849,259
Third parties		74,918,576	68,380,662	64,567,989
		75,942,620	69,403,913	65,417,248
Less: Allowance for possible losses		(8,890,383)	(9,879,080)	(8,906,545)
Deferred income		(209,573)	(203,946)	(164,284)
Net		66,842,664	59,320,887	56,346,419
Acceptances Receivable - net of allowance for possible losses of Rp148,762, Rp103,404 and Rp127,538 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2e, 2o, 12	3,116,110	2,688,233	2,023,071

The accompanying notes form an integral part of these consolidated financial statements.

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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	December 31, 2003	April 30, 2003	December 31, 2002
<b>ASSETS (Continued)</b>				
Investments in Shares of Stock - net of allowance for possible losses of Rp89,693, Rp27,633 and Rp62,807 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2e, 2p, 13	12,722	122,271	87,096
Premises and Equipment - net of accumulated depreciation and amortization of Rp1,861,272, Rp1,642,699 and Rp1,551,820 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2q, 14	5,384,372	2,043,088	1,958,782
Deferred Tax Assets - net	2w, 27e	2,338,107	2,923,968	2,594,688
Other Assets	2d, 2r, 2s, 15, 57			
Accrued income		1,634,516	3,232,512	2,102,204
Receivables		2,819,848	2,810,862	2,875,188
Prepaid tax		16,559	366,724	365,753
Prepaid expenses		257,639	289,068	150,330
Others - net		3,791,220	3,109,582	2,143,269
Total Other Assets		8,519,782	9,808,748	7,636,744
<b>TOTAL ASSETS</b>		<b>249,435,554</b>	<b>261,285,909</b>	<b>250,394,689</b>

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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	December 31, 2003	April 30, 2003	December 31, 2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Liabilities Immediately Payable		889,710	443,908	70,548
Deposits from Customers:			<b>After Quasi Reorganization</b>	
Demand deposits	2d, 2t, 16, 57			
Related parties		11,854	27,545	29,580
Third parties		38,219,802	33,440,174	32,550,343
		<u>38,231,656</u>	<u>33,467,719</u>	<u>32,579,923</u>
Savings deposits	2d, 2t, 17, 57			
Related parties		8,769	2,406	32,823
Third parties		41,298,664	30,127,930	29,893,367
		<u>41,307,433</u>	<u>30,130,336</u>	<u>29,926,190</u>
Time deposits	2d, 2t, 18, 57			
Related parties		354,490	3,698,710	1,332,690
Third parties		98,917,175	119,927,633	120,196,401
		<u>99,271,665</u>	<u>123,626,343</u>	<u>121,529,091</u>
Certificates of deposit - net of unamortized interest of Rp7, Rp20 and Rp69 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2t	36	119	78,883
Total Deposits from Customers		<u>178,810,790</u>	<u>187,224,517</u>	<u>184,114,087</u>
Deposits from Other Banks:				
Demand deposits	2u, 19	611,864	285,423	593,431
Inter-bank call money	2u, 20	1,022,441	1,574,947	796,555
Time deposits	2u, 21	10,042,215	11,930,461	11,502,677
Certificates of deposit - net of unamortized interest of RpNil as of December 31, 2003, April 30, 2003 and December 31, 2002	2u, 21	-	-	30
Total Deposits from Other Banks		<u>11,676,520</u>	<u>13,790,831</u>	<u>12,892,693</u>
Securities Sold with Agreements to Repurchase	2k, 7, 22	4,405,677	735,000	735,000
Derivative Payables	2l, 10, 22	23,777	13,128	7,434
Acceptances Payable	2o, 23	3,264,872	2,791,637	2,150,609
Securities Issued - net of unamortized discount of Rp11,609, Rp15,428 and Rp2,342 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2v, 24	4,312,612	4,053,877	1,474,241
Fund Borrowings	25	8,535,169	12,658,279	13,659,536
Estimated Losses on Commitments and Contingencies	2e, 26, 46	572,267	1,488,315	1,211,211
Accrued Expenses		517,338	974,474	903,244
Taxes Payable	2w, 27a	601,304	1,091,009	295,949
Other Liabilities	2d, 2z, 28, 57	7,415,961	9,906,046	9,119,916
Subordinated Loans	2s, 29	5,118,484	5,901,077	6,358,965
Loan Capital	2s, 30	2,892,375	2,926,193	2,963,250
<b>Total Liabilities</b>		<b><u>229,036,856</u></b>	<b><u>243,998,291</u></b>	<b><u>235,956,683</u></b>
Minority Interests in Net Assets of Consolidated Subsidiaries	31	3,473	3,238	3,496

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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	December 31, 2003	April 30, 2003	December 31, 2002
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital - Rp500 (full amount) par value per share (April 30, 2003 and December 31, 2002: Rp1,000,000 (full amount) par value per share); Authorized - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B (April 30, 2003 and December 31, 2002: 16,000,000 shares); Issued and fully paid -1 share Dwiwarna Series A and 19,999,999,999 common shares Series B (April 30, 2003 and December 31, 2002: 4,251,000 shares)	32	10,000,000	4,251,000	4,251,000
Additional Paid-in Capital/Agio	2ae, 3, 32	5,926,418	10,675,418	173,550,319
Differences Arising from Translation of Foreign Currency Financial Statements	2b, 2c, 32	34,462	48,498	64,164
Unrealized (Losses)/Gains on Securities and Government Recapitalization Bonds Available for Sale	2h, 32	(1,860,850)	1,299,676	(2,138,186)
Premises and Equipment Revaluation Increment	2q, 32	3,056,724	9,788	9,788
Share Options	2aa, 32, 33	9,897	-	-
Retained Earnings/(Accumulated Losses) - (Rp162,874,901 of accumulated losses was eliminated against additional paid-in capital/agio as a result of the quasi reorganization on April 30, 2003)				
Appropriated	2ae,32, 61	-	1,000,000	2,099,638
Unappropriated	32	3,228,574	-	(163,402,213)
Total Retained Earnings/(Accumulated Losses)		3,228,574	1,000,000	(161,302,575)
<b>Total Shareholders' Equity</b>		<b>20,395,225</b>	<b>17,284,380</b>	<b>14,434,510</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>249,435,554</b>	<b>261,285,909</b>	<b>250,394,689</b>

The accompanying notes form an integral part of these consolidated financial statements.



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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
				(For Comparative Purposes)	
<b>INCOME AND EXPENSES FROM OPERATIONS</b>					
Interest Income	2m, 2x, 2y, 34				
Interest income		15,720,201	9,341,794	25,061,995	31,474,381
Fees and commissions on loan facilities		317,582	177,478	495,060	404,287
Total Interest Income		16,037,783	9,519,272	25,557,055	31,878,668
Interest Expense					
Interest expense	2x, 35	(10,358,128)	(7,079,587)	(17,437,715)	(24,952,253)
Other financing expenses	36	(81,198)	(31,335)	(112,533)	(64,326)
Total Interest Expense		(10,439,326)	(7,110,922)	(17,550,248)	(25,016,579)
<b>NET INTEREST INCOME</b>		<b>5,598,457</b>	<b>2,408,350</b>	<b>8,006,807</b>	<b>6,862,089</b>
Other Operating Income					
Foreign exchange gain - net	2c, 2i	33,206	80,544	113,750	-
Other fees and commissions		727,121	196,770	923,891	803,632
Others	43	465,530	170,422	635,952	808,243
Total Other Operating Income		1,225,857	447,736	1,673,593	1,611,875
Provision for Possible Losses on Earning Assets	2e, 37	(645,063)	(534,351)	(1,179,414)	(4,590,643)
Reversal/(Addition) of Estimated Losses on Commitments and Contingencies	2e, 26c	846,430	(205,317)	641,113	3,364,433
(Provision)/Reversal of Allowance for Possible Losses on Other Assets	15	(165,094)	(1,098)	(166,192)	288,940
(Losses)/Gains from (Decrease)/Increase in Value of Securities and Government Recapitalization Bonds - net	2h, 38	(768,240)	717,298	(50,942)	1,530,413
Gain from Sale of Securities and Government Recapitalization Bonds	2h, 39	1,799,016	324,422	2,123,438	490,337
Other Operating Expenses					
General and administrative expenses	2q, 40	(1,607,596)	(542,921)	(2,150,517)	(2,060,142)
Salaries and employee benefits	2z, 41, 42	(1,151,138)	(612,837)	(1,763,975)	(1,565,951)
Foreign exchange loss - net	2c, 2i, 2r	-	-	-	(24,767)
Others - net	44	(134,014)	(186,335)	(320,349)	(1,334,163)
Total Other Operating Expenses		(2,892,748)	(1,342,093)	(4,234,841)	(4,985,023)
<b>PROFIT FROM OPERATIONS</b>	<b>54</b>	<b>4,998,615</b>	<b>1,814,947</b>	<b>6,813,562</b>	<b>4,572,421</b>
Non-Operating Income - Net	45	135,992	81,970	217,962	1,237,549
<b>PROFIT BEFORE CORPORATE INCOME TAX EXPENSE AND MINORITY INTERESTS</b>		<b>5,134,607</b>	<b>1,896,917</b>	<b>7,031,524</b>	<b>5,809,970</b>

The accompanying notes form an integral part of these consolidated financial statements.

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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
				(For Comparative Purposes)	
Corporate Income Tax (Expense)/Benefit					
Current	2w, 27	(1,319,937)	(868,940)	(2,188,877)	(824)
Deferred	2w, 27	(585,861)	329,280	(256,581)	(2,222,929)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		3,228,809	1,357,257	4,586,066	3,586,217
<b>MINORITY INTERESTS IN NET (PROFIT)/LOSS OF CONSOLIDATED SUBSIDIARIES</b>		(235)	258	23	(628)
<b>NET PROFIT</b>	54	<b>3,228,574</b>	<b>1,357,515</b>	<b>4,586,089</b>	<b>3,585,589</b>
<b>EARNING PER SHARE</b>					
Basic (full amount)	2ab	161.43	67.88	229.30	179.28
Diluted (full amount)	2ab	160.96	67.68	228.64	178.76

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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Year Ended December 31, 2002**  
**(Expressed in Millions of Rupiah, unless otherwise stated)**

	Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital/Agio*	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized (Losses)/ Gains on Securities and Government Recapitalization Bonds Available for Sale	Premises and Equipment Revaluation Increment	Share Options	Retained Earnings/(Accumulated Losses)			Total Shareholders' Equity
								Unappropriated	Appropriated	Total	
<b>Balance as of January 1, 2002</b>		<b>4,251,000</b>	<b>174,962,319</b>	<b>83,745</b>	<b>(5,047,162)</b>	<b>9,788</b>	-	<b>(163,642,045)</b>	<b>159,140</b>	<b>(163,482,905)</b>	<b>10,776,785</b>
Return of additional paid-in capital to the Government	32	-	(1,412,000)	-	-	-	-	-	-	-	(1,412,000)
Reduction differences arising from the translation of foreign currency financial statements	2b,2c	-	-	(19,581)	-	-	-	-	-	-	(19,581)
Unrealized gain on securities and Government Recapitalization Bonds available for sale	2h	-	-	-	2,908,976	-	-	-	-	-	2,908,976
Dividends allocated from 2001 net profit	32	-	-	-	-	-	-	(1,372,878)	-	(1,372,878)	(1,372,878)
Allocation for small industry and cooperative development fund ("PUKK"), environmental development fund and directors' and commissioners' bonuses (tantiem) from 2001 net profit	32	-	-	-	-	-	-	(32,381)	-	(32,381)	(32,381)
General and specific reserve allocated from 2001 net profit	32	-	-	-	-	-	-	(1,340,498)	1,340,498	-	-
Net profit for 2002		-	-	-	-	-	-	3,585,589	-	3,585,589	3,585,589
Reserve allocated from net profit for the six-month period ended June 30, 2002		-	-	-	-	-	-	(600,000)	600,000	-	-
<b>Balance as of December 31, 2002</b>		<b>4,251,000</b>	<b>173,550,319</b>	<b>64,164</b>	<b>(2,138,186)</b>	<b>9,788</b>	-	<b>(163,402,213)</b>	<b>2,099,638</b>	<b>(161,302,575)</b>	<b>14,434,510</b>

\* Agio represents paid-up capital in excess of par value.

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**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Year Ended December 31, 2002**  
**(Expressed in Millions of Rupiah, unless otherwise stated)**

Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital/Agio*	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized (Losses)/Gains on Securities and Government Recapitalization Bonds Available for Sale	Premises and Equipment Revaluation Increment	Share Options	Retained Earnings/(Accumulated Losses)			Total Shareholders' Equity
							Unappropriated	Appropriated	Total	
<b>Balance as of December 31, 2002</b>	<b>4,251,000</b>	<b>173,550,319</b>	<b>64,164</b>	<b>(2,138,186)</b>	<b>9,788</b>	-	<b>(163,402,213)</b>	<b>2,099,638</b>	<b>(161,302,575)</b>	<b>14,434,510</b>
General and specific reserves allocated from 2002 net profit	32	-	-	-	-	-	(1,055,748)	1,055,748	-	-
Dividends allocated from 2002 net profit	32	-	-	-	-	-	(1,792,794)	-	(1,792,794)	(1,792,794)
Allocation for small industry and cooperative development fund ("PUKK"), environmental development fund and directors' and commissioners' bonuses (tantiem) from 2002 net profit	32	-	-	-	-	-	(137,047)	-	(137,047)	(137,047)
Reduction in differences arising from the translation of foreign currency financial statements	2b,2c	-	-	(15,666)	-	-	-	-	-	(15,666)
Unrealized gain on securities and Government Recapitalization Bonds available for sale	2h	-	-	-	3,437,862	-	-	-	-	3,437,862
Net profit for the four-month period ended April 30, 2003		-	-	-	-	-	1,357,515	-	1,357,515	1,357,515
<b>Balance as of April 30, 2003 before quasi reorganization</b>		<b>4,251,000</b>	<b>173,550,319</b>	<b>48,498</b>	<b>1,299,676</b>	<b>9,788</b>	<b>(165,030,287)</b>	<b>3,155,386</b>	<b>(161,874,901)</b>	<b>17,284,380</b>
Elimination of accumulated losses with additional paid-in capital/agio due to quasi reorganization	2ae,32	-	(162,874,901)	-	-	-	165,030,287	(2,155,386)	162,874,901	-
<b>Balance as of April 30, 2003 after quasi reorganization</b>	2ae,32	<b>4,251,000</b>	<b>10,675,418</b>	<b>48,498</b>	<b>1,299,676</b>	<b>9,788</b>	<b>-</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>17,284,380</b>

\* Agio represents paid-up capital in excess of par value.

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**PT BANK MANDIRI (PERSERO), TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Year Ended December 31, 2002**  
**(Expressed in Millions of Rupiah, unless otherwise stated)**

Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital/Agio*	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized (Losses)/ Gains on Securities and Government Recapitalization Bonds Available for Sale	Premises and Equipment Revaluation Increment	Share Options	Retained Earnings/(Accumulated Losses)			Total Shareholders' Equity	
							Unappropriated	Appropriated	Total		
<b>Balance as of April 30, 2003 after quasi reorganization</b>	2ae,32	<b>4,251,000</b>	<b>10,675,418</b>	<b>48,498</b>	<b>1,299,676</b>	<b>9,788</b>	-	-	<b>1,000,000</b>	<b>1,000,000</b>	<b>17,284,380</b>
Conversion of issued and fully paid-up capital to additional paid-in capital/agio	32	(251,000)	251,000	-	-	-	-	-	-	-	-
Conversion of appropriated retained earnings to issued and fully paid-up capital	32	1,000,000	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-
Conversion of additional paid-in capital/agio to issued and fully paid-up capital	32	5,000,000	(5,000,000)	-	-	-	-	-	-	-	-
Additional premises and equipment revaluation increment	2q,14c,32	-	-	-	-	3,046,936	-	-	-	-	3,046,936
Reduction in differences arising from translation of foreign currency financial statements	2b,2c	-	-	(14,036)	-	-	-	-	-	-	(14,036)
Unrealized losses on securities and Government Recapitalization Bonds available for sale	2h	-	-	-	(3,160,526)	-	-	-	-	-	(3,160,526)
Recognition of share options	33	-	-	-	-	9,897	-	-	-	-	9,897
Net profit for the eight-month period ended December 31, 2003		-	-	-	-	-	3,228,574	-	-	3,228,574	3,228,574
<b>Balance as of December 31, 2003</b>		<b>10,000,000</b>	<b>5,926,418</b>	<b>34,462</b>	<b>(1,860,850)</b>	<b>3,056,724</b>	<b>9,897</b>	<b>3,228,574</b>	<b>-</b>	<b>3,228,574</b>	<b>20,395,225</b>

\* Agio represents paid-up capital in excess of par value.

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in the Indonesian language.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
			(For Comparative Purposes)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interest income	17,318,196	8,211,486	25,529,682	32,496,217
Receipts from fees and commissions	1,044,703	374,248	1,418,951	1,207,919
Payment of interest expense	(10,815,264)	(7,008,357)	(17,823,621)	(25,337,207)
Payment of other financing expenses	(81,198)	(31,335)	(112,533)	(64,326)
Gains from sale of securities and Government Recapitalization Bonds	1,799,016	324,422	2,123,438	490,337
Foreign exchange gains/(losses) - net	59,362	672,701	732,063	4,335,401
Operating income - others	363,084	194,789	557,873	584,686
Operating expenses - others	(143,401)	(282,764)	(426,165)	1,863,929
Salaries and employee benefits	(940,043)	(519,426)	(1,459,469)	(1,565,951)
General and administrative expenses	(1,329,285)	(452,051)	(1,781,336)	(1,772,469)
Non-operating income/(expense) - others	95,134	87,035	182,169	279,749
<b>Profit before changes in operating activities</b>	<b>7,370,304</b>	<b>1,570,748</b>	<b>8,941,052</b>	<b>12,518,285</b>
(Increase)/decrease in operating assets:				
Placements with Bank Indonesia and other banks	(3,116,900)	7,808,260	4,691,360	20,705,663
Securities - trading portfolio	76,528	(55,087)	21,441	(453,537)
Sale of Government Recapitalization Bonds - trading portfolio	26,080,865	81,199	26,162,064	1,024,891
Trade documents and other facilities	(931,453)	(251,769)	(1,183,222)	189,304
Loans	(9,502,049)	(4,586,873)	(14,088,922)	(16,937,933)
Proceeds from collection of earning assets already written-off	902,200	337,918	1,240,118	1,103,124
Deposit made to State Treasury	-	-	-	(1,124,194)
Other assets	369,766	(1,108,218)	(738,452)	(61,492)
Increase/(decrease) in operating liabilities:				
Demand deposits	5,090,378	579,788	5,670,166	(4,970,707)
Savings deposits	11,177,097	204,146	11,381,243	7,621,387
Time deposits	(26,242,924)	2,525,036	(23,717,888)	(5,816,064)
Certificates of deposit	(83)	(78,794)	(78,877)	(3,262,970)
Inter-bank call money	(552,506)	778,392	225,886	461,554
Liabilities immediately payable	445,802	373,360	819,162	8,483
Taxes payable	(1,809,643)	(73,880)	(1,883,523)	(51,084)
Other liabilities	(771,337)	1,586,877	815,540	422,323
Estimated losses on commitments and contingencies	(846,341)	205,228	(641,113)	(3,791,082)
Differences arising from translation of foreign currency financial statements	(14,036)	(15,666)	(29,702)	(19,581)
<b>Net cash provided by operating activities</b>	<b>7,725,668</b>	<b>9,880,665</b>	<b>17,606,333</b>	<b>7,566,370</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease/(increase) in securities- held to maturity portfolio	231,771	(10,026,581)	(9,794,810)	(540,299)
Redemption of matured Government Recapitalization Bonds	5,010,603	1,404,063	6,414,666	11,552,679
Addition to Government Recapitalization Bonds	(5,010,603)	(1,404,063)	(6,414,666)	(11,552,679)
Purchase of Government Recapitalization Bonds	(465,354)	-	(465,354)	-
Decrease/(increase) in investments in shares of stock	36,132	-	36,132	(23,818)
Sale of securities purchased with agreements to resell	-	-	-	305,102
Proceeds from sale of premises and equipment	210,268	-	210,268	1,472
Acquisition of premises and equipment	(773,922)	(182,536)	(956,458)	(347,354)
<b>Net cash used in investing activities</b>	<b>(761,105)</b>	<b>(10,209,117)</b>	<b>(10,970,222)</b>	<b>(604,897)</b>

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in the Indonesian language.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
			(For Comparative Purposes)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(decrease) in minority interests in net assets of consolidated subsidiaries	235	(258)	(23)	(628)
Increase/(decrease) in securities issued	258,735	2,579,636	2,838,371	(1,919,262)
Decrease in fund borrowings	(3,719,606)	(662,477)	(4,382,083)	(4,544,697)
(Decrease)/increase in subordinated loans	(697,723)	(357,705)	(1,055,428)	329,780
Sale of securities sold with agreements to repurchase	2,935,677	-	2,935,677	735,000
Payment of dividend, PUKK, environmental development fund and tantiem	(2,929,841)	-	(2,929,841)	(1,372,878)
Return of additional paid-in capital to the Government	-	(1,412,000)	(1,412,000)	-
<b>Net cash (used in)/provided by financing activities</b>	<b>(4,152,523)</b>	<b>147,196</b>	<b>(4,005,327)</b>	<b>(6,772,685)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,812,040</b>	<b>(181,256)</b>	<b>2,630,784</b>	<b>188,788</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>11,906,005</b>	<b>12,087,261</b>	<b>12,087,261</b>	<b>11,898,473</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>14,718,045</b>	<b>11,906,005</b>	<b>14,718,045</b>	<b>12,087,261</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD CONSIST OF:</b>				
Cash (Note 2f)	2,228,671	1,846,539	2,228,671	2,164,651
Current accounts with Bank Indonesia (Notes 2f, 4)	12,157,316	9,643,221	12,157,316	9,607,119
Current accounts with other banks (Notes 2f, 5)	332,058	416,245	332,058	315,491
<b>Total cash and cash equivalents</b>	<b>14,718,045</b>	<b>11,906,005</b>	<b>14,718,045</b>	<b>12,087,261</b>
<b>SUPPLEMENTAL NON-CASH FLOW INFORMATION:</b>				
Activities not affecting cash flows:				
Unrealized gains/(losses) on Securities and Government Recapitalization Bonds available for sale	(3,928,766)	4,155,160	226,394	4,439,389
Reprofiling of Government Recapitalization Bonds	-	16,783,377	16,783,377	103,849,017
Reserves for dividends, PUKK, environmental development fund, tantiem and incentive bonuses from 2002 net profit	-	(1,929,841)	(1,929,841)	-
Government Recapitalization Bonds swapped with IBRA loans	-	-	-	(5,422,497)
Proposed return of additional paid-in capital to the Government	-	-	-	(1,412,000)

The accompanying notes form an integral part of these consolidated financial statements.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

**1. GENERAL**

PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as "Bank Mandiri" or the "Bank") was established in the Republic of Indonesia on October 2, 1998 under Government Regulation No. 75 of 1998 dated October 1, 1998 and based on notarial deed No. 10 of Sutjipto, S.H. dated October 2, 1998. The deed of establishment was approved by the Minister of Justice in decision letter No. C2-16561 HT.01.01.Th98 dated October 2, 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated December 4, 1998. Bank Mandiri was established through the transfer of almost all shares formerly owned by the Government of the Republic of Indonesia (the "Government") in the former PT Bank Bumi Daya (Persero) (BBD), former PT Bank Dagang Negara (Persero) (BDN), former PT Bank Ekspor Impor Indonesia (Persero) (Bank Exim) and former PT Bank Pembangunan Indonesia (Persero) (Bapindo) (hereinafter collectively referred to as the "Merged Banks"), and by cash payments from the Government.

Based on the amendment to Articles of Association approved by the Minister of Justice and Human Rights in decision letter No. C-12783 HT.01.04.TH.2003 dated June 6, 2003 and was published in Supplement No. 6590 of State Gazette No. 63 dated August 8, 2003, the Bank's name has been changed from PT Bank Mandiri (Persero) to PT Bank Mandiri (Persero) Tbk.

Bank Mandiri's Articles of Association have been amended several times. The most recent change is by notarial deed No. 130 of Sutjipto, S.H. dated September 29, 2003.

In accordance with Article 3 of the Articles of Association, Bank Mandiri is engaged in banking activities in accordance with prevailing laws and regulations. The Bank commenced operations on August 1, 1999.

In relation with the Bank's Initial Public Offering (IPO), Bank Mandiri submitted its registration to the Capital Market Supervisory Board (Bapepam). The Registration Statement became effective based on the decision letter of the Chairman of Bapepam No. S-1551/PM/2003 dated June 27, 2003.

On July 14, 2003, Bank Mandiri made an Initial Public Offering (IPO) of its 4,000,000,000 shares Bank, with a nominal value of Rp500 (full amount) per share with an initial selling price of Rp675 (full amount) per share. The offering of 4,000,000,000 shares of the Bank represents a divestment of 20% of the ownership of the Government of the Republic of Indonesia in Bank Mandiri (Note 32).

On July 14, 2003, 19,800,000,000 of Bank Mandiri's shares were listed on the Jakarta Stock Exchange and Surabaya Stock Exchange based on Jakarta Stock Exchange's Approval Letter No. S-1187/BEJ.PSJJ/07-2003 dated July 8, 2003 and Bursa Efek Surabaya's Approval Letter No. JKT-028/LIST/BES/VII/2003 dated July 10, 2003.

Bank Mandiri's head office is located in Jakarta, Indonesia. As of December 31, 2003, April 30, 2003 and December 31, 2002, Bank Mandiri had the following domestic and offshore structure:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Domestic Regional Branches	10	10	10
Domestic Branches:			
Hubs	54	54	54
Spokes	421	421	426
Cash Outlets	255	216	207
	<hr/>	<hr/>	<hr/>
	730	691	687
Offshore Branches	4	3	3
Representative Office	1	-	-
Offshore Subsidiary	1	1	1



**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

**1. GENERAL (continued)**

Bank Mandiri has offshore branches located in Grand Cayman, Singapore and Hong Kong as of April 30, 2003 and December 31, 2002 and a new branch in Timor Leste as of December 31, 2003 and has one offshore subsidiary in London, United Kingdom, Bank Mandiri (Europe) Limited (BMEL). Bank Mandiri has also a representative office in Shanghai, China.

Bank Mandiri's Boards of Commissioners and Directors as of December 31, 2003, April 30, 2003 and December 31, 2002 are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
<b>Board of Commissioners</b>			
Chairman	: Binhadi	Binhadi	Binhadi
Deputy Chairman	: Markus Parmadi#)	-	-
Commissioner	: Darmin Nasution**)	Soedarjono	Soedarjono
Commissioner	: Arie Soelendro***)	Markus Parmadi	Markus Parmadi
Commissioner	: Mohammad Syahrial**)	Sabana Kartasasmita	Sabana Kartasasmita
Independent Commissioner	: A. Tony Prasetyantono**)		
Independent Commissioner	: Riswinandi**)		
<b>Board of Directors</b>			
President Director	: E.C.W. Neloe	E.C.W. Neloe	E.C.W. Neloe
Deputy President Director	: I Wayan Pugeg	-	-
Director	: I Wayan Agus Mertayasa	I Wayan Pugeg	I Wayan Pugeg
Director	: M. Sholeh Tasripan	I Wayan Agus Mertayasa	I Wayan Agus Mertayasa *)
Director	: Omar Sjawaldy Anwar	M. Sholeh Tasripan	
Director	: Ventje Rahardjo	Omar Sjawaldy Anwar	
Director and Corporate Secretary	: Nimrod Sitorus*)	Nimrod Sitorus*)	
Director	: Johannes Bambang Kendarto	Ventje Rahardjo	
Director	: Zulkifli Zaini**)	Johanes Bambang Kendarto	

\*) also appointed as Compliance Director

\*\*\*) approval from BI through letter No. 6/2/DGS/DPIP/Rahasia dated January 6, 2004

\*\*\*) approved by Bank Indonesia through its letter No. 6/14/DGS/DPIP/Rahasia dated February 17, 2004

#) also appointed as Independent Commissioner

Bank Mandiri's Audit Committee as of December 31, 2003, April 30, 2003 and December 31, 2002, is comprised of:

	December 31, 2003	April 30, 2003 and December 31, 2002
Chairman	: Markus Parmadi	Soedarjono
Member	: Zulkifli Djaelani	Soejatna Soenoesoebrata
Member	: Imam Sukarno	Zulkifli Djaelani

As of December 31, 2003, April 30, 2003 and December 31, 2002 Bank Mandiri has a total of 18,397, 17,780 and 17,204 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Preparation of the Consolidated Financial Statements**

The consolidated financial statements of Bank Mandiri and Subsidiaries have been prepared in conformity with the Statement of Financial Accounting Standards (SFAS) No. 31 (Revised 2000), "Accounting for the Banking Industry" and other generally accepted accounting principles established by the Indonesian Institute of Accountants and, where applicable, with prevailing banking industry practices and accounting and reporting guidelines prescribed by the Indonesian banking regulatory authority.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

a. Basis of Preparation of the Consolidated Financial Statements (continued)

The consolidated financial statements have been prepared on the historical cost and accrual basis of accounting, except for trading and available for sale securities and Government Bonds and derivative receivables and payables which are stated at fair value, hedge bonds which are stated at indexed value, certain investments in shares of stock which are accounted for under the equity method, and certain premises and equipment which have been revalued.

The consolidated statements of cash flows are presented under the direct method which classifies cash receipts and payments on the basis of operating, investing and financing activities. For the purpose of the consolidated statements of cash flows, cash equivalents include cash on hand, current accounts with Bank Indonesia and current accounts with other banks.

b. Principles of Consolidation

The consolidated financial statements include the financial statements of Bank Mandiri and its majority-owned or controlled Subsidiaries. Significant inter-company balances and transactions have been eliminated.

Subsidiaries included in the consolidated financial statements are as follows:

Name of Subsidiary	Nature of Business	Domicile	Percentage of Ownership		
			December 31, 2003	April 30, 2003	December 31, 2002
Bank Mandiri (Europe) Limited (BMEL)	Commercial Banking	London	100.00	100.00	100.00
PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri)	Insurance	Jakarta	49.00*	100.00	100.00
PT Bank Syariah Mandiri (BSM)	Syariah Banking	Jakarta	99.99	99.99	99.99
PT Usaha Gedung Bank Dagang Negara	Property Management	Jakarta	99.00	99.00	99.00
PT Bumi Daya Plaza	Property Management	Jakarta	93.33	93.33	93.33
PT Mandiri Sekuritas	Investment Banking	Jakarta	95.68	95.68	91.87

\*) 51% interest has been sold to National Mutual Fund International Pty. Ltd., a member of the AXA Group effective on November 5, 2003, therefore the financial statements of PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri) as of December 31, 2003 were not consolidated (see Note below).

BMEL was incorporated on June 22, 1999 under the Companies Act 1985 of the United Kingdom. It was established from the conversion of Bank Exim London Branch to a subsidiary effective July 31, 1999. BMEL was mandated to act as a commercial bank to represent the interests of Bank Mandiri. The registered office of BMEL is in London, United Kingdom. In July 2002, the Bank injected additional paid-up capital of US\$22 million into BMEL.

PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri) was established in the Republic of Indonesia on September 30, 1991 based on notarial deed No. 179 of Muhani Salim, S.H. dated September 30, 1991 with the name of PT Asuransi Jiwa Staco Raharja. Based on the Extraordinary General Shareholders' Meeting held on January 31, 2002, the name of the Company was changed from PT Asuransi Jiwa Staco Raharja to PT Asuransi Jiwa Mandiri. In accordance with Article 3 of the Company's Articles of Association, the Company is engaged in life insurance activities. In order to strengthen the Company's capital structure prior to a proposed joint venture with National Mutual Fund International Pty. Ltd., a member of the AXA Group, on September 20, 2002 and October 24, 2003 PT Asuransi Jiwa Mandiri's paid up capital was increased by Rp10,000 and Rp28,600, respectively, as a result of the Bank's increased investment in the Company. On November 5, 2003, National Mutual Fund International Pty. Ltd. acquired 51% of the share ownership in the Company from Bank Mandiri. On November 5, 2003, Bank Mandiri and National Mutual Fund International Pty. Ltd. contributed to an increase in the paid up capital of PT Asuransi Jiwa Mandiri in the amount of Rp7,777 and Rp8,095, respectively. Since then, the Company's name has changed from PT Asuransi Jiwa Mandiri to PT AXA Mandiri Financial Services (Note 58f).

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

b. Principles of Consolidation (continued)

PT Bank Syariah Mandiri (BSM), was established in the Republic of Indonesia on August 10, 1973 under the name of PT Bank Susila Bhakti, a subsidiary of BDN, based on notarial deed No. 146 of R. Soeratman. The Company's name was changed several times, the latest of which changes was based on notarial act No. 23 of Sutjipto, S.H. dated September 8, 1999, whereby its name was changed to PT Bank Syariah Mandiri. The Company is engaged in banking activities in accordance with "Syariah" banking principles.

PT Usaha Gedung Bank Dagang Negara was established in the Republic of Indonesia on October 29, 1971 based on notarial deed No. 104 of Abdul Latief, S.H. dated October 29, 1971. The Company is engaged in property management and office rental activities, which involve the Company and its Subsidiaries' offices, and other offices. It owns 75% of the share capital of PT Pengelola Harta Tetap Mandiri (PHTM), a company primarily established to manage and sell the non-core fixed assets of Bank Mandiri, and 25% of the share capital of PT Pengelola Investama Mandiri (PIM), a company primarily established to manage the investments in shares of stock of Bank Mandiri.

PT Bumi Daya Plaza was established in the Republic of Indonesia based on notarial deed No. 33 of Ny. Subagyo Reksodipuro, S.H. dated December 22, 1978. The Company is engaged in property management and rental activities. It owns 75% of the share capital of PIM and 25% of the share capital of PHTM.

PT Mandiri Sekuritas was established in the Republic of Indonesia on July 31, 2000 based on notarial deed No. 116 of Ny. Vita Buena, S.H. replacing Sutjipto, S.H. It was established through the merger of PT Bumi Daya Sekuritas, PT Exim Sekuritas and PT Merincorp Securindo. The merger was approved by the Minister of Laws and Regulations of the Republic of Indonesia on August 25, 2000 based on decision letter No. C-18762 HT.01.01-TH.2000. The Bank injected additional paid-up capital of Rp300 billion (full amount) and Rp300 billion (full amount) into the Company in December 2002 and April 2003, respectively, resulting in an increase in the percentage of the Bank's ownership from 28.49% to 95.68%.

The total assets of the Subsidiaries as of December 31, 2003, April 30, 2003 and December 31, 2002 (prior to elimination) amounted to Rp6,069,839, Rp4,254,717 and Rp3,371,193 or 2.43%, 1.63% and 1.35% of the total consolidated assets, respectively.

For consolidation purposes, the financial statements of the overseas branches and overseas subsidiary of Bank Mandiri are translated into Rupiah on the following basis:

- (1) Assets, liabilities, commitments and contingencies - using the middle rates as published by Bank Indonesia at the balance sheet date.
- (2) Revenues, expenses, gains and losses - using the average middle rates during each month in the financial reporting period.
- (3) Shareholders' equity accounts - using historical rates.
- (4) Statements of cash flows - using the middle rates as published by Bank Indonesia at the balance sheet date, except for profit and loss statement balances which are translated using the average middle rates and shareholders' equity balances which are translated using historical rates.

The resulting net translation adjustment is presented as "Differences Arising from Translation of Foreign Currency Financial Statements" under the Shareholders' Equity section of the consolidated balance sheets.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

b. Principles of Consolidation (continued)

As of December 31, 2003, the financial statements of PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri) were not consolidated as the Bank's ownership as of December 31, 2003 is below 50% and the Bank does not exercise control over the entity at that date.

The total consolidated assets and liabilities, if the change in ownership interests in PT AXA Mandiri Financial Services was applied as of April 30, 2003 and December 31, 2002, would be:

	April 30, 2003 *)		December 31, 2002	
	As Reported (Audited)	Without PT AXA Mandiri Financial Services	As Reported (Audited)	Without PT AXA Mandiri Financial Services
Consolidated assets	261,285,909	261,267,164	250,394,689	250,376,964
Consolidated liabilities	243,998,291	243,979,545	235,956,683	235,938,958

\*) After reflecting Quasi Reorganization (Notes 2ae and 61).

The total consolidated net profit and shareholders' equity, if the change in ownership interests in PT AXA Mandiri Financial Services was applied as of April 30, 2003 and December 31, 2002, would be:

	As of and for the Four-Month Period Ended April 30, 2003		As of and for the Year ended December 31, 2002	
	As Reported (Audited)	Without PT AXA Mandiri Financial Services	As Reported (Audited)	Without PT AXA Mandiri Financial Services
Consolidated net profit	1,357,515	1,357,339	3,585,589	3,590,924
Consolidated shareholders' equity	17,284,380	17,284,899	14,434,510	14,418,923

c. Foreign Currency Transactions and Balances

Bank Mandiri maintains accounting records in Indonesian Rupiah. Transactions in currencies other than Rupiah are recorded at the prevailing rates of exchange in effect on the date of the transactions. At the balance sheet date, all foreign currency monetary assets and liabilities are translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian Time) on December 31, 2003, April 30, 2003 and December 31, 2002. The resulting gains or losses are credited or charged to the current period's profit and loss.

The exchange rates used against the Rupiah were as follows (amounts in full Rupiah):

	December 31, 2003	April 30, 2003	December 31, 2002
US Dollar 1/Rp	8,425	8,675	8,950
British Pound Sterling 1/Rp	15,057	13,836	14,405
Japanese Yen 100/Rp	7,893	7,263	7,542
Euro 1/Rp	10,649	9,657	9,367

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

d. Transactions with Related Parties

Bank Mandiri and Subsidiaries enter into transactions with related parties as defined in SFAS No. 7 - "Related Party Disclosures".

All significant transactions with related parties, whether or not conducted under normal terms and conditions as those with third parties, are disclosed in Note 57. Transactions of Bank Mandiri with state- and region-owned/controlled entities including the Indonesian Bank Restructuring Agency ("IBRA") are not considered as transactions with related parties.

e. Allowance for Possible Losses on Earning Assets and Estimated Losses on Commitments and Contingencies

Earning assets consist of current accounts with other banks, placements with Bank Indonesia and other banks, securities, Government Recapitalization Bonds, trade documents and other facilities, securities purchased with agreements to resell, derivative receivables, loans, acceptances receivable, investments in shares of stock, and commitments and contingencies with credit-related risk.

Commitments and contingencies with credit-related risk consist of outstanding irrevocable letters of credit, outstanding letters of credit under Bank Indonesia's guarantee program, guarantees issued in the form of standby letters of credit, bank guarantees and risk sharing.

In accordance with Bank Indonesia (BI) regulations, the Bank classifies earning assets into one of five categories. Performing assets are categorized as current and special mention. Non-performing assets are divided into three categories: sub-standard, doubtful and loss.

The classification of earning assets into current, special mention, sub-standard, doubtful and loss is determined based on the evaluation of the Management of Bank Mandiri and Subsidiaries of each borrower's repayment performance, business prospects, financial condition and ability to repay, and consideration of the guidelines prescribed by Bank Indonesia regarding the quality of earning assets.

In accordance with Bank Indonesia guidelines, the Bank has established allowances for possible losses in the form of a "general reserve" in respect of the overall loan portfolio categorized as current, and in the form of a "specific reserve" in respect of any specifically identified loans categorized as special mention, sub-standard, doubtful or loss.

The determination of the minimum allowance for possible losses on earning assets and commitments and contingencies takes into consideration the guidelines prescribed by Bank Indonesia regarding the Allowances for Possible Losses on Earning Assets, which prescribe minimum rates of allowance for possible losses on earning assets and commitments and contingencies with credit-related risk. The following table shows Bank Indonesia's minimum allowance requirements:

<u>Classification</u>	<u>Rate</u>
Current *)	1%
Special mention	5%
Sub-standard	15%
Doubtful	50%
Loss	100%

\*) Excluding Bank Indonesia Certificates of Indebtedness (SBIs), placements with Bank Indonesia, Government Recapitalization Bonds and other Government bonds.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- e. Allowance for Possible Losses on Earning Assets and Estimated Losses on Commitments and Contingencies (continued)

The Bank maintains allowances that in most cases exceed Bank Indonesia's minimum allowance requirements. Also, for group borrowers, the Bank provides allowances generally based on the lowest rating within a group. The above rates of allowances for possible losses are applied as a minimum, to the outstanding balances of earning assets and commitments and contingencies with credit-related risk, net of the value of cash and certain non-cash collateral, except for earning assets classified as current and special mention for which the rate is applied to the outstanding balance.

The estimated losses on commitments and contingencies with credit-related risk is presented in the liabilities section of the consolidated balance sheets.

The outstanding balances of earning assets are written off against the respective allowance for possible losses when the management of Bank Mandiri and Subsidiaries believe that the earning assets are uncollectible. Recoveries of earning assets previously written off are recorded as an addition to the allowance for possible losses during the period. If the recovery exceeds the principal amount, the excess will be recognized as interest income.

- f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, current accounts with Bank Indonesia and current accounts with other banks.

- g. Placements with Bank Indonesia and Other Banks

Placements with Bank Indonesia and other banks represent placements in the form of call money, "fixed-term" placements, time deposits, certificates of deposit and others.

Placements with Bank Indonesia are stated at the outstanding balances, net of the unamortized interest. Placements with other banks are stated at the outstanding balances, net of allowance for possible losses.

- h. Securities

Securities consist of securities traded in the money market such as mutual fund units, Certificates of Bank Indonesia, negotiable certificates of deposit, commercial papers, money market securities and securities traded on the stock exchanges such as shares of stocks and bonds.

Securities include bonds issued by the Government, which are not related to the recapitalization program such as treasury bonds and foreign currency bonds. These bonds or notes are issued by the Government for the purpose of managing the Government's funding requirements, and are obtained through both primary and secondary markets.

Investments in mutual fund units are stated at market value, which is the net value of assets of the mutual funds at the balance sheet date. Any unrealized gains or losses at the balance sheet date are reflected in the current period's profit or loss.

The value of securities is stated based on the classification of the securities, as follows:

- (1) Trading securities are stated at fair value. The unrealized gains/losses resulting from the increase/decrease in fair value are recognized in the current period's profit and loss. Upon the sale of securities in a trading portfolio, the difference between selling price and fair value per books is recognized as a realized gain or loss on sale.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

h. Securities (continued)

(2) Available for sale securities are stated at fair value. Unrealized gains/losses resulting from the increase/decrease in fair value are not recognized in the current period's profit and loss but are presented as a separate component of shareholders' equity. Gains/losses are recognized in profit and loss upon realization.

(3) Held to maturity securities are stated at cost adjusted for unamortized discounts or premiums.

For securities which are actively traded in organized financial markets, fair value is generally determined by reference to quoted market bid prices by the stock exchanges at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the assets. For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of securities. Any permanent decline in the fair value of securities held to maturity and available for sale is charged to profit and loss in the period incurred.

Securities are stated net of allowance for possible losses and unamortized interest/premium or discount. Premiums and discounts are amortized using the straight-line method.

i. Government Recapitalization Bonds

Government Recapitalization Bonds represent bonds issued by the Government in connection with the recapitalization of commercial banks. Government Recapitalization Bonds are stated at nominal value, except for bonds that have become available for trading and for sale, which are stated at fair value, and for hedge bonds which are stated at values determined by the exchange rate of the Rupiah against the US Dollar, as published by Reuters on the balance sheet date. The exchange gain or loss arising from the indexation of hedge bonds is charged to the current period's profit and loss.

For Government Recapitalization Bonds which are traded, fair value is generally determined by reference to quoted market bid prices by the stock exchanges at the close of business on the balance sheet date. For Government Recapitalization Bonds where there are no quoted market prices, a reasonable estimate of the fair value is calculated using a yield-to-maturity approach.

j. Trade Documents and Other Facilities

Trade documents and other facilities represent receivables resulting from contracts for trade-related facilities given to customers, which are collectible when due.

Trade documents and other facilities are presented at their outstanding balances, net of allowance for possible losses.

k. Securities Purchased/Sold with Agreements to Resell/Repurchase

Securities sold under repurchase agreements are presented in the consolidated balance sheet as repurchase payables at the repurchase price less unamortized interest. The difference between the selling price and the repurchase price is treated as a prepaid expense and is recognized as expense during the period from the sale of securities to the date of repurchase.

Securities purchased with agreements to resell are presented in the consolidated balance sheet as repurchase receivables at their resale price less unamortized interest. The difference between the purchase price and the selling price is treated as unrealized (unamortized) interest income and is recognized as income during the period from the purchase of securities to the date of resale.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Derivative Receivables and Derivative Payables**

All derivative instruments (including forward foreign currencies transactions for funding and trading) are recognized in the consolidated balance sheet at their fair value. Fair value is determined based on market value, Reuters spot rate at reporting date, pricing models or quoted prices of other instruments with similar characteristics. Derivative assets and liabilities are presented at the amount of unrealized gains or losses on derivative contracts.

Gains or losses on derivative contracts are accounted for based on the purpose the Bank has designated upon acquisition as (1) fair value hedge, (2) cash flow hedge, (3) a hedge of a net investment in a foreign operation, and (4) trading instruments, as follows:

1. Gain or loss on a derivative contract designated and qualifying as a fair value hedging instrument, and the gain or loss on the revaluation of hedged assets or liabilities is recognized currently in profit and loss in the same accounting period. Gains or losses arising from such revaluations may be offset. Any difference that arises representing the effect of hedge ineffectiveness is recognized currently in profit and loss;
2. The effective portion of the gain or loss on a derivative contract designated and qualifying as a cash flow hedging instrument is reported as a component of other comprehensive income under shareholders' equity. The effect of the hedge ineffectiveness is recognized currently in profit and loss;
3. Gain or loss on a hedging derivative instrument in a hedge of a net investment in a foreign operation is reported in other comprehensive income as part of the cumulative translation adjustment under shareholders' equity to the extent it is effective as a hedge; and
4. Gain or loss on a derivative contract not designated as a hedging instrument (or derivative contract that does not qualify as a hedging instrument) is recognized currently in profit and loss.

**m. Loans**

Loans represent the provision of money or equivalent receivables under contracts with borrowers, where borrowers are required to repay their debts with interest after a specified period and matured trade finance facilities which have not been settled within 15 days.

Loans are stated at their outstanding balance less an allowance for possible loan losses.

Syndicated and channeling loans are stated at their balances in proportion to the risks borne by the Bank and its Subsidiaries.

Included in loans are *syariah* financing which consists of *syariah* receivables, other receivables and *musyarakah* financing.

*Syariah* receivables result from lease transactions based on *murabahah*, *istishna*, *ijarah*, *hiwalah*, *rahn* and *qardh* agreements.

*Musyarakah* financing is an agreement between the investors (*mitra musyarakah*) to have a joint-venture in a partnership with profit and loss sharing based on an agreement and capital contribution proportion.

*Musyarakah* financing is presented at the outstanding balances, net of allowance for possible losses.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

m. Loans (continued)

Loans purchased from IBRA

Bank Indonesia issued Regulation No. 4/7/PBI/2002 regarding "Prudential Principles for Credits Purchased by Banks from IBRA" dated September 27, 2002, which applies for all loans purchased from IBRA starting January 1, 2002.

The difference between the outstanding loan principal and purchase price is booked as deferred income if the Bank enters into a new credit agreement with the borrower, and as an allowance for possible losses if the Bank does not enter into a new credit agreement with the borrower. The allowance for loan losses or deferred income is only adjusted once the Bank has recovered the original purchase price.

Income arising from the loans purchased from IBRA is recognized on a cash basis. If the Bank enters into a new credit agreement with the borrower, any receipts from a borrower are recognized as a deduction of the outstanding principal and/or as interest income following the terms or conditions as set out in the new credit agreement. If the Bank does not enter into a new credit agreement with the borrower, any receipts from a borrower must be recognized firstly as a deduction of outstanding principal. The excess of receipts over the outstanding principal balance shall be recognized as interest income.

Bank Indonesia allows the Bank to classify all the loans purchased from IBRA as Category 1 (Current) for a period of one year from the date of booking. Thereafter, the loans will be classified based on the normal loan rating guidelines of Bank Indonesia.

BI requires banks to fully recover the purchase price of the loans within five years from the date of booking. Any unpaid amount after five years should be written off by the banks.

n. Loan Restructuring

Loan restructuring may involve a modification of the terms of the loans, conversion of loans into equity or other financial instruments and/or a combination of both.

Losses on loan restructurings in respect of modification of the terms of the loans are recognized only if the present value of total future cash receipts specified by the new terms of the loans, including both receipts designated as interest and those designated as loan principal, are less than the recorded loans before restructuring.

For loan restructurings which involve a conversion of loans into equity or other financial instruments in partial satisfaction of loans, a loss on loan restructuring is recognized only if the fair value of the equity or financial instruments received, reduced by estimated expenses to sell the equity or other financial instruments, is less than the designated loan's value.

Deferred interest, which is capitalized to receivables under new restructuring agreements, is recorded as deferred interest income and is amortized proportionately based on the amount of capitalized interest relative to the loan principal upon loan collections.

o. Acceptances Receivable and Payable

Acceptances receivable and payable are stated at the value of the letters of credit or realizable value of the letters of credit accepted by the Bank. Acceptances receivable are presented net of allowance for possible losses.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

p. Investments in Shares of Stock

Investments in shares of stock represent long-term investments in non-publicly-listed companies and temporary investments in debtor companies arising from conversion of loans to equity.

Investments in shares representing ownership interests of 20% to 50%, except for investments in companies arising from conversion of loans to equity, are accounted for under the equity method. Under this method, investments are stated at cost and adjusted for the Bank's proportionate share in the net equity of the investees and reduced by dividends earned since the acquisition date.

Temporary investments in debtor companies arising from the conversion of loans to equity are accounted for under the cost method regardless of the percentage of ownership, less an allowance for possible losses.

All other investments are carried at cost reduced by an allowance for possible losses.

Any permanent decline in the fair value of investments is deducted from the carrying value of the investments and charged to the current period's profit and loss. The Bank provides a provision for possible losses arising from obligations from investments in shares of stock. Such provision is presented under other liabilities.

q. Premises and Equipment

Premises and equipment are stated at cost, except for certain premises and equipment used in operations that were revalued in 1979, 1987 and 2003 in accordance with Government regulations, less accumulated depreciation and amortization. The corresponding revaluation increments were credited to "Premises and Equipment Revaluation Increment" under the shareholders' equity in the balance sheet.

Premises and equipment, except land, are depreciated and amortized using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Land rights	contract term
Buildings	20
Furniture, fixtures, office equipment and computer/software	5
Vehicles	5

Construction in progress is stated at cost and is presented as part of premises and equipment. Accumulated costs are reclassified to the appropriate premises and equipment account when the assets are substantially complete and are ready for their intended use.

The cost of repairs and maintenance is expensed as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the current period's profit and loss.

The carrying amounts of fixed assets are reviewed as of each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and, when carrying value exceeds this estimated recoverable amount, assets are written down to their recoverable amount.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

r. Repossessed Assets

Reposessed assets represent loan collateral that has been acquired in settlement of loans and is included in "Other Assets". Repossessed assets are presented at their net realizable value. Realizable value is the fair value of the reposessed assets less estimated costs of liquidating the assets. Any excess of the loan balance over the value of the reposessed assets, which is not recoverable from the borrower, is charged to the allowance for possible losses. Differences between the estimated realizable value and the proceeds from sale of the reposessed assets are recognized in profit and loss at the time of sale.

s. Other Assets

Other assets include accrued income for interest, fees and commissions, receivables, advances for purchases of loans from IBRA, prepaid taxes, prepaid expenses, reposessed assets and others.

Receivables (Note 15) arise from the recognition of the accretion in the realizable value of zero-coupon instruments and deposits placed with highly rated foreign institutions which are attached as security to the Subordinated Undated Floating Rate Notes (SUFRNs) issued by certain legacy banks, and the effective reduction of the principal liability related to another legacy bank's SUFRN. Due to the contracts governing the SUFRNs, Bank Mandiri continues to recognize the original fair value of the SUFRNs as a liability of the Bank (Notes 29 and 30).

Prepaid expenses are amortized over periods during which benefits are realized using the straight-line method.

t. Deposits from Customers

Demand deposits represent deposits of customers with Bank Mandiri and banking subsidiaries that may be used as instruments of payment, and which may be withdrawn at any time by cheque, automated teller machine card or other orders of payment or transfers. These are stated at nominal value.

Savings deposits represent deposits of customers with Bank Mandiri and banking subsidiaries that may only be withdrawn over the counter and via ATMs or funds transfers by SMS Banking and Internet Banking when certain agreed conditions are met, but which may not be withdrawn by cheque or other equivalent instruments. These are stated at nominal value.

Time deposits represent deposits of customers with Bank Mandiri and banking subsidiaries that may only be withdrawn after a certain time in accordance with the agreement between the depositor with Bank Mandiri and banking subsidiaries. These are stated at the nominal amount set forth in the certificates between Bank Mandiri and banking subsidiaries and holders of time deposits.

Certificates of deposit represent time deposits with certificates that are negotiable. These are stated at nominal value reduced by unamortized interest. The discount or the difference between the present value received and the nominal value is recognized as interest paid in advance and is amortized over the time periods of the certificates of deposit.

Included in the deposits are *Syariah* deposits and unrestricted investments consisting of the following:

- a. *Wadiah* is a *wadiah yad-adhamanah* deposit on which the depositor is entitled to receive bonus income.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

t. Deposits from Customers (continued)

- b. Unrestricted investments in the form of *mudharabah* savings which entitle the depositor to receive a share of BSM's income in return for the usage of the funds in accordance with the defined terms (*nisbah*).
- c. Unrestricted investments in the form of *mudharabah* time deposits are fund deposits which entitle the depositor to receive a share of BSM's income for the usage of the funds in accordance with the defined terms (*nisbah*).

u. Deposits from Other Banks

Deposits from other banks represent liabilities to local and overseas banks, in the form of demand deposits, savings deposits, inter-bank call money with original maturities of 90 days or less, time deposits and certificates of deposit. These are stated at the amount due to the other banks.

Deposits from other banks include *syariah* deposits in the form of *wadiah* deposits and unrestricted investments which are comprised of *mudharabah* savings and time deposits.

v. Securities Issued

Securities issued by the Bank which include floating rate notes, medium term notes and travelers' cheques, are recorded at their nominal value. Under BI requirements deposits from other banks with periods of more than 90 days are also presented as securities issued. Premiums or discounts arising from issuance of floating rate notes and medium term notes are recognized as deferred expense/income and amortized over the period of the securities.

w. Provision for Income Tax

The Bank and Subsidiaries apply the liability method to determine income tax expense. Under the liability method, deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. This method also requires the recognition of future tax benefits, such as the carry-forward of unused tax losses, to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against, when the result of the appeal is determined.

The corporate income tax of Bank Mandiri and its Subsidiaries is computed for each company as a separate legal entity. Current tax assets and current tax liabilities for different legal entities are not offset in the consolidated financial statements. Deferred tax assets are presented net of deferred tax liabilities in the consolidated balance sheet.

x. Interest Income and Interest Expense

Interest income and interest expense are recognized on an accrual basis. Interest income on non-performing earning assets is not recognized, except to the extent of cash collections received. When a loan is classified as non-performing, interest income previously recognized but not yet collected is reversed against interest income. The reversed interest income is recognized as a contingent receivable.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

x. Interest Income and Interest Expense (continued)

All receipts from credits classified as doubtful or loss must be recognized firstly as a deduction of the outstanding principal balance. The excess of receipts over the outstanding principal balance shall be recognized as interest income.

Interest receivable on non-performing assets of Bank Mandiri and its Subsidiaries is treated as off-balance sheet and is disclosed in the notes to the consolidated financial statements.

Interest income and expense include *syariah* income and expense. *Syariah* income is earned from *murabahah*, *istishna* and *ijarah* transactions and from *mudharabah* and *musyarakah* financing profit sharing income. Income from *murabahah* and *ijarah* is recognized using the accrual basis while income from *istishna* transactions and *mudharabah* and *musyarakah* financing profit sharing is recognized when cash is received as a payment of an installment. *Syariah* expense consists of expenses from *mudharabah* profit sharing and *wadiah* bonuses.

y. Fees and Commissions

Significant fees and commissions that are directly related to lending activities and/or involving specific time periods are deferred and amortized using the straight-line method over those periods. The balances of unamortized fees and commissions relating to loans settled prior to maturity are recognized in the current period's profit and loss upon settlement. Other fees and commissions are recognized as income at the transaction date.

z. Post Employment Benefits

Bank Mandiri established a defined contribution pension plan covering substantially all of its eligible employees from August 1, 1999. It also supports defined benefit pension plans which were derived from each of the Merged Banks' pension plans.

Bank Mandiri recognizes a provision for post employment benefits under the New Labor Law No. 13/2003 dated March 25, 2003 regarding the settlement of labor dismissal and the stipulation of severance pay, gratuity and compensation in companies. This Law supersedes the Minister of Manpower's Decree No. Kep-150/Men/2000 dated June 20, 2000. The provision has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plans with the benefit as stipulated under the New Labor Law after deduction of accumulation of employee contributions and the results of its investments. If the pension benefit from the Pension Plans is less than the benefit as required by the New Labor Law, the Bank will have to pay such shortage. Provision for employee service entitlements is accrued based on the results of an actuarial valuation.

aa. Management Stock Option Plan (MSOP)

The Bank has granted stock options to the Directors and Senior Management at certain levels and based on certain criteria. Stock compensation cost is calculated at the grant date using the fair value of the stock options and is recognized over the vesting period of the stock options based on graded vesting.

The fair value of the stock options granted is based on an actuary's valuation report calculated using the Black-Scholes option pricing model.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

ab. Earnings Per Share

Earnings per share is calculated by dividing the net profit or loss with the weighted average number of shares issued and fully paid-up during the related period.

Net profit used in calculating the basic earnings per share was Rp3,228,574, Rp1,357,515 and Rp3,585,589, for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2003, April 30, 2003 and December 31 2002 was 20,000,000,000 shares. The weighted-average number of outstanding shares used in computing the basic earnings per share as of April 30, 2003 and December 31, 2002 has been adjusted to reflect the changes in issued shares as a result of the conversion of additional paid-in capital and appropriated retained earnings to issued and fully paid-up capital, and the effect of the stock split (Note 32).

The weighted-average number of outstanding shares used in computing the diluted earnings per share as of December 31, 2003, April 30, 2003 and December 31, 2002 was 20,058,309,357 shares. The weighted-average number of outstanding shares used in computing diluted earnings per share as of April 30, 2003 and December 31, 2002 have been adjusted to reflect the changes in issued shares as a result of the conversion of additional paid-in capital and appropriated retained earnings to issued and fully paid-up capital, the stock split and issuance of share options (Notes 32 and 33).

The weighted-average number of outstanding shares used in computing diluted earnings per share as of December 31, 2003 have been adjusted to reflect the changes in issued shares as a result of the issuance of share options (Notes 32 and 33).

ac. Segment Information

Effective January 1, 2002, Bank Mandiri and its subsidiaries present financial information by the nature of business (primary segment) and by geographical area (secondary segment). The primary segment is divided into banking, syariah banking, securities, insurance and others, while the secondary segment is divided into Indonesia (domestic), Asia, Europe and others.

ad. Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimations and assumptions that affect the amounts reported therein. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates.

ae. Quasi Reorganization

Based on SFAS No. 51 - "Accounting for Quasi Reorganization", quasi reorganization is an accounting procedure which enables a company to restructure its equity by eliminating any accumulated losses and reappraising all of its assets and liabilities without going through a legal reorganization. The quasi reorganization applied by the Bank was performed using the accounting reorganization method in accordance with SFAS No. 21 - "Accounting for Equity", SFAS No. 51 - "Accounting for Quasi Reorganization" (prior to the newly revised SFAS No.51), and letter from Capital Market Supervisory Agency (Bapepam) No: S-2231/PM/2003 dated September 10, 2003 in respect of Bank Mandiri's Quasi Reorganization Plan.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

ae. Quasi Reorganization (continued)

The fair value of all assets and liabilities is determined at the quasi reorganization date. If the fair market value is unavailable or there is no representative fair market value, the estimated fair value of an asset or liability is determined based on the fair value of other instruments which are substantially similar, estimated present value, or discounted cash flows. For certain assets and liabilities, the valuation is performed in accordance with related SFAS. Such accounts include assets and liabilities which have maturities of less than one year.

If the net assets after fair value adjustments are higher than the historical net book value at the date of the quasi reorganization, the accumulated losses are directly eliminated against additional paid-in capital without adjusting the asset and liability accounts to its fair value. However, if the net assets after fair value adjustments are lower than the historical net book value at the date of the quasi reorganization, the differences are booked against accumulated losses and the accumulated losses are then eliminated against additional paid-in capital. Each asset and liability account in that event is adjusted to reflect its fair value.

af. Reclassification of Accounts

Certain accounts in the December 31, 2002 consolidated financial statements have been reclassified to conform to the presentation of accounts in the December 31, 2003 consolidated financial statements as follows:

December 31, 2002

Account Description	As Previously Reported	Reclassification	Currently Reported
Securities - net	2,162,409	(212,261)	1,950,148
Trade documents - net	1,447,875	212,261	1,660,136

Description:

Discounted commercial bills which were previously reported under securities were reclassified under trade documents.

**3. BANK MANDIRI MERGER AND RECAPITALIZATION**

*Merger*

At the end of February 1998, the Government announced its plan to restructure the Merged Banks.

In connection with such restructuring plan, the Government established Bank Mandiri in October 1998 through the payment of cash and the acquisition of the Government of the Republic of Indonesia's shares of stock in the Merged Banks (Note 32). Due to the impracticability of measurement, the difference between the transfer price and the book value of the shares of stock at the time of the acquisition was not determined. All losses incurred during the year of acquisition were taken into account in the Recapitalization Program.

The above-mentioned restructuring plan provided for the merger of the Merged Banks into Bank Mandiri in July 1999 and the recapitalization of Bank Mandiri. The restructuring of the Merged Banks and Bank Mandiri also covered the following:

- Restructuring of loans.
- Restructuring of non-loan assets.
- Rationalization of domestic and overseas offices.
- Rationalization of human resources.

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**3. BANK MANDIRI MERGER AND RECAPITALIZATION (continued)**

*Merger (continued)*

Based on the Merger Deed No. 100 of Sutjipto, S.H. dated July 24, 1999 the Merged Banks were legally merged into Bank Mandiri. The merger deed was legalized by the Minister of Justice in decision letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and approved by the Governor of Bank Indonesia in decision letter No.1/9/KEP.GBI/1999 dated July 29, 1999. The merger was declared effective by the Chief of the South Jakarta Office of the Minister of Industry and Trade in decision letter No. 09031827089 dated July 31, 1999.

Effective from the date of the merger:

- All of the assets and liabilities of the Merged Banks were transferred to Bank Mandiri, the surviving bank.
- All operations and business activities of the Merged Banks were transferred to and operated by Bank Mandiri.
- Bank Mandiri received additional paid-in capital amounting to Rp1,000,000 (one million Rupiah) (full amount) or equivalent to one (1) share each representing the remaining shares of the Government in the Merged Banks (Note 32).

Effective on the same date, the Merged Banks were legally dissolved without the process of liquidation and Bank Mandiri, as the surviving bank, received the rights and obligations of the Merged Banks.

*Recapitalization*

In response to the effects of the adverse economic conditions in Indonesia on the banking sector (Note 59), on December 31, 1998, the Government issued Regulation No. 84 of 1998 concerning its Recapitalization Program for Commercial Banks, which was designed to increase the paid-up capital of commercial banks to enable them to meet the minimum required capital adequacy ratio. The eligibility of commercial banks for inclusion in the Recapitalization Program is based on requirements and procedures set forth in the Joint Decrees No. 53/KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 of the Minister of Finance and the Governor of Bank Indonesia. Under the Joint Decrees, the Government, among others, shall implement the Recapitalization Program for Commercial Banks with respect to all State-Owned Banks, Regional Development Banks and Commercial Banks that have been taken over by the Indonesian Bank Restructuring Agency (IBRA).

On May 28, 1999 the Government issued Government Regulation (PP) No. 52/1999 that provided for the increase in the Government of the Republic of Indonesia's capital participation in Bank Mandiri through Government Bonds to be issued by the Minister of Finance with a value of up to Rp137,800,000. The implementation of PP No. 52/1999 is set forth in Joint Decrees No. 389/KMK.017/1999 and No. 1/10/KEP/GBI dated July 29, 1999 of the Minister of Finance and the Governor of Bank Indonesia.

During the period the above-mentioned bonds were not yet issued, Bank Mandiri accounted for such bonds as "Due from the Government" in its balance sheet in the amount of Rp137,800,000 in accordance with the Government's Commitment through the Minister of Finance's letter No. S-360/MK.017/1999 dated September 29, 1999 and the approval of the Minister of State-Owned Enterprises in letter No. S-510/M-PBUMN/1999 dated September 29, 1999.

Based on Bank Indonesia Letter No. 1/1/GBI/DPIP dated October 11, 1999, concerning the issuance of Government Bonds/Debentures in connection with the Government of the Republic of Indonesia's investment in Bank Mandiri, Bank Indonesia agreed that the above receivable be included in Bank Mandiri's core capital ("Tier 1") for purposes of calculating its capital adequacy ratio (CAR) as of July 31, 1999 through September 30, 1999, subject to the condition that not later than October 15, 1999 the Government Bonds/Debentures should have been received by Bank Indonesia.



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**3. BANK MANDIRI MERGER AND RECAPITALIZATION (continued)**

*Recapitalization (continued)*

Based on Government Regulation No. 97 of 1999 dated December 24, 1999 concerning the increase in capital of the Government of the Republic of Indonesia in Bank Mandiri within the framework of the Recapitalization Program, the Government of the Republic of Indonesia increased its investment to a maximum of Rp42,200,000, such that the total maximum investment would amount to Rp180,000,000.

In connection with the implementation of the above Government Regulations No. 52 and No. 97 of 1999, in accordance with the Interim Recapitalization Agreement between the Government and Bank Mandiri and its amendment, the Government issued Government Recapitalization Bonds ("Recap Bonds") in two (2) tranches of Rp103,000,000 on October 13, 1999 and Rp75,000,000 on December 28, 1999 so that as of December 31, 1999 the total Recap Bonds issued in accordance with the aforementioned Agreements amounted to Rp178,000,000 (Note 8).

Based on the Management Contract dated April 8, 2000, between Bank Mandiri and the Government, the total amount of recapitalization required by Bank Mandiri is Rp173,931,000, or less than the amount of the Recap Bonds. Of such excess, Rp1,412,000 is to be retained as additional paid-in capital, and the balance of Rp2,657,000 was returned to the Government on July 7, 2000 in the form of Recap Bonds equivalent to 2,657,000 (two million six hundred fifty seven thousand) units.

Based on the decision letter of the Minister of Finance No. S-174/MK.01/2003 dated April 24, 2003 regarding the return of the excess of Government Recapitalization Bonds, which was previously retained as additional paid-in capital, Government Recapitalization Bonds amounting to Rp1,412,000 were returned to the Government on April 25, 2003 (Note 32).

On May 23, 2003, the Minister of Finance issued decrees (KMK-RI) No. 227/KMK.02/2003 and KMK No. 420/KMK-02/2003 dated September 30, 2003 confirming among others the final amount of Government's participation in Bank Mandiri in the amount of Rp173,801,315 (Note 32).

**4. CURRENT ACCOUNTS WITH BANK INDONESIA**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah	10,798,718	8,176,159	8,074,267
United States Dollar	1,358,598	1,467,062	1,532,852
	<b>12,157,316</b>	<b>9,643,221</b>	<b>9,607,119</b>

The current accounts with Bank Indonesia are primarily maintained to meet the minimum legal reserve requirements of Bank Indonesia of 5% and 3% of Rupiah and US Dollar deposits, respectively.

The reserve requirement ratio (unaudited) of the Bank for its Rupiah and US Dollar accounts as of December 31, 2003, April 30, 2003 and December 31, 2002 is as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah	6.65%	5.07%	5.19%
United States Dollar	3.01%	3.01%	3.01%

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**5. CURRENT ACCOUNTS WITH OTHER BANKS**

a. By Currency:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	7,753	3,882	2,746
Foreign Currency:			
Deutsche Bank AG, Frankfurt	48,486	64,862	91,952
American Express Bank Ltd., New York	44,511	49,977	48,275
Sumitomo Mitsui Banking Corporation, Tokyo	26,479	10,485	1,470
JP Morgan Chase Bank, New York	50,186	29,915	1,658
Bank Central, Timor Leste	17,424	-	-
Mizuho Bank, Singapore	16,264	-	-
Bankers Trust Company, New York	12,195	-	-
Bank One International Corporation, New York	9,867	-	-
Union Bank of California International, New York	9,799	-	-
Australia & New Zealand Banking Group Ltd., Melbourne	8,338	55,238	16,117
Atlantic Bank of New York, New York	8,115	-	-
Westpac Banking Corporation, Sydney	8,115	31,867	2,934
The National Commercial Bank, Jeddah	7,477	-	-
Bayerische Landesbank Girozentrale, Munich	6,055	-	-
Standard Chartered Bank, New York	5,404	-	-
ABN AMRO Bank NV, Amsterdam	4,256	-	-
De Indosiesische Overzeese Bank NV, Amsterdam	4,079	-	-
The Hong Kong and Shanghai Banking Corporation Ltd., Hong Kong	4,003	-	-
Svenska Handelsbanken AB, Stockholm	3,223	-	-
Commerzbank AG, Frankfurt	3,187	-	-
Standard Chartered Bank, Hong Kong	2,793	-	-
HSBC Bank plc., London	2,094	-	-
Royal Bank of Canada, Toronto	1,939	-	-
First Union Bank, New York	1,935	-	-
Bank Of California, New York	1,715	15,154	26,288
Deutsche Bank AG, Jakarta	1,688	52,678	170
United Overseas Bank Limited, Singapore	1,208	11,821	1,072
Others	13,470	90,366	122,809
Total Foreign Currency	324,305	412,363	312,745
Total	332,058	416,245	315,491
Less: Allowance for possible losses	(3,203)	(3,594)	(3,726)
	<b>328,855</b>	<b>412,651</b>	<b>311,765</b>

b. By Collectibility:

As of December 31, 2003, April 30, 2003 and December 31, 2002, all current accounts with other banks are classified as current.

c. By Related Party and Third Party:

As of December 31, 2003, April 30, 2003 and December 31, 2002, there are no current accounts with related party banks.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
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**5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)**

d. Average Interest Rates Per Annum:

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Rupiah	0.58%	1.05%	2.35%
Foreign currency	0.34%	0.52%	1.17%

e. Movements of allowance for possible losses on current accounts with other banks:

	<u>For the 8-month period ended December 31, 2003</u>	<u>For the 4-month period ended April 30, 2003</u>	<u>For the year ended December 31, 2002</u>
Balance at beginning of period	3,594	3,726	2,461
(Reversal)/provision for the period	(438)	107	(2,274)
Others (*)	47	(239)	3,539
<b>Balance at end of period</b>	<b><u>3,203</u></b>	<b><u>3,594</u></b>	<b><u>3,726</u></b>

(\*) Includes foreign currency translation effect.

Management believes that the allowance for possible losses on current accounts with other banks is adequate.

- f. A current account with another bank amounting to Rp2,387, Rp2,492 and Rp2,568 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively is used as cash collateral for a bank guarantee issued in favor of a borrower of Bank Mandiri (Note 48).

**6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS**

a. By Type and Currency:

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Rupiah:			
Call money:			
Bank Indonesia, Jakarta	3,499,223	-	9,528,396
ABN AMRO Bank, Jakarta	100,000	-	-
Bank Mega, Jakarta	100,000	2,000	-
Rabobank International, Jakarta	-	70,000	-
Deutsche Bank AG, Jakarta	-	150,000	-
NISP Bank, Jakarta	-	50,000	-
Bank Bukopin, Jakarta	35,000	-	-
Bank Multicor, Jakarta	5,000	-	-
	<u>3,739,223</u>	<u>272,000</u>	<u>9,528,396</u>
“Fixed-term” Placements:			
Others	-	168	168
	<u>-</u>	<u>168</u>	<u>168</u>

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**6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)**

a. By Type and Currency: (continued)

	December 31, 2003	April 30, 2003	December 31, 2002
Time Deposits:			
Bank Niaga, Jakarta	50,000	-	-
Bank Internasional Indonesia Syariah Unit	20,000	-	-
Bank Bumiputera, Jakarta	11,700	-	-
Bank Mega, Jakarta	10,000	18,241	4,241
Bank Lippo, Jakarta	10,000	-	-
Standard Chartered Bank, Jakarta	10,000	-	-
Bank Danamon, Jakarta	-	135,000	-
Bank IFI, Jakarta	-	16,000	-
Others	169	14,244	10,617
	111,869	183,485	14,858
Total Rupiah	3,851,092	455,653	9,543,422
Foreign Currency			
Call Money:			
JP Morgan Chase Bank, New York	2,266,325	1,440,133	1,687,075
Wachovia Bank NA, New York	930,963	854,537	891,420
ABN AMRO Bank, New York	674,000	1,085,305	900,370
Rabobank, Singapore	421,250	86,755	-
Raiffeisen Zentralbank Osterreich, Singapore	185,350	173,510	26,850
Indover Asia Ltd., Hong Kong	175,741	-	-
Fortis Bank, Hong Kong	168,500	50,055	-
Bayerische Hypo-und Vereinsbank AG, Singapore	84,250	86,755	-
United Overseas Bank Limited, Singapore	84,250	-	-
National Bank of Kuwait, Singapore	71,893	60,729	-
Sumitomo Bank, Singapore	67,400	215,152	223,750
Den Norske Bank ASA, Oslo	9,979	10,276	-
Bank Negara Indonesia, London	-	14,528	-
De Indosesische Overzeese Bank NV, Amsterdam	-	133,603	68,020
Commerzbank, Singapore	-	216,888	-
Deutsche Bank AG, Frankfurt	-	41,527	34,658
Societe Generale Asia Ltd, Hong Kong	-	99,768	-
Mizuho Bank, Singapore	-	43,378	42,960
Banca Nazionale Del Lavoro, London	-	269,808	-
Bank of Nova Scotia, London	-	69,404	-
HSBC Bank plc., London	-	13,853	51,135
ABN AMRO Bank NV, Amsterdam	-	246,103	-
Wachovia Bank, London	-	222,960	-
Natexis Banques Populaires, Singapore	-	86,755	-
Lloyds TSB Bank plc., London	-	52,053	44,750
United Finance of Japan, Singapore	-	78,080	35,800
Deutsche Bank AG, Jakarta	-	13,331	-
Commerzbank AG, Frankfurt	-	52,053	-
National Australia Bank, Singapore	-	18,946	15,711
Hamburgische Landesbank, Singapore	-	17,351	-
Credit Industrial Et Commercial, Singapore	-	60,729	40,275
Citibank International plc., London	-	114,950	-
Others	137	11,221	282,832
	5,140,038	5,940,496	4,345,606

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
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**6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)**

a. By Type and Currency: (continued)

	December 31, 2003	April 30, 2003	December 31, 2002
"Fixed-term" Placements:			
Deutsche Bank AG, Jakarta	421,250	-	-
Den Norske Bank ASA, Oslo	123,473	127,144	141,768
BCA Naz Lavoro, London	117,950	-	-
HSBC Bank plc., London	71,421	-	-
Philippine National Bank, Manila	-	9,977	10,292
Bank Negara Indonesia, Hong Kong	-	52,053	-
Bank Islam Labuan, Malaysia	-	26,027	13,425
Others	8,424	2,476	598,925
	<u>742,518</u>	<u>217,677</u>	<u>764,410</u>
Time Deposits:			
De Indoesische Overzeese Bank NV, Amsterdam	96,441	-	-
Standard Chartered Bank, Singapore	89,357	59,641	-
Paiffeisen Zentral Bank Ostererich, Singapore	84,432	-	-
Credit Agricole Indosuez, Singapore	80,211	-	-
Banca Nazionale Del Lavoro, Singapore	63,188	26,027	53,700
Bank Negara Indonesia, Hong Kong	37,913	-	62,650
United Overseas Bank Limited, Singapore	21,175	-	89,500
Sumitomo Bank, Singapore	-	286,292	-
ABN Amro, Hong Kong	-	-	23,526
BNP Paribas, Hong Kong	-	86,755	-
Others	245	17,336	15,323
	<u>472,962</u>	<u>476,051</u>	<u>244,699</u>
Total Foreign Currency	<u>6,355,518</u>	<u>6,634,224</u>	<u>5,354,715</u>
Total	10,206,610	7,089,877	14,898,137
Less: Allowance for possible losses	(64,849)	(70,339)	(51,317)
	<u><b>10,141,761</b></u>	<u><b>7,019,538</b></u>	<u><b>14,846,820</b></u>

b. By Collectibility:

	December 31, 2003	April 30, 2003	December 31, 2002
Current	10,206,610	7,089,709	14,897,969
Loss	-	168	168
Total	10,206,610	7,089,877	14,898,137
Less: Allowance for possible losses	(64,849)	(70,339)	(51,317)
	<u><b>10,141,761</b></u>	<u><b>7,019,538</b></u>	<u><b>14,846,820</b></u>

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
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**6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)**

c. Bank Mandiri has no placements with related party banks.

d. *Average Interest Rates Per Annum:*

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Rupiah	5.69%	11.28%	11.77%
Foreign currency	1.17%	1.06%	2.08%

e. The placements with Bank Indonesia and other banks are for the periods ranging from 1 to 366 days, 1 to 366 days, and 1 to 367 days for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003, and the year ended December 31, 2002, respectively.

f. A placement amounting to Rp123,468, Rp127,144 and Rp141,768, as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively, is pledged as cash collateral for a bank guarantee in favor of a borrower of Bank Mandiri (Note 48).

g. Movements of allowance for possible losses on placements with other banks:

	<u>For the 8-month period ended December 31, 2003</u>	<u>For the 4-month period ended April 30, 2003</u>	<u>For the year ended December 31, 2002</u>
Balance at beginning of period	70,339	51,317	134,463
(Reversal)/provision for the period	(3,389)	22,911	(50,691)
Write-off	(168)	-	-
Others (*)	(1,933)	(3,889)	(32,455)
<b>Balance at end of period</b>	<b><u>64,849</u></b>	<b><u>70,339</u></b>	<b><u>51,317</u></b>

(\*) Includes foreign currency translation effect.

Management believes that the allowance for possible losses on placements with other banks is adequate.

**7. SECURITIES**

a. By Purpose and Related and Third Parties:

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Related parties			
Held to maturity	143,654	145,703	152,150
Trading	76,895	27,718	278,207
Available for sale	200,000	87,000	80,960
	<u>420,549</u>	<u>260,421</u>	<u>511,317</u>

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**7. SECURITIES (continued)**

a. By Purpose and Related and Third Parties (Continued):

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Third parties			
Held to maturity	9,342,661	12,474,120	1,676,987
Trading	1,752,257	598,332	142,185
Available for sale	1,176,231	578,254	704,903
	<u>12,271,149</u>	<u>13,650,706</u>	<u>2,524,075</u>
Total	12,691,698	13,911,127	3,035,392
Less:			
Unamortized interest	(60,981)	(83,565)	(29,728)
Unrealized gains from increase in value of securities	3,803	13,121	9,108
Allowance for possible losses	(1,089,368)	(1,105,828)	(1,064,624)
	<u><b>11,545,152</b></u>	<u><b>12,734,855</b></u>	<u><b>1,950,148</b></u>

b. By Type and Currency:

Rupiah:			
Certificates of Bank Indonesia	8,453,260	11,236,603	-
Mandatory convertible bonds	1,018,809	1,018,809	1,018,809
Bonds	907,478	196,381	562,238
<i>Wadiah</i> Certificates of Bank Indonesia	795,000	312,500	269,000
Investments in mutual fund units	247,985	62,562	54,074
Medium term notes	175,000	-	19,000
<i>Syariah Mudharabah</i> bonds	9,000	30,000	30,000
Others	84,594	5,679	2,181
	<u>11,691,126</u>	<u>12,862,534</u>	<u>1,955,302</u>
Foreign Currency:			
Bonds	426,725	263,263	252,093
Floating rate notes	273,192	486,073	543,832
Money market securities	183,319	147,015	134,274
Credit linked notes receivable	20,570	45,225	39,498
Others	96,766	107,017	110,393
	<u>1,000,572</u>	<u>1,048,593</u>	<u>1,080,090</u>
Total	12,691,698	13,911,127	3,035,392
Less:			
Unamortized interest	(60,981)	(83,565)	(29,728)
Unrealized gains from increase in value of securities	3,803	13,121	9,108
Allowance for possible losses	(1,089,368)	(1,105,828)	(1,064,624)
	<u><b>11,545,152</b></u>	<u><b>12,734,855</b></u>	<u><b>1,950,148</b></u>

c. By Collectibility:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Current	11,605,623	12,805,141	1,971,129
Loss	1,086,075	1,105,986	1,064,263
	<u>12,691,698</u>	<u>13,911,127</u>	<u>3,035,392</u>
Less:			
Unamortized interest	(60,981)	(83,565)	(29,728)
Unrealized gains from increase in value of securities	3,803	13,121	9,108
Allowance for possible losses	(1,089,368)	(1,105,828)	(1,064,624)
	<u><b>11,545,152</b></u>	<u><b>12,734,855</b></u>	<u><b>1,950,148</b></u>

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**7. SECURITIES (continued)**

d. By Issuer:

**December 31, 2003**

Issuer	Type	Maturity Date	Interest Rate Per Annum	Rating*)	Value
Rupiah:					
<b>Held to maturity</b>					
Bank Indonesia	Certificates of Bank Indonesia	01/29/04	8.25%		7,000,000
PT Garuda Indonesia	Mandatory convertible bonds	11/02/06	4.00%	n/a	1,018,809
Bank Indonesia	<i>Wadiah</i> Certificates of BI	various	5.26%		795,000
PT Barito Pacific Timber Tbk.	Bonds	07/10/02	n/a		36,000
Others	various	various	various		<u>24,537</u>
					8,874,346
<b>Trading</b>					
Bank Indonesia	Certificates of Bank Indonesia	01/29/04	8.3125%		1,453,260
Republic of Indonesia	Treasury Bonds	01/25/04	8.43%		60,000
PT Arpeni Pratama Ocean Line	Bonds	02/10/08	14.25%	idA-	32,984
PT Pembangunan Perumahan	Syariah Bonds	12/23/06	13.50%		27,000
PT Rajawali Citra TV	Bonds	10/23/08	13.50%	idA-	19,000
PT Indosat	Syariah Bonds	11/06/07	16.33%	idAA+	18,360
PT Ciliandra Perkasa	Syariah Bonds	09/26/08	14.75%	idBBB	15,000
PT Berlian Laju Tanker	Syariah Bonds	05/28/08	14.70%	idA-	12,000
PT Perkebunan Nusantara V	Promissory notes	12/10/10		idA	11,500
PT Indofood Sukses Makmur Tbk.	Bonds	06/10/08	13.50%	AA+	10,000
Bank Bukopin	Syariah Bonds	07/10/08	15.09%		6,000
PT Federal International Finance	Bonds	08/09/04	12.38%	idA+	5,050
PT Adira Dinamika Multifinance	Bonds	05/06/04	14.13%	idA-	4,000
PT HM Sampoerna Tbk.	Bonds	11/17/07	17.50%	idAA	3,000
PT Telekomunikasi Indonesia Tbk.	Bonds	07/16/07	17.00%	AAA	3,000
PT Astra Sedaya Finance	Bonds	05/20/07	13.50%	A+	2,006
Perum Pegadaian	Bonds	06/12/06	19.25%	A+	2,000
PT Surya Citra Televisi	Bonds	06/25/08	13.75%	A	2,000
PT Indofood Sukses Makmur Tbk.	Bonds	07/12/05	16.00%	idAA+	1,554
PT Charoen Popkhand Indonesia Tbk.	Bonds	07/02/08	14.00%	idA-	1,056
PT Pupuk Kalimantan Timur	Bonds	06/06/07	17.15%	idA+	1,032
Others	various	various	various	various	<u>88,930</u>
					1,778,732
<b>Available for sale</b>					
Reksadana Korporasi Mandiri	Investment in Mutual Fund	undated	n/a		200,000
Republic of Indonesia	Treasury Bonds	12/15/12	11.00%		200,000
PT Ciliandra Perkasa	Bonds	09/26/08	14.75%		170,000
PT Mahanusa Capital	Medium Term Notes	12/31/03	18.00%		125,000
PT Bank Pan Indonesia Tbk.	SUFRN	06/18/13	14.00%	idBBB+	50,000
PT Dipasena Citra Darmaja	Medium Term Notes	11/17/04	17.75%		50,000
PT Arpeni Pratama Ocean	Bonds	10/20/08	14.25%		39,915
PT Indofood Sukses Makmur Tbk.	Bonds	06/10/08	16.00%	idAA+	38,000
PT Astra Sedaya Finance	Bonds	05/20/07	13.50%		20,495
PT Surya Citra Televisi	Bonds	06/26/08	13.75%	idA	25,000
PT Bank Negara Indonesia (Persero) Tbk.	Bonds	07/10/11	13.13%		21,000
PT Permodalan Nasional Madani	Mutual funds	04/05/08	n/a		20,000
PT Perusahaan Listrik Negara	Bonds	08/08/07	13.45%		19,671
Perum Pegadaian	Promissory notes	n/a	n/a		19,447
Bank Bukopin	Bonds	07/09/08	15.09%	AA+	12,000
Others	various	various	various		<u>27,520</u>
					1,038,048
Total Rupiah					<u>11,691,126</u>

\*) Based on rating issued by rating agencies including Pefindo and Moody's



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**7. SECURITIES (continued)**

d. By Issuer: (continued)

December 31, 2003						
Issuer	Type	Maturity Date	Interest Rate Per Annum	Rating*)	Value	
Foreign Currency:						
<b>Held to maturity</b>						
Allied Asian Ltd.	Promissory notes	03/31/04	n/a		139,375	
Republic of Indonesia	Bonds	01/01/06 - 01/08/06	7.75%	B2/B	143,654	
Lazard Bank Ltd.	Other	12/21/05	3.72%	Ba2	63,668	
Deutsche Bank, Frankfurt	Floating rate notes	03/02/06	1.27%	Aa3	33,700	
Hypovereinsbank, Munich	Floating rate notes	07/12/04	1.25%	A1	29,487	
Government of Singapore	Treasury bills	01/29/04	0.74%		25,814	
Alliance & Leicester	Floating rate notes	04/17/08	1.30%		25,275	
Bradford & Bingley	Floating rate notes	09/19/08	1.32%		25,275	
Halifax Bank of Scotland	Floating rate notes	06/04/08	1.33%		25,275	
C.I.B.C.	Floating rate notes	01/20/08	1.27%		25,275	
PT Perkebunan Nusantara XI	Bonds	undated	n/a		16,850	
PT Astra Overseas	Zero Coupon Bonds	06/30/06	n/a		15,036	
ING NV	Credit Link Note	01/27/04-10/30/05	14.83%		20,570	
Others	various	various	various		<u>22,715</u>	
					611,969	
<b>Trading</b>						
Republic of Indonesia	Bonds	08/01/06	7.75%	B2/B	16,894	
PT Aneka Tambang Tbk.	Bonds	09/30/10	7.37%	B3/B	16,463	
PT Indosat Finance	Bonds	11/05/10	7.75%	B2/B	8,616	
PT Bank Rakyat Indonesia (Persero) Tbk.	Bonds	10/30/13	7.75%	B3	<u>8,447</u>	
					50,420	
<b>Available for sale</b>						
PT Bank Negara Indonesia (Persero) Tbk.	Floating rate notes	10/15/12	10.00%	B3/CCC+	101,771	
Cab Holding Ltd.	Bonds	07/29/10	8.25%		83,702	
PT Bank Rakyat Indonesia (Persero) Tbk.	Bonds	10/30/13	7.75%	B3	84,440	
PT Medco Energy	Floating rate notes	05/22/10	8.75%	B+	17,044	
PT Telekomunikasi Indonesia Tbk.	Promissory notes	03/15/04	n/a		15,136	
PT Telekomunikasi Indonesia Tbk.	Promissory notes	12/15/04	n/a		14,151	
Others	various	various	various		<u>21,939</u>	
					338,183	
Total Foreign Currency					<u>1,000,572</u>	
Total					12,691,698	
Less:						
					(60,981)	
					3,803	
					<u>(1,089,368)</u>	
					<u>11,545,152</u>	

**April 30, 2003**

Issuer	Type	Maturity Date	Interest Rate Per Annum	Rating*)	Value
Rupiah:					
<b>Held to maturity</b>					
Bank Indonesia	Certificates of Bank Indonesia	various	various		10,765,511
PT Garuda Indonesia	Mandatory convertible bonds	11/02/06	4.00%	n/a	1,018,809
Bank Indonesia	<i>Wadiah</i> Certificates of BI	various	5.14%		312,500
PT Barito Pacific Timber Tbk.	Bonds	07/10/02	n/a	n/a	36,000
Others	various	various	various		<u>35,111</u>
					12,167,931

\*) Based on ratings issued by rating agencies including Pefindo and Moody's.

These consolidated financial statements are originally issued in the Indonesian language.

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**7. SECURITIES (continued)**

d. By Issuer (Continued):

April 30, 2003					
Issuer	Type	Maturity Date	Interest Rate Per Annum	Rating*)	Value
<b>Trading</b>					
Bank Indonesia	Certificates of Bank Indonesia	various	various		471,092
Others	various	various	various		<u>4,238</u>
					475,330
<b>Available for sale</b>					
Republic of Indonesia	Treasury bonds	09/15/11	12.00%		87,000
Reksadana Indovest Dana Obligasi	Mutual fund	undated			52,097
PT Perusahaan Listrik Negara	Bonds	08/08/07	13.45%	idBB-	49,178
PT Indonesian Satellite Corporation Tbk.	<i>Syariah Mudharabah</i> bonds	11/06/07	16.00%	idAA+	30,000
Others	various	various	various		<u>998</u>
					219,273
Total Rupiah					<u>12,862,534</u>
Foreign Currency:					
<b>Held to maturity</b>					
Republik Indonesia	Bonds	01/08/06	7.75%		145,703
Lazard Bank Ltd.	Others	06/23/03-12/21/05	3.90%	B3	98,343
Deutsche Bank, Frankfurt	Floating rate notes	03/02/06	1.44%	Aa3	34,702
Hypovereinsbank, Munich	Floating rate notes	07/12/04	1.38%	Aa3	30,364
ING Bank NV	Credit linked notes	07/25/03-07/26/05	15.91%	B3	27,880
Government of Singapore	Treasury bills	08/21/03	0.57%		25,421
PT Perkebunan Nusantara	Promissory notes	12/26/97	n/a		17,351
Astra Overseas	Bonds	06/30/06	n/a		16,980
Others	various	various	various		<u>55,148</u>
					451,892
<b>Trading</b>					
US Treasury N/B	Treasury notes	02/15/13	3.88%		43,323
Indofood International Finance	Bonds	06/08/07	10.38%		33,376
Republik Indonesia	Bonds	01/08/06	7.75%		27,718
PT Bank Negara Indonesia (Persero) Tbk.	Floating rate notes	11/15/12	10.00%	B3	18,461
Others	various	various	various		<u>27,842</u>
					150,720
<b>Available for sale</b>					
Wachovia Bank	Floating rate notes	03/25/33	1.10%	AAA	173,510
PT Medco Energy	Floating rate notes	05/22/10	8.75%	B+	108,295
PT Bank Negara Indonesia (Persero) Tbk.	Floating rate notes	11/15/12	10.00%	B3	94,515
PT Telekomunikasi Indonesia Tbk.	Promissory notes	06/15/03-12/15/04	4.47%-4.84%		69,661
					<u>445,981</u>
Total Foreign Currency					<u>1,048,593</u>
Total					<u>13,911,127</u>
Less:					
Unamortized interest					(83,565)
Unrealized gains from increase in value of securities					13,121
Allowance for possible losses					<u>(1,105,828)</u>
					<u>12,734,855</u>

\*) Based on ratings issued by rating agencies including Pefindo and Moody's.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
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**7. SECURITIES (continued)**

d. By Issuer:

**December 31, 2002**

Issuer	Type	Maturity Date	Interest Rate Per Annum	Rating*)	Value
Rupiah:					
<b>Held to maturity</b>					
PT Garuda Indonesia	Mandatory convertible bonds	11/02/06	4.00%		1,018,809
Bank Indonesia	<i>Wadiah</i> Certificates of BI	various	0.00% - 11.00%		269,000
Reksadana Indovest Dana Obligasi	Mutual fund	undated	n/a		50,061
Others	various	various	various		24,313
					1,362,183
<b>Trading</b>					
Republic of Indonesia	Treasury bonds	12/15/10	14.50%		249,875
PT Bank NISP Tbk.	Medium term notes	10/31/05	16.50%	idBB+	19,000
Others	various	various	various		2,181
					271,056
<b>Available for sale</b>					
PT Perusahaan Listrik Negara	Bonds	08/08/07	14.35%	idBB-	147,375
Republic of Indonesia	Treasury bonds	12/15/10	14.50%		80,960
Bank DKI	Bonds	06/18/04	15.00%	idBBB-	35,434
PT Indonesian Satellite Corporation Tbk.	<i>Syariah Mudharabah</i> bonds	11/05/07	n/a	idAA+	30,000
PT Telekomunikasi Indonesia Tbk.	Bonds	07/16/07	17.00%	idAAA	16,294
PT Jasa Marga	Bonds	12/04/10	16.15%	idA+	12,000
					322,063
Total Rupiah					1,955,302
Foreign Currency:					
<b>Held to maturity</b>					
Republic of Indonesia	Bonds	08/01/06	7.75%		151,754
Lazard Bank Ltd.	Others	06/23/03 - 12/21/05	3.90%	B3	101,455
Deutsche Bank, Frankfurt	Floating rate notes	03/02/06	1.53%	Aa3	35,800
ING Bank	Credit linked notes	01/27/03 - 07/26/05	5.00% - 15.91%	B3	30,548
Hypovereinsbank, Munich	Floating rate notes	07/12/04	1.88%	A1	31,325
Government of Singapore	Treasury bills	03/20/03			26,800
PT Perkebunan Nusantara	Promissory notes	12/26/97			17,900
Astra Overseas	Bonds	06/30/06			17,517
Others	various	various			53,855
					466,954
<b>Trading</b>					
PT Bank Negara Indonesia (Persero) Tbk.	Floating rate notes	11/15/12	10.00%	B3	42,684
PT Telkomsel	Floating rate notes	04/20/07	9.75%	B3	37,635
PT Indofood Sukses Makmur Tbk.	Floating rate notes	06/18/07	10.38%	B3	31,735
Republic of Indonesia	Bonds	08/01/06	7.75%		28,332
Others	various	various	various		8,950
					149,336

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**7. SECURITIES (continued)**

d. By Issuer (Continued):

December 31, 2002					
Issuer	Type	Maturity Date	Interest Rate Per Annum	Rating*)	Value
Foreign Currency (Continued):					
<b>Available for sale</b>					
PT Medco Energy	Floating rate notes	03/19/07	10.00%	B+	256,667
PT Bank Negara Indonesia (Persero) Tbk	Floating rate notes	11/15/12	10.00%	B3	97,506
PT Telekomunikasi Indonesia Tbk.	Promissory notes	03/15/03 - 12/15/04	4.47% - 4.84%	n/a	80,624
PT Telkomsel	Floating rate notes	04/20/07	9.75%	B3	29,003
					<u>463,800</u>
Total Foreign Currency					<u>1,080,090</u>
Total					<u>3,035,392</u>
Less: Unamortized interest					(29,728)
Unrealized gains from increase in value of securities					9,108
Allowance for possible losses					(1,064,624)
					<u>1,950,148</u>

\*) Based on ratings issued by rating agencies including Pefindo and Moody's.

e. By Period:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Less than 1 year	9,488,810	11,549,938	269,694
1 - 5 years	1,555,633	1,121,222	1,286,212
Over 5 years	646,683	191,374	399,396
	<u>11,691,126</u>	<u>12,862,534</u>	<u>1,955,302</u>
Foreign Currency:			
Less than 1 year	247,311	90,569	78,246
1 - 5 years	408,645	489,391	702,811
Over 5 years	344,616	468,633	299,033
	<u>1,000,572</u>	<u>1,048,593</u>	<u>1,080,090</u>
Total	12,691,698	13,911,127	3,035,392
Less:			
Unamortized interest	(60,981)	(83,565)	(29,728)
Unrealized gains from increase in value of securities	3,803	13,121	9,108
Allowance for possible losses	(1,089,368)	(1,105,828)	(1,064,624)
	<u>11,545,152</u>	<u>12,734,855</u>	<u>1,950,148</u>

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
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**7. SECURITIES (continued)**

f. By Type of Issuer:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Government	446,362	242,164	538,117
Banks	9,676,820	11,782,047	579,197
Other companies	2,568,516	1,886,916	1,918,078
	<u>12,691,698</u>	<u>13,911,127</u>	<u>3,035,392</u>
Less:			
Unamortized interest	(60,981)	(83,565)	(29,728)
Unrealized gains from increase in value of securities	3,803	13,121	9,108
Allowance for possible losses	(1,089,368)	(1,105,828)	(1,064,624)
	<u><b>11,545,152</b></u>	<u><b>12,734,855</b></u>	<u><b>1,950,148</b></u>

g. Average Interest Rates Per Annum:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah	7.84%	12.34%	14.98%
Foreign Currency	4.07%	6.01%	5.76%

h. Movements of Allowance for Possible Losses on Securities:

	<b>For the 8-month period ended December 31, 2003</b>	<b>For the 4-month period ended April 30, 2003</b>	<b>For the year ended December 31, 2002</b>
Balance at beginning of period	1,105,828	1,064,624	1,062,683
Provision during the period	16,889	5,250	6,438
Recoveries/write backs	-	36,000	-
Others (*)	(33,349)	(46)	(4,497)
<b>Balance at end of period</b>	<u><b>1,089,368</b></u>	<u><b>1,105,828</b></u>	<u><b>1,064,624</b></u>

(\*) Includes foreign exchange translation effect.

At December 23, 2003 the Bank has sold Republic of Indonesia bonds with an agreement to repurchase to Bank Bumiputera totaling Rp17,074 (Notes 8 and 22).

Bank Mandiri invested Rp200,000 as seed capital in Dana Korporasi Mandiri (DKM), a mutual fund, on March 19, 2003. In accordance with Bapepam regulations, the seed capital should be placed in a mutual fund for a period of at least one year.

The gain from the sale of securities amounted to Rp242,214, Rp12,670 and Rp341,081 for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and for the year ended December 31, 2002, respectively.

In August 2003 due to liquidity requirements, PT Mandiri Sekuritas, one of the bank's subsidiaries, reclassified all of its held to maturity portfolio into available for sale portfolio.

Management believes that the allowance for possible losses on securities is adequate.

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**8. GOVERNMENT RECAPITALIZATION BONDS**

Government Recapitalization Bonds consist of bonds issued by the Government in connection with its Recapitalization Program in 1999, acquired from primary and secondary markets with details as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Held to maturity, at cost	70,081,054	105,393,520	107,971,316
Available for sale, fair value	51,437,351	35,625,964	31,580,517
Trading, fair value	1,388,448	9,312,896	9,294,094
	<b>122,906,853</b>	<b>150,332,380</b>	<b>148,845,927</b>

In the context of the Recapitalization Program as discussed in Note 3 to the consolidated financial statements, the Minister of Finance subscribed to additional paid-in capital in Bank Mandiri. The subscription was paid by crediting Bank Mandiri's account in Bank Indonesia, which was simultaneously used to purchase Government Recapitalization Bonds issued by the Government. This recapitalization was carried out in two tranches, on October 13, 1999 for Rp103,000,000 and on December 28, 1999 for Rp75,000,000.

Based on the Management Contract dated April 8, 2000 between the Government and Bank Mandiri, the Government Recapitalization Bonds in connection with Bank Mandiri's recapitalization program may be used to settle obligations but may not be used to increase assets (Note 58a), except for Government Recapitalization Bonds classified for trading purposes based on prevailing regulations.

Based on maturities, the Government Recapitalization Bonds are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Held to maturity:			
Less than 1 year	6,425,336	8,472,511	7,293,373
1 - 5 years	2,561,120	7,740,329	11,497,263
5 - 10 years	1,350,000	15,082,392	8,214,601
More than 10 years	59,744,598	74,098,288	80,966,079
	70,081,054	105,393,520	107,971,316
Available for sale:			
1 - 5 years	8,825,736	5,302,675	3,224,990
5 - 10 years	28,606,196	24,742,078	23,000,950
More than 10 years	14,005,419	5,581,211	5,354,577
	51,437,351	35,625,964	31,580,517
Trading:			
Less than 1 year	989	-	-
1 - 5 years	1,298,167	4,932,011	4,313,283
5 - 10 years	89,292	4,380,885	4,980,811
	1,388,448	9,312,896	9,294,094
	<b>122,906,853</b>	<b>150,332,380</b>	<b>148,845,927</b>

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

The details of Government Recapitalization Bonds are as follows:

**December 31, 2003**

**Held to maturity**

	Serial No.	Nominal	Interest Rate per Annum	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0010	1,350,000	13.15%	03/15/2010	6 months
		1,350,000			
Variable rate bonds	VR0019	1,114,300	SBI 3 months	12/25/2014	3 months
	VR0020	391,029	SBI 3 months	04/25/2015	3 months
	VR0021	690	SBI 3 months	11/25/2015	3 months
	VR0022	6,796,813	SBI 3 months	03/25/2016	3 months
	VR0023	4,086,068	SBI 3 months	10/25/2016	3 months
	VR0024	8,210,550	SBI 3 months	02/25/2017	3 months
	VR0025	5,210,550	SBI 3 months	09/25/2017	3 months
	VR0026	3,475,267	SBI 3 months	01/25/2018	3 months
	VR0027	3,475,267	SBI 3 months	07/25/2018	3 months
	VR0028	3,475,267	SBI 3 months	08/25/2018	3 months
	VR0029	3,475,267	SBI 3 months	08/25/2019	3 months
	VR0030	8,016,765	SBI 3 months	12/25/2019	3 months
	VR0031	12,016,765	SBI 3 months	07/25/2020	3 months
		59,744,598			
Hedge bonds	HB0065	593,627	SIBOR + 2%	01/25/2004	3 months
	HB0066	593,627	SIBOR + 2%	02/25/2004	3 months
	HB0067	593,627	SIBOR + 2%	03/25/2004	3 months
	HB0068	593,627	SIBOR + 2%	04/25/2004	3 months
	HB0069	593,627	SIBOR + 2%	05/25/2004	3 months
	HB0070	593,627	SIBOR + 2%	06/25/2004	3 months
	HB0071	593,627	SIBOR + 2%	07/25/2004	3 months
	HB0072	529,492	SIBOR + 2%	08/25/2004	3 months
	HB0073	529,492	SIBOR + 2%	09/25/2004	3 months
	HB0074	529,492	SIBOR + 2%	10/25/2004	3 months
	HB0075	529,492	SIBOR + 2%	11/25/2004	3 months
	HB0076	529,492	SIBOR + 2%	12/25/2004	3 months
	HB0077	451,977	SIBOR + 2%	01/25/2005	3 months
	HB0078	451,977	SIBOR + 2%	02/25/2005	3 months
	HB0079	451,977	SIBOR + 2%	03/25/2005	3 months
	HB0080	451,888	SIBOR + 2%	04/25/2005	3 months
	HB0081	451,888	SIBOR + 2%	05/25/2005	3 months
	HB0082	451,888	SIBOR + 2%	06/25/2005	3 months
Hedge bonds at nominal value		9,514,444			
Less:					
Decrease in value due to indexation of hedge bonds		(527,988)			
Hedge bonds at indexed value		8,986,456			
		<b>70,081,054</b>			

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

**Available for sale**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0002	338,071	14.00%	349,903	06/15/2009	6 months
	FR0005	1,257,813	12.25%	1,262,215	07/15/2007	6 months
	FR0010	7,122,101	13.15%	7,129,223	03/15/2010	6 months
	FR0013	1,435,852	15.43%	1,568,668	09/15/2010	6 months
	FR0014	609,947	15.58%	667,892	11/15/2010	6 months
	FR0019	6,867,791	14.25%	7,245,520	06/15/2013	6 months
	FR0020	8,609,791	14.28%	9,083,330	12/15/2013	6 months
			<u>26,241,366</u>		<u>27,306,751</u>	
Variable rate bonds	VR0012	400,000	SBI 3 months	373,000	09/25/2007	3 months
	VR0013	1,198,384	SBI 3 months	1,078,546	01/25/2008	3 months
	VR0014	2,810,000	SBI 3 months	2,521,975	08/25/2008	3 months
	VR0015	4,000,000	SBI 3 months	3,590,000	12/25/2008	3 months
	VR0017	2,878,270	SBI 3 months	2,561,660	06/25/2011	3 months
	VR0019	5,050,000	SBI 3 months	4,481,875	12/25/2014	3 months
	VR0020	4,100,000	SBI 3 months	3,628,500	04/25/2015	3 months
	VR0021	2,400,000	SBI 3 months	2,124,000	11/25/2015	3 months
	VR0022	692,844	SBI 3 months	611,435	03/25/2016	3 months
	VR0023	659,738	SBI 3 months	582,219	10/25/2016	3 months
	VR0029	2,928,853	SBI 3 months	2,577,390	08/25/2019	3 months
			<u>27,118,089</u>		<u>24,130,600</u>	
		<u><b>53,359,455</b></u>		<u><b>51,437,351</b></u>		

**Trading**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0002	84,068	12.00%	89,292	06/15/2009	6 months
	FR0004	5,000	12.125%	5,028	02/15/2006	6 months
	FR0005	40,000	12.25%	40,176	07/15/2007	6 months
			<u>129,068</u>		<u>134,496</u>	
Variable rate bonds	VR0005	999	SBI 3 months	989	05/25/2004	3 months
	VR0008	12,899	SBI 3 months	12,782	11/25/2005	3 months
	VR0010	1,312,361	SBI 3 months	1,240,181	10/25/2006	3 months
			<u>1,326,529</u>		<u>1,253,952</u>	
		<u><b>1,455,327</b></u>		<u><b>1,388,448</b></u>		



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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

**April 30, 2003**

**Held to maturity**

	Serial No.	Nominal	Interest Rate per Annum	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0005	1,950,813	12.25%	07/15/2007	6 months
	FR0010	8,214,601	13.15%	03/15/2010	6 months
	FR0019	6,867,791	14.25%	06/15/2013	6 months
	FR0020	6,867,791	14.28%	12/15/2013	6 months
			<u>23,900,996</u>		
Variable rate bonds	VR0019	2,811,418	SBI 3 months	12/25/2014	3 months
	VR0020	4,491,029	SBI 3 months	04/25/2015	3 months
	VR0021	1,689,471	SBI 3 months	11/25/2015	3 months
	VR0022	6,796,813	SBI 3 months	03/25/2016	3 months
	VR0023	4,086,068	SBI 3 months	10/25/2016	3 months
	VR0024	8,210,550	SBI 3 months	02/25/2017	3 months
	VR0025	5,210,550	SBI 3 months	09/25/2017	3 months
	VR0026	3,475,267	SBI 3 months	01/25/2018	3 months
	VR0027	3,475,267	SBI 3 months	07/25/2018	3 months
	VR0028	3,475,267	SBI 3 months	08/25/2018	3 months
	VR0029	3,475,267	SBI 3 months	08/25/2019	3 months
	VR0030	8,016,765	SBI 3 months	12/25/2019	3 months
	VR0031	12,016,765	SBI 3 months	07/25/2020	3 months
			<u>67,230,497</u>		
Hedge bonds	HB0057	706,467	SIBOR + 2%	05/25/2003	3 months
	HB0058	680,599	SIBOR + 2%	06/25/2003	3 months
	HB0059	680,599	SIBOR + 2%	07/25/2003	3 months
	HB0060	680,598	SIBOR + 2%	08/25/2003	3 months
	HB0061	600,317	SIBOR + 2%	09/25/2003	3 months
	HB0062	600,317	SIBOR + 2%	10/25/2003	3 months
	HB0063	600,317	SIBOR + 2%	11/25/2003	3 months
	HB0064	600,317	SIBOR + 2%	12/25/2003	3 months
	HB0065	593,627	SIBOR + 2%	01/25/2004	3 months
	HB0066	593,627	SIBOR + 2%	02/25/2004	3 months
	HB0067	593,627	SIBOR + 2%	03/25/2004	3 months
	HB0068	593,627	SIBOR + 2%	04/25/2004	3 months
	HB0069	593,627	SIBOR + 2%	05/25/2004	3 months
	HB0070	593,627	SIBOR + 2%	06/25/2004	3 months
	HB0071	593,627	SIBOR + 2%	07/25/2004	3 months
	HB0072	529,492	SIBOR + 2%	08/25/2004	3 months
	HB0073	529,492	SIBOR + 2%	09/25/2004	3 months
	HB0074	529,492	SIBOR + 2%	10/25/2004	3 months
	HB0075	529,492	SIBOR + 2%	11/25/2004	3 months
	HB0076	529,492	SIBOR + 2%	12/25/2004	3 months
	HB0077	451,977	SIBOR + 2%	01/25/2005	3 months
	HB0078	451,977	SIBOR + 2%	02/25/2005	3 months
HB0079	451,977	SIBOR + 2%	03/25/2005	3 months	
HB0080	451,888	SIBOR + 2%	04/25/2005	3 months	
HB0081	451,888	SIBOR + 2%	05/25/2005	3 months	
HB0082	451,888	SIBOR + 2%	06/25/2005	3 months	
Hedge bonds at nominal value		14,663,975			
Less:					
Decrease in value due to indexation of hedge bonds		(401,948)			
Hedge bonds at indexed value		<u>14,262,027</u>			
		<u><b>105,393,520</b></u>			

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

**April 30, 2003 (continued)**

**Available for sale**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0002	3,000,000	14.00%	3,197,400	06/15/2009	6 months
	FR0005	1,000,000	12.25%	1,005,000	07/15/2007	6 months
	FR0010	2,500,000	13.15%	2,581,250	03/15/2010	6 months
	FR0013	5,453,601	15.43%	6,217,105	09/15/2010	6 months
	FR0014	849,947	15.58%	975,314	11/15/2010	6 months
	FR0019	1,900,000	14.25%	2,090,000	06/15/2013	6 months
	FR0020	2,000,000	14.28%	2,205,000	12/15/2013	6 months
			<u>16,703,548</u>		<u>18,271,069</u>	
Variable rate bonds	VR0012	1,590,000	SBI 3 months	1,582,050	09/25/2007	3 months
	VR0013	2,750,000	SBI 3 months	2,715,625	01/25/2008	3 months
	VR0014	3,000,000	SBI 3 months	2,947,500	08/25/2008	3 months
	VR0015	4,000,000	SBI 3 months	3,920,000	12/25/2008	3 months
	VR0017	2,878,270	SBI 3 months	2,813,509	06/25/2011	3 months
	VR0019	2,064,094	SBI 3 months	2,012,492	12/25/2014	3 months
	VR0021	711,219	SBI 3 months	691,660	11/25/2015	3 months
	VR0022	692,844	SBI 3 months	672,059	03/25/2016	3 months
			<u>17,686,427</u>		<u>17,354,895</u>	
		<u><b>34,389,975</b></u>		<u><b>35,625,964</b></u>		

**Trading**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0002	4,100,000	14.00%	4,369,780	06/15/2009	6 months
	FR0004	364,255	12.13%	364,983	02/15/2006	6 months
	FR0009	40,000	10.00%	38,400	05/15/2005	6 months
	FR0021	10,000	14.50%	11,105	12/15/2010	6 months
			<u>4,514,255</u>		<u>4,784,268</u>	
Variable rate bonds	VR0005	999	SBI 3 months	1,005	05/25/2004	3 months
	VR0006	20,000	SBI 3 months	20,000	12/25/2004	3 months
	VR0007	25,000	SBI 3 months	25,050	04/25/2005	3 months
	VR0008	51,899	SBI 3 months	52,003	11/25/2005	3 months
	VR0009	70,000	SBI 3 months	70,000	03/25/2006	3 months
	VR0010	2,710,745	SBI 3 months	2,710,745	10/25/2006	3 months
	VR0012	1,410,000	SBI 3 months	1,402,950	09/19/2007	3 months
	VR0013	250,000	SBI 3 months	246,875	01/25/2008	3 months
			<u>4,538,643</u>		<u>4,528,628</u>	
		<u><b>9,052,898</b></u>		<u><b>9,312,896</b></u>		

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

**December 31, 2002**

**Held to maturity**

	Serial No.	Nominal	Interest Rate per Annum	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0005	1,950,813	12.25%	07/15/2007	6 months
	FR0010	8,214,601	13.15%	03/15/2010	6 months
	FR0019	6,867,791	14.25%	06/15/2013	6 months
	FR0020	6,867,791	14.28%	12/15/2013	6 months
			<u>23,900,996</u>		
Variable rate bonds	VR0019	2,811,418	SBI 3 months	12/25/2014	3 months
	VR0020	4,491,029	SBI 3 months	04/25/2015	3 months
	VR0021	1,689,471	SBI 3 months	11/25/2015	3 months
	VR0022	6,796,813	SBI 3 months	03/25/2016	3 months
	VR0023	4,086,068	SBI 3 months	10/25/2016	3 months
	VR0024	8,210,550	SBI 3 months	02/25/2017	3 months
	VR0025	5,210,550	SBI 3 months	09/25/2017	3 months
	VR0026	3,475,267	SBI 3 months	01/25/2018	3 months
	VR0027	3,475,267	SBI 3 months	07/25/2018	3 months
	VR0028	3,475,267	SBI 3 months	08/25/2018	3 months
	VR0029	3,475,267	SBI 3 months	08/25/2019	3 months
	VR0030	8,016,765	SBI 3 months	12/25/2019	3 months
	VR0031	12,016,765	SBI 3 months	07/25/2020	3 months
			<u>67,230,497</u>		
Hedge bonds	HB0033	2,903,791	SIBOR + 2%	06/25/2003	3 months
	HB0034	2,482,445	SIBOR + 2%	03/25/2003	3 months
	HB0036	1,216,582	SIBOR + 2%	03/25/2004	3 months
	HB0049	3,227,996	SIBOR + 2%	09/25/2003	3 months
	HB0051	3,001,399	SIBOR + 2%	06/25/2004	3 months
	HB0052	2,733,818	SIBOR + 2%	12/25/2004	3 months
	HB0054	2,813,013	SIBOR + 2%	09/25/2004	3 months
Hedge bonds at nominal value		<u>18,739,044</u>			
Less:					
Decrease in value due to indexation of hedge bonds		(1,539,221)			
Hedge bonds at indexed value		<u>16,839,823</u>			
		<u><b>107,971,316</b></u>			

**Available for sale**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency	
Fixed rate bonds	FR0002	3,000,000	14.00%	2,859,600	06/15/2009	6 months	
	FR0005	1,000,000	12.25%	895,000	07/15/2007	6 months	
	FR0007	870,315	10.00%	800,690	09/15/2004	6 months	
	FR0009	34,523	10.00%	30,725	05/15/2005	6 months	
	FR0010	2,500,000	13.15%	2,252,250	03/15/2010	6 months	
	FR0013	5,453,601	15.43%	5,419,789	09/15/2010	6 months	
	FR0014	849,947	15.58%	845,697	11/15/2010	6 months	
	FR0019	2,000,000	14.25%	1,852,600	06/15/2013	6 months	
	FR0020	2,000,000	14.28%	1,863,200	12/15/2013	6 months	
			<u>17,708,386</u>		<u>16,819,551</u>		

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

**December 31, 2002**

**Available for sale (continued)**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Variable rate bonds	VR0012	1,590,000	SBI 3 months	1,498,575	09/25/2007	3 months
	VR0013	2,750,000	SBI 3 months	2,572,625	01/25/2008	3 months
	VR0014	3,000,000	SBI 3 months	2,784,000	08/25/2008	3 months
	VR0015	4,000,000	SBI 3 months	3,680,000	12/25/2008	3 months
	VR0017	2,878,270	SBI 3 months	2,586,989	06/25/2011	3 months
	VR0019	1,864,789	SBI 3 months	1,638,777	12/25/2014	3 months
			<u>16,083,059</u>		<u>14,760,966</u>	
		<b><u>33,791,445</u></b>		<b><u>31,580,517</u></b>		

**Trading**

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Fixed rate bonds	FR0002	4,980,000	14.00%	4,746,936	06/15/2009	6 months
	FR0004	364,255	12.13%	329,651	02/15/2006	6 months
		<u>5,344,255</u>		<u>5,076,587</u>		
Variable rate bonds	VR0005	999	SBI 3 months	991	05/25/2004	3 months
	VR0006	15,000	SBI 3 months	14,872	12/25/2004	3 months
	VR0008	51,899	SBI 3 months	50,083	11/25/2005	3 months
	VR0010	2,710,745	SBI 3 months	2,588,761	10/25/2006	3 months
	VR0012	1,410,000	SBI 3 months	1,328,925	09/25/2007	3 months
	VR0013	250,000	SBI 3 months	233,875	01/25/2008	3 months
		<u>4,438,643</u>		<u>4,217,507</u>		
		<b><u>9,782,898</u></b>		<b><u>9,294,094</u></b>		

Significant informations relating to Government Recapitalization Bonds are as follows:

**2003**

As of December 31, 2003, Government Recapitalization Bonds with a nominal amount totalling Rp4,800,821 have been sold to counterparties with agreements to repurchase. These Government Recapitalization Bonds are as follows:

Counter-party	Commencement Date	Maturity Date	Nominal	Serial Number
Deutsche Bank	05/09/2003	10/25/2006	1,312,361	GRB VR0010
Standard Chartered Bank	06/04/2003	06/06/2005	1,037,500	GRB VR0013
Bank Mega	09/25/2003	09/25/2005	480,192	GRB VR0014
Bank Mega	09/25/2003	09/25/2005	480,192	GRB VR0015
Bank Mega	09/25/2003	09/25/2005	480,192	GRB VR0017
Bank Mega	09/11/2003	09/11/2005	320,128	GRB VR0014
Bank Mega	09/11/2003	09/11/2005	320,128	GRB VR0015
Bank Mega	09/11/2003	09/11/2005	320,128	GRB VR0017
Standard Chartered Bank	11/17/2003	01/12/2004	35,000	GRB FR0002
Standard Chartered Bank	11/17/2003	01/12/2004	10,000	GRB FR0005
Standard Chartered Bank	11/17/2003	01/12/2004	5,000	GRB FR0004
			<u>4,800,821</u>	

On October 31, 2003, Bank Mandiri made an early termination of its repurchase agreement involving a Government Recapitalization Bond series FR0002 (nominal value of Rp980,000) with Deutsche Bank.

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

2003 (continued)

The outstanding Government Recapitalization Bonds include hedge bonds amounting to Rp8,986,456 with a nominal amount of Rp9,514,444 decreased by its indexation value of Rp527,988. The hedge bonds value stated on the balance date is based on the Reuters middle exchange rate of the Rupiah to the US Dollar. Outstanding hedge bonds as of December 31, 2003 resulted from the conversion of matured hedge bonds during 2003. The indexation rates as of December 31, 2003, April 30, 2003 and December 31, 2002 are Rp8,425 (full amount), Rp8,675 (full amount) and Rp8,950 (full amount), respectively.

Bank Indonesia through its letters No. 5/5/DGS/DPwB2 dated August 29, 2003 and No. 5/8/DGS/DPwB2 dated November 17, 2003 regarding its program to improve Bank Mandiri's loan quality, required the Bank to fulfil certain financial ratios, namely establishing a secondary reserve at a minimum of 12% of total assets, a cost of funds to total assets ratio of a maximum of 7.5%, and a core earnings to total assets ratio of a minimum of 1.5%. In relation to the fulfilment of the secondary reserve requirement, the Bank's management issued decision letter No. 110/2003 dated November 30, 2003, which approved the transfer of the Bank's Government Recapitalization Bonds amounting to Rp30,036,895 from the held to maturity to available for sale portfolio. The Bank recognized a loss amounting to Rp71,830 in relation to this transfer. As of December 31, 2003, the Bank's secondary reserve ratio is 8.11%.

The Government rescheduled all of the hedge bonds held by Bank Mandiri by redeeming the old bonds and issuing new bonds with longer maturities, based on the Minister of Finance Decree No. S-71/MK.01/2003 dated February 25, 2003. Hedge bonds with a total nominal value of Rp16,783,376 of were redeemed, and Rp16,076,909 of hedge bonds and Rp706,467 of variable bonds were issued.

Based on the Minister of Finance Decree No. S-174/MK.01/2003 dated April 24, 2003, Bank Mandiri returned the excess Government Recapitalization amount of Rp1,412,000. This was completed by returning Government Recapitalization Bonds with serial numbers FR0007, FR0009 and VR0019 with nominal amounts of Rp870,315, Rp34,523 and Rp507,162, respectively, to the Government on April 25, 2003 (Note 32).

Proceeds from sales of Government Recapitalization Bonds during the eight-month period ended December 31, 2003 and the four-month period ended April 30, 2003 amounted to Rp24,708,323 (nominal amount of Rp23,475,424) and Rp1,108,301 (nominal amount of Rp1,030,000), respectively.

The Bank has a commitment with PT Mandiri Sekuritas, as investment manager of Dana Korporasi Mandiri "DKM" mutual fund to sell certain Government Recapitalization Bonds at market prices involving a nominal amount of up to Rp20,000,000. The bond series committed under this agreement are FR0002, VR0011, VR0012 and VR0013.

2002

Based on the Minister of Finance Decree No. S-382/MK.01/2002 dated November 20, 2002, the Government reprofiled bonds issued to state-owned banks, by redeeming the old bonds and issuing new bonds with longer maturities. The reprofiling seeks to allow the Government to better manage its debt by extending the maturity of certain Government Bonds. Accordingly, Government Bonds held by Bank Mandiri amounting to Rp103,849,017 as of November 20, 2002 were reprofiled. The reprofiling did not apply to hedge bonds. As a result of the reprofiling, the Bank has recategorized its bond portfolio without being required to mark to market any reclassification from the held to maturity basis.

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**8. GOVERNMENT RECAPITALIZATION BONDS (continued)**

2002 (continued)

During 2002 Bank Mandiri transferred Government Recapitalization Bonds to IBRA with a total nominal value of Rp5,422,497 to swap with loans. The bonds swapped with loans are serial numbers FR0003, VR0006, VR0007 and VR0008. All the bonds have maturity dates prior to 2005 and annual interest rates of above 10% (Note 11B.n).

Of the total trading portfolio, Government Bonds with serial number FR0002 and with a nominal value of Rp980,000 were sold to Deutsche Bank for Rp735,000, with an agreement to repurchase on January 31, 2004 (Notes 10 and 22).

Receipts from sales of Government Bonds to third parties during the year ended December 31, 2002 amounted to Rp1,024,891 (nominal value: Rp1,125,000).

In relation to the transfer of certain premises and equipment to PHTM in 1999, the shareholder, through an Extraordinary General Meeting on January 16, 2002, approved the plan of the Board of Directors to return Government Bonds amounting to Rp129,685 to the Government (Note 14). The Bank returned a Government Bond with serial number FR0007 on December 30, 2002.

**9. TRADE DOCUMENTS AND OTHER FACILITIES**

a. By Type and Currency:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Discounted export bills	195,204	74,905	45,182
Export bills	958	118	3,035
Others	63,910	201,070	281,347
	<u>260,072</u>	<u>276,093</u>	<u>329,564</u>
Foreign Currency:			
Discounted export bills	680,230	1,201,371	1,031,196
Export bills	1,304,597	704,942	685,810
Others	1,427,821	558,861	442,928
	<u>3,412,648</u>	<u>2,465,174</u>	<u>2,159,934</u>
Total	3,672,720	2,741,267	2,489,498
Less: Allowance for possible losses	(799,322)	(769,498)	(829,362)
	<u><b>2,873,398</b></u>	<u><b>1,971,769</b></u>	<u><b>1,660,136</b></u>

b. By Collectibility:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Current	2,969,980	2,021,972	1,718,160
Loss	702,740	719,295	771,338
Total	3,672,720	2,741,267	2,489,498
Less: Allowance for possible losses	(799,322)	(769,498)	(829,362)
	<u><b>2,873,398</b></u>	<u><b>1,971,769</b></u>	<u><b>1,660,136</b></u>

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**9. TRADE DOCUMENTS AND OTHER FACILITIES (continued)**

d. By Maturity:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Less than 1 month	2,646,553	1,325,975	1,046,511
1 - 3 months	613,515	423,292	430,228
Over 3 months	412,652	992,000	1,012,759
<b>Total</b>	<b>3,672,720</b>	<b>2,741,267</b>	<b>2,489,498</b>
Less: Allowance for possible losses	(799,322)	(769,498)	(829,362)
	<b><u>2,873,398</u></b>	<b><u>1,971,769</u></b>	<b><u>1,660,136</u></b>

e. Movements of Allowance for Possible Losses on Trade Documents and Other Facilities:

	<b>For the 8-month period ended December 31, 2003</b>	<b>For the 4-month period ended April 30, 2003</b>	<b>For the year ended December 31, 2002</b>
Balance at beginning of period	769,498	829,362	2,514,545
Provision/(reversal) during the period	51,792	(42,320)	6,170
Write-offs	-	-	(1,230,663)
Others (*)	(21,968)	(17,544)	(460,690)
<b>Balance at end of period</b>	<b><u>799,322</u></b>	<b><u>769,498</u></b>	<b><u>829,362</u></b>

(\*) Includes foreign exchange translation effect.

The minimum allowances for possible losses on trade documents and other facilities, under the guidelines prescribed by Bank Indonesia, as of December 31, 2003, April 30, 2003 and December 31, 2002 are Rp730,279, Rp744,410 and Rp786,397, respectively.

Management believes that the allowance for possible losses on trade documents and other facilities is adequate.

e. Discounted export facilities amounted to Rp875,434, Rp1,276,276 and Rp1,076,378 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively, with average interest rates per annum of 3.96%, 5.97% and 6.60% for the eight-month period ended December 31, 2003, for four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

Write-offs in 2002 are primarily comprised of long outstanding and deemed uncollectible trade documents and other facilities of BDN, a legacy bank.

f. All trade documents and other facilities are held to maturity.

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**10. DERIVATIVE RECEIVABLES AND PAYABLES**

As of December 31, 2003, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Fair Value (Note 21)	Derivative Receivables	Derivative Payables
<u>Bank Mandiri only</u>				
<i>Third parties</i>				
<i>Cross Currency:</i>				
1. Forward - buy				
US Dollar	156,024	154,543	1	1,482
Others	104,048	103,967	523	604
2. Forward - sell				
US Dollar	44,529	43,944	586	1
Others	14,696	14,178	518	-
3. Swap - buy				
US Dollar	2,187,949	2,172,894	-	15,055
Others	52,125	51,952	-	173
4. Swap - sell				
US Dollar	4,693,443	3,701,163	982,280	-
Others	279,511	276,314	3,655	458
<i>Others</i>				
Interest Rate Swap				
US Dollar			46,727	4,538
			1,034,290	22,311
<u>Subsidiaries</u>				
<i>Third parties</i>				
<i>Foreign Currency:</i>				
1. Forward - buy				
US Dollar	-	-	-	-
Others	66,452	74,107	7,655	-
2. Forward - sell				
US Dollar	620	617	3	-
Others	16,906	18,016	-	1,110
3. Swap - buy				
US Dollar	-	-	-	-
4. Swap - sell				
US Dollar	185,573	177,387	8,186	-
Others	66,410	66,766	-	356
			15,844	1,466
Total			1,050,134	23,777
Less: Allowance for possible losses			(10,343)	-
			1,039,791	23,777

*Interest Rate Swap*

On April 17, 2003 Bank Mandiri entered into interest rate swap agreements with Standard Chartered Bank, London and ABN Amro Bank, London with nominal values amounting to US\$125 million and US\$175 million, respectively. The underlying transaction is the Bank's US\$300 million fixed interest rate Medium Term Note (MTN) issued in April 2003 (Note 24). Under this transaction, the Bank receives semi-annual fixed interest at the rate of 7.00% per annum and pays semi-annual floating interest at the rate of Libor 6 months + 3.37% per annum until the maturity of the Note on April 22, 2008. The Libor 6 months interest is stated in arrears. These transactions qualify as hedging for accounting purposes.



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**10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)**

The background and purpose of the issuance of the hedging instruments are related to interest rate risk management, whereby the Bank's positive foreign currency interest rate gap position is exposed to downward trends in interest rates in the following five years. The Bank decided to convert its note's fixed interest rate into floating interest rates in order to mitigate the risks of a decrease in net interest margin. The Bank uses the Discounted Cash Flows approach to calculate the fair value of the hedging instruments, while the short-cut method is used to determine their hedging effectiveness. As of December 31, 2003, a loss amounting to Rp4,538 as a result of the hedging fair value calculation has been offset against the gain from the note, a hedged item, based on the fair value calculation (Note 24).

Bank Mandiri entered into an interest rate swap agreement with a notional amount of US\$125 million with Standard Chartered Bank, Singapore in August 2002. The underlying transaction is the Bank's US\$125 million fixed interest rate Subordinated Note issued in 2002 (Note 29). Under the transaction, the Bank receives semi-annual fixed interest at the rate of 10.625% per annum and pays semi-annual floating interest at the rate of Libor 6 months + 6.19% per annum for a 5-year period. The Libor 6 months interest is stated in arrears. While the transaction is for the purpose of hedging the fixed rate coupon payments of the Subordinated Note with floating coupon payments, it does not qualify as a hedging transaction for accounting purposes.

*Cross Currency Swap*

Bank Mandiri has entered into a cross currency swap contract, which is associated with the securities sale and repurchase agreements with several counterparty banks. The contract was initiated when Bank Mandiri sold its Government Recapitalization Bonds to the counterparty banks and received Rupiah funds. These funds were used to settle the spot leg of the cross currency swap and Bank Mandiri will then receive US Dollar funds. On the settlement date, the Bank will receive Rupiah funds and pay US Dollar funds to the counterparty banks. Bank Mandiri is then obliged to use the Rupiah funds to repurchase the Government Recapitalization Bonds it previously sold to counterparty banks (Notes 8 and 22).

The summary of the cross currency swap contracts is as follows:

Counterpart Bank	Effective Date	Maturity Date	Type of Transaction	Sale	Buy
Deutsche Bank, Jakarta	Jan 31, 2002	Jan 31, 2004	Spot	US\$50 million	Rp735,000 million
			Forward	Rp735,000 million	US\$50 million
Deutsche Bank, Jakarta	May 9, 2003	Oct 25, 2006	Spot	US\$100 million	Rp1,305,000 million
			Forward	Rp1,305,000 million	US\$100 million
Standard Chartered Bank, Jakarta	June 4, 2003	June 6, 2005	Spot	US\$100 million	Rp1,037,500 million
			Forward	Rp1,037,500 million	US\$100 million

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**10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)**

As of April 30, 2003, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Fair Value (Note 2I)	Derivative Receivables	Derivative Payables
<u>Bank Mandiri only</u>				
<i>Third parties</i>				
<i>Cross currency:</i>				
1. Forward - buy				
US Dollar	283,055	273,841	-	9,214
2. Forward - sell				
US Dollar	267,586	258,611	8,975	-
3. <i>Swap</i> - buy				
US Dollar	232,604	231,316	55	1,343
4. <i>Swap</i> - sell				
US Dollar	1,694,471	1,372,302	322,233	64
<i>Others</i>				
Interest Rate Swap				
US Dollar			88,578	-
			419,841	10,621
<u>Subsidiaries</u>				
<i>Third parties</i>				
<i>Foreign Currency:</i>				
1. Forward - buy				
US Dollar	59,980	57,918	-	2,062
3. Forward - sell				
US Dollar	61,772	59,654	2,118	-
3. <i>Swap</i> - buy				
US Dollar	71,322	70,877	-	445
			2,118	2,507
Total			421,959	13,128
Less: Allowance for possible losses			(4,198)	-
			<b>417,761</b>	<b>13,128</b>

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**10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)**

As of December 31, 2002, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Fair Value (Note 2I)	Derivative Receivables	Derivative Payables
<u>Bank Mandiri only</u>				
<i>Third parties</i>				
Cross currency:				
1. Forward - buy				
US Dollar	119,541	116,798	127	2,870
Others	9,054	9,147	93	-
2. Forward - sell				
US Dollar	124,162	121,270	3,007	115
Others	9,052	9,147	-	95
3. Swap - buy				
US Dollar	162,494	161,100	3	1,397
4. Swap - sell				
US Dollar	1,089,051	801,024	288,967	940
<i>Others</i>				
Interest Rate Swap				
US Dollar	1,118,750	70,829	70,289	-
			362,486	5,417
<u>Subsidiary</u>				
<i>Third parties</i>				
Foreign Currency:				
1. Forward - buy				
US Dollar	75,144	77,459	2,462	147
2. Swap - buy				
US Dollar	69,999	68,129	-	1,870
			2,462	2,017
Total			364,948	7,434
Less: Allowance for possible losses			(3,625)	-
			361,323	7,434

Movements of allowance for possible losses on derivative receivables:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Balance at beginning of period	4,198	3,625	48
Provision during the period	6,145	573	3,577
<b>Balance at end of period</b>	<b>10,343</b>	<b>4,198</b>	<b>3,625</b>

As of December 31, 2003, April 30, 2003 and December 31, 2002, all derivatives are classified as Current.

Management believes that the allowance for possible losses on derivative receivables is adequate.

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**11. LOANS**

A. Details of loans:

a. By Currency and Related Parties and Third Parties:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Related parties	515,704	501,610	475,418
Third parties	47,677,466	41,240,910	39,035,326
	48,193,170	41,742,520	39,510,744
Foreign Currency:			
Related parties	508,340	521,641	373,841
Third parties	27,241,110	27,139,752	25,532,663
	27,749,450	27,661,393	25,906,504
Total	75,942,620	69,403,913	65,417,248
Less: Allowance for possible losses	(8,890,383)	(9,879,080)	(8,906,545)
Deferred income	(209,573)	(203,946)	(164,284)
	<b>66,842,664</b>	<b>59,320,887</b>	<b>56,346,419</b>

b. By Type:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Working capital	23,075,411	19,585,221	17,959,436
Investment	13,867,587	12,257,518	11,395,818
Export	2,945,889	2,838,784	2,713,320
Consumer	2,806,793	1,232,667	1,652,150
Syndicated (Note 11B.e)	2,480,355	3,826,755	3,970,712
Government program (Note 11B.d)	1,741,660	1,694,233	1,530,757
Employees	1,275,475	292,342	288,551
Others	-	15,000	-
	48,193,170	41,742,520	39,510,744
Foreign Currency:			
Working capital	6,906,254	7,785,720	7,830,603
Investment	11,922,801	12,036,462	9,837,491
Export	2,927,450	3,529,220	3,607,503
Consumer	63,055	62,449	21,301
Syndicated (Note 11B.e)	5,465,684	3,806,891	4,278,276
Government program (Note 11B.d)	101,547	103,028	52,268
Employees	265	660	668
Others	362,394	336,963	278,394
	27,749,450	27,661,393	25,906,504
Total	75,942,620	69,403,913	65,417,248
Less: Allowance for possible losses	(8,890,383)	(9,879,080)	(8,906,545)
Deferred income	(209,573)	(203,946)	(164,284)
	<b>66,842,664</b>	<b>59,320,887</b>	<b>56,346,419</b>

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**11. LOANS (continued)**

A. Details of loans: (continued)

c. By Economic Sector:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Manufacturing	17,526,545	17,219,209	16,941,419
Agriculture	7,655,239	6,532,301	5,984,223
Trading, restaurant and hotel	7,596,591	5,555,738	5,914,127
Transportation, warehousing and communications	3,577,285	3,832,218	3,624,707
Other services	3,382,908	3,138,142	2,390,275
Construction	2,150,272	2,070,797	1,751,713
Social services	482,343	589,495	161,291
Mining	362,820	236,937	212,362
Electricity, gas and water	518,714	142,234	166,254
Others	4,940,453	2,425,449	2,364,373
	<u>48,193,170</u>	<u>41,742,520</u>	<u>39,510,744</u>
Foreign Currency:			
Manufacturing	14,880,458	15,884,818	15,940,259
Agriculture	1,490,685	1,451,432	1,588,469
Trading, restaurant and hotel	2,808,516	2,302,930	2,112,997
Transportation, warehousing and communications	1,045,178	613,703	556,099
Other services	1,313,898	1,920,712	1,583,105
Construction	1,902,415	1,591,817	1,423,625
Social services	-	24,221	7,334
Mining	2,156,657	1,711,414	1,722,031
Electricity, gas and water	1,224,071	1,303,578	319,136
Others	927,572	856,768	653,449
	<u>27,749,450</u>	<u>27,661,393</u>	<u>25,906,504</u>
Total	75,942,620	69,403,913	65,417,248
Less: Allowance for possible losses	(8,890,383)	(9,879,080)	(8,906,545)
Deferred income	(209,573)	(203,946)	(164,284)
	<u><b>66,842,664</b></u>	<u><b>59,320,887</b></u>	<u><b>56,346,419</b></u>

d. By Period:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Less than 1 year	3,884,416	6,882,910	6,300,406
1 - 2 years	6,640,752	2,908,587	2,536,594
2 - 5 years	18,145,417	12,352,723	10,827,581
Over 5 years	19,522,585	19,598,300	19,846,163
	<u>48,193,170</u>	<u>41,742,520</u>	<u>39,510,744</u>

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**11. LOANS (continued)**

A. Details of loans: (continued)

d. By Period: (continued)

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Foreign Currency:			
Less than 1 year	1,911,089	2,663,076	3,001,626
1 - 2 years	1,243,612	1,738,329	1,737,010
2 - 5 years	7,560,367	8,050,143	7,409,149
Over 5 years	17,034,382	15,209,845	13,758,719
	<u>27,749,450</u>	<u>27,661,393</u>	<u>25,906,504</u>
Total	75,942,620	69,403,913	65,417,248
Less: Allowance for possible losses	(8,890,383)	(9,879,080)	(8,906,545)
Deferred income	(209,573)	(203,946)	(164,284)
	<u><b>66,842,664</b></u>	<u><b>59,320,887</b></u>	<u><b>56,346,419</b></u>

e. By Collectibility:

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Current	58,184,992	47,496,807	44,451,924
Special mention	11,215,816	15,809,277	16,201,501
Sub-standard	1,675,651	1,422,020	1,521,643
Doubtful	1,437,009	1,395,059	1,039,787
Loss	3,429,152	3,280,750	2,202,393
	<u>75,942,620</u>	<u>69,403,913</u>	<u>65,417,248</u>
Total	75,942,620	69,403,913	65,417,248
Less: Allowance for possible losses	(8,890,383)	(9,879,080)	(8,906,545)
Deferred income	(209,573)	(203,946)	(164,284)
	<u><b>66,842,664</b></u>	<u><b>59,320,887</b></u>	<u><b>56,346,419</b></u>

The non-performing loans ratio (consolidated gross basis) as of December 31, 2003, April 30, 2003 and December 31, 2002 is 8.61%, 8.79% and 7.28%, respectively (Bank Mandiri only - 8.84%, 8.95% and 7.39% as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively).

The loans as of December 31, 2003, April 30, 2003 and December 31, 2002 include the loans purchased from IBRA amounting to Rp5,249,139, Rp5,383,514 and Rp5,457,322, respectively, with an allowance for possible losses of Rp2,091,445, Rp1,136,736 and Rp394,297, respectively, and deferred income of Rp209,573, Rp203,946 and Rp164,284, respectively.

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**11. LOANS (continued)**

B. Significant information related to loans:

- a. Included in loans are the *syariah* finance receivables amounting to Rp2,167,704, Rp1,345,155 and Rp1,140,981 as at December 31, 2003, April 30, 2003 and December 31, 2002, respectively:

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Receivables	1,829,524	1,242,787	1,094,329
<i>Musyarakah</i> finance receivables	283,381	84,039	44,452
Other <i>syariah</i> finance receivables	54,799	18,329	2,200
	<u>2,167,704</u>	<u>1,345,155</u>	<u>1,140,981</u>
Less: Allowance for possible losses	(42,413)	(48,584)	(44,534)
	<u><u>2,125,291</u></u>	<u><u>1,296,571</u></u>	<u><u>1,096,447</u></u>

- b. Average Interest Rates and Range of Profit Sharing Per Annum:

*Average interest rates per annum:*

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Rupiah	16.37%	17.72%	17.92%
Foreign Currency	9.13%	9.93%	9.87%

*Range of profit sharing per annum:*

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Receivables	16.33%-20.48%	16.06%-21.66%	18.13%-21.44%
<i>Musyarakah</i> finance receivables	9.08%-24.81%	14.57%-24.80%	14.29%-26.52%
Other <i>syariah</i> finance receivables	1.94%-29.83%	1.13%	1.06%-7.69%

- c. Loan Collateral

The loans are generally collateralized by registered mortgages, powers of attorney to mortgage or sell pledged assets, time deposits or other guarantees acceptable to Bank Mandiri.

- d. *Government Program Loans*

Government program loans consist of investment loans, permanent working capital loans and working capital loans which can be fully funded by the Government.

- e. Syndicated Loans

The syndicated loans represent loans provided to customers under syndication agreements with other banks. Bank Mandiri's share as facility agent in syndicated loans ranged from 52.08% to 77.88%, 45.08% to 79.35% and 41.28% to 75.79% of the total syndicated loans as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively. Bank Mandiri's total participation in syndicated loans ranged from 0.07% to 60.00%, 0.10% to 58.13% and 0.41% to 75.79%, of the total syndicated loans as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

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**11. LOANS (continued)**

B. Significant information related to loans:

f. Restructured Loans

Below is the type and amount of restructured loans as of December 31, 2003, April 30, 2003 and December 31, 2002:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Long-term loans with option to convert debt to equity	2,144,920	2,344,133	2,431,942
Additional loan facilities	381,227	278,365	557,500
Extension of loan maturity dates	13,160,740	15,826,455	16,633,202
Extension of loan maturity dates and reduction of interest rates	2,342,289	2,835,903	2,932,473
Extension of loan maturity date and other restructuring schemes*)	5,958,373	7,138,343	6,986,589
	<b>23,987,549</b>	<b>28,423,199</b>	<b>29,541,706</b>

\*) Other restructuring schemes mainly represent restructuring schemes involving one or more of the following: reduction of interest rate, rescheduling of unpaid interest and extension of repayment period of unpaid interest.

Total restructured loans under non-performing loans (NPL) category as of December 31, 2003, April 30, 2003 and December 31, 2002 amounted to Rp2,398,390, Rp4,007,665 and Rp3,330,121, respectively.

g. Loans to Related Parties

Loans to related parties amounted to Rp1,024,044, Rp1,023,251 and Rp849,259 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively, or 0.41%, 0.39% and 0.34% of total assets as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively. Details of loans given to related parties are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Republic of Indonesia	402,381	412,532	261,334
PT Semen Kupang (Persero)*)	371,802	372,444	352,300
PT Stacomitra Sedaya Finance**)	137,989	68,222	66,298
PT Estika Sedaya Finance**)	67,358	63,333	67,931
PT Staco Bosowa Finance**)	-	65,467	56,712

\*) Originated from conversion of debt to equity.

\*\*) These are subsidiaries of the Bank's pension fund.



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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

g. Loans to Related Parties (continued)

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
PT Bayu Beringin Lestari*)	18,850	22,350	27,600
PT Estika Jasa Kelola **)	10,538	6,310	4,393
PT Kertas Padalarang*)	6,000	6,000	6,000
PT Pann Multi Finance*)	4,142	4,620	4,780
Employee loans	4,984	1,973	1,911
	<b>1,024,044</b>	<b>1,023,251</b>	<b>849,259</b>

\*) Originated from conversion of debt to equity.

\*\*) These are subsidiaries of the Bank's pension fund.

The loans to Bank Mandiri employees consist of interest-bearing loans at 6% per annum which are intended for the acquisition of vehicles, houses and other personal property, and are repayable within 1 to 20 years through monthly payroll deductions.

h. Legal Lending Limit (LLL)

As of December 31, 2003, April 30, 2003 and December 31, 2002, Bank Mandiri has not exceeded the Legal Lending Limit.

i. Bank Mandiri has several loan-channeling agreements in place with several international financial institutions (Note 56).

j. Bank Mandiri does not capitalize interest in arrears. There was no capitalized interest in arrears as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

k. Movements of Allowance for Possible Losses on Loans:

The allowance for possible loan losses is comprised of:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Allowance for possible loan losses	8,703,411	9,684,686	8,617,748
Allowance for possible losses derived from the difference between purchase price and loan principal on loans purchased from IBRA (Note 11B.n)	186,972	194,394	288,797
	<b>8,890,383</b>	<b>9,879,080</b>	<b>8,906,545</b>

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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

k. Movements of Allowance for Possible Losses on Loans: (continued)

The movements of allowance for possible loan losses (excluding allowance for possible losses derived from the difference between the purchase price and loan principal on loans purchased from IBRA) are as follows:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Balance at beginning of period	9,684,686	8,617,748	6,100,252
Provision during the period	453,382	603,279	4,674,192
Loan recoveries *)	895,618	344,499	5,295,327
Write-offs **)	(2,159,136)	-	(6,481,462)
Others ***)	(171,139)	119,160	(970,561)
<b>Balance at end of period</b>	<b>8,703,411</b>	<b>9,684,686</b>	<b>8,617,748</b>

\*) Include write-back to on-balance sheet of loans to Raja Garuda Mas Group (RGM) amounting to Rp4,170,712 in 2002

\*\*\*) Write-offs in 2002 include write-off of repurchased loans written-off below Rp5 billion and prior to legal merger, at a repurchase price of Rp2,520,119 (Notes 11B and 58b) and partial write-off of loans to RGM amounting to Rp2,691,355.

\*\*\*) Includes foreign currency translation effect.

As explained in Note 2e, an allowance for possible losses is provided based on the review and evaluation of the collectibility and realizable value of the respective loan balances at the end of the period. In determining the minimum amount of allowance for possible loan losses, Bank Mandiri takes into account Bank Indonesia regulations on allowances for possible losses on earning assets.

The minimum allowance for possible losses on loans (including those for loans purchased from IBRA), under the guidelines prescribed by Bank Indonesia, as of December 31, 2003, April 30, 2003 and December 31, 2002 are Rp5,999,438, Rp5,892,773 and Rp3,932,065, respectively.

Management believes that the allowance for possible losses on loans is adequate.

l. A summary of non-performing loans based on economic sector and related minimum allowances for possible losses based on Bank Indonesia regulations, is as follows:

December 31, 2003

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Industry	1,354,659	698,758
Trading, restaurant and hotel	664,238	401,270
Business services	176,581	89,006
Others	1,625,664	987,025
	<u>3,821,142</u>	<u>2,176,059</u>
Foreign Currency:		
Industry	2,247,478	1,799,276
Trading, restaurant and hotel	310,328	121,605
Business services	26,419	9,647
Others	136,445	25,666
	<u>2,720,670</u>	<u>1,956,194</u>
	<b>6,541,812</b>	<b>4,132,253</b>

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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

- i. A summary of non-performing loans based on economic sector and related minimum allowances for possible losses based on Bank Indonesia regulations, is as follows: (continued)

April 30, 2003

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Industry	937,104	574,973
Trading, restaurant and hotel	545,954	384,162
Business services	196,969	132,773
Others	1,659,659	768,600
	3,339,686	1,860,508
Foreign Currency:		
Industry	2,093,588	1,721,949
Trading, restaurant and hotel	501,973	192,405
Business services	69,938	32,766
Others	92,644	80,502
	2,758,143	2,027,622
	<b>6,097,829</b>	<b>3,888,130</b>

December 31, 2002

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Industry	768,151	466,528
Trading, restaurant and hotel	430,984	193,972
Business services	220,212	122,549
Others	979,999	502,117
	2,399,346	1,285,166
Foreign currency:		
Industry	1,818,233	1,256,376
Trading, restaurant and hotel	290,632	160,535
Business services	63,995	9,599
Others	191,617	48,152
	2,364,477	1,474,662
	<b>4,763,823</b>	<b>2,759,828</b>

- m. Bank Mandiri has *extra-komtabel* loans amounting to Rp20,470,844, Rp19,977,350 and Rp20,587,640 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively. *Extra-komtabel* loans are loans which have been written-off by the Bank but which continue to be pursued for collection. These loans are not reflected in the balance sheet of the Bank, but are maintained as off-balance sheet in the Bank's ledger system. A summary of movements of *extra-komtabel* loans for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002 is as follows:

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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Balance at beginning of period	19,977,350	20,587,640	23,630,805
Loans written-off (Note 11B.k) *	2,159,136	-	6,481,462
Loan recoveries (Note 11B.k) **	(895,618)	(344,499)	(5,295,327)
Transfer to IBRA (below Rp5 billion and prior to legal merger) (Note 11B.o)	-	-	(12,600,598)
Excess of loans repurchased from IBRA over purchase price (below Rp5 billion and prior to legal merger) (Note 58b)	-	-	10,080,479
Others ***	(770,024)	(265,791)	(1,709,181)
<b>Balance at end of period</b>	<b>20,470,844</b>	<b>19,977,350</b>	<b>20,587,640</b>

(\*) Include partial write-off of loans to Raja Garuda Mas Group (RGM) amounting to Rp2,691,355 in 2002.

(\*\*) Include write-back to on-balance sheet of loans to RGM amounting to Rp4,170,712 in 2002.

(\*\*\*) Includes foreign currency translation effect.

n. Purchase of Loans from IBRA

Period from May 1, 2003 to December 31, 2003

During the eight-month period ended December 31, 2003, the Bank purchased sustainable loans from IBRA amounting to Rp234,182 at a purchase price of Rp234,182.

The allowance for possible loan losses and deferred income, arising from the difference between the outstanding principal and purchase price, recorded by the Bank as of December 31, 2003 was Rp186,972 and Rp209,573, respectively.

In addition to the allowance for possible loan losses and deferred income, the Bank had provided an additional allowance for possible losses on IBRA loans amounting to Rp1,904,473 as of December 31, 2003.

Of the total outstanding principal balance of Rp5,249,139 recorded under loans, Rp3,526,048 or 67.17% was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the eight-month period ended December 31, 2003 amounted to Rp316,706. During the eight-month period ended December 31, 2003, the Bank received settlements of Rp235,794 of loan principal.

Total interest and other income (up-front fee, restructuring and provision fees) received related to loans purchased from IBRA for the eight-month period ended December 31, 2003 was Rp228,182 and Rp2,562, respectively.

Total loans purchased from IBRA recorded under "Other Assets" amounted to Rp2,031 as of December 31, 2003 (Note 15). The cessie agreements related to these loans are still in the process of finalization.

Period from January 1, 2003 to April 30, 2003

During the four-month period ended April 30, 2003, the Bank purchased sustainable loans from IBRA amounting to Rp20,722 at a purchase price of Rp18,224.

The allowance for possible loan losses and deferred income, arising from the difference between the outstanding principal and purchase price recorded by the Bank as of April 30, 2003 was Rp194,394 and Rp203,946, respectively.

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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

n. Purchase of Loans from IBRA (continued)

Period from January 1, 2003 to April 30, 2003 (continued)

In addition to the allowance for possible loan losses and deferred income, as of April 30, 2003, the Bank had provided an additional allowance for possible losses on IBRA loans amounting to Rp942,342.

Of the total outstanding principal balance of Rp5,383,514 recorded under loans, Rp3,515,824 or 65.31% was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the four-month period ended April 30, 2003 amounted to Rp57,700. During the four-month period ended April 30, 2003, the Bank received settlements of Rp5,885 of loan principal.

Total interest and other income (up-front fee, restructuring and provision fees) received related to loans purchased from IBRA for the four-month period ended April 30, 2003 was Rp54,584 and Rp1,090, respectively.

Total loans purchased from IBRA recorded under "Other Assets" amounted to Rp165,916 as of April 30, 2003 (Note 15).

Year 2002

In 2002, the Bank purchased sustainable loans from IBRA amounting to Rp5,971,277 at a purchase price of Rp5,327,135 (Rp2,424,745 of the purchase price was paid by cash and Rp2,902,390 was paid with Government Recapitalization Bonds). Loans purchased from IBRA, amounting to Rp4,294,091 were purchased from Consortia in accordance with "Program Penjualan Aktiva Kredit (PPAK)" conducted by IBRA (Note 58c).

The allowance for possible loan losses and deferred income, arising from the difference between the outstanding principal and purchase price, recorded by the Bank as of December 31, 2002 was Rp288,797 and Rp164,284, respectively.

In addition to the allowance for possible loan losses and deferred income, the Bank had provided an additional allowance for possible losses on IBRA loans amounting to Rp105,500.

Of the total outstanding principal balance of Rp5,457,322 recorded under loans, Rp3,237,801 or 59.33% has been covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the year ended December 31, 2002 amounted to Rp231,341. During the year ended December 31, 2002, the Bank received settlements of Rp83,068 of loan principal.

Total interest and other income (up-front fee, restructuring and provision fees) received related to loans purchased from IBRA for the year ended December 31, 2002 was Rp4,526 and Rp182,241, respectively.

Total loans purchased from IBRA recorded under "other assets" amounted to Rp380,955 as of December 31, 2002 (Note 15).

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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

n. Purchase of Loans from IBRA (continued)

Year 2002 (continued)

Below are the movements of loan principal, allowance for loan losses and deferred income on loans purchased from IBRA for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, which are recorded under loans account:

	<u>For the 8-month period ended December 31, 2003</u>	<u>For the 4-month period ended April 30, 2003</u>	<u>For the year ended December 31, 2002</u>
<i>Principal</i>			
Balance at beginning of period	5,383,514	5,457,322	-
Purchased from IBRA during the period*)	351,014	47,822	5,590,322
Repayments during the period	(235,794)	(5,885)	(83,068)
Foreign currency translation effect	(249,595)	(115,745)	(49,932)
<b>Balance at end of period</b>	<b><u>5,249,139</u></b>	<b><u>5,383,514</u></b>	<b><u>5,457,322</u></b>

\*) *Movements for the eight-month period ended December 31, 2003 include loans purchased from IBRA amounting to Rp112,636, which were previously recorded as "Other Assets" on April 30, 2003, as the related cessie agreements were still in progress; such cessie agreements have been completed as of December 31, 2003. Movements for the four-month period ended April 30, 2003 include loans purchased from IBRA amounting to Rp47,822, which were previously recorded as "Other Assets" on December 31, 2002, as the related cessie agreements were still in progress; such cessie agreements have been completed as of April 30, 2003.*

	<u>For the 8-month period ended December 31, 2003</u>	<u>For the 4-month period ended April 30, 2003</u>	<u>For the year ended December 31, 2002</u>
<i>Allowance for possible loan losses</i>			
Balance at beginning of period	194,394	288,797	-
Provision/(reversal) during the period *)	269	(84,847)	290,273
Foreign currency translation effect	(7,691)	(9,556)	(1,476)
<b>Balance at end of period</b>	<b><u>186,972</u></b>	<b><u>194,394</u></b>	<b><u>288,797</u></b>

\*) *Movements for the eight-month period ended December 31, 2003 include reclassifications to deferred income amounting to Rp2,055 as the loans have now been covered by new loan agreements. Movements for the four-month period ended April 30, 2003 represent reclassifications to deferred income of Rp32,594 as the loans have been covered by new loan agreements, and correction of allowance for possible losses amounting to Rp52,253 due to adjustment of the purchase price paid to IBRA.*

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**11. LOANS (continued)**

B. Significant information related to loans: (continued)

n. Purchase of Loans from IBRA (continued)

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
<i>Deferred Income</i>			
Balance at beginning of period	203,946	164,284	-
Additional allowance during the period *)	10,311	42,111	163,485
Foreign currency translation effect	(4,684)	(2,449)	799
<b>Balance at end of period</b>	<b>209,573</b>	<b>203,946</b>	<b>164,284</b>

\*) *Movements for the eight-month period ended December 31, 2003 and the four-month period ended April 30, 2003 include reclassifications from allowance for possible loan losses amounting to Rp2,055 and Rp32,594, respectively, as the loans have been covered by new loan agreements.*

o. Transfer and Buy-back of Loans from IBRA

Loss category loans transferred to IBRA as required under the recapitalization program amounted to Rp12,600,598 during the year ended December 31, 2002. These loans were fully provided for and written-off prior to the transfers (Note 58b).

The loans written-off below Rp5 billion and loans written-off prior to legal merger amounting to Rp12,600,598 which were transferred to IBRA on December 18, 2002, were repurchased by the Bank (swapped) with Government Recapitalization Bonds amounting to Rp2,520,119 and a cash payment of Rp615,091 (full amount) on the same date as the transfer (Note 58b).

There were no loans transferred to IBRA during 2003.

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**12. ACCEPTANCES RECEIVABLE**

a. By Currency and Related Parties and Third Parties:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Receivable from debtors:			
Related parties	-	-	-
Third parties	50,407	77,142	46,228
Total Rupiah	50,407	77,142	46,228
Foreign Currency:			
Receivable from other banks:			
Related parties	-	-	-
Third parties	14,230	25,518	74,470
Receivable from debtors:			
Related parties	-	-	-
Third parties	3,200,235	2,688,977	2,029,911
Total Foreign Currency	3,214,465	2,714,495	2,104,381
Total	3,264,872	2,791,637	2,150,609
Less: Allowance for possible losses	(148,762)	(103,404)	(127,538)
	<b>3,116,110</b>	<b>2,688,233</b>	<b>2,023,071</b>

b. By Maturity:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Less than 1 month	12,196	77,142	16,136
1 - 3 months	10,172	-	23,687
3 - 6 months	28,039	-	6,405
6 - 12 months	-	-	-
Over 12 months	-	-	-
	50,407	77,142	46,228
Foreign Currency:			
Less than 1 month	1,038,533	695,459	699,193
1 - 3 months	1,115,246	854,167	990,813
3 - 6 months	773,329	774,564	323,814
6 - 12 months	287,357	390,305	90,561
Over 12 months	-	-	-
	3,214,465	2,714,495	2,104,381
Total	3,264,872	2,791,637	2,150,609
Less: Allowance for possible losses	(148,762)	(103,404)	(127,538)
	<b>3,116,110</b>	<b>2,688,233</b>	<b>2,023,071</b>



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**12. ACCEPTANCES RECEIVABLE (continued)**

c. By Collectibility:

	December 31, 2003	April 30, 2003	December 31, 2002
Current	2,889,789	2,437,697	1,649,309
Special mention	335,427	353,940	465,920
Sub-standard	-	-	19,609
Doubtful	39,656	-	-
Loss	-	-	15,771
<b>Total</b>	<b>3,264,872</b>	<b>2,791,637</b>	<b>2,150,609</b>
Less: Allowance for possible losses	(148,762)	(103,404)	(127,538)
	<b>3,116,110</b>	<b>2,688,233</b>	<b>2,023,071</b>

d. Movements of Allowance for Possible Losses on Acceptances Receivable:

	December 31, 2003	April 30, 2003	December 31, 2002
Balance at beginning of period	103,404	127,538	215,406
Provision/(reversal) during the period	49,859	(20,252)	(52,400)
Others *)	(4,501)	(3,882)	(35,468)
<b>Balance at end of period</b>	<b>148,762</b>	<b>103,404</b>	<b>127,538</b>

\*) includes foreign currency translation effect.

The minimum allowance for possible losses on acceptances receivable, under the guidelines prescribed by Bank Indonesia, as of December 31, 2003, April 30, 2003 and December 31, 2002 is Rp65,497, Rp41,997 and Rp57,947, respectively.

Management believes that the allowance for possible losses on acceptances receivable is adequate.

**13. INVESTMENTS IN SHARES OF STOCK**

a. The details of investments in shares of stock are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
Equity method of accounting	16,532	8,106	8,106
Cost method of accounting	85,883	141,798	141,797
<b>Total</b>	<b>102,415</b>	<b>149,904</b>	<b>149,903</b>
Less: Allowance for possible losses	(89,693)	(27,633)	(62,807)
	<b>12,722</b>	<b>122,271</b>	<b>87,096</b>

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**13. INVESTMENTS IN SHARES OF STOCK (continued)**

The details of investments in shares of stock as of December 31, 2003 are as follows:

Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
<i>Equity Method of Accounting:</i>					
PT Sarana Bersama					
Pembiayaan Indonesia	Holding company	34.00	2,278	2,881	5,159
PT AXA Mandiri Financial Services	Insurance	49.00	16,761	(7,343)	9,418
PT Bapindo Bumi Sekuritas	Securities trading	26.19	2,750	(795)	1,955
					16,532
<i>Cost Method of Accounting:</i>					
PT Semen Kupang <sup>a)</sup>	Manufacturing	59.70	45,023		45,023
PT Sri Thai <sup>a)</sup>	Manufacturing	n/a	23,055		23,055
PT Kertas Padalarang <sup>a)</sup>	Pulp and paper	51.50	9,530		9,530
PT Kustodian Sentral Efek Indonesia	Security custodian	16.00	4,800	(1,800)	3,000
PT Bunas Finance Internasional Tbk. <sup>a)</sup>	Finance	n/a	3,889		3,889
PT Pisisa Wisata <sup>a)</sup>	Tourism	16.00	658		658
PT Mega Guna Concrete <sup>a)</sup>	Construction	24.00	200		200
PT Bursa Efek Surabaya	Stock exchange	0.84	150		150
Maskapai Pelayaran Laut	Shipping	8.50	95		95
PT Bursa Efek Jakarta	Stock exchange	0.60	60		60
PT Pemeringkat Efek Indonesia	Securities rating	0.58	58		58
Others			165		165
					85,883
Total					102,415
Less: Allowance for possible losses					(89,693)
					<b>12,722</b>

- a) These investments, regardless of percentage of ownership, represent restructured loans through debt to equity participations (Note 11). Such investments are temporary investments for up to a maximum of five (5) years based on Bank Indonesia regulations. Accordingly, such investments are accounted for using the cost method regardless of the percentage of ownership, effective January 1, 2001.

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**13. INVESTMENTS IN SHARES OF STOCK (continued)**

The details of investments in shares of stock as of April 30, 2003 are as follows:

Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
<i>Equity Method of Accounting:</i>					
PT Sarana Bersama					
Pembiayaan Indonesia	Holding company	34.00	2,278	2,881	5,159
PT Bapindo Bumi					
Sekuritas	Securities trading	26.19	2,750	197	2,947
					8,106
<i>Cost Method of Accounting:</i>					
PT Bank Internasional					
Indonesia Tbk.	Banking	2.00	50,400		50,400
PT Semen Kupang <sup>a)</sup>	Manufacturing	59.70	45,023		45,023
PT Sri Thai <sup>a)</sup>	Manufacturing	n/a	23,055		23,055
PT Kertas Padalarang <sup>a)</sup>	Pulp and paper	51.50	9,530		9,530
PT Kustodian Sentral					
Efek Indonesia	Security Custodian	16.00	4,800		4,800
PT Bunas Finance					
Internasional Tbk. <sup>a)</sup>	Finance	n/a	3,889		3,889
PT Pisita Wisata <sup>a)</sup>	Tourism	16.00	658		658
PT Mega Guna					
Concrete <sup>a)</sup>	Construction	24.00	200		200
Maskapai Pelayaran					
Laut	Shipping	8.50	95		95
PT Bursa Efek					
Surabaya	Stock exchange	2.22	75		75
PT Bursa Efek Jakarta	Stock exchange	0.50	60		60
PT Pemeringkat Efek					
Indonesia	Securities rating	4.29	429		429
Others			3,584		3,584
					141,798
Total					149,904
Less: Allowance for possible losses					(27,633)
					<b>122,271</b>

a) These investments, regardless of percentage of ownership, represent restructured loans through debt to equity participations (Note 11). Such investments are temporary investments for up to a maximum of five (5) years based on Bank Indonesia regulations. Accordingly, such investments are accounted for using the cost method regardless of the percentage of ownership, effective January 1, 2001.

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**13. INVESTMENTS IN SHARES OF STOCK (continued)**

The details of investments in shares of stock as of December 31, 2002 are as follows:

Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
<i>Equity Method of Accounting:</i>					
PT Sarana Bersama					
Pembiayaan Indonesia	Holding company	34.00	2,278	2,881	5,159
PT Bapindo Bumi					
Sekuritas	Securities trading	26.19	2,750	197	2,947
					8,106
<i>Cost Method of Accounting:</i>					
PT Bank Internasional Indonesia Tbk.	Banking	2.00	50,400		50,400
PT Semen Kupang <sup>a)</sup>	Manufacturing	59.70	45,023		45,023
PT Sri Thaj <sup>a)</sup>	Manufacturing	n/a	23,055		23,055
PT Kertas Padalarang <sup>a)</sup>	Pulp and paper	51.50	9,530		9,530
PT Kustodian Sentral Efek Indonesia	Security custodian	16.00	4,800		4,800
PT Bunas Finance Internasional Tbk. <sup>a)</sup>	Finance	n/a	3,889		3,889
PT Pisita Wisata <sup>a)</sup>	Tourism	16.00	658		658
PT Mega Guna Concrete <sup>a)</sup>	Construction	24.00	200		200
Maskapai Pelayaran Laut	Shipping	8.50	95		95
PT Bursa Efek Surabaya	Stock exchange	2.22	75		75
PT Bursa Efek Jakarta	Stock exchange	0.50	60		60
PT Pemeringkat Efek Indonesia	Security rating	4.29	429		429
Others			3,583		3,583
					141,797
Total					149,903
Less: Allowance for possible losses					(62,807)
					<b>87,096</b>

- a) These investments, regardless of percentage of ownership, represent restructured loans through debt to equity participations (Note 11). Such investments are temporary investments for up to a maximum of five (5) years based on Bank Indonesia regulations. Accordingly, such investments are accounted for using the cost method regardless of the percentage of ownership, effective January 1, 2001.

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**13. INVESTMENTS IN SHARES OF STOCK (continued)**

b. Classification of investments in shares of stock by collectibility is as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Current	12,851	129,042	88,171
Loss	89,564	20,862	61,732
Total	102,415	149,904	149,903
Less: Allowance for possible losses	(89,693)	(27,633)	(62,807)
	<b>12,722</b>	<b>122,271</b>	<b>87,096</b>

c. Movements of allowance for possible losses on investments in shares of stocks:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Balance at beginning of period	27,633	62,807	26,377
Provision/(reversal) during the period	70,823	(35,197)	8,682
Others *)	(8,763)	23	27,748
<b>Balance at end of period</b>	<b>89,693</b>	<b>27,633</b>	<b>62,807</b>

(\*) includes foreign currency translation effect.

The minimum allowance for possible losses on investments in shares of stock, under the guidelines prescribed by Bank Indonesia, as of December 31, 2003, April 30, 2003 and December 31, 2002 are Rp89,693, Rp22,152 and Rp62,807, respectively.

Management believes that the allowance for possible losses on investments in shares of stock is adequate.

**14. PREMISES AND EQUIPMENT**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Cost/revaluation *)	7,245,644	3,685,787	3,510,602
Less: Accumulated depreciation and amortization	(1,861,272)	(1,642,699)	(1,551,820)
<b>Net book value</b>	<b>5,384,372</b>	<b>2,043,088</b>	<b>1,958,782</b>

\*) Certain assets were revalued in 1979, 1987 and 2003.

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**14. PREMISES AND EQUIPMENT (continued)**

Movements from May 1, 2003 to December 31, 2003	Beginning Balance	Additions	Deductions	Reclassi- fications	Revaluation **)	Ending Balance
<i>Cost or Valuation</i>						
Direct ownership						
Land	345,517	9,243	(7,638)	-	2,556,648	2,903,770
Buildings	1,069,810	14,022	(3,908)	39,071	272,510	1,391,505
Furniture, fixtures, office equipment and computer/software	1,674,374	174,028	(27,288)	664,243	(743)	2,484,614
Vehicles	39,367	11,725	(3,646)	-	-	47,446
Construction in progress	556,719	527,354	-	(703,314)	-	380,759
Leased assets	-	37,550	-	-	-	37,550
Total cost or valuation	<u>3,685,787</u>	<u>773,922</u>	<u>(42,480)</u>	<u>-</u>	<u>2,828,415</u>	<u>7,245,644</u>
<i>Accumulated Depreciation and Amortization</i>						
Direct ownership						
Buildings	539,234	40,561	(4,541)	-	23,989	599,243
Furniture, fixtures, office equipment and computer/software	1,079,557	172,502	(25,265)	-	-	1,226,794
Vehicles	23,908	3,059	(1,745)	-	-	25,222
Leased assets	-	10,013	-	-	-	10,013
Total Accumulated Depreciation and Amortization	<u>1,642,699</u>	<u>226,135</u>	<u>(31,551)</u>	<u>-</u>	<u>23,989</u>	<u>1,861,272</u>
<i>Net Book Value</i>						
Direct ownership						
Land						2,903,770
Buildings						792,262
Furniture, fixtures, office equipment and computer/software						1,257,820
Vehicles						22,224
						<u>4,976,076</u>
Construction in progress						380,759
Leased assets						27,537
						<u>5,384,372</u>

\*\*) The amount represents increment in value of fixed assets based on revaluation of fixed assets of the merged banks performed by an Independent Appraiser, PT Vigers Hagai Sejahtera, using market prices as of July 30, 1999. The increment was recorded prospectively on June 18, 2003 (Note 14c).

Construction in progress as of December 31, 2003 is comprised of:

Product and license - Core Banking System	103,411
Buildings	6,351
Others	270,997
	<u>380,759</u>

The construction in progress is approximately 84.17% completed as of December 31, 2003.

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**14. PREMISES AND EQUIPMENT (continued)**

Movements from January 1, 2003 to April 30, 2003	Beginning Balance	Additions	Deductions	Reclassi- fications	Ending Balance
<i>Cost or Valuation</i>					
Direct ownership					
Land	345,517	-	-	-	345,517
Buildings	1,063,216	5,864	-	730	1,069,810
Furniture, fixtures, office equipment and computer/software	1,632,417	48,501	(7,351)	807	1,674,374
Vehicles	36,656	2,711	-	-	39,367
Construction in progress	432,796	125,460	-	(1,537)	556,719
Total cost or valuation	<u>3,510,602</u>	<u>182,536</u>	<u>(7,351)</u>	<u>-</u>	<u>3,685,787</u>
<i>Accumulated Depreciation and Amortization</i>					
Direct ownership					
Buildings	523,683	15,551	-	-	539,234
Furniture, fixtures, office equipment and computer/software	1,005,966	73,581	10	-	1,079,557
Vehicles	22,171	1,737	-	-	23,908
Total accumulated depreciation and amortization	<u>1,551,820</u>	<u>90,869</u>	<u>10</u>	<u>-</u>	<u>1,642,699</u>
<i>Net Book Value</i>					
Direct ownership					
Land					345,517
Buildings					530,576
Furniture, fixtures, office equipment and computer/software					594,817
Vehicles					15,459
					<u>1,486,369</u>
Construction in progress					556,719
					<u><b>2,043,088</b></u>
Construction in progress as of April 30, 2003 is comprised of:					
Product and license - Core Banking System					488,671
Buildings					13,354
Others					54,694
					<u><b>556,719</b></u>

The construction in progress is approximately 66% completed as of April 30, 2003.

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**14. PREMISES AND EQUIPMENT (continued)**

Movements in 2002	Beginning Balance	Additions	Deductions	Reclassi- fications	Adjustments	Ending Balance
<i>Cost or Valuation</i>						
<i>Direct ownership</i>						
Land	328,145	498	-	-	16,874	345,517
Buildings	1,019,269	4,372	-	-	39,575	1,063,216
Furniture, fixtures, office equipment and computer/software	1,409,364	217,268	(1,071)	16,369	(9,513)	1,632,417
Vehicles	30,388	6,574	(643)	-	337	36,656
Construction in progress	160,693	284,702	-	(16,369)	3,770	432,796
Total cost or valuation	<u>2,947,859</u>	<u>513,414</u>	<u>(1,714)</u>	<u>-</u>	<u>51,043</u>	<u>3,510,602</u>
<i>Accumulated Depreciation and Amortization</i>						
<i>Direct ownership</i>						
Buildings	452,657	58,177	-	-	12,849	523,683
Furniture, fixtures, office equipment and computer/software	745,131	267,328	(705)	-	(5,788)	1,005,966
Vehicles	22,593	4,227	(467)	-	(4,182)	22,171
Total accumulated depreciation and amortization	<u>1,220,381</u>	<u>329,732</u>	<u>(1,172)</u>	<u>-</u>	<u>2,879</u>	<u>1,551,820</u>
<i>Net Book Value</i>						
<i>Direct Ownership</i>						
Land						345,517
Buildings						539,533
Furniture, fixtures, office equipment and computer/software						626,451
Vehicles						14,485
						<u>1,525,986</u>
Construction in progress						432,796
						<u><b>1,958,782</b></u>
Construction in progress as of December 31, 2002 is comprised of:						
Product and license - Core Banking System						361,471
Buildings						8,367
Others						62,958
						<u><b>432,796</b></u>

The construction in progress is approximately 61% completed as of December 31, 2002.



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**14. PREMISES AND EQUIPMENT (continued)**

- a. Depreciation and amortization of premises and equipment charged to profit and loss amounted to Rp250,124, Rp90,869 and Rp329,732 for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively (Note 40).

Management believes that there is no permanent impairment in the value of fixed assets as of December 31, 2003, April 30, 2003 and December 31, 2002.

- b. The Merged Banks entered into a "Memoranda of Agreement on the Transfer of Assets" on July 29, 1999 with PT Pengelola Harta Tetap Mandiri (PHTM), a related company owned by PT Usaha Gedung Bank Dagang Negara and PT Bumi Daya Plaza, for the transfer of certain non-core land and buildings. As part of the restructuring of Bank Mandiri, the assets, which were mostly comprised of non-core fixed assets of the Merged Banks, were transferred to PHTM primarily to be managed and sold, consistent with the purpose of PHTM's establishment. These assets were sold to PHTM for a consideration of Rp100 (in full Rupiah amount) each or a total nominal value of Rp64,100 (in full Rupiah amount). The net book value of the land and buildings transferred to PHTM amounted to RpNil and Rp129,685, respectively.

Based on the Shareholder's General Meeting on December 20, 2000, prior to the sale of any assets held by PHTM, approval from Bank Mandiri's shareholder is required and cash proceeds from the sale of assets held by PHTM will be placed in an escrow account and its use requires approval from Bank Mandiri's shareholder.

The transfer of these assets to PHTM is considered as a transaction between entities under common control, under SFAS No. 38 - "Accounting for Restructuring of Entities under Common Control". Therefore, the assets have been recognised as Other Assets - Assets Available for Sale and no gain or loss is reflected in the consolidated financial statements of Bank Mandiri, as if no transfer of assets had taken place. Based on the Shareholder's General Meeting on January 16, 2002, the shareholder approved the return of additional paid-up capital through the return of Government Bonds amounting to Rp129,685 representing the loss on transfer of assets to PHTM previously recognized by Bank Mandiri at the time of recapitalization. On December 30, 2002, the Bank returned a Government Bond with serial number FR0007 to the Government of Indonesia (Note 8).

Based on notarial deeds No. 212, 213, 214, 215, 216, 217, 218 and 219 of Aulia Taufani, S.H. dated June 28, 2002, Bank Mandiri and PHTM agreed to terminate the Memorandum of Agreement on the Transferred Assets, and decided to transfer those assets back to Bank Mandiri as of June 30, 2002.

The transfer of those assets back to Bank Mandiri is considered as a transaction between entities under common control. Accordingly, no gain or loss in relation to such transfer of assets is reflected in the consolidated financial statements of Bank Mandiri.

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**14. PREMISES AND EQUIPMENT (continued)**

- c. In accordance with the Decrees of the Minister of Finance (KMK) No. 211/KMK.03/2003 dated May 14, 2003 and No. S-206/MK.01/2003 dated May 21, 2003, Bank Mandiri engaged PT Vigers Hagai Sejahtera, a registered appraisal company, to revalue the premises and equipment of the merged banks, PT Bank Bumi Daya (Persero), PT Bank Dagang Negara (Persero), PT Bank Ekspor Impor Indonesia (Persero) and PT Bank Pembangunan Indonesia (Persero) as of July 31, 1999, in relation to the transfer of tax losses and utilization of tax losses by these taxpayers which transferred assets to Bank Mandiri (Note 27).

Based on PT Vigers Hagai Sejahtera's Valuation Report No. Ref-020-I/VHS/V/03 dated May 26, 2003, the value of premises and equipment of the Bank, and the corresponding increment in value as of July 31, 1999 are as follows:

Fixed Assets	Market Value	Book Value	Increment in Value
Land and buildings	4,427,510	843,414	3,584,096
Furniture, fixtures and equipment	438,086	275,370	162,716
Vehicles	19,604	355	19,249
	<b>4,885,200</b>	<b>1,119,139</b>	<b>3,766,061</b>

PT Vigers Hagai Sejahtera's opinion of the market value was based on "Indonesian Appraisal Standards" issued by the Indonesian Appraisal Companies Association (GAAPI) and the Indonesian Society of Appraisers (MAPPI).

In arriving at the market values, PT Vigers Hagai Sejahtera has taken into consideration the market data approach and cost approach valuation methodologies.

The results of the revaluation have been approved by the Directorate General of Taxation through Kepala Kantor Pelayanan Pajak Perusahaan Negara and Daerah through its Decision Letter No. Kep-01/WPJ.07/KP.0105/2003 dated June 18, 2003.

Bank Mandiri has recorded the results of the revaluation on June 18, 2003, the date of approval from the Directorate General of Taxation obtained, after deducting the relevant accumulated depreciation for the period from August 1, 1999 to June 18, 2003. The net increment of premises and equipment of Rp3,046,936 involves land and buildings and was booked on June 18, 2003.

The recognition of the premises and equipment revaluation increment did not impact the Bank's tax position, as the tax losses used to compensate the premises and equipment revaluation increment had not been recognized as deferred tax assets by the Bank.

- d. Bank Mandiri and Subsidiaries have insured their premises and equipment (excluding landrights) against physical loss/damage with PT Staco Jasapratama, PT Asuransi Raya and PT Asuransi Dharma Bangsa for total coverage amounts of Rp3,947,268, Rp3,930,253 and Rp3,515,488 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively. Management believes that the insurance coverage is adequate to cover the possibility of losses arising in relation to premises and equipment.

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**15. OTHER ASSETS**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Accrued income	1,634,516	3,232,512	2,102,204
Receivables	2,819,848	2,810,862	2,875,188
Prepaid tax	16,559	366,724	365,753
Prepaid expenses	257,639	289,068	150,330
Others - net	3,791,220	3,109,582	2,143,269
	<b>8,519,782</b>	<b>9,808,748</b>	<b>7,636,744</b>

*Accrued Income*

Accrued income is primarily comprised of accrued interest receivable from placements, securities, Government Bonds and loans, and accrued fees and commissions.

*Receivables*

Receivables from the accretion in realizable value of the zero coupon instruments and deposits placed with foreign institutions which serve as security for certain Subordinated Undated Floating Rate Notes (SUFRNs) which were issued by Bank Exim and BDN, and the effective reduction in the principal liability of the SUFRNs which were issued by Bapindo, are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
SUFRNs classified as subordinated loans (Note 29)			
Bank Exim SUFRNs	916,219	921,772	950,937
Bapindo SUFRNs	914,113	893,576	897,238
	1,830,332	1,815,348	1,848,175
SUFRNs classified as loan capital			
BDN SUFRNs (Note 30)	989,516	995,514	1,027,013
	<b>2,819,848</b>	<b>2,810,862</b>	<b>2,875,188</b>

*Prepaid Tax*

Prepaid tax as of December 31, 2003, April 30, 2003 and December 31, 2002 is primarily comprised of corporate income tax installments.

*Prepaid Expenses*

Prepaid expenses consist of payments made in advance mostly relating to rent and insurance.

*Others*

This consists of the following:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Inter-branch accounts - net	1,270,518	-	-
Advance for interim dividend	1,000,000	-	-
Receivables from financial institutions	377,155	-	-
Assets not in use	219,802	172,813	172,813
Repossessed assets	195,271	76,174	75,817
Office supplies	55,632	64,524	70,706
Interest refundable by the Government	25,267	25,267	25,267
Receivables from customer transactions	16,600	50,245	33,420
Deferred charges	10,435	26,734	38,982
Loans purchased from IBRA	2,031	165,916	380,955
Deposit made to State Treasury	-	1,124,194	1,124,194
Others	2,134,337	1,086,123	217,027
Total Rupiah	<b>5,307,048</b>	<b>2,791,990</b>	<b>2,139,181</b>

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**15. OTHER ASSETS (continued)**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Foreign Currency:			
Inter-branch accounts - net	-	1,764,152	1,653,121
Reposessed assets	1,267	1,305	1,346
Others	969,361	992,966	541,076
<b>Total Foreign Currency</b>	<b>970,628</b>	<b>2,758,423</b>	<b>2,195,543</b>
<b>Total</b>	<b>6,277,676</b>	<b>5,550,413</b>	<b>4,334,724</b>
Less: Allowance for possible losses	(2,486,456)	(2,440,831)	(2,191,455)
	<b>3,791,220</b>	<b>3,109,582</b>	<b>2,143,269</b>

The receivables from financial institutions relate to the sale of Government Recapitalization Bonds to a Bank and a pension fund.

The advance for interim dividend amounting to Rp1,000,000 represents payment of a 2003 interim dividend to the shareholders on December 30, 2003 based on a decision taken at a Board of Directors' meeting held on November 2, 2003.

Loans purchased from IBRA represent loans for which cession agreements related to these loans are still in process of finalization.

The allowance for possible losses amounting to Rp2,486,456, Rp2,440,831 and Rp2,191,455 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively, is primarily to cover possible losses arising from inter-branch accounts and other assets. The inter-branch accounts consist of open items among branches and Head Office, and include certain differences in the balance of current accounts with Bank Indonesia per Bank and per Bank Indonesia. Bank Mandiri's management is of the opinion that the provision is adequate to cover possible losses arising from inter-branch open items, and for other assets.

Movements of allowance for possible losses on other assets are as follows:

	<b>For the 8-month period ended December 31, 2003</b>	<b>For the 4-month period ended April 30, 2003</b>	<b>For the year ended December 31, 2002</b>
Balance at beginning of period	2,440,831	2,191,455	4,406,830
Provision/(reversal) during the period	165,094	1,098	(288,940)
Others	(119,469)	248,278	(1,926,435)
<b>Balance at end of period</b>	<b>2,486,456</b>	<b>2,440,831</b>	<b>2,191,455</b>

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**16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS**

a. By Currency and Related Parties and Third Parties:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Related parties	2,380	26,914	19,215
Third parties	29,005,035	24,733,428	24,882,499
	<u>29,007,415</u>	<u>24,760,342</u>	<u>24,901,714</u>
Foreign Currency:			
Related parties	9,474	631	10,365
Third parties	9,214,767	8,706,746	7,667,844
	<u>9,224,241</u>	<u>8,707,377</u>	<u>7,678,209</u>
	<b><u>38,231,656</u></b>	<b><u>33,467,719</u></b>	<b><u>32,579,923</u></b>

Included in demand deposits are *wadiah* deposits amounting to Rp297,796, Rp150,344 and Rp146,763 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

b. Average Interest Rates and Range of Bonus per Annum:

*Average interest rates per annum:*

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah	3.20%	3.75%	4.93%
Foreign Currency	1.23%	1.88%	2.45%

*Range of bonus per annum:*

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah	2.72%-2.91%	2.47%-2.83%	2.72%-3.09%
Foreign Currency	0.82%-0.94%	0.82%-0.94%	0.95%-1.30%

c. Demand deposits pledged by borrowers as collateral as of December 31, 2003, April 30, 2003 and December 31, 2002, amounted to Rp1,078,941, Rp1,524,344 and Rp617,829, respectively.

**17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS**

a. By Type and Currency:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Tabungan Mandiri	40,322,521	29,315,521	29,506,424
Tabungan Mudharabah	752,698	388,958	325,072
Tabungan Mandiri Haji	138,321	349,215	69,095
Tabungan Investa	79,361	11,611	5,744
Others (each below Rp10,000)	14,532	65,031	19,855
	<b><u>41,307,433</u></b>	<b><u>30,130,336</u></b>	<b><u>29,926,190</u></b>

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**17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS (continued)**

- b. As of December 31, 2003, April 30, 2003 and December 31, 2002, Bank Mandiri has savings deposits from related parties amounting to Rp8,769, Rp2,406 and Rp32,823, respectively, or 0.02%, 0.01% and 0.11% of total savings deposits, respectively (Note 57).
- c. Annual average interest rates of savings deposits for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003, and the year ended December 31, 2002 were 6.73%, 9.90% and 10.60%, respectively.
- d. Profit sharing for *mudharabah* ranged from 5.10% to 10.49%, 5.36% to 10.50%, and 5.90% to 11.47% for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

**18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS**

a. By Currency:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah	81,747,939	104,637,454	100,757,884
Foreign Currency	17,523,726	18,988,889	20,771,207
	<b>99,271,665</b>	<b>123,626,343</b>	<b>121,529,091</b>

b. By Period:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
1 month	45,967,629	46,628,343	50,901,724
3 months	16,305,242	22,330,373	25,766,125
6 months	3,522,785	6,865,538	3,717,707
12 months	8,654,940	11,233,186	8,499,995
Over 12 months	7,297,343	17,580,014	11,872,333
	<b>81,747,939</b>	<b>104,637,454</b>	<b>100,757,884</b>
Foreign Currency:			
1 month	15,221,813	15,281,325	17,408,087
3 months	1,169,152	1,780,241	1,889,850
6 months	656,403	853,906	945,777
12 months	469,433	544,612	514,429
Over 12 months	6,925	528,805	13,064
	<b>17,523,726</b>	<b>18,988,889</b>	<b>20,771,207</b>
	<b>99,271,665</b>	<b>123,626,343</b>	<b>121,529,091</b>

c. By Maturity:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
1 month	51,850,240	62,157,517	56,613,489
3 months	18,845,499	16,134,857	24,211,293
6 months	6,496,399	11,790,137	5,994,421
12 months	2,713,339	13,281,686	7,924,976
Over 12 months	1,842,462	1,273,257	6,013,705
	<b>81,747,939</b>	<b>104,637,454</b>	<b>100,757,884</b>

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**18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)**

c. By Maturity (continued):

	December 31, 2003	April 30, 2003	December 31, 2002
Foreign Currency:			
1 month	15,390,970	16,256,632	17,230,664
3 months	1,539,024	1,989,168	2,655,118
6 months	323,823	481,179	599,724
12 months	262,782	258,553	277,750
Over 12 months	7,127	3,357	7,951
	<u>17,523,726</u>	<u>18,988,889</u>	<u>20,771,207</u>
	<b><u>99,271,665</u></b>	<b><u>123,626,343</u></b>	<b><u>121,529,091</u></b>

d. Included in time deposits are unrestricted *mudharabah* investments amounting to Rp1,578,393, Rp842,531 and Rp636,363 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

e. Average Interest Rates and Range of Profit Sharing per Annum:

*Average interest rates per annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	8.57%	11.68%	14.64%
Foreign Currency	1.63%	2.41%	3.24%

*Range of profit sharing per annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	11.69%-13.12%	10.18%-13.12%	11.21%-14.33%
Foreign Currency	2.80%-4.01%	2.80%-4.01%	3.29%-4.38%

f. As of December 31, 2003, April 30, 2003 and December 31, 2002, related party time deposits amounted to Rp354,490, Rp3,698,710 and Rp1,332,690, respectively, or 0.36%, 2.99% and 1.10% of the total time deposits, respectively (Note 57).

g. As of December 31, 2003, April 30, 2003 and December 31, 2002, time deposits which are frozen and blocked as collateral for bank guarantees and loan and working capital facilities, amounted to Rp5,331,218, Rp4,135,382 and Rp4,625,849, respectively. *Mudharabah* time deposits which are pledged as of December 31, 2003, April 30, 2003 and December 31, 2002 for *mudharabah* receivables extended by a subsidiary amounted to Rp9,500, Rp14,030 and Rp7,707, respectively.

**19. DEPOSITS FROM OTHER BANKS - DEMAND DEPOSITS**

a. By Currency:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	593,020	273,944	587,942
Foreign Currency	18,844	11,479	5,489
	<u>611,864</u>	<u>285,423</u>	<u>593,431</u>

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**19. DEPOSITS FROM OTHER BANKS - DEMAND DEPOSITS (continued)**

a. By Currency (continued):

Included in demand deposits are *wadiah* deposits amounting to Rp182, Rp24,804 and Rp114, and unrestricted *mudharabah* savings investments amounting to Rp28,775, Rp4,110 and Rp5,742 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

b. Average Interest Rates, Range of Bonus and Range of Profit Sharing Per Annum:

*Average interest rates per annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	3.20%	3.75%	4.93%
Foreign Currency	1.23%	1.88%	2.45%

*Range of bonus per annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	2.72%-2.91%	2.47%-2.83%	2.72%-3.09%
Foreign Currency	-	0.82%-0.94%	0.95%-1.30%

*Range of profit sharing per annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	5.10%-10.49%	5.36%-10.5%	5.90%-11.47%

c. As of December 31, 2003, April 30, 2003 and December 31, 2002, the Bank has no demand deposits from related party banks.

d. Demand deposits pledged by borrowers as collateral as of December 31, 2003, April 30, 2003 and December 31, 2002 amounted to Rp2,452, Rp3,124 and Rp481, respectively.

**20. DEPOSITS FROM OTHER BANKS - INTER-BANK CALL MONEY**

a. By Currency:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	845,516	579,000	520,000
Foreign Currency	176,925	995,947	276,555
	<b>1,022,441</b>	<b>1,574,947</b>	<b>796,555</b>

b. By Maturity:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Less than 1 month	845,516	579,000	520,000
1 - 2 months	-	-	-
2 - 3 months	-	-	-
	845,516	579,000	520,000



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**20. DEPOSITS FROM OTHER BANKS - INTER-BANK CALL MONEY (continued)**

b. By Maturity (continued):

	December 31, 2003	April 30, 2003	December 31, 2002
Foreign Currency:			
Less than 1 month	176,925	995,947	276,555
1 - 2 months	-	-	-
2 - 3 months	-	-	-
	176,925	995,947	276,555
	<b>1,022,441</b>	<b>1,574,947</b>	<b>796,555</b>

c. Average Interest Rates Per Annum:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	6.50%	9.45%	11.67%
Foreign Currency	1.20%	1.22%	1.21%

d. As of December 31, 2003, April 30, 2003 and December 31, 2002, the Bank has no inter-bank call money from related party banks.

**21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS AND CERTIFICATES OF DEPOSIT**

**Time Deposits**

a. By Currency:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	9,632,884	11,827,721	11,296,352
Foreign Currency	409,331	102,740	206,325
	<b>10,042,215</b>	<b>11,930,461</b>	<b>11,502,677</b>

b. By Period:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Less than 1 month	7,808,888	10,379,432	9,678,158
3 months	1,637,476	1,250,789	1,615,594
6 months	88,178	192,975	450
12 months	81,458	4,525	2,150
Over 12 months	16,884	-	-
	9,632,884	11,827,721	11,296,352

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**21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS AND CERTIFICATES OF DEPOSIT (continued)**

b. By Period (continued):

	December 31, 2003	April 30, 2003	December 31, 2002
Foreign Currency:			
Less than 1 month	179,757	53,345	67,438
3 months	27,695	17,351	110,079
6 months	144,589	32,044	28,808
12 months	57,290	-	-
Over 12 months	-	-	-
	409,331	102,740	206,325
	<b>10,042,215</b>	<b>11,930,461</b>	<b>11,502,677</b>

Included in deposits from other banks - time deposits are unrestricted investments - *mudharabah* time deposits amounting to Rp38,223, Rp9,670 and Rp2,150 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

c. Average Interest Rates and Range of Profit Sharing Per Annum:

*Average interest rates per annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	12.41%	11.68%	14.64%
Foreign Currency	-	2.41%	3.24%

*Range of profit sharing per Annum:*

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah	11.69%-13.12%	10.18%-13.12%	11.21%-14.33%
Foreign Currency	-	2.80%-4.01%	3.29%-4.38%

**Certificates of Deposit**

The annual average interest rate for certificates of deposit is Nil, Nil and 14.64% for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively. The terms are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
1 month	-	-	30
3 months	-	-	-
6 months	-	-	-
12 months	-	-	-
Total	-	-	30
Less: Unamortized interest	-	-	-
	<b>-</b>	<b>-</b>	<b>30</b>

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**21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS AND CERTIFICATES OF DEPOSIT (continued)**

- d. As of December 31, 2003, April 30, 2003 and December 31, 2002, the Bank has no time deposits and certificates of deposit from related party banks.
- e. As of December 31, 2003, April 30, 2003 and December 31, 2002, time deposits which are frozen and blocked as collateral for bank guarantees and loan and working capital facilities, amounted to Rp33,591, Rp36,446 and Rp17,530, respectively.
- f. The Bank has effectively ceased the offering of certificates of deposit products since April 2002.

**22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE**

December 31, 2003

Counter-party	Commencement date	Maturity date	Nominal Repo	Serial Number
Deutsche Bank	05/09/2003	10/25/2006	1,305,000	GRB VR0010
Standard Chartered Bank	06/04/2003	06/06/2005	1,037,500	GRB VR0013
Bank Mega	09/25/2003	09/25/2005	400,000	GRB VR0014
Bank Mega	09/25/2003	09/25/2005	400,000	GRB VR0015
Bank Mega	09/25/2003	09/25/2005	400,000	GRB VR0017
Bank Mega	09/11/2003	09/11/2005	266,667	GRB VR0014
Bank Mega	09/11/2003	09/11/2005	266,667	GRB VR0015
Bank Mega	09/11/2003	09/11/2005	266,666	GRB VR0017
Standard Chartered Bank	11/17/2003	01/12/2004	32,603	GRB FR0002
Bank Bumiputera	12/23/2003	01/29/2004	17,074	FRN
Standard Chartered Bank	11/17/2003	01/12/2004	9,000	GRB FR0005
Standard Chartered Bank	11/17/2003	01/12/2004	4,500	GRB FR0004
			4,405,677	

The agreements to repurchase Government Recapitalization Bonds with Deutsche Bank (series VR0010) and Standard Chartered Bank (series VR0013) are associated with cross currency swap transactions with the respective counterparties. The Bank will settle all the repurchase agreements at nominal values at maturity. There is no premium or discount on these contracts.

On October 31, 2003, Bank Mandiri made an early termination of its repurchase agreement involving a Government Recapitalization Bond series FR0002 (nominal value of Rp980,000) with Deutsche Bank.

April 30, 2003 and December 31, 2002

As of April 30, 2003 and December 31, 2002, securities sold with agreements to repurchase are as follows:

Counter-party	Commencement Date	Maturity Date	Nominal	Remark
Deutsche Bank	Jan 31, 2002	Jan 31, 2004	735,000	Government Recapitalization Bonds FR0002

The Bank sold Government Recapitalization Bond serial number FR0002 with an agreement to repurchase, and entered into a swap transaction with Deutsche Bank (Notes 8 and 10).

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**23. ACCEPTANCES PAYABLE**

a. By Currency:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Payable to other banks			
Related parties	-	-	-
Third parties	50,407	77,142	46,228
Total Rupiah	<u>50,407</u>	<u>77,142</u>	<u>46,228</u>
Foreign Currency:			
Payable to other banks			
Related parties	-	-	-
Third parties	3,200,235	2,688,977	2,029,911
Payable to debtors			
Related parties	-	-	-
Third parties	14,230	25,518	74,470
Total Foreign Currency	<u>3,214,465</u>	<u>2,714,495</u>	<u>2,104,381</u>
	<b><u>3,264,872</u></b>	<b><u>2,791,637</u></b>	<b><u>2,150,609</u></b>

b. By Maturity:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Less than 1 month	12,196	77,142	16,136
1 - 3 months	10,172	-	23,687
3 - 6 months	28,039	-	6,405
6 - 12 months	-	-	-
Over 12 months	-	-	-
	<u>50,407</u>	<u>77,142</u>	<u>46,228</u>
Foreign Currency:			
Less than 1 month	1,038,533	695,459	699,193
1 - 3 months	1,115,246	854,167	990,813
3 - 6 months	773,329	774,564	323,814
6 - 12 months	287,357	390,305	90,561
Over 12 months	-	-	-
	<u>3,214,465</u>	<u>2,714,495</u>	<u>2,104,381</u>
	<b><u>3,264,872</u></b>	<b><u>2,791,637</u></b>	<b><u>2,150,609</u></b>

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**24. SECURITIES ISSUED**

a. By Type and Currency:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Mandiri travelers' cheques	488,613	263,244	240,139
Commercial papers	568	564	1
Syariah Bonds	200,000	-	-
	<u>689,181</u>	<u>263,808</u>	<u>240,140</u>
Foreign Currency:			
Floating Rate Notes ("FRNs") and Medium Term Notes ("MTNs")	3,635,040	3,795,520	1,226,150
Interbank call money	-	9,977	10,293
	<u>3,635,040</u>	<u>3,805,497</u>	<u>1,236,443</u>
Total	4,324,221	4,069,305	1,476,583
Less: Unamortized discount	(11,609)	(15,428)	(2,342)
	<u><b>4,312,612</b></u>	<u><b>4,053,877</b></u>	<u><b>1,474,241</b></u>

Details of FRNs and MTNs are as follows:

December 31, 2003

Type/ ISIN No.	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount	
					US\$ (full amount)	Rupiah equiv.
FRN BDN (XS0061292263)	Meryll Lynch Securities, Hong Kong	Nov 10, 2005	120	2.0500%	17,000,000	143,225
FRN (Eurobond) (XS0139834534)	Hong Kong and Shanghai Banking Corporation Ltd., Hong Kong	Dec 13, 2006/ (Dec 13, 2004) (Callable Date)	60	6.9700%	125,000,000	1,053,125
MTN (XS0167272375)	Credit Suisse First Boston (Europe) Ltd., London, UBS Hong Kong and PT Mandiri Sekuritas	Apr 22, 2008	60	7.0000%	299,461,390	2,522,962
					<u>441,461,390</u>	<u>3,719,312</u>
Less: Securities issued and held by Bank Mandiri and a subsidiary					(10,002,611)	(84,272)
					<u>431,458,779</u>	<u>3,635,040</u>
Less: Unamortized discount					(1,377,925)	(11,609)
					<u><b>430,080,854</b></u>	<u><b>3,623,431</b></u>

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**24. SECURITIES ISSUED (continued)**

April 30, 2003

Type/ ISIN No.	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount	
					US\$ (full amount)	Rupiah equiv.
FRN BDN (XS0061292263)	Meryll Lynch Securities, Hong Kong	Nov 10, 2005	120	2.0500%	17,000,000	147,483
FRN (Eurobond) (XS0139834534)	Hong Kong and Shanghai Banking Corporation Ltd., Hong Kong	Dec 13, 2006 (Dec 13, 2004) (Callable Date)	60	6.9700%	125,000,000	1,084,438
MTN (XS0167272375)	Credit Suisse First Boston (Europe) Ltd., London, UBS Hong Kong and PT Mandiri Sekuritas	Apr 22, 2008	60	7.0000%	302,993,466	2,628,620
					444,993,466	3,860,541
Less: Securities issued and held by Bank Mandiri and Subsidiaries					(7,494,763)	(65,021)
					437,498,703	3,795,520
Less: Unamortized discount					(1,778,369)	(15,428)
					435,720,334	3,780,092

In November 2003, Bank Syariah Mandiri, one of the bank's subsidiaries, issued *Syariah* Bonds totaling Rp200,000 which will mature on November 30, 2008.

December 31, 2002

Type/ ISIN No.	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount	
					US\$ (full amount)	Rupiah equiv.
FRN BDN (XS0061292263)	Meryll Lynch Securities, Hong Kong	Nov 10, 2005	120	2.2000%	17,000,000	152,150
FRN (Eurobond) (XS0139834534)	Hong Kong and Shanghai Banking Corporation Ltd., Hong Kong	Dec 13, 2006 Dec 13, 2004 (Callable Date)	60	7.3300%	125,000,000	1,118,750
					142,000,000	1,270,900
Less: Securities issued and held by Bank Mandiri and Subsidiaries					(5,000,000)	(44,750)
					137,000,000	1,226,150
Less: Unamortized discount					(261,771)	(2,342)
					136,738,229	1,223,808

Bank Mandiri launched a Debt Issuance Program of Medium-Term Notes (MTNs) for an aggregate amount of US\$1,000,000,000 (full amount) on April 21, 2003, through its Cayman Islands branch. Under the program, subject to compliance with all relevant laws and regulations, the Bank is allowed to issue the MTNs from time to time. The aggregate amount of the outstanding MTNs issued is not allowed to exceed US\$1,000,000,000 (full amount) (or equivalent in other foreign currencies) at any one time. MTNs may be Senior Notes or Subordinated Notes and may mature on various tenors within one month to 30 years. The notes may be either bearer notes or registered notes and sold in minimum nominal amounts of US\$1,000 (full amount) and have registered serial numbers. The notes may be sold and offered on a discounted rate basis with zero-coupon bonds or fixed rate, floating rate, dual currency note provision or index-linked, depending on the series offered. The MTNs issued were not guaranteed through personal and corporate guarantees or assets guarantees provided by Bank Mandiri. The initial listing and trading of the notes is on the Singapore Exchange Securities Trading Ltd.).

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**24. SECURITIES ISSUED (continued)**

During the first stage of the program, Bank Mandiri has issued Senior Notes amounting to US\$300,000,000 (full amount) at 99.482% with a coupon of 7.00% per annum and which mature on April 22, 2008. The US\$300 million MTNs are hedged with an interest rate swap instrument. The MTNs are recognized at their fair value as adjusted by the hedging transaction, which fair value adjustment as of December 31, 2003 amounted to US\$538,610 (full amount) or equivalent to Rp4,538 (Note 10).

During 2003 there were no installments nor early redemptions of securities issued. During 2002 the Bank made repayments for securities issued totaling US\$210,000,000 (full amount).

All FRN Bank Exim holders exercised the put option amounting to US\$130 million (full amount) on September 19, 2002. On November 14, 2002, some of the FRN BDN holders have exercised the put option amounting to US\$163 million (full amount) out of the nominal amount of US\$180 million (full amount). On the put option date, the Bank has paid US\$1,343,000 (full amount) as sweetener fee to the bondholders which did not exercise their put option, and of that amount, the unamortized balance was recorded as other liabilities. As of December 31, 2003, the total unexercised option amounts to US\$17,000,000 (full amount) and will mature through December 2005.

During 2002, the Bank settled liabilities for Securities Issued amounting to US\$364,000,000 (full amount). Options which were not exercised as of December 31, 2002 amounting to US\$125,000,000 (full amount) will mature on various dates through December 2004.

**25. FUND BORROWINGS**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Bank Indonesia (a)	1,199,492	1,378,444	1,464,340
Bank Ekspor Indonesia (b)	908,929	1,706,449	1,940,392
PT Permodalan Nasional Madani (Persero) (d)	359,254	236,438	225,652
Others (e)	150,000	-	-
	<u>2,617,675</u>	<u>3,321,331</u>	<u>3,630,384</u>
Foreign Currency:			
Bank Ekspor Indonesia (b)	1,296,290	840,640	1,441,681
Exchange Offer Loans (c)	4,362,486	8,053,380	8,308,195
Others (f)	258,718	442,928	279,276
	<u>5,917,494</u>	<u>9,336,948</u>	<u>10,029,152</u>
	<u><b>8,535,169</b></u>	<u><b>12,658,279</b></u>	<u><b>13,659,536</b></u>

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**25. FUND BORROWINGS (continued)**

The Bank has no fund borrowings from related parties.

(a) Bank Indonesia

This account represents credit liquidity facility obtained from Bank Indonesia (BI), which are re-loaned to Bank Mandiri customers under Government Credit Program. The management and monitoring of the credit facility were performed by PT Permodalan Nasional Madani (Persero), a state owned company, based on Law No. 23/1999 dated May 1999 regarding BI, BI Regulation No. 2/3/PBI/2000 dated February 1, 2000 and BI Regulation No. 5/20/PBI/2003 dated September 2003 regarding the Hand-over of Management of Credit Liquidity of Bank Indonesia Under Credit Program. This facility is subject to interest at rates ranging from 3% to 10% per annum and will mature on various dates through 2017. The details of this account are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Investment Loans (KI)	303,917	444,770	510,814
Small-Scale Working Capital Loans (KUK) - KKPA	514,679	525,871	530,445
Small-Scale Investment Loans (KIK)	380,846	407,753	423,031
Working Capital Loans (KMK)	50	50	50
	<b>1,199,492</b>	<b>1,378,444</b>	<b>1,464,340</b>

(b) Bank Ekspor Indonesia

This account represents credit facilities for export working capital obtained from Bank Ekspor Indonesia based on the facility agreement No. 064/PPF/12/2000 dated December 12, 2000 between PT Bank Ekspor Indonesia (Persero) and PT Bank Mandiri (Persero). The agreement is for the period from December 20, 2000 until December 19, 2001, and was extended to December 17, 2004. The facilities were re-loaned to direct and indirect exporter customers of Bank Mandiri and bear interest at market rates.

(c) Exchange Offer Loans

In accordance with the Government's debt restructuring program for banks, Bank Mandiri exchanged certain non-Rupiah denominated obligations obtained from foreign banks for new borrowings with extended maturities, and guaranteed by Bank Indonesia pursuant to the exchange offer memorandum in the Master Loan Agreement as follows:

	<b>December 31, 2003</b>		<b>April 30, 2003</b>	
	US\$ (in full amount)	Rp Equivalent	US\$ (in full amount)	Rp Equivalent
<i>Exchange Offer Loan II</i>	517,802,500	4,362,486	928,290,000	8,053,380
	<b>517,802,500</b>	<b>4,362,486</b>	<b>928,290,000</b>	<b>8,053,380</b>
			<b>December 31, 2002</b>	
	US\$ (in full amount)	Rp Equivalent		
<i>Exchange Offer Loan II</i>			928,290,000	8,308,195
			<b>928,290,000</b>	<b>8,308,195</b>



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**25. FUND BORROWINGS (continued)**

(c) Exchange Offer Loans (continued)

Exchange Offer Loan II (with original maturities before January 1, 2002) will mature in four (4) tranches every June 1 from 2002 to 2005. These borrowings bear interest calculated every six months equal to six months LIBOR for the periods plus an applicable margin determined for each maturity period.

In November 2003, the Bank has partially settled the Exchange Offer Loan II at the nominal value amounting to US\$49,152,500 (full amount) before the due date.

(d) PT Permodalan Nasional Madani (Persero)

This account represents credit facilities obtained from PT Permodalan Nasional Madani (Persero), which borrowings were re-loaned by Bank Mandiri's to the members of the Primary Cooperative (Kredit Koperasi Primer kepada Anggotanya (KKPA)). These facilities are subject to interest at 9% per annum. The loan terms and installment payments schedule reflect the terms of the individual loan agreements.

(e) Others - Rupiah

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Bank Panin, Jakarta	100,000	-	-
Bank Niaga, Jakarta	50,000	-	-
	<b>150,000</b>	<b>-</b>	<b>-</b>

(f) Others - Foreign Currency

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Direct off-shore loans	252,750	260,265	268,500
Others	5,968	182,663	10,776
	<b>258,718</b>	<b>442,928</b>	<b>279,276</b>

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**26. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES**

- a. Commitment and contingent transactions in the normal course of Bank Mandiri activities that have credit risk are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
Rupiah:			
Outstanding irrevocable letters of credit (Note 46)	959,364	393,314	895,933
Bank guarantees issued (Notes 46 and 48)	2,508,293	2,042,590	2,227,633
Standby letters of credit (Notes 46 and 48)	30,000	30,000	30,000
Others	-	963	-
	<u>3,497,657</u>	<u>2,466,867</u>	<u>3,153,566</u>
Foreign Currency:			
Outstanding irrevocable letters of credit (Note 46)	4,213,145	4,849,354	5,475,295
Bank guarantees issued (Notes 46 and 48)	2,655,835	2,647,886	2,658,783
Standby letters of credit (Notes 46 and 48)	2,733,672	2,334,538	3,205,189
	<u>9,602,652</u>	<u>9,831,778</u>	<u>11,339,267</u>
	<b><u>13,100,309</u></b>	<b><u>12,298,645</u></b>	<b><u>14,492,833</u></b>

- b. By Collectibility:

	December 31, 2003	April 30, 2003	December 31, 2002
Current	12,619,060	11,003,957	13,671,409
Special mention	375,113	1,262,938	780,360
Sub-standard	50,008	-	1,064
Doubtful	25,391	1,150	10,000
Loss	30,737	30,600	30,000
Total	<u>13,100,309</u>	<u>12,298,645</u>	<u>14,492,833</u>
Less: Allowance for possible losses	<u>(572,267)</u>	<u>(1,488,315)</u>	<u>(1,211,211)</u>
<b>Net commitments and contingencies</b>	<b><u>12,528,042</u></b>	<b><u>10,810,330</u></b>	<b><u>13,281,622</u></b>

- c. Movements of estimated losses on commitments and contingencies:

	For the 8-month Period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Balance at beginning of period	1,488,315	1,211,211	5,284,345
(Reversal)/provision during the period	(846,430)	205,317	(3,364,433)
Others *)	(69,618)	71,787	(708,701)
<b>Balance at end of period</b>	<b><u>572,267</u></b>	<b><u>1,488,315</u></b>	<b><u>1,211,211</u></b>

\*) Includes foreign currency translation effect.

The minimum estimated losses on commitments and contingencies, under the guidelines prescribed by Bank Indonesia, as of December 31, 2003, April 30, 2003 and December 31, 2002 is Rp377,308, Rp1,253,383 and Rp993,468, respectively.

Management believes that the estimated losses on commitments and contingencies is adequate.

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**27. TAXATION**

**a. Taxes payable**

	December 31, 2003	April 30, 2003	December 31, 2002
Bank Mandiri			
Income Taxes:			
Employee income tax - Article 21	43,844	37,281	35,432
Withholding tax - Article 23/26	120,778	174,997	214,937
Corporate income tax - Article 25/29	423,146	865,398	-
Land and building tax	1	123	79
Others	205	2,816	36,304
	<u>587,974</u>	<u>1,080,615</u>	<u>286,752</u>
Subsidiaries	13,330	10,394	9,197
	<u><b>601,304</b></u>	<u><b>1,091,009</b></u>	<u><b>295,949</b></u>

**b. Corporate income tax expense**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Corporate income tax expense - current:			
Bank Mandiri only	1,314,142	865,399	-
Subsidiaries	5,795	3,541	824
	<u>1,319,937</u>	<u>868,940</u>	<u>824</u>
Corporate income tax (benefit)/expense - deferred:			
Bank Mandiri only	586,199	(328,490)	2,187,484
Subsidiaries	(338)	(790)	35,445
	<u>585,861</u>	<u>(329,280)</u>	<u>2,222,929</u>
	<u><b>1,905,798</b></u>	<u><b>539,660</b></u>	<u><b>2,223,753</b></u>

As discussed in Note 2w, corporate income tax for Bank Mandiri and its Subsidiaries is computed for each company as a separate legal entity (consolidation is not permitted for corporate income tax filing purposes).

**c. Corporate income tax expense - current**

The reconciliation between profit before corporate income tax as shown in the consolidated statements of profit and loss and income tax computations and the related current income tax expense for Bank Mandiri and its Subsidiaries is as follows:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Consolidated profit before estimated corporate income tax expense and minority interests	5,134,607	1,896,917	5,809,970
Profit before corporate income tax of Subsidiaries after elimination	<u>(5,692)</u>	<u>(2,494)</u>	<u>(36,897)</u>
Profit before corporate income tax expense and minority interests - Bank Mandiri only	5,128,915	1,894,423	5,773,073
Add/(deduct) permanent differences:			
Non-deductible expenses/(non-taxable income)	359,792	51,947	(141,205)
Non-deductible write-offs of loans/(non-taxable adjustment of provision for loan losses)	996,939	-	(6,292,921)
(Non-taxable adjustment of provision)/non-deductible provision for losses on earning assets other than loans	(167,027)	(33,957)	181,188
Non-deductible provision/(non-taxable adjustment of provision) for estimated losses on commitments and contingencies	38,589	(102,083)	423,723

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**27. TAXATION (continued)**

**c. Corporate income tax expense - current (continued)**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Others	8,670	(20,581)	(213,152)
Add/(deduct) temporary differences:			
Allowable tax depreciation (over)/under financial statement depreciation	(414)	27,648	205,910
Financial statement provision for personnel expenses (under)/ over allowable tax provision	(567,530)	206,523	(7,577)
Financial statement provision for losses on earning assets other than loans over/(under) allowable tax provision	121,881	(60,013)	(1,816,005)
Financial statement provision for loan losses (under)/over allowable tax provision	(870,251)	40,683	1,111,464
Financial statement provision for losses on commitments and contingencies (under)/over allowable tax provision	(916,804)	277,210	(4,073,259)
Financial statement provision for losses arising from legal cases (under)/over allowable tax provision	(448,268)	(162,760)	(89,217)
Losses/(gains) on increase in market value of securities and Government Recapitalization Bonds	727,386	765,680	(1,433,001)
Estimated taxable income/(tax loss)	4,411,878	2,884,720	(6,370,979)
Less: Utilization of tax loss carried forward	(31,406)	-	-
Estimated taxable income after compensation with tax loss carried forward/(tax loss)	4,380,472	2,884,720	(6,370,979)
Estimated corporate income tax expense - current			
Bank Mandiri only	1,314,142	865,399	-
Subsidiaries	5,795	3,541	824
<b>Estimated corporate income tax expense - current</b>	<b>1,319,937</b>	<b>868,940</b>	<b>824</b>

Under the Indonesian taxation laws, Bank Mandiri and its Subsidiaries submit tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within 10 years after the date of the tax filings (5 years for tax years prior to 1995).

*Tax Decisions and Tax Assessment*

On May 14, 2003, the Minister of Finance issued Decision Letter No. 211/KMK.03/2003 dated May 14, 2003 which stated that a taxpayer that undertakes an initial public offering that previously received assets transferred from legacy companies, and which assets were valued at their historical net book value by the legacy companies, can, as a result of a merger or business combination, also carry forward the benefit of any net accumulated tax losses from the legacy companies for up to five years, provided that the taxpayer receives permission from the Minister of Finance to do so, and the taxpayer conducts a revaluation of all fixed assets using the market value of such fixed assets as of the date of the merger or business combination.

On May 21, 2003, the Minister of Finance, through letter No. S-206/MK.01/2003 dated May 21, 2003 addressed to Bank Mandiri's President Commissioner and President Director, approved the transfer and utilization of tax losses carried forward from the merged banks to the Bank subject to revaluation of all applicable fixed assets.

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**27. TAXATION (continued)**

**c. Corporate income tax expense - current (continued)**

*Tax Decisions and Tax Assessment (continued)*

Bank Mandiri engaged PT Vigers Hagai Sejahtera, an independent appraiser, to perform a revaluation of premises and equipment received from legacy banks. The results were submitted to and approved by the Directorate General of Taxation through the Decision Letter of the Head of State and Regional Offices of Corporate Tax Services No. KEP-01/WPJ.07/KP.0105/2003 dated June 18, 2003 (Note 14).

Based on the approval from the Minister of Finance through Decision No. S-206/MK.01/2003 and the approval from the Directorate General of Taxation on the results of the fixed assets revaluation, Bank Mandiri is entitled to receive the transfer of fiscal losses from the merged banks and is able to utilize the fiscal losses as compensation against future taxable income. The amount of tax losses transferred to Bank Mandiri is Rp31,944,418. The transfer of tax losses has been taken into account by the Tax Office when re-assessing Bank Mandiri's tax liabilities from 1999 to 2002, and such losses have been utilized to compensate the increment arising from the revaluation of premises and equipment received from the merged banks.

On June 18, 2003, the Directorate General of Taxation issued Decision Letter No. KEP-093/WPJ.07/KP.0109/2003, which states the "official rectification of Decision Letter No. KEP-00127/406/99/051/01 dated November 20, 2001" adjusting the tax loss carryforward that can be compensated by Rp13,659,210. Consequently, the amount of fiscal losses that can be compensated became Rp8,234,516 for the year ended December 31, 1999.

On June 20, 2003, the Directorate General of Taxation issued a Decision Letter No. KEP-236/WPJ.07/BD.03/2003, which states the "official rectification" of Decision Letter No. KEP-106/WPJ.07/BD.03/2003 dated March 14, 2003 regarding the taxpayer's objection on its corporate income tax assessment SKPKB No. 00028/206/00/051/02 dated July 5, 2002 for fiscal year 2000 and increasing the fiscal net profit for 2000 by Rp15,506,709 to become Rp28,236,332. Such fiscal net profit had been compensated with the tax loss carried forward, therefore the corporate income tax liability for the year 2000 was RpNil.

On June 23, 2003, the Directorate General of Taxation issued tax decision letter No. 00005/506/01/051/2003, increasing the taxable income for 2001 by Rp2,342,573 to become Rp6,746,964. The letter confirmed that Bank Mandiri has no corporate income tax liability for 2001 due to utilization of tax losses.

On June 23, 2003, the Directorate General of Taxation issued tax decision letter No. 00001/406/02/051/03, reducing the tax loss for 2002 by Rp7,659,860 to become a net profit for 2002 of Rp1,288,881. The letter confirmed that Bank Mandiri has no corporate income tax liability for 2002 due to utilization of tax losses.

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**27. TAXATION (continued)**

**c. Corporate income tax expense - current (continued)**

*Tax Decisions and Tax Assessment (continued)*

On October 29, 2003, Bank Mandiri received Tax Assessment Letters (SKPKB) dated October 24, 2003 in relation to the tax audit of PT Bank Dagang Negara (Persero) for the period from January 1, 1999 through July 31, 1999. The letters stated that PT Bank Dagang Negara (Persero) had liabilities totaling Rp717,229 for the following taxes: employee income tax-article 21 of Rp172,378, withholding tax-article 23 of Rp301, VAT of Rp1,501, and tax-article 4 (2) final and tax on rental of land and buildings of Rp542,846, and Tax Collection Letter (STP) on VAT of Rp203. The Bank has sent Tax Objection Letters to the tax office (Note 62b).

On December 29, 2003, the Bank received Tax Collection Enforcement Letter (*Surat Paksa*) No. 231/WPJ.07/KP.0108/2003 regarding the above referenced tax assessment. The Bank has sent a Cancellation Request Letter (*Surat Gugatan*) to the tax court (Note 62b).

*Tax Losses Carried Forward*

Under current Indonesian tax regulations, tax losses may be carried forward and utilized to offset taxable income for up to 5 years after the year in which the tax loss was incurred.

Movements of tax losses carried forward from January 1, 2000 to December 31, 2003 are as follows:

	Amount	Year of Expiry
Balance as of January 1, 2000 (tax loss in 1999)	26,991,916	2004
Correction of 1999 tax losses carried forward by the tax office	(5,098,190)	
Utilization of 1999 tax losses carried forward in 2000	(12,729,623)	
Balance as of December 31, 2000	9,164,103	2004
Utilization of tax losses carried forward in 2001	(4,404,391)	
Balance of tax losses carried forward as of December 31, 2001	4,759,712	2004
Additional tax losses carried forward in 2002	6,370,979	2007
Balance of tax losses carried forward as of December 31, 2002	11,130,691	
Balance of tax losses carried forward from the merged banks, transferred to Bank Mandiri	31,944,418	
Utilization of tax losses carried forward to offset premises and equipment revaluation increment	(3,875,351)	
Tax corrections in 2003:		
1999 tax losses	(13,659,210)	
2000 taxable income	(15,506,709)	
2001 taxable income	(2,342,573)	
2002 tax losses	(7,659,860)	
Utilization of tax losses carried forward in 2003	(31,406)	
Balance of tax losses carried forward as of December 31, 2003	Nil	

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**27. TAXATION (continued)**

**d. Corporate income tax expense - deferred**

The reconciliations between estimated income tax expense, calculated using applicable tax rates based on commercial profit before estimated income tax, and estimated income tax as reported in the statements of profit and loss for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002 are as follows:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Consolidated profit before corporate income tax expense and minority interests	5,134,607	1,896,917	5,809,970
Less: Income before corporate income tax expense of Subsidiaries	(5,692)	(2,493)	(36,897)
Profit before estimated corporate income tax and minority interests - Bank Mandiri only	5,128,915	1,894,424	5,773,073
Estimated income tax expense at standard statutory rates	1,538,657	568,327	1,731,922
Tax effect of permanent differences:			
Non-deductible expenses/(non-taxable income)	107,938	15,584	(42,362)
Non-deductible write-off of loans (non-taxable adjustment of provision for loan losses)	299,082	-	(1,887,876)
Non-deductible provision/(non-taxable adjustment on provision) for losses on earning assets other than loans	(50,108)	(10,187)	54,356
Non-deductible provision/(non-taxable adjustment of provision) for losses on commitments and contingencies	11,577	(30,625)	127,117
Others	2,617	(6,191)	(63,945)
	371,106	(31,419)	(1,812,710)
Corporate income tax expense before benefit of utilizing tax losses - Bank Mandiri only	1,909,763	536,908	(80,788)
Benefit of utilizing tax losses - Bank Mandiri only	(9,422)	-	2,268,272
Corporate income tax expense - Bank Mandiri only	1,900,341	536,908	2,187,484
Corporate income tax expense - Subsidiaries	5,457	2,752	36,269
<b>Corporate income tax expense - consolidated</b>	<b>1,905,798</b>	<b>539,660</b>	<b>2,223,753</b>
<b>Less current corporate income tax expense - consolidated</b>	<b>1,319,937</b>	<b>868,940</b>	<b>824</b>
<b>Deferred corporate income tax expense/(benefit) - consolidated</b>	<b>585,861</b>	<b>(329,280)</b>	<b>2,222,929</b>

**e. Deferred tax assets**

The tax effects from significant temporary differences between commercial and tax bases are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
<b>Bank Mandiri</b>			
Deferred tax assets:			
Allowance for estimated losses on commitments and contingencies	171,447	446,489	363,326
Allowance for possible loan losses	1,006,096	1,267,171	1,254,966
Allowance for possible losses on earning assets other than loans	661,192	624,627	642,631
Allowance for possible losses arising from legal cases	294,147	428,627	477,455
Provision for personnel expenses	210,057	380,316	318,359
	2,342,939	3,147,230	3,056,737

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**27. TAXATION (continued)**

**e. Deferred tax assets (continued)**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Tax losses carried forward	3,339,207	3,339,207	3,339,207
Correction on tax losses carried forward as a result of tax assessment in 2003	(3,339,207)	-	-
Tax losses carried forward-adjusted	-	3,339,207	3,339,207
Deferred tax assets	2,342,939	6,486,437	6,395,944
Valuation allowance	-	(3,339,207)	(3,339,207)
Net deferred tax assets	2,342,939	3,147,230	3,056,737
Deferred tax liabilities:			
Net book value of premises and equipment	(24,288)	(24,164)	(32,458)
Mark to market of securities	18,019	(200,196)	(429,900)
Net deferred tax assets-Bank Mandiri only	2,336,670	2,922,870	2,594,379
Net deferred tax assets-Subsidiaries	1,437	1,098	309
<b>Total consolidated deferred tax assets - net</b>	<b>2,338,107</b>	<b>2,923,968</b>	<b>2,594,688</b>

Management believes that the valuation allowances relating to deferred tax assets as of December 31, 2003, April 30, 2003 and December 31, 2002 are adequate.

**28. OTHER LIABILITIES**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Rupiah:			
Provision for post employment benefits (Note 41)	361,453	674,062	674,062
Accrued bonuses and employee incentives	304,506	489,963	396,552
Unearned income	216,113	247,143	225,619
Provision for possible losses on legal cases (Note 44)	204,229	147,062	147,062
Guarantee deposits	189,135	116,717	131,583
Provision arising from obligations from investment in shares of stocks	57,543	110,513	110,513
Inter-branch accounts - net	-	863,816	25,195
Accrued dividends, 'PUKK' fund, environmental fund, directors' and commissioners' bonuses and incentive bonuses	-	1,929,841	-
Accrued expenses for Government premium guarantees	-	135,554	146,901
Due to the Government arising from the required return of additional paid-in capital (Note 32)	-	-	1,412,000
Others	1,768,462	2,811,604	3,121,412
	<b>3,101,441</b>	<b>7,526,275</b>	<b>6,390,899</b>



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**28. OTHER LIABILITIES (continued)**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Foreign Currency:			
Provision for possible losses on legal cases (Note 44)	732,244	1,281,694	1,444,455
Guarantee deposits	691,226	638,822	742,603
Unearned income	129,265	34,930	45,829
Interbranch accounts - net	1,211,965	-	-
Others	1,549,820	424,325	496,130
	<u>4,314,520</u>	<u>2,379,771</u>	<u>2,729,017</u>
	<b><u>7,415,961</u></b>	<b><u>9,906,046</u></b>	<b><u>9,119,916</u></b>

As of December 31, 2003, Bank Mandiri has recognized a provision for post employment benefits in accordance with Labor Law No. 13 year 2003 (UU No. 13/2003) amounting to Rp361,453 based on individual actuarial report. As of April 30, 2003 and December 31, 2002, the Bank recognized provisions for employee benefits and service entitlements in accordance with the Decree of the Minister of Manpower No. Kep-150/Men/2000 (KepMen 150) dated June 20, 2000 (Notes 41 and 42).

Movements of certain provisions for the eight-month period ended December 31, 2003 were as follows:

	Provision for Possible Losses on Legal Cases	Provision for Post Employment Benefits	Provision Arising from Obligations from Investments in Shares of Stocks
Balance at beginning of period	1,428,756	674,062	110,513
Provision/(reversal) during the period	(451,103)	(312,609)	(52,970)
Utilization during the period	(750)	-	-
Others (*)	(40,430)	-	-
<b>Balance at end of period</b>	<b><u>936,473</u></b>	<b><u>361,453</u></b>	<b><u>57,543</u></b>

(\*) Includes foreign currency translation effect.

Movements of certain provisions for the four-month period ended April 30, 2003 were as follows:

	Provision for Possible Losses on Legal Cases	Provision for Post Employment Benefits	Provision Arising from Obligations from Investments in Shares of Stocks
Balance at beginning of period	1,591,517	674,062	110,513
Provision/(reversal) during the period	(118,460)	-	-
Utilization during the period	-	-	-
Others (*)	(44,301)	-	-
<b>Balance at end of period</b>	<b><u>1,428,756</u></b>	<b><u>674,062</u></b>	<b><u>110,513</u></b>

(\*) Includes foreign currency translation effect.

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**28. OTHER LIABILITIES (continued)**

Movements of certain provisions for the year ended December 31, 2002 were as follows:

	Provision for Possible Losses on Legal Cases	Provision for Post Employment Benefits	Accrued Merger and Reorganization Costs	Provision for Employee Medical Benefits	Provision Arising from Obligations from Investments in Shares of Stocks
Balance at beginning of period	1,628,610	793,631	314,064	229,752	368,111
Provision/(reversal) during the period	519,944	(119,569)	(192,556)	(229,752)	(257,598)
Utilization during the period	(272,605)	-	(121,508)	-	-
Others (*)	(284,432)	-	-	-	-
Balance at end of period	<u>1,591,517</u>	<u>674,062</u>	<u>-</u>	<u>-</u>	<u>110,513</u>

(\*) Includes foreign currency translation effect.

**29. SUBORDINATED LOANS**

a. By Currency:

	December 31, 2003	April 30, 2003	December 31, 2002
<b>Rupiah:</b>			
Two-Step Loans (TSLs)			
(a) Nordic Investment Bank (NIB)	359,021	381,282	399,035
(b) Export-Import Bank of Japan (EBJ)	152,728	188,214	224,144
(c) Asian Development Bank (ADB)	25,573	33,022	40,471
(d) International Bank for Reconstruction and Development (IBRD)	37,508	46,577	54,888
(e) ASEAN Japan Development Fund Overseas Economic Cooperation Fund (AJDF-OECF)	118,439	124,673	130,907
(f) ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ)	6,185	7,310	7,310
	<u>699,454</u>	<u>781,078</u>	<u>856,755</u>
Bank Indonesia	930,859	1,416,859	1,578,859
Investment Fund Account (RDI) ex-Two-Step Loans	415,878	554,504	-
	<u>1,907,565</u>	<u>2,613,815</u>	<u>2,990,118</u>
<b>Foreign Currency:</b>			
Two-Step Loans (TSLs)-Kreditanstalt für Wiederaufbau, Frankfurt (KfW)			
	92,674	91,614	88,860
Others	3,118,245	3,195,648	3,279,987
	<u>3,210,919</u>	<u>3,287,262</u>	<u>3,368,847</u>
	<u>5,118,484</u>	<u>5,901,077</u>	<u>6,358,965</u>

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**29. SUBORDINATED LOANS (continued)**

b. By Type:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Two-Step Loans (TSLs)			
(a) Nordic Investment Bank (NIB)	359,021	381,282	399,035
(b) Export-Import Bank of Japan (EBJ)	152,728	188,214	224,144
(c) Asian Development Bank (ADB)	25,573	33,022	40,471
(d) International Bank for Reconstruction and Development (IBRD)	37,508	46,577	54,888
(e) ASEAN Japan Development Fund Overseas Economic Cooperation Fund (AJDF-OECF)	118,439	124,673	130,907
(f) ASEAN Japan Development Fund -Export-Import Bank of Japan (AJDF-EBJ)	6,185	7,310	7,310
(g) Kreditanstalt für Wiederaufbau, Frankfurt (KfW)	92,674	91,614	88,860
	<u>792,128</u>	<u>872,692</u>	<u>945,615</u>
Bank Indonesia	930,859	1,416,859	1,578,859
Investment Fund Account (RDI) ex-Two-Step Loans	277,252	554,504	3,279,987
Others	3,118,245	3,195,648	3,279,987
	<u><b>5,118,484</b></u>	<u><b>5,901,077</b></u>	<u><b>6,358,965</b></u>

*Two-Step Loans*

(a) Nordic Investment Bank (NIB)

This account represents a credit facility obtained from NIB through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
Nordic Investment Bank II	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	December 10, 1990 - July 15, 2005 with the 1 <sup>st</sup> installment on January 15, 1996.
Nordic Investment Bank III	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	August 4, 1993 - August 15, 2008 with the 1 <sup>st</sup> installment on February 15, 1999.
Nordic Investment Bank IV	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	April 15, 1997 - February 28, 2017 with the 1 <sup>st</sup> installment on August 31, 2002.

Details of outstanding credit facilities from Nordic Investment Bank are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
(a) Nordic Investment Bank II (NIB II)	14,759	18,448	22,138
(b) Nordic Investment Bank III (NIB III)	56,650	64,566	67,980
(c) Nordic Investment Bank IV (NIB IV)	287,612	298,268	308,917
	<u><b>359,021</b></u>	<u><b>381,282</b></u>	<u><b>399,035</b></u>

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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

The interest rate on the NIB II facility is based on the past six months' average interest rate for three-month Certificates of Bank Indonesia which should:

- Not be higher than the average interest rate for three-month time deposits for the past six months in the five state-owned banks.
- Not be lower than the interbank interest rate to the Government of the Republic of Indonesia plus 1.75%.

The interest rate on the NIB III facility is based on the previous six months' variable interest rate as determined by Bank Indonesia based on the prevailing average interest rates for the past six months for three-month Certificates of Bank Indonesia.

The interest rate on the NIB IV facility is based on the previous six months' variable interest rate as determined by Bank Indonesia based on the prevailing average interest rates for the past six months for three-month Certificates of Bank Indonesia.

(b) Export-Import Bank of Japan (EBJ)

This account represents credit facilities obtained from the Export-Import Bank of Japan through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
EBJ-TSL I	To finance private sector projects included in Priority Scale List from or approved by the Investment Coordinating Board.	July 7, 1988 - January 15, 2005 with the 1 <sup>st</sup> installment on July 15, 1992.
EBJ-TSL II	To finance private and state-owned company projects in sectors prioritized by the Government and export-oriented.	October 14, 1989 - October 1, 2004 with the 1 <sup>st</sup> installment on April 1, 1993.
EBJ-TSL III	To finance private and state-owned company projects in sectors prioritized by the Government and export-oriented.	January 21, 1991 - July 15, 2005 with the 1 <sup>st</sup> installment on January 15, 1994.
EBJ-TSL IV	To finance projects which help to increase investments in the private sector and which are export-oriented.	January 28, 1992 - January 15, 2007 with the 1 <sup>st</sup> installment on July 15, 1995.
EBJ-TSL V	To finance small-scale industry, primarily the manufacturing sector and export-oriented.	May 27, 1992 - March 15, 2003 with the 1 <sup>st</sup> installment on September 15, 1994.

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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

(b) Export-Import Bank of Japan (EBJ) (continued)

Details of outstanding credit facilities from the Export-Import Bank of Japan (EBJ) are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
(a) Export-Import Bank of Japan I (EBJ-TSL I)	10,093	13,457	16,821
(b) Export-Import Bank of Japan II (EBJ-TSL II)	15,148	22,722	30,296
(c) Export-Import Bank of Japan III (EBJ-TSL III)	59,135	73,919	88,703
(d) Export-Import Bank of Japan IV (EBJ-TSL IV)	68,352	78,116	87,882
(e) Export-Import Bank of Japan V (EBJ-TSL V)	-	-	442
	<b>152,728</b>	<b>188,214</b>	<b>224,144</b>

The interest rate on the credit facilities from EBJ-TSL I and EBJ-TSL II is based on the weighted average interest rate for customers' deposits in the participating banks as determined by Bank Indonesia every six months, less 1%.

The interest rate on the credit facilities from EBJ-TSL III, IV and V is based on the floating interest rate determined every six months based on the prevailing average interest rate for the past six months for three-month Certificates of Bank Indonesia, which should:

- Not be higher than the six-months' average interest rate for three-month time deposits in five state-owned banks and not be lower than the interest rate on EBJ loans plus 4% for EBJ-TSL III.
- Not be higher than the six-months' average interest rate for three-month time deposits in five state-owned banks for EBJ-TSL IV and V.

Credit facilities EBJ-TSL V have been fully paid in March 2003.

(c) Asian Development Bank ("ADB")

This account represents credit facilities from the ADB through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
ADB Fishery II	Finance government projects in funding credit for fishery projects.	December 19, 1991 - September 15, 2006 with the 1 <sup>st</sup> installment on March 15, 1995.
ADB Perkebunan Nusantara XII (formerly Nescoco Plasma) and Nescoco Inti	Finance government projects in funding credit for plantation projects.	February 15, 1989 - September 15, 2008 with the 1 <sup>st</sup> installment on March 15, 1995.
Development Financing Loan Project	Finance industrial sector prioritizing manufacturing products for non-oil export, agro-based industry, employee-centred programs and earning foreign exchange.	January 10, 1990 - January 15, 2005 with the 1 <sup>st</sup> installment on July 15, 1993.

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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

(c) Asian Development Bank (ADB) (continued)

The details of Asian Development Bank (ADB) are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
(a) Development Financing Loan Project	20,500	27,333	34,166
(b) ADB Perkebunan Nusantara XII (formerly Nescoco Plasma) and Nescoco Inti	3,444	3,789	4,133
(c) ADB Fishery II	1,629	1,900	2,172
	<b>25,573</b>	<b>33,022</b>	<b>40,471</b>

In 2000, the ADB Nescoco Plasma loan was transferred to ADB PT Perkebunan Nusantara XII. The annual interest rates on the ADB Perkebunan Nusantara XII and ADB Nescoco Inti facilities are 9.50% and 10.00%, respectively.

The interest rate on the Development Financing Loan Project facility is based on the variable rate determined by Bank Indonesia every six months based on the weighted average interest rate for depositors in a foreign exchange bank but not lower than the interest rate charged by ADB plus 1.75% per annum.

The interest rate on the ADB Fishery II facility shall not be lower than the annual interest rate charged by the ADB to the Government of the Republic of Indonesia plus 4% per annum.

Drawdowns of the ADB Fishery II are repayable within fifteen years from the first drawdown (inclusive of a 3-year grace period) and are repayable in twenty-four semi-annual installments starting March 15, 1995.

(d) International Bank for Reconstruction and Development (IBRD)

This account represents credit facilities obtained from IBRD through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

<u>Credit Facility</u>	<u>Purpose</u>	<u>Repayment Period</u>
Industrial Restructuring Program (IRP)	Finance restructuring for investment projects for engineering, pulp, paper and textile sub-sector projects.	July 27, 1989 - October 1, 2003 with the 1 <sup>st</sup> installment on April 1, 1992.
Export Development Program II (EDP II)	Finance Export Development Project II.	September 20, 1988 - February 15, 2003 with the 1 <sup>st</sup> installment on August 15, 1991.
Small and Medium Industrial Program (SMIEP)	Finance manufacturing industrial projects, agro-based and the related industries (including transportation and cold storage).	July 27, 1989 - October 1, 2003 with the 1 <sup>st</sup> installment on April 1, 1992.
Financial Sector Development Project (FSDP)	Finance Financial Sector Development Projects.	February 1, 1993 - September 15, 2007 with the 1 <sup>st</sup> installment on March 15, 1998.

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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

(d) International Bank for Reconstruction and Development (IBRD) (continued)

Credit Facility	Purpose	Repayment Period
Agricultural Financing Project (AFP)	Finance production sector projects and agriculture, animal husbandry, fishery and forestry industries.	January 10, 1992 - December 1, 2006 with the 1 <sup>st</sup> installment on June 1, 1995.
IBRD Loan No. 2277 V Project	Finance development projects (specific development projects).	September 29, 1983 - February 1, 2003 with the 1 <sup>st</sup> installment on August 1, 1985.

Details of credit facilities from the International Bank for Reconstruction and Development (IBRD) are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
(a) Financial Sector Development Project (FSDP)	34,695	39,032	43,368
(b) Agricultural Financing Project (AFP)	2,813	3,751	3,751
(c) Industrial Restructuring Program (IRP)	-	2,838	5,675
(d) Small and Medium Industrial Program (SMIEP)	-	773	1,591
(e) IBRD Loan No. 2277 V Project	-	183	367
(f) Export Development Program II (EDP II)	-	-	136
	<b>37,508</b>	<b>46,577</b>	<b>54,888</b>

The interest rate on the FSDP credit facility is 0% per annum. Installments for the FSDP credit facility are repayable on March 15 and September 15 of every year.

The interest rate on the AFP facility is computed based on a variable interest rate for a period of six months, at the lower of:

- Six-months' average interest rate for three-month Certificates of Bank Indonesia.
- Six-months' average interest rate for three-month time deposits in five state-owned banks.

The interest rate on the AFP facility shall not be lower than the interest rate charged by IBRD to the Government plus 2% per annum.

For the IRP, EDP II and SMIEP credit facilities, the principal amount is repayable to the Government of the Republic of Indonesia within fifteen years inclusive of a 3-year grace period from the time the agreement becomes effective. The interest rate on the IRP, EDP II and SMIEP credit facilities is determined every six months by Bank Indonesia and should not be lower than the interest rate charged by IBRD to the Government plus 1.75% per annum. The IRP, EDP II and SMIEP facilities were fully repaid in October 2003, February 2003 and October 2003, respectively.

The interest rate on the Loan No. 2277 V Project facility is based on the interest rate charged by IBRD to the Government subject to a maximum of 11% per annum. This IBRD Loan No. 2277V Project facility was fully repaid in August 2003.

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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

(e) ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)

This account represents a credit facility obtained from AJDF-OECF through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
Pollution Abatement Equipment Program (PAE)	Purchase of equipment to prevent pollution	August 19, 1993 - August 19, 2013, with the 1 <sup>st</sup> installment on August 15, 1998
Small Scale Industry (SSI)	To finance small-scale industry	August 19, 1993 - August 19, 2013, with the 1 <sup>st</sup> installment on August 15, 1998

Details of outstanding credit facilities from the International ASEAN Japan Development Fund Overseas Economic Cooperation Fund (AJDF-OECF) are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
(a) Pollution Abatement Equipment Program (PAE)	114,487	120,513	126,539
(b) Small Scale Industry (SSI)	3,952	4,160	4,368
	<b>118,439</b>	<b>124,673</b>	<b>130,907</b>

The drawdowns on the above AJDF-OECF facilities are repayable within twenty years after the first drawdown (inclusive of a 5-year grace period), in thirty semi-annual installments starting August 15, 1998 and ending on February 15, 2013.

The PAE facility is subject to a variable interest rate determined every six months based on the prevailing average interest rate for the past six months for three-month Certificates of Bank Indonesia, less 5% per annum.

The SSI facility is subject to a variable interest rate determined every six months based on the prevailing average interest rate for the six months for three-month Certificates of Bank Indonesia, less 2.5% per annum.

(f) ASEAN Japan Development Fund - Export-Import Bank of Japan (AJDF-EBJ)

Details of outstanding credit facilities from the International ASEAN Japan Development Fund - Export - Import Bank of Japan (AJDF-EBJ) are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
ASEAN Japan Development Fund - Export-Import Bank of Japan (AJDF-EBJ)	<b>6,185</b>	<b>7,310</b>	<b>7,310</b>



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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

(f) ASEAN Japan Development Fund – Export Import Bank of Japan (AJDF-EBJ) (Continued)

This account represents a credit facility obtained from the AJDF-EBJ through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance investment projects and working capital requirements of small-scale industries. The credit facility, which amounts to Rp9,560, is repayable in twenty four semi-annual installments within fifteen years after the date of the first drawdown (inclusive of a 3-year grace period), with the first installment starting on December 15, 1997.

The facility is subject to an interest rate determined every six months based on the prevailing average interest rate for the past six months for three-month Certificates of Bank Indonesia.

(g) Kreditanstalt für Wiederaufbau (KfW)

This account represents a credit facility from KfW to Government of Republic of Indonesia through Bank Indonesia (BI) and is disbursed by Bank Mandiri to finance export contracts denominated in Deutsche Marks (DEM) with a maximum of DEM250,000,000 (full amount) for the supply of capital goods, investments in infrastructure projects such as transportation, energy or communications projects, and transfer of new technologies to be concluded between buyers domiciled in Indonesia and exporters domiciled in the Federal Republic of Germany.

Prior to importing supplies from Germany, the buyer shall sign an Individual Loan Agreement (ILA) with approval from BI, KfW and the Government of the Republic of Indonesia. The financing shall be limited to an amount of up to 85% of the total price in DEM of each Export Contract. In the event that the total price shall be reduced during the period of disbursement, KfW shall reduce the individual loans proportionally.

The minimum order value of an Export Contract is DEM353,000 (full amount) of which the resulting credit element would be DEM300,000 (full amount).

The terms and conditions as set out in the subordinated loan agreement No. 31/1013/UK dated January 21, 1999, between Bank Indonesia and PT Bank Bumi Daya (a legacy bank) are as follows:

- The loan tenor shall be four years, exclusive of a six-month grace period, from the signing date of ILA, which can be renewed for up to eight or ten years depending upon each ILA.
- The loan principal repayment shall be made in eight equal installments on June 15 and December 15 annually starting six months after the grace period of each ILA.
- The interest rate is calculated at 2.5% per annum above the Commercial Interest Reference Rate including Bank Indonesia fees of 0.15%, net of tax, which shall be payable semi-annually every June 15 and December 15.
- A commitment fee of 0.25% per annum is charged on the unused facility from the signing date of each ILA.
- A penalty of 2% per annum above the interest rate as explained in point three in the event of late payment.

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**29. SUBORDINATED LOANS (continued)**

*Two-Step Loans (continued)*

(g) Kreditanstalt fur Wiederaufbau (KfW) (continued)

KfW advanced to the Government of Republic of Indonesia through BI and Bank Mandiri an amount of EUR11,777,361 (full amount) which was already withdrawn by Bank Mandiri through payment of a letter of credit (L/C), in line with the import of equipment for the modernization of a Hot Strip Mill, Roughing Mill Motor and Stand F4 Rear Motor Drive System and related services from Siemens AG, Erlangen, Germany, to PT Krakatau Steel which has entered into two ILAs with BI and KfW, as follows (in full amounts):

Loan no.	Facility	Used Facility	Unused Facility	Repayment Period
F3137/1	EUR7,859,450	EUR6,743,863	EUR1,115,587	January 13, 2000 - December 15, 2006 with the 1 <sup>st</sup> installment on August 30, 2002, which was extended to May 31, 2004. Repayments are due in ten equal installments.
F3137/2	EUR3,917,911	EUR3,917,911	EURNil	March 3, 2000 - June 15, 2006 with the 1 <sup>st</sup> installment on December 31, 2001. Repayments are due in ten equal installments.

*Bank Indonesia*

This account represents loans arising from the conversion of Bank Indonesia liquidity used to improve the capital structure of BDN, Bapindo (legacy banks) and PT Bank Syariah Mandiri (a subsidiary). The details of this facility as of December 31, 2003, April 30, 2003 and December 31, 2002 are as follows:

Bank	Term of Loan	December 31, 2003 Amount (Rupiah)	April 30, 2003 Amount (Rupiah)	December 31, 2002 Amount (Rupiah)	Interest Rate
Bapindo	March 31, 1995 - March 31, 2004 with 1 <sup>st</sup> installment on June 30, 2002	162,000	648,000	810,000	5% per annum
BDN	March 31, 1993 - March 31, 2014 with payment at maturity date	736,859	736,859	736,859	Calculated quarterly, as follows: <ul style="list-style-type: none"> <li>• the first 5 years at 1% per annum</li> <li>• the second 5 years at 3% per annum</li> <li>• the third 5 years at 6% per annum</li> <li>• the fourth 5 years at 14% per annum</li> </ul>

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
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**29. SUBORDINATED LOANS (continued)**

*Bank Indonesia (continued)*

Bank	Term of Loan	December 31, 2003 Amount (Rupiah)	April 30, 2003 Amount (Rupiah)	December 31, 2002 Amount (Rupiah)	Interest Rate
PT Bank Syariah Mandiri (BSM)*	January 31, 1994 - January 31, 2014 with payment at maturity date	32,000	32,000	32,000	Calculated quarterly, as follows: <ul style="list-style-type: none"> <li>• the first 5 years at 1% per annum</li> <li>• the second 5 years at 3% per annum</li> <li>• the third 5 years at 6% per annum</li> <li>• the fourth 5 years at 14% per annum</li> </ul>
		<u>930,859</u>	<u>1,416,859</u>	<u>1,578,859</u>	

\* BSM has requested Bank Indonesia to convert the loan into a "syariah" subordinated loan with "wadiah" principles. On December 18, 2003, Bank Indonesia refused the request and requested BSM to make an early settlement of the subordinated loan (Note 62f).

*Investment Fund Account (RDI) ex-Two-Step Loans*

This account represents a credit facility from the Government of the Republic of Indonesia originating from the installment payments of Two-Step Loans. In relation to restructuring of former Bapindo's (a legacy bank) capital, on October 26, 1995, and former Bapindo facilities obtained from the Government of the Republic of Indonesia. One of the facilities is that Bapindo can convert certain Two-Step Loans into an Investment Fund Account when the Two-Step Loan matures. The amount withdrawn was limited to Rp991,000. The facility should be repaid during the period of April 15, 2002 to October 15, 2004. The Bank can convert the above Two-Step Loan in full or in partial amount as long as it is related to the above eligible Two-Step Loan and it does not exceed the limit.

	December 31, 2003	April 30, 2003	December 31, 2002
(a) RDI Loan ex-Export-Import Bank of Japan (EBJ)	96,242	144,362	192,483
(b) RDI Loan ex-International Bank for Reconstruction and Development (IBRD)	77,637	116,456	155,274
(c) RDI Loan ex-Asian Development Bank (ADB)	73,886	110,829	147,773
(d) RDI Loan ex-ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)	7	11	15
(e) RDI Loan ex-Nordic Investment Bank (NIB)	29,480	44,220	58,959
	<u>277,252</u>	<u>415,878</u>	<u>554,504</u>

(a) RDI Loan ex-Export-Import Bank of Japan (EBJ)

The EBJ I and EBJ II facilities are charged with administration fees based on the weighted average interest rate for debtor deposits of the participating state banks determined by Bank Indonesia every six months, less 1% per annum.

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**29. SUBORDINATED LOANS (continued)**

(a) RDI Loan ex-Export-Import Bank of Japan (EBJ) (continued)

The EBJ III, EBJ IV and EBJ V facilities are charged with administration fees based on a floating interest rate determined every six months based on the prevailing average interest rate for the past six months for three-month certificates of Bank Indonesia, which should:

- Not be higher than the six months' average interest rate for three-month time deposits in five state-owned banks and not be lower than the interest rate of Exim Bank of Japan to the Government of the Republic of Indonesia plus 4% per annum for the EBJ III facility.
- Not be higher than the six months' average interest rate for three-month time deposits in five state-owned banks for the EBJ IV facility.
- Be the lower of the interest rate for the past six months of three-month Certificates of Bank Indonesia and the six months' average interest rate for time deposits in five state-owned banks for the EBJ V facility.

(b) RDI Loan ex-International Bank for Reconstruction and Development Bank (IBRD)

The AFP facility is charged with an administration fee based on a variable interest rate determined every six months based on the lower of the:

- Average interest rate for the past six months of three-month certificates of Bank Indonesia.
- Average interest rate for the past six months of three-month time deposits in five state-owned banks.

The administration fee for the AFP facility should not be lower than the interest rate on loans charged by IBRD to the Government of the Republic of Indonesia plus 2% per annum.

The IRP and SMIEP facilities are charged with an administration fee based on the higher of the interest rate on:

- The interest rate on credits charged by the IBRD to the Government plus 1.75% per annum.
- Weighted average interest rate on time deposits of participant banks.

The Bapindo V Project facility is charged with an administration fee based on the interest rate charged by the IBRD to the Government of the Republic of Indonesia, subject to a maximum of 11% per annum.

(c) RDI Loan ex-Asian Development Bank (ADB)

The Second Bapindo Project (SBP) is charged with an administration fee of 1.75% per annum above the interest rate charged by the ADB to the Government of the Republic of Indonesia or interest charged on loans to customers less 5% per annum, whichever is higher.

The Development Finance Loan Project (DFLP) facility is charged with a variable administration fee determined by Bank Indonesia every six months based on the weighted average interest rate on customer deposits in a Foreign Exchange Bank and should not be lower than the interest rate of the ADB plus 1.75% per annum.

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**29. SUBORDINATED LOANS (continued)**

- (d) RDI Loan ex-ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)

This facility is charged with an administration fee based on the variable interest rate for the past six months for three-month Certificates of Bank Indonesia and is payable on April 15 and October 15 of every year starting from the date of withdrawals of loans, less 5% per annum.

- (e) RDI Loan ex-Nordic Investment Bank (NIB)

The NIB I facility is charged with an administration fee of 1.75% per annum above the interest rate charged by the NIB to the Government of the Republic of Indonesia or interest charged on loans to customers less 6% per annum whichever is higher, and is payable on April 15 and October 15 of every year starting from the date of withdrawal of loans.

The NIB II facility is charged with an administration fee based on the average interest rate on the three-month Certificates of Bank Indonesia for six months with the following conditions:

- Not higher than the average interest rate on three-month time deposits for six months in the five state-owned banks.
- Not lower than the interest rate charged by the NIB to the Government of the Republic of Indonesia based on the loan agreement no. PIL-12/1987 dated December 21, 1987 and Addendum No. I dated November 6, 1990, plus 1.75% per annum.

The NIB III facility is charged with an administration fee based on a variable interest rate for the past six months on three-month Certificates of Bank Indonesia for six months and is payable on April 15 and October 15 of every year starting from the date of withdrawal of loans.

*Others*

Subordinated Loans - Others are comprised of:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Subordinated Undated Floating Rate Notes (SURFNs)	2,072,825	2,119,765	2,170,375
Subordinated Notes (SNs)	1,045,420	1,075,883	1,109,612
	<b>3,118,245</b>	<b>3,195,648</b>	<b>3,279,987</b>

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**29. SUBORDINATED LOANS (continued)**

*Others (continued)*

*(a) Subordinated Undated Floating Rate Notes (SURFNs)*

Details of SUFRNs are as follows:

Issuer	Subscriber	Term of Subscription	December 31, 2003		April 30, 2003	
			Original Amount (in full amount)	Rupiah Equivalent	Original Amount (in full amount)	Rupiah Equivalent
Bank Exim	Puri International Limited	July 24, 1990 - July 24, 2005	US\$125,000,000	1,053,125	US\$125,000,000	1,084,438
Bapindo	Mitra Sejati International	Dec. 18, 1990 - Dec. 25, 2005	US\$125,000,000	1,053,125	US\$125,000,000	1,084,438
			<u>US\$250,000,000</u>	<u>2,106,250</u>	<u>US\$250,000,000</u>	<u>2,168,876</u>
Less:	Unamortized discount		(3,967,399)	(33,425)	(US\$5,660,801)	(49,111)
			<u><b>US\$246,032,601</b></u>	<u><b>2,072,825</b></u>	<u><b>US\$244,339,199</b></u>	<u><b>2,119,765</b></u>

Issuer	Subscriber	Term of Subscription	December 31, 2002	
			Original Amount (in full amount)	Rupiah Equivalent
Bank Exim	Puri International Limited	July 24, 1990 - July 24, 2005	US\$125,000,000	1,118,750
Bapindo	Mitra Sejati International	Dec. 18, 1990 - Dec. 25, 2005	US\$125,000,000	1,118,750
			<u>US\$250,000,000</u>	<u>2,237,500</u>
Less:	Unamortized discount		(US\$7,500,000)	(67,125)
			<u><b>US\$242,500,000</b></u>	<u><b>2,170,375</b></u>

*Bank Exim SUFRNs*

Under a Subscription Agreement dated July 24, 1990 and Trust Deed dated July 27, 1990, Bank Exim issued SUFRNs with an aggregate nominal value of US\$125,000,000 (full amount) through its Cayman Islands Branch to Puri International Limited. (PIL), a special purpose vehicle incorporated in the Cayman Islands, in exchange for cash of US\$90,255,000 (full amount).

The aggregate nominal value of the Bank Exim SUFRNs (US\$125,000,000 (full amount)) and accrued interest thereon is recognized as a liability as of December 31, 2003, April 30, 2003 and December 31, 2002 because Bank Mandiri assumed all of Bank Exim's assets and liabilities from the date of the merger (Note 3). The Bank Exim SUFRNs are perpetual as they have no stated maturity date.

Interest on the Bank Exim SUFRNs is calculated based on their aggregate nominal value at 1.1% per annum above the six-month LIBOR interest rate through July 27, 2005, and following that date, interest is calculated based on their aggregate nominal value at 0.0001% per annum. While the Bank Exim SUFRNs remain outstanding, accrued interest is due and payable semi-annually in arrears at the end of each interest period in July and January.

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**29. SUBORDINATED LOANS (continued)**

*Others (continued)*

*(a) Subordinated Undated Floating Rate Notes (SURFNs) (continued)*

*Bank Exim SUFRNs (continued)*

To fund its purchase of the Bank Exim SUFRNs, in July 1990 PIL entered into a Purchase Agreement and a Deferred Sale Agreement with investors represented by Japan Leasing (Hong Kong) Ltd. (now represented by STB Leasing Co., Ltd.) under which PIL sold and repurchased certain property on deferred payment terms, proceeds from which were used to fund the purchase of the Bank Exim SUFRNs amounting to US\$90,255,000 (full amount) and to make a deposit (the "Deposit") of US\$34,745,000 (full amount) with BNP Paribas (formerly Banque Nationale de Paris) (BNP). The terms of the Deposit are set out in a deposit agreement dated July 24, 1990 (the "Deposit Agreement"). The Deposit Agreement provides that on maturity of the Deposit in July 2005, BNP will repay PIL US\$125,000,000 (full amount) comprising the original US\$34,745,000 (full amount) plus accrued interest of US\$90,255,000 (full amount). The Deposit formed the collateral for the repurchase of the property by PIL under the Deferred Sale Agreement.

In September 1998 PIL entered into a Sale Agreement with ING Bank N.V., Tokyo Branch ("ING") under which PIL sold US\$13,000,000 (full amount) of Bank Exim SUFRNs to ING, and additionally and together with Bank Exim and Japan Leasing (Hong Kong) Ltd., agreements were amended to transfer US\$3,613,480 (full amount) of the Deposit that was placed on deposit in BNP to the account of ING with BNP (the "ING Deposit"). ING granted Bank Exim a first priority pledge over the ING Deposit.

The terms and conditions of the Bank Exim SUFRNs provide for redemption of their aggregate nominal value upon the occurrence of several events including mandatory redemption if the Republic of Indonesia ceases to beneficially own at least 51% of the issued voting capital of Bank Mandiri.

If Bank Mandiri were required to redeem the Bank Exim SUFRNs prior to the interest payment date falling in July 2005 and made repayment in full then, subject to the prior discharge by PIL of its obligations under the Purchase Agreement, the Deferred Sale Agreement and other related agreements to STB Leasing Co., Ltd. and the investors (who hold a first priority interest in the Deposit), the Bank would become entitled to the Deposit pursuant to a Second Deposit Pledge Agreement dated July 24, 1990.

The accreted value of the Deposit and the ING Deposit is recognized by Bank Mandiri as an other asset (Note 15) on the basis that Bank Mandiri has been granted a second priority pledge in respect of the Deposit held on account of PIL and has been granted a first priority pledge in respect of the ING Deposit held on account of ING under the terms of a Collateral Agreement dated July 24, 1990 and a Supplemental Agreement to the Collateral Agreement dated September 24, 1998 (the "Collateral Agreement"), in respect of the Deposit held on account of PIL, and under the terms of a Deposit Pledge Agreement dated September 24, 1998 in respect of the ING Deposit held on account of ING, Bank Mandiri has an option to purchase the Bank Exim SUFRNs for a total consideration of US\$3,000 (full amount), subject to the following: Bank Mandiri's option under the Collateral Agreement is subject to the prior discharge in full by PIL of its obligations to STB Leasing Co., Ltd. and to the investors under the Purchase Agreement, the Deferred Sale Agreement and other related agreements.

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**29. SUBORDINATED LOANS (continued)**

*Others (continued)*

*(a) Subordinated Undated Floating Rate Notes (SURFNs) (continued)*

*Bank Exim SUFRNs (continued)*

Bank Mandiri's option under the Deposit Pledge Agreement is subject to (i) the prior receipt by ING of an amount equal to the principal amount of the Bank Exim SUFRNs held by ING together with all accrued interest thereon, and (ii) discharge in full by Bank Exim of all costs and expenses reasonably incurred by ING in its performance of its obligations under the Deferred Pledge Agreement. As there is no legal right of offset until this option to purchase is exercised, Bank Mandiri has recognized the accreted value of the Deposit and the ING Deposit as an other asset instead of offsetting the asset against the aggregate nominal value of the Bank Exim SUFRNs.

The asset recognized by Bank Mandiri for the accreted value of the Deposit and ING Deposit amounted to Rp916,219, Rp921,772 and Rp950,937 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively (Note 15).

*Bapindo SUFRNs*

Under a Subscription Agreement dated December 18, 1990 and a Trust Deed dated December 21, 1990, Bapindo issued SUFRNs with an aggregate nominal value of US\$125,000,000 (full amount) through its Cook Islands Branch to Mitra Sejati International Ltd. (MSI), a special purpose vehicle incorporated in the Cayman Islands, in exchange for cash of US\$87,500,000 (full amount). In 2002, the accounting for the transaction was transferred from the Cook Islands Branch to the Cayman Islands Branch.

The aggregate nominal value of the Bapindo SUFRNs (US\$125,000,000 (full amount)) and accrued interest thereon are recognized as liabilities as of December 31, 2003, April 30, 2003 and December 31, 2002, as Bank Mandiri assumed all of Bapindo's assets and liabilities from the date of the merger (Note 3). The Bapindo SUFRNs are perpetual as they have no stated maturity date. Interest on the Bapindo SUFRNs is calculated based on their aggregate nominal value at the following rates:

- Through to the interest payment reference date (IPRD) falling in December 1995 - 1.1% per annum above the six-month LIBOR interest rate.
- From the IPRD falling in December 1995 through to the IPRD falling in December 2000 - 1.0% per annum above six-month LIBOR.
- From the IPRD falling in December 2000 through to the IPRD falling in December 2005 - 5.2% per annum plus the six-month LIBOR times 23% to 19%.
- From the IPRD falling in December 2005 at 0.0001% per annum.

While the Bapindo SUFRNs remain outstanding, interest is due and payable semi-annually in arrears at the end of each interest period in June and December.

To fund its purchase of the Bapindo SUFRNs, in December 1990 MSI entered into a Purchase Agreement with investors represented by Japan Leasing (Hong Kong) Ltd. (now represented by STB Leasing Co., Ltd.) under which MSI transferred its rights to certain property to investors in exchange for US\$87,500,000 (full amount). Simultaneously, MSI entered into a Deferred Sale Agreement with the investors whereby MSI immediately repurchased the rights to that same property for US\$87,500,000 (full amount) to be repaid by MSI in 30 semi-annual principal installments, together with accrued interest.



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**29. SUBORDINATED LOANS (continued)**

*Others (continued)*

*(a) Subordinated Undated Floating Rate Notes (SURFNs) (continued)*

*Bapindo SUFRNs (continued)*

The scheduled interest payments to MSI from Bank Mandiri on the Bapindo SUFRNs is to enable MSI to pay its principal and interest obligations due under the Deferred Sale Agreement. The principal payments from MSI to the investors and amortized discount on the Bapindo SUFRNs are recognized by Bank Mandiri as other assets (Note 15) on the basis that, under the terms of a Note Repurchase Letter dated December 18, 1990, Bank Mandiri has an option to purchase the Bapindo SUFRNs anytime after making all scheduled payments due to MSI in respect of the Bapindo SUFRNs through December 2005 for a total consideration of US\$3,000 (full amount) because repayments of principal by MSI to the investors under the Deferred Sale Agreement should have totaled US\$87,500,000 (in full amount). As there is no legal right of offset until this option to purchase is exercised, Bank Mandiri recognized the payments from MSI to investors as an other asset instead of offsetting the asset against the aggregate nominal value of the Bapindo SUFRNs.

The terms and conditions of the Bapindo SUFRNs provide for redemption of their aggregate nominal value upon the occurrence of several events including mandatory redemption if the Republic of Indonesia ceases directly to own at least 100% of the capital of Bank Mandiri or any law is enacted which provides for the Republic of Indonesia to cease to beneficially own 100% of the capital of Bank Mandiri. Based on a Supplemental Trust Deed dated May 8, 2002, such terms and conditions relating to the Republic of Indonesia ownership of the capital of Bank Mandiri have been amended to become an ownership interest of at least 51%.

If the Bapindo SUFRNs are redeemed before Bank Mandiri has the right to purchase the Bapindo SUFRNs, in accordance with the Note Repurchase Letter, MSI will be required to call the aggregate nominal value of the Bapindo SUFRNs of US\$125,000,000 (full amount) and accrued interest thereon. Should this occur, the asset recognized by Bank Mandiri for the principal payments from MSI to the investors and amortized discount on the Bapindo SUFRNs, amounting to Rp914,113, Rp893,576 and Rp897,238 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively, may not be recoverable because there are no terms in the agreements requiring either MSI or the investors to repay these amounts to Bank Mandiri (Note 15).

*(b) Subordinated Notes (SNs)*

<u>Issuer</u>	<u>Term of Subscription</u>	<u>December 31, 2003</u>		<u>April 30, 2003</u>	
		<u>Original Amount (in full amount)</u>	<u>Rupiah Equivalent</u>	<u>Original Amount (in full amount)</u>	<u>Rupiah Equivalent</u>
Bank Mandiri	August 2, 2002-2012, with call option on August 2, 2007	US\$125,000,000	1,053,125	US\$125,000,000	1,084,438
Less: Unamortized discount		US\$125,000,000 (US\$914,565)	1,053,125 (7,705)	US\$125,000,000 (US\$985,992)	1,084,438 (8,555)
		<u>US\$124,085,435</u>	<u>1,045,420</u>	<u>US\$124,014,008</u>	<u>1,075,883</u>

  

<u>Issuer</u>	<u>Term of Subscription</u>	<u>December 31, 2002</u>	
		<u>Original Amount (in full amount)</u>	<u>Rupiah Equivalent</u>
Bank Mandiri	August 2, 2002-2012, with call option on August 2, 2007	US\$125,000,000	1,118,750
Less: Unamortized discount		US\$125,000,000 (US\$1,020,977)	1,118,750 (9,136)
		<u>US\$123,979,023</u>	<u>1,109,612</u>

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**29. SUBORDINATED LOANS (continued)**

*Others (continued)*

*(b) Subordinated Notes (SNs) (continued)*

For purposes of increasing the Bank's Tier II Capital, refinancing the Bank's maturing subordinated debt obligations and providing funds for new US Dollar loans, on August 2, 2002 the Bank issued US\$125,000,000 (full amount) Subordinated Notes (the "Notes") through its Cayman Islands Branch. The Notes have been issued at 99.148% of their principal amount and are due on August 2, 2012, if not redeemed earlier. The Notes bear interest at the rate of 10.625% per annum from and including August 2, 2002 to but excluding August 3, 2007, interest will be payable in arrears on August 2, 2007. Unless the Notes are previously redeemed, the interest rate from and including August 2, 2007 to but excluding August 2, 2012 will be reset at the US Treasury Rate plus 11.20% per annum and interest will be payable semi-annually in arrears on February 2 and August 2 of each year, commencing August 2, 2008.

The Notes are traded on the Singapore Stock Exchange in a minimum board lot size of US\$200,000 (full amount). The Notes are offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S under the Securities Act) in compliance with Regulation S (the "Unrestricted Notes"). The Notes are initially offered and sold in the United States to qualified institutional buyers (as defined in the Trust Deed) and will originally be represented by a restricted global note certificate in registered form (the "Restricted Global Notes Certificate" and, together with the Unrestricted Global Note Certificate, the "Global Note Certificates" and, either of them, a "Global Note Certificate") which will be deposited with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear) and Clearstream Banking, Société Anonyme, Luxembourg (Clearstream, Luxembourg).

The issuance and classification of the SNs as Subordinated Loans has been approved by Bank Indonesia (BI), through its letter No. 4/88/DPwB2/PwB23 dated July 12, 2002.

**30. LOAN CAPITAL**

This account consists of the following:

	<u>December 31, 2003</u>	<u>April 30, 2003</u>	<u>December 31, 2002</u>
Rupiah:			
Conversion of Liquidity Credit from Bank Indonesia (KLBI)	1,755,000	1,755,000	1,755,000
Foreign Currency:			
Subordinated Undated Floating Rate Notes (BDN SUFRNs)	1,137,375	1,171,193	1,208,250
	<u><b>2,892,375</b></u>	<u><b>2,926,193</b></u>	<u><b>2,963,250</b></u>

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**30. LOAN CAPITAL (continued)**

The conversion of liquidity credit from Bank Indonesia represents the conversion of fund borrowings from Bank Indonesia to former Bapindo with 0% interest based on the Subordinated Loan Agreement No. 28/549/UKU/PMK dated November 6, 1995 and letters from the Minister of Finance of the Republic of Indonesia No. S-618/MK.017/1995 dated October 26, 1995 and No. 28/547/UKU/PMK dated November 6, 1995. Based on Law ("Undang-undang") No. 23/1999 dated May 17, 1999 regarding Bank Indonesia (BI), BI is not allowed to provide loans to the Government; thus, requiring Bank Mandiri to pay back this subordinated loan on demand. Based on Bank Mandiri's Director's Letter No. DIR.FIF/114/2003 dated April 28, 2003, Bank Mandiri proposed to BI to repay the Subordinated Loans in 11 years, from 2004 until 2014, with interest at the rate of 0.25% per annum and fixed annual installment payments of Rp285,440 (Note 58h).

Bank Indonesia, through its letter No. 5/77/DPwB2/PwB21 dated October 9, 2003, responded and requested Bank Mandiri to revise the proposal by considering BI's scenarios (Note 62e).

*BDN SUFRNs*

Under a Subscription Agreement dated November 26, 1990 and a Trust Deed dated November 29, 1990, BDN issued SUFRNs with an aggregate nominal value of US\$135,000,000 (full amount) through its Cayman Islands Branch to Badaneg Ltd. ("Badaneg"), a special purpose vehicle incorporated in the Cayman Islands, in exchange for cash of US\$97,200,000 (full amount).

The aggregate nominal value of the BDN SUFRNs is recognized as loan capital as approved by Bank Indonesia in its letter No. 27/295/BPBI/AdBI dated November 7, 1994, and accrued interest thereon is recognized as a liability at December 31, 2003, April 30, 2003 and December 31, 2002 because Bank Mandiri assumed all of BDN's assets and liabilities from the date of the merger (Note 3). The BDN SUFRNs are perpetual as they have no stated maturity date.

Interest on the BDN SUFRNs is calculated based on their aggregate nominal value at 1.1% per annum above the six-month LIBOR interest rate through November 30, 2005, and following this date interest is calculated based on their aggregate nominal value at 0.001% per annum. While the BDN SUFRNs remain outstanding, accrued interest is due and payable semi-annually in arrears at the end of each interest period in May and November.

To fund its purchase of the BDN SUFRNs, in November 1990 Badaneg entered into a Purchase Agreement and a Deferred Sale Agreement with investors represented by Japan Leasing (Hong Kong) Ltd. (now represented by STB Leasing Co., Ltd.) under which Badaneg sold and repurchased certain property on deferred payment terms, proceeds from which were used to fund the purchase of the BDN SUFRNs for US\$97,200,000 (full amount) and the purchase of US\$135,000,000 (full amount) of zero coupon bonds issued by IMI Bank (International) unconditionally and irrevocably guaranteed as to payment of interest and principal by Istituto Mobiliare Italiano (the "Zero Coupon Bonds") in exchange for cash of US\$37,800,000 (full amount). The Zero Coupon Bonds formed the collateral for the repurchase of the property under the Deferred Sale Agreement.

The Zero Coupon Bonds bear compound interest such that, after 15 years, the maturity value of the Zero Coupon Bonds would amount to US\$135,000,000 (full amount) thereby enabling Badaneg to fulfill its obligations under the Deferred Sale Agreement.

The terms and conditions of the BDN SUFRNs provide for redemption of their aggregate nominal value upon the occurrence of several events including mandatory redemption if the Republic of Indonesia ceases directly to own at least 51% of the issued voting share capital of Bank Mandiri.

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**30. LOAN CAPITAL (continued)**

If Bank Mandiri was required to redeem the BDN SUFRNs prior to the interest payment date falling in November 2005 and to make repayment in full then, pursuant to the terms of a Collateral Agreement dated November 26, 1990 between BDN, acting through its Cayman Islands Branch, Badaneg and STL Investment (Panama) S.A., Badaneg is, subject to the prior discharge by Badaneg of its obligations to STB Leasing Co., Ltd. and the investors under the Purchase Agreement, the Deferred Sale Agreement and other related agreements, obliged to transfer the Zero Coupon Bonds to the Bank for no consideration.

The accreted value of the Zero Coupon Bonds is recognized by Bank Mandiri as an other asset (Note 15) on the basis that Bank Mandiri has a right to the Zero Coupon Bonds and that under the terms of the Collateral Agreement, Bank Mandiri has an option, subject to the prior discharge by Badaneg of its obligations to STB Leasing Co., Ltd. and the investors under the Purchase Agreement, the Deferred Sale Agreement and other related agreements, to purchase the BDN SUFRNs for a total consideration of US\$3,000 (full amount). As there is no legal right of offset until this option to purchase is exercised, Bank Mandiri has recognized the accreted value of the zero coupon bonds as an other asset instead of offsetting the asset against the aggregate nominal value of the BDN SUFRNs.

The asset recognized by Bank Mandiri for the accreted value of Zero Coupon Bonds amounted to Rp989,516, Rp995,514 and Rp1,027,013 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively (Note 15).

**31. MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES**

This account represents minority interests in net assets of subsidiaries as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Yayasan Dana Pensiun Bank Dagang Negara	864	864	773
Dana Pensiun Bank Bumi Daya	2,609	2,374	2,723
	<b>3,473</b>	<b>3,238</b>	<b>3,496</b>

**32. SHAREHOLDERS' EQUITY**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Issued and fully paid-up capital	10,000,000	4,251,000	4,251,000
Additional Paid-In capital/Agio	5,926,418	10,675,418	173,550,319
Differences Arising from Translation of Foreign Currency Financial Statements	34,462	48,498	64,164
Unrealized (Losses)/Gains on Securities and Government Recapitalization Bonds Available for Sale	(1,860,850)	1,299,676	(2,138,186)
Premises and Equipment Revaluation Increment	3,056,724	9,788	9,788
Share Options	9,897	-	-
Retained Earnings/(Accumulated Losses)			
Appropriated	-	1,000,000	2,099,638
Unappropriated	3,228,574	-	(163,402,213)
<b>Total Shareholders' Equity</b>	<b>20,395,225</b>	<b>17,284,380</b>	<b>14,434,510</b>

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**32. SHAREHOLDERS' EQUITY (continued)**

*Authorized, Issued and Fully Paid-up Capital*

The Bank's authorized, issued and fully paid-up capital as of December 31, 2003, April 30, 2003 and December 31, 2002 is as follows:

<b>December 31, 2003</b>				
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage of Ownership
<b>Authorized Capital</b>				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	31,999,999,999	500	15,999,999,999,500	100.00%
Total Authorized Capital	32,000,000,000		16,000,000,000,000	100.00%
<b>Issued and Fully Paid-up Capital</b>				
Republic of Indonesia				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	15,999,999,999	500	7,999,999,999,500	80.00%
<b>Public</b>				
- Common Shares B Series	4,000,000,000	500	2,000,000,000,000	20.00%
Total Issued and Fully Paid-up Capital	20,000,000,000		10,000,000,000,000	100.00%
<b>April 30, 2003</b>				
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage of Ownership
<b>Authorized Capital</b>				
	16,000,000	1,000,000	16,000,000,000,000	
<b>Issued and Fully Paid-up Capital</b>				
Republic of Indonesia				
	4,251,000	1,000,000	4,251,000,000,000	100.00%
<b>December 31, 2002</b>				
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage of Ownership
<b>Authorized Capital</b>				
	16,000,000	1,000,000	16,000,000,000,000	
<b>Issued and Fully Paid-up Capital</b>				
Republic of Indonesia				
	4,251,000	1,000,000	4,251,000,000,000	100.00%

Based on notarial deed No. 10 of Sutjipto, S.H., dated October 2, 1998, the authorized capital of Bank Mandiri amounts to Rp16,000,000 with a par value of Rp1,000,000 (full amount) per share.

The establishment of issued and fully paid-up capital amounting to Rp4,000,000 by the Republic of Indonesia at the date of establishment of Bank Mandiri was carried out as follows:

- a. Cash payment through Bank Indonesia amounting to Rp1,600,004.

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**32. SHAREHOLDERS' EQUITY (continued)**

*Authorized, Issued and Fully Paid-up Capital (continued)*

- b. Placements in shares of stocks recorded as investments in shares of the Merged Banks amounting to Rp599,999 each or totaling Rp2,399,996, through the transfer of shares of the Republic of Indonesia in each of the Merged Banks to Bank Mandiri, as resolved during the respective Extraordinary General Meetings of the Merged Banks. Based on the agreement ("*inbreng*") notarized by deed No. 9 of Sutjipto, S.H., dated October 2, 1998, Bank Mandiri and the Republic of Indonesia, agreed to transfer those shares (*inbreng*) as payment for new shares to be issued by Bank Mandiri.

Based on the amendments to the Articles of Association of Bank Mandiri covered by notarial deed No. 98 of Sutjipto, S.H., dated July 24, 1999, the shareholder resolved to increase the paid-up capital (share capital) of Bank Mandiri from Rp4,000,000 to Rp4,251,000 to be entirely paid for by the Republic of Indonesia. The increase of Rp251,000 was effected through the conversion of additional paid-in capital to share capital and resulted from the excess of recapitalization bonds under the 1<sup>st</sup> Recapitalization Program per Government Regulation No. 52/1999.

Based on Extraordinary General Shareholder's Meeting resolution dated May 29, 2003, which was amended by notarial deed No. 142 of Sutjipto, S.H., dated May 29, 2003, the shareholder agreed among others the following:

- (i) Initial Public Offering of Bank Mandiri
- (ii) Changes in Bank Mandiri's capital structure
- (iii) Changes in Bank Mandiri's Articles of Association

Following the shareholder decision to change the capital structure, Bank Mandiri increased its issued and fully paid-up capital to Rp10,000,000 and proceeded for stock split share price from Rp1,000,000 (full amount) per share to Rp500 (full amount) per share. Accordingly, the number of authorized shares increased from 16,000,000,000 shares to 32,000,000,000 shares, and the number of issued and fully paid-up shares increased from 10,000,000 shares with a nominal value of Rp1,000,000 (full amount) to 20,000,000,000 shares with a nominal value of Rp500 (full amount). The issued and fully paid-up capital consists of 1 Dwiwarna A Series share and 19,999,999,999 Common B Series shares owned by the Republic of Indonesia.

In relation with the change in the capital structure, the Extraordinary Shareholder's Meeting also approved the amount of Rp168,801,314,557,901 (full amount) as *Agio*.

The above changes in capital structure became effective from May 23, 2003, with the requirement that the Bank should conduct a quasi-reorganization on or before the end of 2003 based on an approval of a Shareholder's Meeting.

The Dwiwarna A Series share represents the Republic of Indonesia, and is not transferable.

The Dwiwarna A Series share provides the Republic of Indonesia with the following privileges:

1. General Shareholders Meetings concerning increases in capital should be attended by and approved by the Dwiwarna A Series shareholder;
2. General Shareholders Meetings concerning changes in the Boards of Directors and Commissioners should be attended by and approved by the Dwiwarna A Series shareholder;
3. General Shareholders Meetings concerning changes in the Articles of Association should be attended by and approved by the Dwiwarna A Series shareholder;

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**32. SHAREHOLDERS' EQUITY (continued)**

*Authorized, Issued and Fully Paid-up Capital (continued)*

4. General Shareholders Meetings concerning mergers, acquisitions and take overs should be attended by and approved by the Dwiwarna A Series shareholder;
5. General Shareholders Meetings concerning dissolution and liquidation should be attended by and approved by the Dwiwarna A Series shareholder.

The changes in the capital structure are based on the Minutes of Meeting regarding the amendment of the Articles of Association (Pernyataan Keputusan Rapat Perubahan Anggaran Dasar) of PT Bank Mandiri (Persero) as notarized by Sutjipto, S.H., No. 2, dated June 1, 2003. The amendment was approved by the Minister of Justice and Human Rights through decree No. C-12783 HT.01.04.TH.2003 dated June 6, 2003 and announced in Appendix No. 517/L of State Gazette of the Republic of Indonesia No. 63 dated August 8, 2003 (Note 1).

The increase in paid-up capital of Bank Mandiri from Rp4,251,000 to Rp10,000,000 was made through the following:

- a. Return of paid-up capital of Rp251,000 to the Government as a part of the return of excess recapitalization of Rp1,412,000 which was retained by Bank Mandiri, and an increase in capital amounting to Rp1,000,000 from the capitalization of reserves, based on Government Regulation (PP) No. 26/2003 dated May 29, 2003, regarding the "Conversion of the Investment of the Republic of Indonesia into the Paid-in Capital of PT Bank Mandiri (Persero)"; and Decree of Minister of State-Owned Enterprises, as the Bank's shareholder, No. KEP-154/M-MBU/2002 dated October 29, 2002.
- b. Increase in fully paid-up capital of Rp5,000,000 from the capitalization of additional paid-up capital based on the Decree of the Minister of Finance of the Republic of Indonesia ("KMK RI") No. 227/202.02/2003 dated May 23, 2003 regarding "The final amount and implementation of the Government's rights arising from the additional share participation of the Government of the Republic of Indonesia in Bank Mandiri in connection with the general banking recapitalization program".

Based on the Extraordinary General Shareholder Meeting held in May 29, 2003, which was notarized on the same date by Sutjipto, S.H., per notarial deed No. 142 dated May 29, 2003, the shareholder agreed to among others, the introduction of an employee stock ownership plan through an *Employee Stock Allocation Program* (ESA) and a *Management Stock Option Plan* (MSOP). The ESA consists of a *Bonus Share Grant* and a *Discounted Share Purchase* program. MSOP is directed to directors and senior management at certain levels and based on certain criteria. All costs and discounts related to the ESA programs are recognized by Bank Mandiri through allocations of reserves. The management and execution of the ESA and MSOP programs is performed by the Board of Directors, while the supervision is performed by the Board of Commissioners (Note 33).

On July 14, 2003, the Government of the Republic of Indonesia divested 4,000,000,000 shares representing 20% of its shareholding in Bank Mandiri through an Initial Public Offering (IPO). The Government plans to divest a further 10% shareholding in Bank Mandiri in line with Government of Republic of Indonesia Regulation No. 27/2003 dated June 2, 2003, which approved the divestment of up to 30% of the Government's shareholding in Bank Mandiri (Note 62a).

*Additional Paid-In Capital/Agio*

The additional paid-in capital/agio as of December 31, 2003, April 30, 2003 and December 31, 2002 amounting to Rp5,926,418, Rp10,675,418 and Rp173,550,319, respectively, represents additional paid-up capital arising from the Recapitalization Program (Note 3).

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**32. SHAREHOLDERS' EQUITY (continued)**

*Additional Paid-In Capital/Agio (continued)*

Based on the results of a due diligence review conducted on behalf of the Government dated December 31, 1999 and Management Contract (IMPA) dated April 8, 2000, it was determined that there was an excess recapitalization amounting to Rp4,069,000. The Bank returned Rp2,657,000 of Government recapitalization bonds to the Government on July 7, 2000 pursuant to the Management Contract. The balance of Rp1,412,000 was returned to the Government on April 25, 2003 as approved by the Shareholder during its meeting on October 29, 2002 and the Minister of State-Owned Enterprises Decision Letter No. KEP-154/M-MBU/2002 dated October 29, 2002 (Note 8).

The return of the above excess recapitalization amounting to Rp1,412,000 include the part of issued and fully paid capital amounting to Rp251,000.

On May 23, 2003, the Minister of Finance of the Republic of Indonesia issued decree ("KMK-RI") No. 227/KMK.02/2003 dated May 23, 2003, and amended by KMK No. 420/KMK.02/2003 dated September 30, 2003 as further instruction of Government Regulations No. 52 and No. 97 year 1999 regarding the additional Government participation in Bank Mandiri's capital.

Matters decided under the KMK RI, among others, are as follows:

- a. The final Bank Mandiri recapitalization amount is Rp173,801,314,557,593 (full amount).
- b. Recapitalization of Rp5,000,000,000,000 (full amount) is converted into 5,000,000 (full amount) new shares issued by Bank Mandiri with a nominal value of Rp1,000,000 (full amount) per share.
- c. The remaining recapitalization amount of Rp168,801,314,557,593 (full amount) is recorded as agio.

Through quasi-reorganization (Notes 2ae and 61), the Bank's accumulated losses as of April 30, 2003 amounting to Rp162,874,901 were eliminated against additional paid-in capital/agio.

*Premises and Equipment Revaluation Increment*

The premises and equipment revaluation increment amounting to Rp3,056,724 as of December 31, 2003 represents the revaluation increment of the premises and equipment of the Merged Banks based on an appraisal as of July 31, 1999. This was based on the Decision Letter of the Minister of Finance No. 211/KMK.03/2003 dated May 14, 2003, Bank Mandiri letter No. S.206/MK.01/2003 dated May 21, 2003 and approval of the Directorate General of Taxation, through the Head of State and Regional Offices of Corporate Tax Services Decision Letter No. KEP-01/WPJ.07/KP.0105/2003 dated June 18, 2003 (Note 27).

The premises and equipment revaluation increment of Rp9,788 as of April 30, 2003 and December 31, 2002 relates to the revaluation increment of premises and equipment of PT Usaha Gedung BDN and PT Bumi Daya Plaza, subsidiaries of Bank Mandiri. Premises and equipment of PT Usaha Gedung BDN, which were acquired prior to September 12, 1986 were revalued on January 1, 1987 based on Government Regulation No. 45 dated October 2, 1986, and the revaluation was approved by the Directorate General of Taxation through its Decision Letters No. KEP-238/WPJ.04/KP.07/1989 dated August 31, 1989 and No. KEP-628/WPJ.04/KP.07/1989 dated October 5, 1989.



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**32. SHAREHOLDER'S EQUITY (continued)**

*Distribution of Net Profit*

Based on the resolution of the Shareholder during general meetings held on May 19, 2003 and June 14, 2002, the shareholder approved the distribution of the 2002 and 2001 net profit as follows:

	<u>2002 net profit</u>	<u>2001 net profit</u>
Dividends	1,792,794	1,372,878
Small industry and cooperative development fund (PUKK)	85,690	15,000
Environmental development fund	17,138	12,458
Directors' and commissioners' bonuses	4,923	4,923
Incentive bonuses	29,296	-
	<u><b>1,929,841</b></u>	<u><b>1,405,259</b></u>
Appropriated retained earnings: General reserve	989,065	350,200
Specific reserve	666,683	990,298
	<u>1,655,748</u>	<u>1,340,498</u>
	<u><b>3,585,589</b></u>	<u><b>2,745,757</b></u>

The distribution of the 2002 net profit on April 30, 2003 has been recorded by recognizing provisions for a dividend payment, small industry and cooperative development fund (PUKK) contributions, environmental development fund contribution, Directors' and commissioners' bonuses and incentive bonuses based on the decision of the General Shareholder Meeting held on May 19, 2003, under "Other Liabilities". The Bank has also recognized general and special reserves allocations from the 2002 net profit.

The dividends and directors' and commissioners' bonuses (tantiem) from the 2002 net profit were paid to the shareholder and directors and commissioners of the Bank on June 18, 2003 and July 7, 2003, respectively, and from the 2001 net profit on June 26, 2002 and July 17, 2002, respectively. Incentive bonuses from the 2002 net profit were paid on July 4, 2003. The allocations for PUKK and the environmental development fund were paid on June 18, 2003 and July 18, 2002, respectively.

Of the reserve of Rp1,655,748 from the 2002 net profit, Rp600,000 represents the reserve from the net profit for the six-month period from January 1, 2002 to June 30, 2002 established based on an instruction of the Minister of State-Owned Enterprises through letter No. KEP-167/M-MBU/2002 dated December 19, 2002.

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**33. MANAGEMENT STOCK OPTION PLAN**

At an Extraordinary Shareholder's General Meeting on May 29, 2003 as mentioned in Deed No. 142 Notary Sutjipto, SH, the shareholder approved the Management Stock Option Plan (MSOP) in five stages.

The Bank implemented MSOP for Directors and Senior Management at certain levels and based on certain criteria. MSOP stage-1 was granted upon the Initial Public Offering (IPO), MSOP stage-2 and following stages will be granted each year up to MSOP stage-5. The number of stock options granted in MSOP stage-1 through stage-3 is a maximum of 5% of paid-up share capital. While MSOP stage-4 and stage-5 will involve a maximum of 1% of paid-up share capital for each stage. In the MSOP stage-1, the exercise price was 110% of the share price at IPO, while for the next option granted, the exercise price will be set at the average closing market price during 25 days before grant date. The option life is 5 years from the grant date. The MSOP has a vesting period of 2 years. The number of stock options that can be exercised at the end of the first year from the grant date is a maximum of 50% of the total options granted, and the remaining 50% will be executed at the end of the second year up through the end of the fifth year.

On July 14, 2003, the date of the Bank's IPO, the Bank granted 378,583,785 options with an exercise price of Rp742.5 (full amount) per share or 110% of the offering price.

A summary of the Management Stock Option Plan and the movement during the year follows (full amount):

	<b>2003</b>
	<b>Number of Options</b>
Options outstanding at the beginning of the year	-
Options granted during the period	378,583,785
Options exercised during the period	-
Options forfeited during the period	-
Options expiring during the period	-
	378,583,785
<b>Options that can be exercised at the end of the year</b>	<b>378,583,785</b>

The fair value of stock options granted as of July 14, 2003 and December 31, 2003 was Rp69.71 (full amount) based on a valuation report issued by PT Watson Wyatt Indonesia dated March 4, 2004.

The fair value of the options granted was estimated using the Black-Scholes option-pricing model with the following assumptions:

Risk free interest rate	8.46%
Expected period of option	3 years
Expected stock's volatility	24.53%
Expected dividend yield	7.63%
Employee turnover rate	1%

Total MSOP expense which was recorded in personnel expenses for the eight-month period ended December 31, 2003 was Rp9,897 (Note 41).

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**34. INTEREST INCOME**

Interest income was derived from the following:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Government Recapitalization Bonds	9,337,554	6,052,512	21,434,822
Loans	5,487,269	2,887,870	7,170,245
Securities	627,672	239,998	1,840,468
Fees and commissions	317,582	177,478	404,287
Placements with Bank Indonesia and other banks	246,798	116,922	878,706
Others	20,908	44,492	150,140
	<b>16,037,783</b>	<b>9,519,272</b>	<b>31,878,668</b>

Included in interest income from loans and others is *syariah* income for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002 amounting to Rp172,971, Rp65,726 and Rp144,737, respectively, with details as follows:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
<i>Murabahah</i> income	146,384	59,271	135,752
<i>Musarakah</i> income	16,034	2,786	7,302
Others	10,553	3,669	1,683
	<b>172,971</b>	<b>65,726</b>	<b>144,737</b>

**35. INTEREST EXPENSE**

This account represents interest expense incurred on the following:

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Time deposits	7,214,006	5,309,501	19,040,803
Saving deposits	1,445,616	878,301	2,585,270
Demand deposits	844,556	449,922	1,880,216
Fund borrowings	320,285	212,421	801,776
Subordinated loans	247,240	135,396	458,394
Securities issued	239,290	25,737	116,615
Loan capital	18,404	10,243	40,650
Others	28,731	58,066	28,529
	<b>10,358,128</b>	<b>7,079,587</b>	<b>24,952,253</b>

Included in interest expense from time and savings deposits is *syariah* expense for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, amounting to Rp104,271, Rp39,492 and Rp71,455, respectively.

**36. OTHER FINANCING EXPENSES**

Other financing expenses amounting to Rp81,198, Rp31,335 and Rp64,326 for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively, comprised mainly of gifts and prizes for maintaining the Bank's depositors.

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**37. PROVISION/(REVERSAL OF ALLOWANCE) FOR POSSIBLE LOSSES ON EARNING ASSETS**

This account consists of the following:

	<b>For the 8-month period ended December 31, 2003</b>	<b>For the 4-month period ended April 30, 2003</b>	<b>For the year ended December 31, 2002</b>
Provision/(reversal of allowance) for possible losses on:			
Current accounts with other banks (Note 5e)	(438)	107	(2,274)
Placements with other banks (Note 6g)	(3,389)	22,911	(50,691)
Securities (Note 7h)	16,889	5,250	6,438
Trade documents and other facilities (Note 9d)	51,792	(42,320)	6,170
Securities purchased with agreements to resell	-	-	(3,051)
Derivative receivables (Note 10)	6,145	573	3,577
Loans (Note 11B.k)	453,382	603,279	4,674,192
Acceptances receivable (Note 12d)	49,859	(20,252)	(52,400)
Investments in shares of stock (Note 13c)	70,823	(35,197)	8,682
	<b><u>645,063</u></b>	<b><u>534,351</u></b>	<b><u>4,590,643</u></b>

**38. (LOSSES)/GAINS FROM (DECREASE)/INCREASE IN VALUE OF SECURITIES AND GOVERNMENT RECAPITALIZATION BONDS**

The (losses)/gains from (decrease)/increase in value of securities and Government Recapitalization Bonds arose from the mark to market of the trading portfolio are as follows:

	<b>For the 8-month period ended December 31, 2003</b>	<b>For the 4-month period ended April 30, 2003</b>	<b>For the year ended December 31, 2002</b>
Securities	(20,764)	(31,542)	17,014
Government Recapitalization Bonds	(747,476)	748,840	1,513,399
	<b><u>(768,240)</u></b>	<b><u>717,298</u></b>	<b><u>1,530,413</u></b>

**39. GAINS FROM SALE OF SECURITIES AND GOVERNMENT RECAPITALIZATION BONDS**

The gains from the sale of securities and Government Recapitalization Bonds are as follows:

	<b>For the 8-month period ended December 31, 2003</b>	<b>For the 4-month period ended April 30, 2003</b>	<b>For the year ended December 31, 2002</b>
Securities	242,214	12,670	341,081
Government Recapitalization Bonds	1,556,802	311,752	149,256
	<b><u>1,799,016</u></b>	<b><u>324,422</u></b>	<b><u>490,337</u></b>

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**40. GENERAL AND ADMINISTRATIVE EXPENSES**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Depreciation and amortization of premises and equipment (Note 14a)	250,124	90,869	329,732
Rent	231,793	112,275	326,811
Promotions	199,222	56,083	267,496
Professional fees*)	190,090	13,042	278,187
Repairs and maintenance	178,704	46,407	176,494
Communications	166,907	59,829	162,482
Public relations	152,076	32,179	142,828
Office supplies	81,374	19,563	72,249
Electricity, water and gas	72,508	22,193	83,452
Transportation	24,022	8,826	28,825
Rental of office equipment	13,064	3,796	39,837
Research and development	9,153	560	4,747
Others	38,559	77,299	147,002
	<b><u>1,607,596</u></b>	<b><u>542,921</u></b>	<b><u>2,060,142</u></b>

\*) Professional fees include audit and tax services amounting to Rp16,437, Rp1,630 and Rp10,472 for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

**41. SALARIES AND EMPLOYEE BENEFITS**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Salaries, wages, pension and tax allowance (Note 42)	748,509	384,855	910,069
Holidays (THR), leave and related entitlements	183,030	73,768	288,505
Employee benefits in kind	108,368	28,242	97,825
Training and development	91,074	7,229	86,754
Compensation expenses on stock option (Note 33)	9,897	-	-
Reversal of post employment benefit expenses (Note 28)	(312,609)	-	(119,569)
Bonuses and others	322,869	118,743	302,367
	<b><u>1,151,138</u></b>	<b><u>612,837</u></b>	<b><u>1,565,951</u></b>

Total gross salaries, allowances and bonuses of the Boards of Directors and Commissioners, and Executive Officers amounted to Rp54,604, Rp18,196 and Rp57,372, for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

Details for the eight-month period ended December 31, 2003 are as follows:

	Number of Members/ Officers	Salary	Allowances	Bonuses	Total
Board of Commissioners	7	1,792	1,973	1,912	5,677
Board of Directors	9	7,252	7,221	7,779	22,252
Audit Committee	2	306	92	175	573
Executive Vice President (EVP) Coordinators	2	6,386	220	2,793	9,399
Group Heads and Assistants to the President Director	30	8,693	862	7,148	16,703
	<b><u>50</u></b>	<b><u>24,429</u></b>	<b><u>10,368</u></b>	<b><u>19,807</u></b>	<b><u>54,604</u></b>

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**41. SALARIES AND EMPLOYEE BENEFITS (continued)**

Details for the four-month period ended April 30, 2003 are as follows:

	Number of Members/ Officers	Salary	Allowances	Bonuses	Total
Board of Commissioners	4	614	110	-	724
Board of Directors	8	1,284	646	-	1,930
Audit Committee	3	153	-	-	153
EVP Coordinators	5	4,607	87	681	5,375
Group Heads and Assistants to the President Director	33	5,018	1,240	3,756	10,014
	<b>53</b>	<b>11,676</b>	<b>2,083</b>	<b>4,437</b>	<b>18,196</b>

Details for the year ended December 31, 2002 are as follows:

	Number of Members/ Officers	Salary	Allowances	Bonuses	Total
Board of Commissioners	4	1,988	728	1,867	4,583
Board of Directors	3	4,491	1,639	4,047	10,177
Audit Committee	3	459	92	185	736
EVP Coordinators	5	6,686	1,478	3,991	12,155
Group Heads and Assistants to the President Director	31	18,928	2,922	7,871	29,721
	<b>46</b>	<b>32,552</b>	<b>6,859</b>	<b>17,961</b>	<b>57,372</b>

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#### **42. EMPLOYEE ALLOWANCES AND BENEFITS**

Under the Bank's policy, in addition to salaries, the employees are entitled to allowances and benefits, such as: holiday allowance (THR), pre-retirement (MBT) allowance, medical reimbursements, death allowance, leave allowance, functional allowance for certain levels, pension plan for permanent employees, incentives based on employee's and the Bank's performance, and post-employment benefits based on prevailing Labor Law.

##### *Pension Plan*

Bank Mandiri has five pension plans in the form of Employer Pension Plans as follows:

- a. One defined contribution pension plan, Dana Pensiun Pemberi Kerja-Program Pensiun Iuran Pasti (DPPK-PPIP) or the Bank Mandiri Pension Plan (Dana Pensiun Bank Mandiri (DPBM)) established on August 1, 1999. The DPBM's regulation was legalized based on the decision letter of the Minister of Finance of the Republic of Indonesia No. KEP/300/KM.017/1999 dated July 14, 1999 and was included in the Addendum to the State Gazette of the Republic of Indonesia No. 62 dated August 3, 1999 and Bank Mandiri's Directors' Resolution No. 004/KEP.DIR/1999 dated April 26, 1999.

Bank Mandiri and the employees contribute 10% and 5% of the Base Pension Plan Employee Income, respectively.

The President Director and the members of the Supervisory Board of DPBM are active employees of Bank Mandiri; therefore, in substance Bank Mandiri has control over DPBM. As a consequence, transactions between DPBM and Bank Mandiri are considered related party transactions. DPBM invests some of its financial resources in Bank Mandiri time deposits, which balances as of December 31, 2003, April 30, 2003 and December 31, 2002 are Rp2,900, Rp101,100 and Rp150,000, respectively. The interest rates on these time deposits are similar to those of arms-length transactions.

The Bank paid pension contributions totaling Rp79,329, Rp26,586 and Rp63,294 for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

- b. Four employer defined benefit pension plans, Dana Pensiun Pemberi Kerja-Program Pensiun Manfaat Pasti (DPPK-PPMP) are derived from the respective pension plans of the Merged Banks, namely Dana Pensiun Bank Mandiri Satu or DPBM I (BBD), DPBM II (BDN), DPBM III (Bank Exim) and DPBM IV (Bapindo). The regulations of the respective pension plans were legalized by the Minister of Finance of the Republic of Indonesia in decision letters No. KEP-394/KM.017/1999, No. KEP-395/KM.017/1999, No. KEP-396/KM.017/1999 and No. KEP-397/KM.017/1999 dated November 15, 1999. Based on the approval of shareholders No. S-923/M-MBU/2003 dated March 6, 2003, Bank Mandiri has adjusted pension benefits for each Pension Fund. Such approval has been incorporated in each of the Pension Fund's Regulations (Peraturan Dana Pensiun (PDP)) which have been approved by the Minister of Finance based on its decision letters No. KEP/115/KM.6/2003 of PDP DPBM I, No. KEP/116/KM.6/2003 of PDP DPBM II, No. KEP/117/KM.6/2003 of PDP DPBM III, and No. KEP/118/KM.6/2003 of PDP DPBM IV, all dated March 31, 2003. The actuarial calculations as of December 31, 2003 reflect the adjusted pension benefits.

The members of the defined benefit pension plans originated from legacy banks who have rendered three or more service years at the time of merger and are comprised of active employees of the Bank, deferred members (those whose employment have been terminated but did not transfer the beneficial rights to other pension plans), and pensioners.

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**42. EMPLOYEE ALLOWANCES AND BENEFITS (continued)**

*Pension Plan (continued)*

As of December 31, 2003, the calculation of fair value of plan assets and projected benefit obligation is based on the actuarial report of PT Dayamandiri Dharmakonsolindo dated March 8, 2004. In its calculation, the actuary used the following assumptions:

	DPBM I	DPBM II	DPBM III	DPBM IV
Actuarial date	December 31, 2003	December 31, 2003	December 31, 2003	December 31, 2003
Frequency of actuarial valuation	Annually	Annually	Annually	Annually
Interest rate	9% per annum	9% per annum	9% per annum	9% per annum
Expected rate of return on plan assets	10% per annum	10% per annum	10% per annum	10% per annum
Working period used	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999
Pensionable salary used	As of December 31, 2003, adjusted amount over legacy banks' pensionable salary	As of December 31, 2003, adjusted amount over legacy banks' pensionable salary	As of December 31, 2003, adjusted amount over legacy banks' pensionable salary	As of December 31, 2003, adjusted amount over legacy banks' pensionable salary
Expected rates of pensionable salary increase	Nil	Nil	Nil	Nil
Mortality rate table	CSO-1958	CSO-1958	CSO-1958	CSO-1958
Turnover rate	5% up to employees' age 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter	5% up to employees' age 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter	5% up to employees' age 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter	5% up to employees' age 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter
Ill-health retirement rate	N/A	N/A	N/A	N/A
Actuarial method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Normal pension age	56 years for all grade	56 years for all grade	56 years for all grade	56 years for all grade
Maximum defined benefit amount	80% of latest gross pensionable salary (PhDP)	80% of latest gross pensionable salary (PhDP)	62.50% of latest gross pensionable salary (PhDP)	75% of latest gross pensionable salary (PhDP)
Expected rate of pension benefit increase	Nil	Nil	Nil	4% every 2 years
Tax rates - average	15% of pension benefit	15% of pension benefit	15% of pension benefit	15% of pension benefit



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**42. EMPLOYEE ALLOWANCES AND BENEFITS (continued)**

*Pension Plan (continued)*

As of December 31, 2002, the calculation of fair value of plan assets and projected benefit obligation is based on the actuarial report of PT Jasa Aktuarial Pensiun dan Asuransi. In its calculation, the actuary used the following assumptions:

	<b>DPBM I</b>	<b>DPBM II</b>	<b>DPBM III</b>	<b>DPBM IV</b>
Actuarial date	December 31, 2002	December 31, 2002	December 31, 2002	December 31, 2002
Frequency of actuarial valuation	Annually	Annually	Annually	Annually
Interest rate	9% per annum	9% per annum	9% per annum	9% per annum
Expected rate of return on plan assets	9% per annum	9% per annum	9% per annum	9% per annum
Pensionable salary and working period used	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999
Expected rates of pensionable salary increase	Nil	Nil	Nil	Nil
Mortality rate table	CSO-1958 Modified	CSO-1958 Modified	CSO-1958 Modified	CSO-1958 Modified
Ill-health retirement rate	0.3% of mortality rate	0.3% of mortality rate	0.3% of mortality rate	0.3% of mortality rate
Actuarial method	Accrued benefit method	Accrued benefit method	Accrued benefit method	Accrued benefit method
Normal pension age	56/52/48 years depending on the grade	56 years for all grade	56 years for all grade	56 years for all grade
Maximum defined benefit amount	80% of latest gross pensionable salary (PhDP)	80% of latest gross pensionable salary (PhDP)	60% of latest gross pensionable salary (PhDP)	60% of latest gross pensionable salary (PhDP)

The projected benefit obligation and fair value of plan assets as of December 31, 2003 are as follows:

	<b>DPBM I</b>	<b>DPBM II</b>	<b>DPBM III</b>	<b>DPBM IV</b>
Projected Benefit Obligation	958,312	905,092	542,065	291,637
Fair Value of Plan Assets	1,186,701	1,207,970	664,899	391,634
<b>Surplus</b>	<b>228,389</b>	<b>302,878</b>	<b>122,834</b>	<b>99,997</b>

The projected benefit obligation and fair value of plan assets as of April 30, 2003 are as follows:

	<b>DPBM I</b>	<b>DPBM II</b>	<b>DPBM III</b>	<b>DPBM IV</b>
Projected Benefit Obligation	1,089,825	1,065,625	579,064	329,853
Fair Value of Plan Assets	1,157,794	1,164,513	617,404	379,790
<b>Surplus</b>	<b>67,969</b>	<b>98,888</b>	<b>38,340</b>	<b>49,937</b>

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**42. EMPLOYEE ALLOWANCES AND BENEFITS (continued)**

*Pension Plan (continued)*

The projected benefit obligation and fair value of plan assets as of December 31, 2002 are as follows:

	DPBM I	DPBM II	DPBM III	DPBM IV
Projected Benefit Obligation	832,226	848,414	517,684	152,742
Fair Value of Plan Assets	1,135,773	1,131,489	597,472	366,840
<b>Surplus</b>	<b>303,547</b>	<b>283,075</b>	<b>79,788</b>	<b>214,098</b>

One defined contribution pension program (Program Pensiun Iuran Pasti) is for permanent employees of PT Bank Syariah Mandiri (BSM), a subsidiary. The members are employees under the age of fifty-six years. The program, which commenced in August 2000, is managed by Principal Indonesia Financial Institution Pension Fund ("*Dana Pensiun Lembaga Keuangan Principal Indonesia*", (DPLK-PI). The employees' pension contribution is 5%, whilst the employer contributes 10% of the monthly employees' Gross Pension Salary (PhDP). The total cash contributions received by DPLK-PI amounted to Rp767, Rp680 and Rp870, for the eight-month period December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

*Labor Law No. 13/2003 dated March 25, 2003.*

The Bank has evaluated the effect of Labor Law No. 13/2003 (UU No.13/2003) on its consolidated financial statements and has amended its policy related to employee benefits and service entitlements under KepMen 150 of 2000 to reflect the requirement of UU No. 13/2003 (Note 41). The Bank engaged an actuarial company, PT Dayamandiri Dharmakonsilindo, to calculate its liability for the provision of employee service entitlements based on UU No. 13/2003. The assumptions used by the actuary were as follows:

- a. Actuarial date is December 31, 2003.
- b. Frequency of actuarial valuation is annually.
- c. Discount rate is 11% per annum.
- d. Expected rate of annual salary increase is 10%.
- e. Mortality rate table is US 1980 Commissioners' Standard Ordinary Table of Mortality.
- f. Early retirement rate is 5% from age 25 decreasing linearly at 0.25% per year up to 0% at age 45.
- g. Actuarial method is projected unit credit method.
- h. Normal pension age is 56 years.
- i. Disability rate is 10% of mortality rate.

Based on the actuarial report of PT Dayamandiri Dharmakonsilindo No. 563/ST-HG/III/2004 dated March 8, 2004, Bank Mandiri had benefit obligation and recognized a provision for employee service entitlements amounting to Rp361,453 as of December 31, 2003.

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**43. OTHER OPERATING INCOME - OTHERS**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Accretion in the realizable value of the security and effective reduction of principal related to SUFRN (Notes 15, 29 and 30)	89,458	23,858	281,691
Administration fee	11,648	36,834	45,075
Others	364,424	109,730	481,477
	<b>465,530</b>	<b>170,422</b>	<b>808,243</b>

**44. OTHER OPERATING EXPENSES - OTHERS**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Insurance premiums on customer guarantees	376,441	199,313	632,853
(Reversal)/provision for legal expenses (Note 28)	(427,099)	(118,460)	519,944
Others	184,672	105,482	181,366
	<b>134,014</b>	<b>186,335</b>	<b>1,334,163</b>

**45. NON-OPERATING INCOME - NET**

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Reversal of provision for merger costs, obligation from investments in shares of stocks, employee entitlements and medical benefits	52,971	-	1,263,605
Gain on sale of premises and equipment	32,374	-	929
Penalties	(2,008)	(7,268)	(52,893)
Others - net	52,655	89,238	25,908
	<b>135,992</b>	<b>81,970</b>	<b>1,237,549</b>

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**46. COMMITMENTS AND CONTINGENCIES**

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
<b>COMMITMENTS</b>			
Commitment Receivables:			
Unused fund borrowing facilities	-	4,638	-
Unrealized spot foreign currencies bought (Note 47)	323,042	312,667	456,404
Others	34,399	28,688	40,483
Total Commitment Receivables	357,441	345,993	496,887
Commitment Payables:			
Unused loan facilities granted	17,025,825	10,247,192	10,403,180
Outstanding irrevocable letters of credit (Note 26a)	5,172,509	5,242,668	6,371,228
Unrealized spot foreign currencies sold (Note 47)	585,998	379,739	524,044
Others	-	108,302	43,119
Total Commitment Payables	22,784,332	15,977,901	17,341,571
Commitment Payables - Net	(22,426,891)	(15,631,908)	(16,844,684)
<b>CONTINGENCIES</b>			
Contingent Receivables:			
Guarantees received from other banks (Note 48)	1,428,091	1,217,055	1,299,216
Interest receivable on non-performing assets	2,104,460	2,750,989	2,596,205
Others	37,430	29,910	13,192
Total Contingent Receivables	3,569,981	3,997,954	3,908,613
Contingent Payables:			
Guarantees issued in the form of:			
Bank guarantees issued (Notes 26a and 48)	5,164,128	4,690,476	4,886,416
Standby letters of credit (Notes 26a and 48)	2,763,672	2,364,538	3,235,189
Others	-	963	-
Outstanding revocable letters of credit	-	1,580	-
Others	57,498	163,219	-
Total Contingent Payables	7,985,298	7,220,776	8,121,605
Contingent Payables - Net	(4,415,317)	(3,222,822)	(4,212,992)
<b>COMMITMENTS AND CONTINGENCIES PAYABLE - NET</b>	<b>(26,842,208)</b>	<b>(18,854,730)</b>	<b>(21,057,676)</b>

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**47. FOREIGN CURRENCY TRANSACTIONS**

Forward and cross currency swap transactions are presented as derivative receivables/payables in the balance sheet (Note 10).

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2003 are as follows:

Original Currency	Spot-Bought		Spot-Sold	
	Foreign Currency (full amount)	Rupiah Equivalent	Foreign Currency (full amount)	Rupiah Equivalent
United States Dollars	37,033,099	312,004	67,135,616	565,618
Other		11,038		20,380
		<b>323,042</b>		<b>585,998</b>

Details of outstanding spot foreign currency bought and sold transactions as of April 30, 2003 are as follows:

Original Currency	Spot-Bought		Spot-Sold	
	Foreign Currency (full amount)	Rupiah Equivalent	Foreign Currency (full amount)	Rupiah Equivalent
United States Dollars	25,924,155	224,905	35,647,844	309,263
Other		87,762		70,476
		<b>312,667</b>		<b>379,739</b>

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2002 are as follows:

Original Currency	Spot-Bought		Spot-Sold	
	Foreign Currency (full amount)	Rupiah Equivalent	Foreign Currency (full amount)	Rupiah Equivalent
United States Dollars	49,438,329	442,473	58,195,949	520,854
Other		13,931		3,190
		<b>456,404</b>		<b>524,044</b>

**48. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT**

*Bank Guarantees Received*

Bank guarantees received from other banks amounting to Rp1,428,091, Rp1,217,055 and Rp1,299,216, as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively, are obtained from foreign banks to serve as collateral for loans, letters of credit or counter guarantees issued by Bank Mandiri.

*Bank Guarantees Issued*

Bank guarantees issued as of December 31, 2003, April 30, 2003 and December 31, 2002, consist of the following:

	December 31, 2003	April 30, 2003	December 31, 2002
Issued on behalf of:			
PT Dirgantara Indonesia	242,582	259,939	209,717
PT Wijaya Karya	212,449	167,022	128,497
PT Pembangunan Perumahan (Persero)	176,633	160,405	174,719

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**48. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT (continued)**

*Bank Guarantees Issued (continued)*

	December 31, 2003	April 30, 2003	December 31, 2002
PT Perusahaan Listrik Negara (Persero)	168,452	173,460	178,460
PT Adhi Karya	152,533	117,223	129,840
PT PELNI	123,503	127,144	141,768
PT Telekomunikasi Indonesia Tbk.	114,024	-	-
PT Waskita Karya	84,639	57,405	-
PT Brantas Abipraya (Persero)	83,475	57,400	58,884
PT SAC Nusantara	65,288	48,561	-
PT Gunanusa Utama Fabricator	60,810	-	64,960
Others (each below Rp60,000)	3,679,740	3,521,917	3,799,571
	<b>5,164,128</b>	<b>4,690,476</b>	<b>4,886,416</b>

There is no bank guarantees issued to related parties as of December 31, 2003, April 30, 2003 and December 31, 2002.

The bank guarantees issued on behalf of PT Dirgantara Indonesia (DI) mostly represent Advance Payment Bank Guarantees and Performance Bonds. The bank guarantees of US\$7,782,600 (full amount) and US\$9,912,850 (full amount) were issued to guarantee the advances paid by the Ministry of National Defense Republic of Korea - Republic of Korea Air Force (ROKAF) of US\$7,630,000 (full amount) for the conversion of two of eight units of CN235-220M Aircraft as stated in FCE Contract No. KFX-DPA-73AA59080 to one VIP Aircraft (VIP Conversion Aircraft No. 7) and on VVIP Aircraft (VVIP Conversion Aircraft No. 8) and to guarantee advances paid by the President of Islamic Republic of Pakistan - Pakistan Air Force (PAF) of US\$9,912,860 (full amount) for the purchase of four CN235 aircraft. The Performance Bonds amounting to US\$545,000 (full amount) and US\$2,912,500 (full amount) are respectively related to the purchase of two aircraft by ROKAF and four aircraft by PAF. VIP Conversion Aircraft No. 7 and VVIP Conversion Aircraft No. 8 have been delivered on December 26, 2002. The advance payment guarantees continue to be valid until 180 days after the date of delivery and the related performance bond continues to be valid until 365 days after the date of delivery. On June 23, 2003, two Advance Payment Guarantees issued for the ROKAF amounting US\$7,782,600 (full amount) that had already expired and four Repayment Guarantees issued for ROKAF, that had been transferred to IBRA amounting to US\$100,379,999 (full amount) in accordance with the purchase of eight CN235 aircraft that have already been delivered, were recognized as no longer being in effect by the Bank. On November 21, 2003, DI requested the Bank to reinstate the two Advance Payment Guarantees and one Repayment Guarantee amounting to US\$1,003,800 (full amount) and to amend one Performance Guarantee amounting to US\$7,715,000 (full amount) (including a Performance Guarantee amounting to US\$7,170,000 (full amount) transferred to IBRA and an increase of US\$545,000 (full amount) in the related Performance Guarantee) and one Advance Payment Guarantee issued in favour of PAF amounting to US\$9,912,860 (full amount). As of December 31, 2003, these guarantees continue in effect.

Counter guarantees were issued on January 31, 2003 in relation to the Advance Payment and Performance Bonds on behalf of DI amounting to MYR19,511,814 (full amount) and MYR6,893,200 (full amount) issued by Affin Bank Berhad. The Advance Payment and Performance Bonds were issued to support sales of two VIP CN235 aircraft to the Government of Malaysia.

The bank guarantees issued on behalf of PT Wijaya Karya (WK) represent Bid Bond Guarantees, Performance Bonds, Advance Payment Guarantees, and Payment Surety Bonds to support construction projects won by WK. The projects include road construction, bridge construction, industry and building construction mostly involving projects owned by the Government.

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**48. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT (continued)**

*Bank Guarantees Issued (continued)*

The bank guarantees issued on behalf of PT Pembangunan Perumahan (Persero) represent various types of bank guarantees such as Bid Guarantees, Performance Guarantees, Advance Payment Guarantees, etc. to support various construction projects. The construction projects were obtained from private and government sectors. The projects include building construction, road construction, bridge construction, etc.

The bank guarantees issued on behalf of PT Perusahaan Listrik Negara (PLN) (Persero) were to counter the SBLCs issued on behalf of PLN. The SBLCs were issued by syndicated banks (i.e. Bank Negara Indonesia, Bank Mandiri, Bank Niaga, Bank Bali, Bank Umum Nasional, Bank DKI, Bank Lippo, Bank Danamon, and Bank Tabungan Negara) based on risk sharing agreement no. 135 dated December 13, 1993 to guarantee the payments by PLN to Pertamina under a natural gas sales and purchase agreement. As of December 31, 2003, the Bank had issued a bank guarantee amounting to US\$19,994,258 (full amount) which represents 8.6% of the US\$232,505,000 (full amount) of SBLCs.

The bank guarantees issued on behalf of PT Adhi Karya represent Bid Bond Guarantees, Performance Bonds, Advance Payment Guarantees, and Payment Surety Bonds to support various construction projects. Most of the projects were obtained from the Government and include road construction, building construction, and bridge construction.

On March 6, 2001, the Bank issued a Counter Guarantee on behalf of PT Pelayaran Nasional Indonesia ("PELNI") amounting to US\$15,840,000 (full amount) to Den Norske Bank - Bergen, Norway. The Bank guarantee was issued to counter the bank guarantee issued by Den Norske Bank for the beneficiary Debis Financial Services. The bank guarantee was to guarantee the payments for a ship leased by PELNI. On April 9, 2003, the amount of the counter guarantee decreased to US\$14,655,500 (full amount) and the maturity date was extended to April 30, 2004. As of December 31, 2003, April 30, 2003 and December 31, 2002, the bank guarantee issued by Den Norske Bank is collateralized by placements of the Bank in Den Norske Bank amounting to Rp123,473, Rp127,144 and Rp141,768, respectively (Note 6f).

The bank guarantees issued on behalf of PT Waskita Karya represent Bid Bond Guarantees, Performance Bonds, Advance Payment Guarantees, and Payment Surety Bonds to support various construction projects. Most of the projects were obtained from the Government and include road construction, building construction, and bridge construction.

The bank guarantees issued on behalf of PT Brantas Abipraya (Persero) represent Bid Bond Guarantees, Performance Bonds, Advance Payment Guarantees, and Payment Surety Bonds to support various construction projects which were mostly obtained from the Government.

The bank guarantees issued on behalf of PT Gunanusa Utama Fabricator represent Performance Bonds for a construction projects obtained from a private oil company.

*Standby Letters of Credit (SBLC)*

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
PT Garuda Indonesia	842,500	867,550	895,000
PT Perusahaan Gas Negara	791,255	814,781	901,637
Pertamina	487,952	-	-
PT Perusahaan Listrik Negara (Persero)	377,437	388,659	1,209,170

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**48. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT (continued)**

*Standby Letters of Credit (SBLC) (continued)*

	December 31, 2003	April 30, 2003	December 31, 2002
PT Kaltim Methanol	176,925	182,186	150,450
PT Bisma Narendra	53,078	17,749	27,465
PT Citra Jimbaran Indah Hotel	30,000	30,000	30,000
PT Pupuk Kaltim	-	60,937	-
Others	4,525	2,676	21,467
	<b>2,763,672</b>	<b>2,364,538</b>	<b>3,235,189</b>

Based on the Issuance Agreement of Standby Letters of Credit (SBLC) dated September 14, 2001 which was legalized by Imas Fatimah S.H., notary in Jakarta, Bank Mandiri agreed to issue a SBLC of US\$100,000,000 (full amount) on behalf of PT Garuda Indonesia (Persero) for three years commencing November 1, 2001 through to November 1, 2004 (with annual extensions). The issuance of the SBLC is in connection with the agreed loan restructuring schemes between Bank Mandiri and PT Garuda Indonesia (Persero) on September 14, 2001. The restructuring agreement also provides for the conversion of loans equivalent to Rp1,018,809 into 5-year Mandatory Convertible Bonds ("MCBs") (Note 7d). The issuance of the SBLC and conversion of loans into MCBs were approved and guaranteed by the Committee on Financial Sector Policy (KKSK) through Decision Letter No. Kep.02/K.KKSK/11/2000 dated November 3, 2000 and the Minister of Finance through Decision Letter No. SR-653/MK.05/2001 dated July 20, 2001.

The Bank issued an Irrevocable Transferrable Letter of Credit on behalf of PT Perusahaan Gas Negara (PGN) for a maximum amount of US\$93,917,500 (full amount) to support PGN's obligation under the Sales and Purchase Agreement between Pertamina and PGN for gas purchased by PGN at Muara Karang and Surabaya. As of December 31, 2003, the total limit has been utilized.

The Bank issued an Irrevocable Standby Letter of Credit on behalf of Pertamina Divisi Perbendaharaan for a maximum amount of US\$55,717,200 (full amount) to support Pertamina's obligation under the Crude Oil Sales and Purchase Agreement between Pertamina and the Saudi Arabian Oil Company (Saudi Aramco) for crude oil purchases by Pertamina. As of December 31, 2003, the total limit has been fully utilized.

Based on the Risk Sharing Agreement No. 11 dated February 16, 1993 which was legalized by Mr. Soedarno S.H., notary in Jakarta, Bank Mandiri, together with PT BNI (Persero) and PT BRI (Persero) agreed to issue Standby Letters of Credit on behalf of PT Perusahaan Listrik Negara (Persero) for twenty years starting April 1, 1993 until March 31, 2013. The maximum SBLC facility amounts to US\$300,943,500 (full amount), of which 60.476% represents Bank Mandiri's portion. The amount utilized as of December 31, 2003, April 30, 2003 and December 31, 2002 were US\$74,078,400 (full amount), US\$74,078,400 (full amount), and US\$223,399,000 (full amount), respectively, of which Bank Mandiri's portion amounts to US\$44,799,653 (full amount), US\$44,799,653 (full amount), and US\$135,102,815 (full amount), respectively.

The Bank issued an Irrevocable Transferrable Letter of Credit on behalf of PT Kaltim Methanol Industry for a maximum amount of US\$21,000,000 (full amount) to support PT Kaltim Methanol's obligation under the Sales and Purchase Agreement No. SPB-1195/C000/96-SI between PT Kaltim Methanol and Pertamina for natural gas purchases by PT Kaltim Methanol. As of December 31, 2003, the total limit has been fully utilized.



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#### **49. RISK MANAGEMENT**

The Bank is exposed to specific risks in connection with the deposit-taking and lending businesses, the management of the investment portfolio, and the environment within which the Bank operates. The Bank's goal in risk management is to ensure that the Bank identifies, measures, monitors, manages and reports risks in accordance with the policies and procedures which are established to address these risks. The Bank has implemented new risk management procedures and developed its risk management manual. The Bank also continues to improve the policies and procedures to meet international best practices.

The Bank has established a risk management organizational structure which is centralized and independent through the establishment of the Risk Management Directorate on August 1, 2001, and the Risk and Capital Committee on October 10, 2001. The Risk and Capital Committee performs the functions of both the Risk Management Committee and the Assets-Liabilities Committee (ALCO).

The Risk Management Directorate performs the functions of identifying, assessing, monitoring and managing all principal risks in accordance with defined policies and procedures. The Risk Management Directorate is divided into a number of groups relating to credit risk, market risk, portfolio and operating risk and credit recovery. This Directorate is managed by a director of the Board in charge of risk management, who is also a voting member of the Risk and Capital Committee.

The Risk and Capital Committee is a committee that is made up of members of the Board of Directors and Group Heads from various business units within the Bank, which is led by the President Director. The Risk and Capital Committee reports directly to the Board of Directors and the Board of Commissioners. The Risk and Capital Committee, together with the Risk Management Directorate, is responsible for establishing bank-wide risk management policies, such as reviewing internal limits (segment limit, group limit and industry limit), establishing credit policies and policies related to the determination of interest rates for funding and credit, monitoring the implementation of credit policies and procedures and establishing the criteria for risk identification, measurement and mitigation. To improve the quality and integrity of risk management, the Bank has engaged in the past, and continued to engage, the services of international consultants to assist in this process.

##### *Credit Risk*

Credit risk is potential for loss arising from failure of debtor or counterparty to meet their contractual obligations. Exposure to credit risk arises primarily from lending activities and to a lesser extent, from sales and trading activities, derivatives activities and from participation in payment transaction and securities settlements.

As disciplined credit risk management, the Bank has written credit policies and guidelines on loan administration, which include Bank Mandiri Loan Policies, Loan Administration Guidelines and various circular letters that constitute a more detailed administration manual. The purpose of those three guidelines is to provide a complete formal loan management manual; from application, approval, recording, monitoring and the restructuring process, including risk analysis and assessment. Therefore, Bank Mandiri expects to optimize the quality of loan management through appropriate processes, competitive risk-based price determination, portfolio diversification, collateral adequacy and risk-based determination of performance measurement.

Corporate governance is applied through the application of the "four eyes principle", which ensures that decisions on loan administration are made by a minimum of two independent parties, namely the associated business unit and a risk unit. This application is expected to result in better credit decisions.

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**49. RISK MANAGEMENT (continued)**

*Credit Risk (continued)*

The Bank pursues diversification in its credit portfolio among a variety of industry or economic sectors, loan types and debtors to minimize credit risk. Industry limits are determined based on the Bank's strategic plan, by considering Bank's profit optimizing, regulator enforcement and risk spreading.

In accordance with the regulation established by the Bank for International Settlements in its Basel Agreement, the Bank has developed and implemented a customer risk rating model known as IRB Approaches. The Bank has currently completed development of the model for corporate and consumer loan segments. These models were developed with the assistance of international consultants, and then improved and calibrated internally. The models represent one of the industry's best risk measurement methodologies. Further development of the models is still in progress so as to obtain more accurate results, and better calculations of capital adequacy, price determination and performance measurement. The Bank is in progress of developing scoring models for the small medium enterprise segment with the assistance of an international consultant.

*Market Risk*

Market risk is the risk of losses of on balance sheet and off-balance sheet positions and from derivative transactions resulting from overall changes in market conditions, including risk of change in option prices. Changes in the market factors affect the value of financial instruments, especially those market risk sensitive instruments. Market risk consists of liquidity risk, interest rate risk, trading risk, foreign currency exchange risk and derivative instrument risk. Monitoring of the Bank's exposure to market risk is performed by the asset and liability management unit and the trading activities unit (for the Bank's own account and for its customers). The objective of market risk management is to avoid excessive exposure from the open positions that potentially impact earnings and equity in excess of the limits already established by the Bank, and to manage the market value volatility inherent in financial instruments.

With the enactment of Bank Indonesia regulation concerning the inclusion of market risk in calculation of the capital adequacy requirement Bank Mandiri is now regularly calculating the minimum capital requirements to include market risk.

The asset and liability management process begins with an assessment of both internal and external conditions. Internal conditions include liquidity, assets and liabilities maturity gap and the Bank's budget. While external conditions include current economic parameters affecting the Bank, which are primarily inflation, money supply, SBI rates, the US Dollar-Rupiah exchange rate and other macroeconomic factors, and the competitive environment. Liquidity, foreign currency and interest rate risks are reported on a monthly basis to the Risk and Capital Committee which then decides on gap strategy for managing assets and liabilities after considering the above internal and external factors. Gap limits have been set up to limit risk, and the Bank makes regular reviews of those limits, at a minimum of once a year.

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**49. RISK MANAGEMENT (continued)**

*Market Risk (continued)*

*a. Liquidity Risk*

Liquidity risk arises in the funding of lending activities, the repayment of deposits, and in the management of working capital needs. It includes both the risk of unexpected increases in the cost of funding the asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. Hence, liquidity risk management is one of important focuses in Bank Mandiri's risk management in order to retain customers' trust and confidence and to maintain earnings stability. The goal of liquidity management is for the Bank to be able, even under adverse conditions, to meet all of its contractual and regulatory financial obligations and to maintain an optimal liquid asset position.

The Bank's emphasis is on maintaining adequate liquidity to meet commitments to the customers and counterparties, both in terms of loan demand and repayment of deposits and in terms of satisfying operational liquidity requirements. The function of managing these liquidity requirements is carried out by the Treasury Group, while the strategic function of measurement and maintenance of liquidity risk is performed by the Market Risk Group.

Primary cash reserves consist of statutory reserves and cash held at branches. The Bank complies with Bank Indonesia regulations which require Indonesian banks to maintain statutory reserves, on a daily basis, in the form of non-interest bearing deposits with Bank Indonesia equal to at least 5.0% of Rupiah-denominated third party liabilities (excluding banks) and 3.0% of foreign currency-denominated third party liabilities (including banks).

The primary means of measuring liquidity risk is static liquidity gap analysis, which provides a static view of the cash inflows and outflows and the balance sheet positions on certain dates based on remaining maturities. The static gap report is prepared by scheduling all assets and liabilities according to maturity dates determined through the agreements (contract, or assumption of a date when changes are anticipated to occur). To the extent that there is a difference in the amount of assets and liabilities in that schedule, for one particular period and cumulatively through the whole rescheduling period, the Bank is exposed to liquidity risk, that is the occurrence of a positive or negative gap.

In addition to the static gap analysis, the Bank also prepares dynamic liquidity gap analysis which represents a similar analysis of future balance sheet projections by taking into account changes in balance sheet positions based on the related business units' budget projections.

Using the gap analysis and other key measures, such as reserve ratios, interbank borrowing limits, and deposit concentration limits, the Bank is able to anticipate future liquidity requirements and manage its liquidity efficiently.

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**49. RISK MANAGEMENT (continued)**

*Market Risk (continued)*

*b. Interest Rate Risk*

Interest rate risk is the risk of declining net interest income or reduction in the Bank's capital due to interest rate fluctuations.

The primary means of measuring the exposure to fluctuations in interest rates is static repricing gap analysis, which provides a static view of the balance sheet positions on certain dates based on repricing time characteristics and remaining maturities. An interest rate gap report is prepared by scheduling all assets and liabilities according to stated or anticipated re-pricing dates, or maturity dates determined through the agreements (contracts, or assumption of a date when changes are anticipated to occur). To the extent that there is a difference in the amount of assets and liabilities in that schedule, for one particular period and cumulatively through the whole rescheduling period, the Bank is exposed to the risk of change in profit margins on the difference of assets and liabilities values due to possibility of fluctuation of interest rates.

In addition to the static gap analysis, the Bank also prepares a dynamic repricing gap analysis which represents a similar analysis of future balance sheet projections by taking into account changes in balance sheet positions based on the related business unit's budget projections.

To measure the impact of changing interest rates on the market value of bank's capital, the Bank uses duration gap analysis.

Through gap analysis and prediction of interest rate fluctuations, the Bank is able forecast the effects of changes in market interest rates on its future interest income, and proactively manage its assets and liabilities position. The repricing gap position will be adjusted in accordance with the Bank's prediction on the movements of interest rates, using the repricing gap limits that have been determined by the Risk and Capital Committee.

*c. Trading Risk*

In monitoring the Treasury trading activities, the Bank produces daily, weekly and monthly value at risk (VaR) reports for all the financial products traded by the Bank. The VaR reports are intended to provide measures of the risk of losses arising from potential adverse movements in interest rates, foreign exchange rates and other volatilities which could affect values of financial instruments. To manage abnormal market behavior, the Bank has implemented stress testing methodologies to quantify financial risk arising from low probability and abnormal market movements on a quarterly basis.

*d. Foreign Exchange Risk*

The Bank has centralized the operational management of the foreign exchange position within the Treasury Group, which is required to follow the policies and procedures approved by the Risk and Capital Committee, and subject to the overall net open position limit set by Bank Indonesia regulations. The Bank complies with the Bank Indonesia requirement that the consolidated (domestic and overseas) net open position in all foreign currencies be no more than 20% of the Tier I and Tier II capital. The Bank has also set an internal Net Open Position (NOP) limit of 15% of such capital. As of December 31, 2003, April 30, 2003 and December 31, 2002 the net open position ratio was 2.85%, 2.67% and 5.64%, respectively, of the total Tier I and II capital. The internal policy on NOP limit has been determined by Risk and Capital Committee (RCC) taking into account the volatility of foreign exchange movements.

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**49. RISK MANAGEMENT (continued)**

*Market Risk (continued)*

*e. Derivative Instruments Risk*

The Bank provides limited derivative services to selected major corporate customers and other domestic and international financial institutions, including foreign currency forward transactions and foreign currency and interest rate swaps. The Bank manages the derivative instruments risk through reports, analysis and various policies. The Bank mainly enters into derivative instrument transactions with the customers in order to hedge the Bank's position. The Bank has established limits on these derivative instruments, which are monitored periodically.

*Operational and Legal Risks*

As a financial institution operating in Indonesia, the Bank realize that there are four proximate causes of operational risk, namely human, process, system and external factors. Failure to properly identify and manage those operational risk factors may adversely affect the Bank's ability to achieve its stated business objectives therefore the Bank continually upgrade operational risk management processes, review and improve its internal control practices for operations at the Head Office as well as at its vast distribution network.

Such internal control mechanism is performed by applying several layers of control to each transaction process, as stated in Bank Mandiri's Standard Operational Manual. The Bank Management also tasked the Internal Audit Group to conduct periodic control assessments and established an Internal Control and Compliance (ICC) units at the main branch level to ensure staffs' compliance with applicable rules and regulation.

At the strategic level, the Bank's management has specifically established the Portfolio and Operational Risk Group to develop and maintain the Bank's Operational Risk Management (ORM) Policy. Bank Mandiri collaborates with ABN Amro Bank to develop an efficient and effective framework for implementation of Operational Risk Management at all levels of the Bank. This collaboration is divided into two phases: Phase I (January - June 2003) is the preparation of ORM policy, governance structure, management information system, and ORM Tools; Phase II (Phase IIA from July - November 2003; Phase IIB from December 2003 - December 2004) is the implementation of ORM management information system and Tool in the Bank's units. Bank Mandiri will meet the ORM standards as determined in the upcoming New Basel Accord and the regulations issued by Bank Indonesia.

In addition, the Bank will reduce its legal risk through application of adequate legal documentation, using review procedures designed to provide assurance that a transaction has been properly authorized and through consultation with both internal and external legal consultants.

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**50. MATURITY PROFILE**

The maturity profile of the Bank's assets and liabilities is as follows:

Note: This profile is based on contractual terms. Historically, a significant proportion of deposits are rolled-over on maturity. Also, Government Bonds (trading and available for sale) could be liquidated through sale or used as collateral in the interbank market should the need for liquidity arise. The Bank's policy with regards to maturity gap between the monetary assets and liabilities is to determine a limit gap which is adjusted to the Bank's ability to obtain immediate liquidity.

**December 31, 2003**

Description	Total	< 1 mth	1 mth - 3 mths	>3 mths < 6 mths	>6 mths < 12 mths	>12 mths
<b>Assets</b>						
Cash	2,228,671	2,228,671	-	-	-	-
Current accounts with Bank Indonesia	12,157,316	12,157,316	-	-	-	-
Current accounts with other banks - net	328,855	328,855	-	-	-	-
Placements with Bank Indonesia and other banks - net	10,141,761	10,141,761	-	-	-	-
Securities - net	11,545,152	9,222,962	16,377	147,402	308,128	1,850,283
Government Recapitalization Bonds	122,906,853	560,685	1,121,369	1,683,043	3,061,228	116,480,528
Trade documents and other facilities- net	2,873,398	1,892,132	589,878	390,806	582	-
Derivative receivables - net	1,039,791	23,039	313,902	2,443	3,223	697,184
Loans - net	66,842,664	3,055,219	6,921,077	6,014,507	8,581,204	42,270,657
Acceptances receivable - net	3,116,110	1,010,779	1,076,952	747,911	280,468	-
Investments in shares of stock - net	12,722	-	-	-	-	12,722
Premises and equipment - net	5,384,372	-	-	-	-	5,384,372
Deferred tax assets - net	2,338,107	-	-	-	-	2,338,107
Accrued income	1,634,516	1,634,516	-	-	-	-
Receivables	2,819,848	-	-	-	-	2,819,848
Prepaid tax	16,559	-	-	-	-	16,559
Prepaid expenses	257,639	-	-	-	257,639	-
Others - net	3,791,220	-	-	-	1,000,000	2,791,220
	<b>249,435,554</b>	<b>42,255,935</b>	<b>10,039,555</b>	<b>8,986,112</b>	<b>13,492,472</b>	<b>174,661,480</b>
<b>Liabilities</b>						
Liabilities immediately payable	889,710	889,710	-	-	-	-
Demand deposits	38,231,656	38,231,656	-	-	-	-
Savings deposits	41,307,433	41,307,433	-	-	-	-
Time deposits	99,271,665	67,241,210	20,384,523	6,820,222	2,976,121	1,849,589
Certificates of deposit	36	36	-	-	-	-
Deposits from other banks						
- Demand deposits	611,864	611,864	-	-	-	-
- Interbank call money	1,022,441	1,022,441	-	-	-	-
- Time deposits	10,042,215	7,988,645	1,665,170	232,768	138,748	16,884
Securities sold with agreements to repurchase	4,405,677	63,177	-	-	-	4,342,500
Derivative payables	23,777	18,606	345	287	-	4,539
Acceptances payable	3,264,872	1,050,729	1,125,418	801,368	287,357	-
Securities issued	4,312,612	489,180	-	-	-	3,823,432
Fund borrowings	8,535,169	106,910	491,781	4,513,121	368,377	3,054,980
Allowance for possible losses on commitments and contingencies	572,267	305,272	152,821	23,022	63,451	27,701
Accrued expense	517,338	517,338	-	-	-	-
Taxes payable	601,304	601,304	-	-	-	-
Other liabilities	7,415,961	24,927	-	-	385,908	7,005,126
Subordinated loans	5,118,484	15,148	-	300,626	875,485	3,927,225
Loan capital	2,892,375	-	-	-	-	2,892,375
	<b>229,036,856</b>	<b>160,485,586</b>	<b>23,820,058</b>	<b>12,691,414</b>	<b>5,095,447</b>	<b>26,944,351</b>

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**50. MATURITY PROFILE (continued)**

**April 30, 2003**

Description	Total	< 1 mth	1 mth - 3 mths	>3 mths < 6 mths	>6 mths < 12 mths	> 12 mths
<b>Assets</b>						
Cash	1,846,539	1,846,539	-	-	-	-
Current accounts with Bank Indonesia	9,643,221	9,643,221	-	-	-	-
Current accounts with other banks - net	412,651	412,651	-	-	-	-
Placements with Bank Indonesia and other banks - net	7,019,538	6,857,704	35,713	-	126,121	-
Securities - net	12,734,855	11,490,312	33,988	8,055	7,883	1,194,617
Government Recapitalization Bonds	150,332,380	2,029,644	1,227,148	1,751,586	3,464,133	141,859,869
Trade documents and other facilities - net	1,971,769	1,444,730	314,758	193,029	19,252	-
Derivative receivables - net	417,761	1,448	21,619	7,148	821	386,725
Loans - net	59,320,887	4,527,521	6,509,196	5,301,057	7,461,067	35,522,046
Acceptances receivable - net	2,688,233	754,740	819,611	730,242	383,640	-
Investments in shares of stocks - net	122,271	-	-	-	-	122,271
Premises and equipment - net	2,043,088	-	-	-	-	2,043,088
Deferred tax assets - net	2,923,968	-	-	-	-	2,923,968
Accrued income	3,232,512	3,232,512	-	-	-	-
Receivables	2,810,862	-	-	-	-	2,810,862
Prepaid tax	366,724	-	-	-	-	366,724
Prepaid expenses	289,068	-	-	-	289,068	-
Others - net	3,109,582	-	-	-	-	3,109,582
	<b>261,285,909</b>	<b>42,241,022</b>	<b>8,962,033</b>	<b>7,991,117</b>	<b>11,751,985</b>	<b>190,339,752</b>
<b>Liabilities</b>						
Liabilities immediately payable	443,908	443,908	-	-	-	-
Demand deposits	33,467,719	33,467,719	-	-	-	-
Savings deposits	30,130,336	30,130,336	-	-	-	-
Time deposits	123,626,343	78,414,149	18,124,025	12,271,316	13,540,239	1,276,614
Certificates of deposit	119	119	-	-	-	-
Deposits from other banks						
- Demand deposits	285,423	285,423	-	-	-	-
- Interbank call money	1,574,947	1,574,947	-	-	-	-
- Time deposits	11,930,461	10,726,549	993,644	205,993	4,275	-
Securities sold with agreements to repurchase	735,000	-	-	-	735,000	-
Derivative payables	13,128	1,158	5,294	4,779	1,165	732
Acceptances payable	2,791,637	772,601	854,167	774,564	390,305	-
Securities issued	4,053,877	263,808	9,977	-	-	3,780,092
Fund borrowings	12,658,279	1,211,549	3,628,476	325,688	1,207,756	6,284,810
Allowance for possible losses on commitments and contingencies	1,488,315	1,142,984	68,127	26,680	216,530	33,994
Accrued expenses	974,474	974,474	-	-	-	-
Taxes payable	1,091,009	1,091,009	-	-	-	-
Other liabilities	9,906,046	-	-	-	-	9,906,046
Subordinated loans	5,901,077	184	162,000	304,237	1,222,207	4,212,449
Loan capital	2,926,193	-	-	-	-	2,926,193
	<b>243,998,291</b>	<b>160,500,917</b>	<b>23,845,710</b>	<b>13,913,257</b>	<b>17,317,477</b>	<b>28,420,930</b>

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**50. MATURITY PROFILE (continued)**

**December 31, 2002**

Description	Total	< 1 mth	1 mth - 3 mths	>3 mths < 6 mths	>6 mths < 12 mths	>12 mths
<b>Assets</b>						
Cash	2,164,651	2,164,651	-	-	-	-
Current accounts with Bank Indonesia	9,607,119	9,607,119	-	-	-	-
Current accounts with other banks - net	311,765	311,765	-	-	-	-
Placements with Bank Indonesia and other banks - net	14,846,820	14,617,367	78,751	140,350	10,352	-
Securities - net	1,950,148	269,000	35,817	17,280	16,443	1,611,608
Government Recapitalization Bonds	148,845,927	-	1,959,249	2,498,936	2,835,188	141,552,554
Trade documents and Other facilities - net	1,660,136	1,021,039	413,380	223,843	1,874	-
Derivative receivables - net	361,323	3,045	2,180	775	1,112	354,211
Loans - net	56,346,419	4,373,705	4,930,751	5,790,062	8,263,181	32,988,720
Acceptances receivable - net	2,023,071	677,241	953,372	304,755	87,703	-
Investments in shares of stock - net	87,096	-	-	-	-	87,096
Premises and equipment - net	1,958,782	-	-	-	-	1,958,782
Deferred tax assets - net	2,594,688	-	-	-	-	2,594,688
Accrued income	2,102,204	2,102,204	-	-	-	-
Receivables	2,875,188	-	-	-	-	2,875,188
Prepaid tax	365,753	-	-	-	-	365,753
Prepaid expenses	150,330	-	-	-	-	150,330
Others - net	2,143,269	-	-	-	-	2,143,269
	<b>250,394,689</b>	<b>35,147,136</b>	<b>8,373,500</b>	<b>8,976,001</b>	<b>11,215,853</b>	<b>186,682,199</b>
<b>Liabilities</b>						
Liabilities immediately payable	70,548	70,548	-	-	-	-
Demand deposits	32,579,923	32,579,923	-	-	-	-
Savings deposits	29,926,190	29,926,190	-	-	-	-
Time deposits	121,529,091	73,844,153	26,866,411	6,594,145	8,202,726	6,021,656
Certificates of deposit	78,883	12,833	65,550	500	-	-
Deposits from other banks						
- Demand deposits	593,431	593,431	-	-	-	-
- Interbank call money	796,555	796,555	-	-	-	-
- Time deposits	11,502,677	9,716,014	1,753,837	28,808	4,018	-
- Certificates of deposit	30	30	-	-	-	-
Securities sold with agreements to repurchase	735,000	-	-	-	-	735,000
Derivative payables	7,434	4,462	2,884	88	-	-
Acceptances payable	2,150,609	715,329	1,014,500	330,219	90,561	-
Securities issued	1,474,241	240,140	-	-	10,293	1,223,808
Fund borrowings	13,659,536	301,312	842,774	4,432,727	1,210,721	6,872,002
Allowance for possible losses on commitments and contingencies	1,211,211	731,374	272,330	41,307	120,377	45,823
Accrued expenses	903,244	903,244	-	-	-	-
Taxes payable	295,949	295,949	-	-	-	-
Other liabilities	9,119,916	-	-	-	-	9,119,916
Subordinated loans	6,358,965	-	945	138,626	145,892	6,073,502
Loan capital	2,963,250	-	-	-	-	2,963,250
	<b>235,956,683</b>	<b>150,731,487</b>	<b>30,819,231</b>	<b>11,566,420</b>	<b>9,784,588</b>	<b>33,054,957</b>



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**51. NET OPEN POSITION**

The Net Open Position (NOP) ratio of Bank Mandiri (Bank Mandiri only) is 2.85%, 2.67% and 5.64% as of December 31, 2003, April 30, 2003 and December 31 2002, respectively. Based on Bank Indonesia's Decision Letter No. 31/178/KEP/DIR dated December 31, 1998, banks are required to maintain a net open position of a maximum of 20% of the sum of Core Capital (Tier I) and Supplementary Capital (Tier II). In accordance with Bank Indonesia guidelines, the net open position ratio is the sum of the absolute values of the net difference between the assets and liabilities denominated in each foreign currency and the net difference of the receivables and payables of both commitments and contingencies recorded in the administrative accounts denominated in each currency, which are stated in Rupiah.

The Net Open Position by currency of Bank Mandiri (Bank Mandiri only) as of December 31, 2003 is as follows:

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position
United States Dollars	66,453,280*)	67,030,133	(576,853)
Euros	444,648	425,908	18,740
Singapore Dollars	121,430	164,209	(42,779)
Japanese Yen	99,790	114,213	(14,423)
British Pounds Sterling	33,830	35,299	(1,469)
Australian Dollars	24,640	30,205	(5,565)
New Zealand Dollars	11,546	-	11,546
Malaysian Ringgit	-	32,313	(32,313)
Hong Kong Dollars	10,286	4,721	5,565
Others	31,249	14,501	16,748
Total net open position			(620,803)
Total absolute open position			762,001
Total Tier I and II capital less investments in subsidiaries (Note 52)			25,463,716
NOP Ratio			2.85%

\*) Including hedge bonds amounting to Rp 8,986,456 (Note 8).

The Net Open Position by currency of Bank Mandiri (Bank Mandiri only) as of April 30, 2003 is as follows:

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position
United States Dollars	68,073,824*)	67,911,758	162,066
Singapore Dollars	1,960,613	1,678,808	281,805
Japanese Yen	1,295,915	1,317,574	(21,659)
Euros	500,543	493,212	6,331
Australian Dollars	20,455	18,638	1,817
British Pounds Sterling	34,897	23,162	11,735
Malaysian Ringgit	-	32,993	(32,993)
Hong Kong Dollars	34,156	279	33,877
Others	23,420	10,595	12,825
Total net open position			455,804
Total absolute open position			565,108
Total Tier I and II capital less investments in subsidiaries (Note 52)			21,202,046
NOP Ratio			2.67%

\*) Including hedge bonds amounting to Rp14,262,027 (Note 8).

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**51. NET OPEN POSITION (continued)**

The Net Open Position by currency of Bank Mandiri (Bank Mandiri only) as of December 31, 2002 is as follows:

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position
United States Dollars	70,301,868 *)	69,668,664	633,204
Singapore Dollars	1,576,513	1,559,552	16,961
Japanese Yen	1,230,105	1,325,906	(95,801)
Euros	360,797	449,937	(89,140)
Australian Dollars	76,288	72,509	3,779
British Pounds Sterling	40,395	35,863	4,532
Malaysian Ringgit	9,709	75,469	(65,760)
Swiss Francs	9,699	12,082	(2,383)
Others	52,007	6,480	45,527
Total net open position			450,919
Total absolute open position			957,087
Total Tier I and II capital less investments in subsidiaries (Note 52)			16,958,163
NOP Ratio			5.64%

\*) Including hedge bonds amounting to Rp16,839,823 (Note 8).

**52. CAPITAL ADEQUACY RATIO**

Capital Adequacy Ratio (CAR) is the ratio of the Bank's capital over its Risk-Weighted Assets (RWA). Under Bank Indonesia regulations, total capital includes both core (Tier I) capital and supplementary (Tier II) capital. The CAR of Bank Mandiri (Bank Mandiri only) as of December 31, 2003, April 30, 2003 and December 31, 2002 is 27.72%, 27.05% and 23.39%, respectively, and is calculated as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
Capital:			
Tier I (*)	17,859,230	15,942,685	11,016,295
Tier II	9,342,931	6,964,107	7,321,435
Less:			
Investments in subsidiaries	(1,738,445)	(1,704,746)	(1,379,567)
Total capital	25,463,716	21,202,046	16,958,163
Total Risk-Weighted Assets	91,855,132	78,375,774	72,512,586
CAR	27.72%	27.05%	23.39%
Minimum CAR	8%	8%	8%

(\*) Excludes the impact of deferred tax assets-net of Rp586,199, RpNil and Rp2,594,688 and unrealized losses on securities and Government Recapitalization Bonds available for sale of Rp1,866,441, Rp1,299,676 and Rp2,138,186, respectively, as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

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**53. NON-PERFORMING EARNINGS ASSETS RATIO AND SMALL SCALE LOANS RATIO**

Non-performing earning assets to total earning assets are 3.52%, 3.07% and 2.67% as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively (Bank Mandiri only are 3.54%, 3.09% and 2.67%). Non Performing Loans (NPL) ratio (Bank Mandiri only) before being deducted by the allowance for possible losses (gross basis) as of December 31, 2003, April 30, 2003 and December 31, 2002 is 8.84%, 8.95% and 7.39%, respectively (Note 11A.e).

The total allowance for possible losses on earning assets provided by Bank Mandiri compared to the minimum allowance for possible losses on earning assets under the guidelines prescribed by Bank Indonesia, as of December 31, 2003, April 30, 2003 and December 31, 2002 (Bank Mandiri only) are 141%, 149% and 176%, respectively.

Small-scale loans to total loans ratio (Bank Mandiri only) are 4.40%, 4.07% and 4.51% as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively.

**54. SEGMENT INFORMATION**

The Bank considers the nature of business as the primary segment, and geographical areas as the secondary segment. The business activities of the Bank and its Subsidiaries and its geographical locations are as follows:

Name of Company Entity	Nature of Business	Location
PT Bank Mandiri (Persero) Tbk. (parent)	Commercial Banking	Indonesia, Singapore, Hong Kong, Grand Cayman and Timor Leste
PT Bank Syariah Mandiri (subsidiary)	Syariah Banking	Indonesia
Bank Mandiri (Europe) Limited (subsidiary)	Commercial Banking	United Kingdom
PT Mandiri Sekuritas (subsidiary)	Investment Banking	Indonesia
PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri (subsidiary))	Insurance	Indonesia
Others		
PT Bumi Daya Plaza (subsidiary) and its subsidiaries	Property management	Indonesia
PT Usaha Gedung Bank Dagang Negara (subsidiary) and its subsidiaries	Property management	Indonesia

Inter-segment transactions are made under the same terms and conditions as with other parties.

*Primary Segment Information as of and for the Eight-Month Period Ended December 31, 2003 \*)*

	Banking	'Syariah' Banking	Securities	Insurance	Others	Elimination	Consolidated
Operating income	17,891,000	242,674	118,066	-	42,677	-	18,294,416
Inter-segment operating income	103,516	-	-	-	-	(103,516)	-
Operating income including inter-segment operating income	17,994,516	242,674	118,066	-	42,677	(103,516)	18,294,416
Operating expenses	12,964,767	229,592	54,064	-	47,379	-	13,295,801
Inter-segment operating expenses	10,718	-	-	-	-	(10,718)	-
Operating expenses including inter-segment operating expenses	12,975,485	229,592	54,064	-	47,379	(10,718)	13,295,801
Profit from Operations	5,019,031	13,082	64,002	-	(4,702)	(92,798)	4,998,615
Net Profit	3,238,604	12,471	57,280	-	13,017	(92,798)	3,228,574
Total Assets	247,098,477	3,422,769	1,082,925	-	288,793	(2,457,410)	249,435,554
Total assets (as a percentage of total consolidated assets prior to elimination)	98.10%	1.36%	0.43%	0%	0.11%		

\*) Excludes PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri) (not consolidated) as 51% of the ownership previously held by Bank Mandiri has been sold to National Mutual International Pty. Ltd., member of AXA Group, on November 5, 2003 (Note 2b).

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**54. SEGMENT INFORMATION (continued)**

*Secondary Segment Information as of and for the Eight-Month Period Ended December 31, 2003 \*)*

	Indonesia (Domestic)	Asia	Europe	Other	Elimination	Consolidated
Operating income	17,538,883	168,055	53,590	533,889	-	18,294,416
Inter-segment operating income	103,516	-	-	-	(103,516)	-
Operating income including inter-segment operating income	17,642,399	168,055	53,590	533,889	(103,516)	18,294,416
Operating expenses	12,688,727	93,723	43,499	469,853	-	13,295,801
Inter-segment operating expenses	10,718	-	-	-	(10,718)	-
Operating expenses including inter-segment operating expenses	12,699,445	93,723	43,499	469,853	(10,718)	13,295,801
Profit from Operations	4,942,954	74,332	10,091	64,036	(92,798)	4,998,615
Net Profit	3,143,826	103,153	10,357	64,036	(92,798)	3,228,574
Total Assets	230,417,927	3,566,625	1,286,741	16,621,671	(2,457,410)	249,435,554
Total assets (as a percentage of total consolidated assets prior to elimination)	91.47%	1.42%	0.51%	6.60%		

\*) Excludes PT AXA Mandiri Financial Services (formerly PT Asuransi Jiwa Mandiri) (not consolidated) as 51% of the ownership previously held by Bank Mandiri has been sold to National Mutual International Pty. Ltd., member of AXA Group, on November 5, 2003 (Note 2b).

*Primary Segment Information as of and for the Four-Month Period Ended April 30, 2003*

	Banking	'Syariah' Banking	Securities	Insurance	Others	Elimination	Consolidated
Operating income	10,877,481	91,963	6,131	6,155	26,996	-	11,008,728
Inter-segment operating income	45,751	-	-	-	-	(45,751)	-
Operating income including inter-segment operating income	10,923,232	91,963	6,131	6,155	26,996	(45,751)	11,008,728
Operating expenses	9,080,613	81,242	7,183	5,742	18,999	-	9,193,781
Inter-segment operating expenses	15,839	-	-	-	-	(15,839)	-
Operating expenses including inter-segment operating expenses	9,096,452	81,242	7,183	5,742	18,999	(15,839)	9,193,781
Profit from Operations	1,826,780	10,721	(1,052)	413	7,997	(29,912)	1,814,947
Net Profit	1,362,651	5,197	8,882	348	10,349	(29,912)	1,357,515
Total Assets	261,056,979	1,965,513	729,870	12,245	277,800	(2,756,498)	261,285,909
Total assets (as a percentage of total consolidated assets prior to elimination)	98.87%	0.74%	0.28%	0.00%	0.11%		

These consolidated financial statements are originally issued in the Indonesian language.

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**54. SEGMENT INFORMATION (continued)**

*Secondary Segment Information as of and for the Period Ended April 30, 2003*

	Indonesia (Domestic)	Asia	Europe	Other	Elimination	Consolidated
Operating income	10,661,688	75,655	26,091	245,292	-	11,008,728
Inter-segment operating Income	45,751	-	-	-	(45,751)	-
Operating income including inter-segment operating income	10,707,439	75,655	26,091	245,292	(45,751)	11,008,728
Operating expenses	8,910,830	64,592	20,955	197,402	-	9,193,781
Inter-segment operating expenses	15,839	-	-	-	(15,839)	-
Operating expenses including inter-segment operating expenses	8,926,669	64,592	20,955	197,402	(15,839)	9,193,781
Profit from Operations	1,780,770	11,063	5,136	47,890	(29,912)	1,814,947
Net Profit	1,320,233	14,169	5,135	47,890	(29,912)	1,357,515
Total Assets	238,452,542	4,776,480	1,269,289	19,544,096	(2,756,498)	261,285,909
Total assets (as a percentage of total consolidated assets prior to elimination)	90.31%	1.81%	0.48%	7.40%		

*Primary Segment Information as of and for the Year Ended December 31, 2002*

	Banking	'Syariah' Banking	Securities	Insurance	Others	Elimination	Consolidated
Operating income	35,210,027	196,853	17,660	13,338	73,415	-	35,511,293
Inter-segment operating Income	3,001	-	-	-	-	(3,001)	-
Operating income including inter-segment operating income	35,213,028	196,853	17,660	13,338	73,415	(3,001)	35,511,293
Operating expenses	30,680,786	154,830	16,498	23,708	63,050	-	30,938,872
Inter-segment operating expenses	3,001	-	-	-	-	(3,001)	-
Operating expenses including inter-segment operating expenses	30,683,787	154,830	16,498	23,708	63,050	(3,001)	30,938,872
Profit from Operations	4,529,241	42,023	1,162	(10,370)	10,365	-	4,572,421
Net Profit	3,614,867	29,404	2,092	(10,461)	11,082	(61,395)	3,585,589
Total Assets	250,257,847	1,618,060	381,554	17,976	265,565	(2,146,313)	250,394,689
Total assets (as a percentage of total consolidated assets prior to elimination)	99.10%	0.64%	0.15%	0.01%	0.10%		

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**54. SEGMENT INFORMATION (continued)**

*Secondary Segment Information as of and for the Year Ended December 31, 2002*

	Indonesia (Domestic)	Asia	Europe	Other	Elimination	Consolidated
Operating income	34,263,791	169,682	85,590	992,230	-	35,511,293
Inter-segment operating Income	3,001	-	-	-	(3,001)	-
Operating income including inter-segment operating income	34,266,792	169,682	85,590	992,230	(3,001)	35,511,293
Operating expenses	30,042,815	85,746	67,927	742,384	-	30,938,872
Inter-segment operating expenses	3,001	-	-	-	(3,001)	-
Operating expenses including Inter-segment operating expenses	30,045,816	85,746	67,927	742,384	(3,001)	30,938,872
Profit from Operations	4,220,976	83,936	17,663	249,846	-	4,572,421
Net Profit	3,296,788	71,059	29,278	249,410	(61,395)	3,585,589
Total Assets	234,915,482	4,251,687	1,088,038	12,284,796	(2,146,313)	250,394,689
Total assets (as a percentage of total consolidated assets prior to elimination)	92.96%	1.70%	0.43%	4.91%		

**55. CUSTODIAL AND TRUST OPERATIONS**

*Custodial Operations*

Bank Mandiri has rendered custodial services starting in 1959 (legacy banks: BDN, Bank Exim, BBD and Bapindo). As a result of the merger, the operating license for custodial services was renewed and re-issued based on Bapepam Decision Letter No. KEP.01/PM/Kstd/1999 dated October 4, 1999. The Custodial Services Business (CSB), which is part of the Securities Services Department (SSD) of Bank Mandiri, provides a full range of custodial services such as:

- a. Settlement and handling services for scrip and scripless trading transactions.
- b. Registration of securities with Biro Administrasi Efek, and splitting and merging of securities.
- c. Safekeeping of securities and other valuable assets.
- d. Corporate action services related to the rights on the securities.
- e. Proxy services for its customers' shareholders' meetings and obligation holders' meetings.
- f. International services i.e. American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), which are required by entities listed on the domestic and overseas exchanges (dual listing).
- g. Sub-registry services for settlement of transactions of Indonesian recapitalization bonds ("Government Recapitalization Bonds") as well as SBIs.
- h. Escrow Agent.
- i. As sub-custody agent for euroclear transactions.

Bank Mandiri has 266, 269 and 238 custodial customers as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively. The customers are primarily pension funds, insurance companies, banks, securities and other private companies.

Total custodial fees and commissions earned for the eight-month period ended December 31, 2003, four-month period ended April 30, 2003 and year ended December 31, 2002 are Rp6,773, Rp2,157 and Rp6,411, respectively.

Bank Mandiri carries insurance on custodial services against safekeeping and transit loss under blanket policies amounting to approximately Rp175,000,000,000 (full amount). Management is of the opinion that the insurance coverage is adequate to cover possible losses from safekeeping and transit risks.

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**55. CUSTODIAL AND TRUST OPERATIONS (continued)**

Trust Operations

Bank Mandiri has been rendering trustee services starting in 1983 (legacy banks: Bank Exim, BDN, BBD and Bapindo). The operating license for trustee services was renewed and re-registered with Bapepam as stipulated in No. 17/STTD-WA/PM/1999 dated October 27, 1999. The Trustee Services Business (TSB), which is part of the Securities Services Department (SSD) of Bank Mandiri, provides a full range of the following services:

- a. Preparing documentation support to bond issuers in complying with required documents for issuance.
- b. Signing trustee agreements and other relevant documents together with bond issuers and other related institutions.
- c. Monitoring performance of issuers and compliance against required documentation as stipulated in trustee agreements on behalf of bondholders.
- d. Facilitating bondholder meetings.
- e. Following up and executing the results of bondholder meetings, as required.
- f. Providing information on issuers' performance as requested by BAPEPAM or bondholders.
- g. Managing the sinking fund and other collateral as required by a bond's issuance and terms and conditions.
- h. Paying agent for dividends and selected coupon payments.
- i. Escrow agent and security agent.

Bank Mandiri has 27, 22 and 24 trustee customers as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively. As of December 31, 2003, April 30, 2003 and December 31, 2002 the total value of bonds issued amounted to Rp10,833,407, Rp5,102,750 and Rp5,116,300, respectively, while the sinking funds managed on behalf of bond issuers amounted to Rp69,025, Rp91,885 and Rp91,480, respectively.

Fees earned from trust operations, paying agent, escrow agent and security agent activities amounted to Rp5,505, Rp1,551 and Rp3,367 for the eight-month period ended December 31, 2003, the four-month period ended April 30, 2003 and the year ended December 31, 2002, respectively.

The Bank's trust operations and custodial services have obtained ISO 9001-2000 quality standard service certification.

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**56. CHANNELING LOANS**

Channeling loans based on sources of funds and economic sectors are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Government:			
Electricity, gas and water	9,722,709	9,564,015	9,383,357
Transportation and communications	6,604,057	7,089,813	7,259,986
Agriculture	1,694,085	1,692,122	1,692,624
Industry	854,454	630,553	635,527
Mining	101,812	118,731	134,434
Construction	18,489	20,307	20,919
Others	128,342	138,378	121,102
	<b>19,123,948</b>	<b>19,253,919</b>	<b>19,247,949</b>

Bank Mandiri has been appointed to administer channeling loans in various foreign currencies received by the Government of Indonesia from various bilateral and multilateral financing institutions, such as, The Export Import Bank of Japan, ASEAN Japan Development Fund, Overseas Economic Cooperation Fund, International Bank for Reconstruction and Development, Nordiska Investeringbanken, Kreditanstalt Fur Wiederaufbau, Sumitomo, US AID, Barclays Bank, Bank of China, CN Lyonnais, Unibank, Bank of Austria, Ryobhin Hong Kong, Export Finance and Insurance Cooperation - Australia, Mitsubishi Corporation, Chartered West LB, Banque Indosuez, Hitachi Zosen, NEC Corporation, Banque Francais du Comm, US Exim Bank, and Banque Paribas for financing projects in Indonesia.

Channeling loans are not recognized in the consolidated balance sheets as the credit risk is not borne by the Bank or its Subsidiaries. Bank Mandiri's responsibilities under the above arrangements include, among others, collections from borrowers and payments to the Government of principal, interest and other charges and the maintenance of loan documentation. As compensation, Bank Mandiri receives an annual administration fee which varies from 0.15% - 0.4% of the loan balances.

**57. RELATED PARTY TRANSACTIONS**

a. Banking Activities in the Ordinary Course of Business

In the ordinary course of its business, Bank Mandiri engages in significant transactions with the following related parties:

Related by ownership:

The Government of the Republic of Indonesia

Related by ownership and/or management:

PT Semen Kupang (Persero), PT Kertas Padalarang, PT Pann Multi Finance, PT Estika Sedaya Finance, PT Stacomitra Sedaya Finance, PT Bayu Beringin Lestari, PT Estika Jaya Kelola and PT Staco Bosowa Finance.

Related by management and/or key personel: Bank Mandiri's employees.



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**57. RELATED PARTY TRANSACTIONS (continued)**

a. Banking Activities in the Ordinary Course of Business (continued)

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Securities (Note 7a)	420,549	260,421	511,317
Government Recapitalization Bonds (Note 8)	122,906,853	150,332,380	148,845,927
Loans (Note 11B.g)	1,024,044	1,023,251	849,259
Deposit made to State Treasury (Note 15)	-	1,124,194	1,124,194
Interest refundable by the Government (Note 15)	25,267	25,267	25,267
<b>Total assets involving related parties</b>	<b>124,376,713</b>	<b>152,765,513</b>	<b>151,355,964</b>
<b>Total consolidated assets</b>	<b>249,435,554</b>	<b>261,285,909</b>	<b>250,394,689</b>
Percentage of assets involving related parties to total consolidated assets	49.86%	58.47%	60.44%

Percentages of securities, Government Recapitalization Bonds, loans, Deposit made to State Treasury for tax appeal and interest receivable from the Government compared to the total consolidated assets are as follows:

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Securities (Note 7a)	0.17%	0.10%	0.20%
Government Recapitalization Bonds (Note 8)	49.27%	57.54%	59.44%
Loans (Note 11B.g)	0.41%	0.39%	0.34%
Deposit made to State Treasury (Note 15)	-	0.43%	0.45%
Interest refundable by the Government (Note 15)	0.01%	0.01%	0.01%
<b>Total</b>	<b>49.86%</b>	<b>58.47%</b>	<b>60.44%</b>
Demand Deposits (Note 16a)	11,854	27,545	29,580
Saving Deposits (Note 17b)	8,769	2,406	32,823
Time Deposits (Note 18f)	354,490	3,698,710	1,332,690
Due to the Government arising from the return of additional paid-in capital (Note 28)	-	-	1,412,000
<b>Total liabilities involving related parties</b>	<b>375,113</b>	<b>3,728,661</b>	<b>2,807,093</b>
<b>Total consolidated liabilities</b>	<b>229,036,856</b>	<b>243,998,291</b>	<b>235,956,683</b>
Percentage of liabilities involving related parties to total consolidated liabilities	0.16%	1.53%	1.19%
Salary, allowances and bonuses of the Boards of Directors and Commissioners and Executive Officers (Note 41)	54,604	18,196	57,372

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**57. RELATED PARTY TRANSACTIONS (continued)**

a. Banking Activities in the Ordinary Course of Business (continued)

Percentages of current accounts, savings accounts, time deposits and liabilities to the Government arising from the return of additional paid-in capital compared to the total consolidated liabilities are as follows:

	December 31, 2003	April 30, 2003	December 31, 2002
Demand Deposits (Note 16a)	0.01%	0.01%	0.01%
Saving Deposits (Note 17b)	-	-	0.01%
Time Deposits (Note 18f)	0.15%	1.52%	0.57%
Due to the Government arising from the return of additional paid-in capital (Note 28)	-	-	0.60%
<b>Total</b>	<b>0.16%</b>	<b>1.53%</b>	<b>1.19%</b>

b. Significant transactions with the Government of the Republic of Indonesia

- In May 1999, the Government implemented a recapitalization program for Bank Mandiri by issuing Government Recapitalization Bonds (Notes 3 and 8).
- In connection with the recapitalization, Bank Mandiri entered into a management contract with the Government in April 2000 (Note 58a).
- The Committee on Financial Sector Policy (KKSK) and the Minister of Finance approved and guaranteed the issuance of standby letters of credit and conversion of loans of PT Garuda Indonesia to Mandatory Convertible Bonds (Notes 48 and 11B.f).
- Government Recapitalization Bonds held by the Bank amounting to Rp103,849,017 and Rp16,783,376 were reprofiled by the Government on November 20, 2002 and February 25, 2003, respectively (Note 8).
- The Bank paid Rp1,124,194 to the State Treasury representing a 50% deposit in relation to an objection regarding the Bank's 2000 corporate income tax assessment (Note 15).
- The Bank returned additional paid-in capital of Rp1,412,000 representing a portion of the excess recapitalization (Note 32).
- Based on the Minister of Finance's Decision Letter No. No.227/KMK.02/2003 dated May 23, 2003, and Decree of the Minister of State-Owned Enterprises, as the Bank's shareholder, No. KEP-154/M-MBU/2002 dated October 29, 2002, the Government converted recapitalization fund amounting to Rp5,000,000 with 5,000,000 shares with nominal value of Rp1,000,000 (full amount) per share, and the remaining recapitalization fund amounting to Rp168,801,315 was recorded as Agio.
- Based on Government Regulation (PP) No. 26 dated May 29, 2003, the Government of the Republic of Indonesia converted Rp1,000,000 of appropriated retained earnings to issued and fully paid-up capital.

c. Transfer of Certain Investments and Non-core Premises and Equipment

In 1999 certain investments in shares of stock and certain non-core premises and equipment of Bank Mandiri were transferred to PT PIM and PT PHTM, related companies, respectively (Notes 14 and 15). In 2002, the premises and equipment of PHTM were transferred back to the Bank based on the shareholder's resolution of PHTM dated June 14, 2002.

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES**

a. Management Contract

On April 8, 2000, a Management Contract was signed between the Government and Bank Mandiri in connection with the recapitalization of Bank Mandiri as described in Note 3. The Management Contract provides for, among others, the requirements and milestones to be fulfilled by Bank Mandiri in accordance with its Business Plan for the period to the end of 2001, which include, the following:

1. Obligations to be fulfilled by Bank Mandiri, among others:

- To use Government Recapitalization Bonds to settle liabilities only and not for acquiring assets, except for Government Bonds classified as trading based on prevailing regulations.
- To reduce overhead costs.
- To settle unreconciled/open items and reconcile inter-branch transactions derived from the Merged Banks.
- To conduct a special audit of high risk and material un-reconciled open items.
- To implement an automated monitoring system over the use of funds and liquidity of Bank Mandiri.
- To implement a policy of reporting according to Bank Indonesia regulations.
- To take any action as required in respect of the Credit Portfolio to comply with Bank Indonesia's requirements, especially for Legal Lending Limit (LLL).
- To agree to syndicate the current outstanding corporate loans that exceed Legal Lending Limit and participate in syndication activities to support other banks in resolving Legal Lending Limit problems.
- To agree to improve its Net Open Position based on the prevailing regulations and prepare a plan to acquire assets denominated in US Dollars.
- To follow the agreement with the Minister of Finance to undertake actions needed to accelerate the privatization process of Bank Mandiri itself by issuing shares to the public.

If Bank Mandiri defaults on its commitments as stipulated in the management contract, the consequences are:

- Replacement of the Boards of Directors and Commissioners.
- Adjustment of the milestones if the reasons for non-achievement are beyond the control of Bank Mandiri.

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

a. Management Contract (continued)

2. Management and Performance of Bank Mandiri, among others:

- The Boards of Directors and Commissioners are required to perform their tasks conscientiously in line with the requirements prescribed in the Business Plan, Performance Plan and Performance Milestones.
- The Compliance Director is required to undertake actions needed for Bank Mandiri to fully comply with Bank Indonesia regulations, prevailing laws, agreements, and commitments with Bank Indonesia and monitor the success of the implementation of the Bank Recapitalization Program based on the agreed Business Plan, without prejudice to the responsibilities of the Boards of Directors and Commissioners of Bank Mandiri. The results of this function's activities should be submitted quarterly to the Minister of Finance not later than two (2) weeks after the end of each quarter.

3. Corporate Governance for Bank Mandiri, among others:

- The Governance of Bank Mandiri is to be conducted by its Boards of Directors and Commissioners in accordance with the Articles of Association of Bank Mandiri and prevailing laws.
- The members of the Boards of Directors and Commissioners must not have conflicts of interest in the decision making process involved in governing Bank Mandiri.

The Management Contract (LOI) was effective through the later of 2001 or the completion of Bank's IPO.

b. Transfer of Loans Below Rp5 billion and Loans Written-off Prior to Legal Merger and Related Recoveries to IBRA

Prior to the transfer of earning assets to IBRA as discussed in Note 58c, there was a joint decision dated March 31, 1999 between the Minister of Finance, IBRA and other directors of the legacy banks agreeing to transfer only the loans with principal balances above Rp5 billion and supported by Article 2.1 of the Asset Transfer Agreement between the legacy banks and IBRA dated March 31, 1999, and Article 3.2 of the Addendum on Temporary Recapitalization Agreement dated December 28, 1999 agreeing to transfer only the loans with principal balances above Rp5 billion.

The total of loans written-off below Rp5 billion and loans written-off prior to the legal merger as of October 31, 1999 and July 31, 1999 which were supposed to be transferred to IBRA amounted to Rp1,631,633 and Rp11,326,295, respectively. A part of loans written-off involving loans below Rp5 billion amounting to Rp357,000 were transferred to IBRA in 1999, 2000 and 2001.

In 2001 and 2002, there were several meetings between the Supreme Audit Board (BPK), Minister of Finance, Minister of State-Owned Enterprises, Bank Indonesia (BI) and several State-Owned Banks, including the Bank, to discuss the status of loans written-off involving loans below Rp5 billion and loans written-off prior to legal merger and related recoveries. BPK in its report requires the Bank to return all recoveries before and after legal merger up to December 31, 2001 amounting to Rp2,385,791 to the Government.

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

- b. Transfer of Loans Below Rp5 billion and Loans Written-off Prior to Legal Merger and Related Recoveries to IBRA (Continued)

The Committee on Financial Sector Policy (Komite Kebijakan Sektor Keuangan (KSK)) issued decree No. Kep.01/K.KSK/11/2002 dated November 26, 2002 stipulating the following:

- All loans written-off involving loans below Rp5 billion and loans written-off prior to legal merger should be transferred to IBRA in 2002.
- IBRA would exchange the loans with recapitalization bonds (*Assets Bond Swap*) as stipulated by KSK decision letter No. 01/K.KSK/07/2002 dated July 11, 2002 with a recovery rate of 20%. By executing the *Assets Bond Swap*, all recoveries related to the loans written-off involving loans below Rp5 billion and loans written-off prior to legal merger, belong to the Bank.

Following the KSK Decree, the Bank entered into Sell-Purchase and Cessie Agreement No. 7252/L/XII/2002 and Exchange Agreement No. 7253/L/XII/2002 dated December 18, 2002 notarized by Teddy Anwar, S.H. SpN, with IBRA in relation to the settlement of the Bank's obligation to transfer the loans written-off involving loans below Rp5 billion and loans written-off prior to legal merger to IBRA.

On December 18, 2002, based on that agreement, the Bank transferred such written-off loans amounting to Rp12,600,598 and then repurchased (swapped) the loans with Government Bonds amounting to Rp2,520,119 (at nominal value) and a cash payment of Rp615,091 (full amount) (Note 11B.o)

- c. Consortium and Other Agreements Related to the Purchase of Loans from IBRA in 2003 and 2002  
May 1, 2003 to December 31, 2003

During the eight-month period ended December 31, 2003, the Bank purchased Rp234,182 of sustainable loans from IBRA through Program Penjualan Aktiva Kredit III at a price of Rp234,182, which was paid by cash through Phoenix SEA Ventures Ltd. and Trescorp Investment Ltd.

Total interest received related to loans purchased from IBRA for the eight-month period ended December 31, 2003 was Rp228,172 (Note 34).

The balance of loans purchased from IBRA which are recorded as "Loans" as of December 31, 2003 amounts to Rp5,249,139. The loans purchased from IBRA which are recorded as "Other Assets" as of December 31, 2003 amount to Rp2,031 (Note 15). The cessie agreements for such loans are still in process of finalization.

January 1, 2003 to April 30, 2003

During the four-month period ended April 30, 2003, the Bank purchased Rp20,722 of sustainable loans from IBRA through Program Penjualan Aktiva Kredit III at a price of Rp18,224, which was paid by cash, through a consortium with PT Mahanusa Securities and PT Mandiri Sekuritas Indonesia.

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

- c. Consortium and Other Agreements Related to the Purchase of Loans from IBRA in 2003 and 2002 (Continued)

Total interest received related to loans purchased from IBRA for the four-month period ended April 30, 2003 was Rp54,594 (Note 34).

The balance of loans purchased from IBRA which are recorded as "Loans" as of April 30, 2003 amounted to Rp4,780,555. The loans purchased from IBRA which are recorded as "Other Assets" as of April 30, 2003 amount to Rp165,916 (Note 15). The cessie agreements related to these loans are still in process of finalization.

January 1, 2002 to December 31, 2002

In July 2002, the Bank participated in an auction under IBRA's "Program Penjualan Aktiva Kredit" (PPAK) during which IBRA offered loans with a nominal value of Rp135,400,000 due from some 2,500 debtors. The loans offered by IBRA were classified according to whether the debtor was a corporate or a commercial debtor. Commercial loans were sold in single-debtor packages whereas corporate loans were sold in packages of loans from different debtors.

The Bank entered into eleven consortium agreements with securities companies to participate in the auction. Each member of the consortia agreed to various terms including the amount of contributions, portion of loan assets obtained by the consortium partners and amount of fees to be paid by the other consortium partners to the Bank.

The consortia were allowed to conduct due diligence on the loans offered for auction before any bid was submitted. The Bank and the consortium partners agreed that any loans purchased would be divided into "sustainable debt" (net present value of expected cash flows) and "unsustainable debt" (difference between outstanding principal and sustainable debt), whereby sustainable debt would be obtained by the Bank and the unsustainable debt would be obtained by the consortium partners which debt would subsequently be swapped into equity.

Ten out of eleven consortia won loans with outstanding principal of approximately Rp23,196,348, consisting of sustainable and unsustainable debt of Rp4,294,091 and Rp18,902,257, respectively, for a purchase price of Rp4,472,576. The purchase price represents approximately 19.28% of the total outstanding principal Rp3,840,697 of the purchase price was contributed by the Bank, and Rp631,879 was contributed by the consortium members.

Those ten consortia involved: PT Mahanusa Securities, PT Batavia Properindo Securities, PT Mandari Sekuritas Indonesia, PT Jasabanda Garta, PT Prime Capital, PT Bhineka Makmur Investama, PT Woka International, PT Dongsuh Kolibindo Securities, PT Trust Securities and PT Anugra Cipta Sentosa.

In addition, during 2002, the Bank acquired without prior arrangement, portions of IBRA loans totaling Rp915,925 from the following unrelated companies: PT Optix Limited, PT Danatama Makmur Securities, PT Woka International and PT Mandari Sekuritas Indonesia.

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

- c. Consortium and Other Agreements Related to the Purchase of Loans from IBRA in 2003 and 2002 (Continued)

As of December 31, 2002, the balance of loans purchased from IBRA which is recorded as "Loans" amounted to Rp4,854,357. The loans purchased from IBRA which are recorded as "Other Assets" as of December 31, 2002 amount to Rp380,955 (Note 15). The cessie agreements related to these loans are still in process of finalization.

Total interest received related to loans purchased from IBRA during 2002 was Rp4,526 (Note 34).

- d. Total Integrated Banking System Agreement with PT Silverlake Informatikama

On July 20, 2001, Bank Mandiri entered into a Total Integrated Banking System Agreement with PT Silverlake Informatikama for procurement of software and installation services for a total integrated banking system which is called e-MAS, for a total contract value of US\$43,213,658 (full amount). Additional projects have been contracted for involving a value of US\$18,606,562 on April 23, 2002 and involving a value of US\$420,000 in August 28, 2003; these projects will be completed in 2004. As of December 31, 2003, the implementation of e-MAS has been completed as planned and US\$48,923,995 has been booked as assets.

- e. Agreement on Procurement and Installation of Automatic Teller Machines (ATMs)

On August 7, 2002, Bank Mandiri entered into an agreement with PT Multipolar Corporation Tbk. and PT NCR Indonesia for the procurement and installation of 357 units (337 units of Cash Dispensers (CD) plus 20 units of Drive Through (DT)) of ATMs for a total of US\$6,987,977 (full amount) and Rp4,079. On March 2003, the contract was amended due to conversion of 15 units of DT into 22 units of CD from Rp4,079 to become Rp4,117. As of December 31, 2003, 362 units (359 CDs plus 3 DTs) have been installed and operated. The remaining 2 DTs are still recorded under Construction in Progress (CIP).

On August 7, 2002, Bank Mandiri entered into an agreement with PT Mitra Integrasi Komputindo and PT Diebold Indonesia for the procurement and installation of 156 units (151 CDs plus 5 of DTs) of ATMs for a total contract value of US\$2,955,093 (full amount) and Rp1,802. As of December 31, 2003, all ATMs have been received and 152 units (151 CDs plus 1 DTs) have been installed and operated. The remaining 4 units of DTs are still recorded under CIP.

On May 29, 2003, Bank Mandiri entered into agreement with PT Multipolar Corporation and PT NCR Indonesia for the procurement and installation of 225 units (218 CDs plus 7 DTs) of ATMs for a total contract value of US\$4,317,967 (full amount) and Rp2,622. As of December 31, 2003, 200 CDs have been installed and operated. The remaining 25 units (18 CDs plus 7 DTs) are still recorded under CIP.

On May 29, 2003, Bank Mandiri entered into an agreement with PT Mitra Integrasi Komputindo and PT Diebold Indonesia for the procurement and installation of 225 units (217 CDs plus 8 DTs) of ATMs for a total contract value of US\$4,214,072 (full amount) and Rp2,314. As of December 31, 2003, 203 CDs have been installed and operated. The remaining 14 CDs and 8 DTs are still recorded under CIP.

On June 5, 2003, Bank Mandiri entered into an agreement with PT Siemens Indonesia and Wincor Nixdorf Pte. Ltd. for the procurement and installation of 50 CDs. As of December 31, 2003, 35 CDs have been installed and operated. The remaining 15 CDs are still recorded under CIP.

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

- f. Share Sale and Purchase Agreement with National Mutual Fund International Pty Ltd., a member of AXA Group

On December 2, 2002, Bank Mandiri entered into a Share Sale and Purchase Agreement with National Mutual Fund International Pty. Ltd., a member of the AXA Group, whereby the Bank agreed to jointly develop and market bancaassurance products and services in Indonesia. As part of the agreement, the Bank agreed to sell to National Mutual Fund International Pty. Ltd., 51% of the issued shares in PT Mandiri Life. On the completion of the sale, PT Mandiri Life will then act as the joint venture vehicle for the development, marketing and sale of life, health, accident insurance and pension products for groups and individuals through the Bank Mandiri banking network.

Bank Mandiri will receive from the joint venture, certain fees in conjunction with the business of the joint venture determined upon consultation between the Bank and the joint venture, including a percentage of premiums and certain commissions for new customers referred by the Bank to the joint venture. Certain service fees will also be paid to the joint venture that is established as a service company established in Indonesia and managed by AXA.

On November 5, 2003, National Mutual Fund International Pty. Ltd. acquired the 51% interest owned by Bank Mandiri in PT Asuransi Jiwa Mandiri (Note 2b).

- g. Agreement on Development and Operation of a National Development Information System (SIPNAS)

On December 24, 2002, Bank Mandiri entered into an agreement with the Indonesian State Secretariat, to develop and operate a national development information system (SIPNAS) for an initial period of one year. SIPNAS is a system developed by the Indonesian Government to collect data and information for the Government's decisions for integrated planning and national development.

Based on the agreement, the State Secretariat will utilize the existing Bank's communication network to develop and operate SIPNAS. Bank Mandiri has the potential benefit under this arrangement by being well placed to receive placements of funds from the Government (Dana Alokasi Umum).

- h. Repayment of the Subordinated Loans and Loan Capital from Bank Indonesia of Rp3,139,900

In accordance with Bank Mandiri's Director's Letter No. DIR.FIF/114/2003 dated April 28, 2003, Bank Mandiri submitted a proposal for the terms of repayment of the Subordinated Loans and Loan Capital to Bank Indonesia amounting to Rp3,139,900. The Bank proposed to repay the Subordinated Loans in 11 years, from 2004 until 2014, with interest at the rate of 0.25% per annum and fixed annual installment payments of Rp285,440 per annum. Bank Indonesia, through its letter No. 5/77/DPwB2/PwB21 dated October 9, 2003, responded and requested Bank Mandiri to revise the proposal by considering BI's scenarios. The Bank has submitted the new proposal to BI on March 9, 2004 (Note 62e).

- i. Agreement on Implementation of E-Learning

In order to support Bank Mandiri's plan to focus on strategic excellence and operational excellence, the training infrastructure for an e-Learning program was established by the Bank. Bank Mandiri has signed a three year contract (agreement) with PT Mitra Integrasi Komputindo as a representative of Intralearn Asia PTE. LTD. Singapore involving a total contract value of US\$7,213,200 (full amount) (as stipulated in contract letter No. CHC.TRN/TPD.PK.0028/2003 dated July 30, 2003).



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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

j. Agreement with Mutual Fund "Dana Korporasi Mandiri"

On May 1, 2003, the Bank entered into a cooperation agreement with PT Mandiri Sekuritas, a subsidiary acting as Investment Manager for Dana Korporasi Mandiri (DKM), a mutual fund, which invests assets in fixed-income securities such as Government Recapitalization Bonds. Under the agreement, the Bank will act as *Sales Agent* for the mutual fund and *Provider* of Government Recapitalization Bonds based on market price, and will commit to sell Government Recapitalization Bonds to DKM up to a maximum of Rp20,000,000. As of December 31, 2003, total Government Recapitalization Bonds sold, and the outstanding commitment to DKM was Rp410,000 and Rp19,590,000, respectively.

k. Commitment Liabilities under President Instruction (Inpres) No. 5/2003 Regarding Economic Policy Package Prior and Post Cooperation Agreement with IMF

In relation with Inpres No. 5/2003 regarding *Economic Policy Package Prior and Post Cooperation Agreement with International Monetary Fund (IMF)*, the Government has set up programs in order to optimize domestic economic resources, to maintain and improve the sustainability of the Indonesian economy and especially to strengthen and improve corporate governance in state-owned banks, and requested Bank Mandiri to perform the following steps:

1. Appoint an Independent Commissioner who has capital market expertise;
2. Perform a Quasi Reorganization;
3. Complete the roll-out of new information technology;
4. Set-up a master plan for divestment of subsidiaries, affiliated companies and unproductive assets;
5. Improvement of internal quality control and internal audit;
6. Improvement in credit policy;
7. Improvement in risk management and market risk;
8. Improvement in funding mix through lower cost funding (savings and demand deposits); and
9. Improvement in recovery of credit written-offs.

Out of the 9 commitments listed above, items 1 to 5 have been completed as scheduled and results reported to the Government. The Bank has also made progress in respect of items 6 to 9 as scheduled.

l. Additional Prudential Supervision Requirements from Bank Indonesia

Following the meetings between Bank Mandiri and Bank Indonesia on May 23, 2003 and a follow up meeting in August 25, 2003, Bank Indonesia through letter No. 5/8/DGS/DPWB2 dated November 17, 2003 required Bank Mandiri to meet the following conditions before expanding its corporate credit portfolio:

- i. Secondary reserve (liquid assets/total assets)  $\geq 12\%$  \*)
- ii. Cost of funds to total assets ratio  $\leq 7.5\%$
- iii. Core earning to total assets ratio  $\geq 1.5\%$

Based on a letter No.5/87/DPwB2/PwB21 dated December 3, 2003, Bank Indonesia also required Bank Mandiri to achieve a maximum ratio of corporate credit to total credit of 50% by 2004.

\*) *Liquid assets are comprised of Current accounts with Other Banks, Placements with Bank Indonesia and Other Banks and Trading and Available for Sale Securities and exclude Government Recapitalization Bonds.*

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**58. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**i. Additional Prudential Supervision Requirements from Bank Indonesia**

As at December 31, 2003, the various ratios under the additional prudential supervision requirements was as follows:

Ratios	Actual	Bank Indonesia's Minimum Requirement
a. Secondary reserve	8.11%	≥12%
b. Cost of funds to total assets ratio	6.90%	≤7.5%
c. Core earnings to total assets ratio	2.17%	≥1.5%
d. Corporate credit to total credit ratio	52.20%	50% by 2004

**m. Purchase of Credit Card Business from PT GE Finance Indonesia (GEFI)**

On July 7, 2000, the Bank entered into a Cooperation Agreement with PT GE Finance Indonesia (GEFI), an affiliate of GE Capital, to issue co-branded Visa/Master Card credit card products, bearing both the Bank's name and GEFI's name. The objective of the agreement is to launch a credit card to support the expansion of Bank Mandiri's consumer products and increase customer loyalty and awareness. The Bank bears no credit risks as GEFI, during the agreement period, owns the right for collection of card receivables. Under the agreement, the Bank will receive an initial fee per account for introducing an approved account credit card holder, an annual fee equivalent to a percentage of the annual fees paid by credit card holders and a monthly fee equivalent to a percentage of average non-delinquent credit card receivables.

On June 11, 2003, the Bank entered into a Transition and Assignment Agreement with GEFI for the take over of the issuance of the credit cards, administration and management of the existing credit cards and transfer of rights, title and interests in the credit card receivables. Under the agreement, the Bank will pay a compensation fee to GEFI for infrastructure built up, losses incurred and potential future profits and an amount equivalent to the outstanding credit card receivables at the date of transfer in connection with the take over of such business. Effective at the date of the assignment agreement, the Bank will bear the credit risk related to the outstanding credit card receivables.

In October 2003, the Bank purchased outstanding card receivables as of August 28, 2003 amounting to Rp805 billion, involving a total of 262,283 card holders' accounts.

**n. Examination by Bank Indonesia**

Bank Indonesia is in the process of performing a regular examination of the Bank including assets quality as at September 30, 2003. The examination is still in progress as at the date of these consolidated financial statements. Should there be differences in loan classifications arising out of this examination, the Bank will be obliged to reflect the effect of the changes in loan classifications in its financial statements following the completion of Bank Indonesia's examination.

**o. Contingent Liabilities**

In the ordinary course of business, the Bank is a defendant in various litigation actions and claims with respect to matters such as contractual compliance, government regulations and taxes. Although there can be no assurances, Bank Mandiri believes that based on information currently available, the ultimate resolution of these legal proceedings will not likely have a material adverse effect on the results of its operations, financial position or liquidity. As of December 31, 2003, April 30, 2003 and December 31, 2002, Bank Mandiri has provided a provision (included in "Other Liabilities") for a number pending lawsuits filed against Bank Mandiri amounting to Rp1,415,754, Rp1,428,756 and Rp1,591,517, respectively (Note 28). The Bank's total potential exposure arising from outstanding lawsuits as of December 31, 2003, April 30, 2003 and December 31, 2002 amounted to Rp2,014,659, Rp2,185,124 and Rp2,244,374, respectively. Management believes that the provision is adequate to cover possible losses arising from pending litigation, or litigation cases currently in progress.

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**59. ECONOMIC CONDITIONS**

The operations of the Bank have been affected, and may continue to be affected for the foreseeable future by the economic conditions in Indonesia. Despite recent improvement in key economic indicators, Indonesian banks have engaged in limited lending activities. Any worsening of economic conditions, including a significant depreciation of the Rupiah or increase in interest rates, could adversely affect the ability of the Bank's customers (including borrowers and other contractual counterparties) to fulfill their obligations when they mature, and consequently negatively impact the Bank's profitability and its capital adequacy. Economic improvements and sustained recovery are dependent upon several factors such as fiscal and monetary action being undertaken by the Government and others, actions that are beyond the control of the Bank.

In response to these conditions, Bank Mandiri and its subsidiaries have implemented/and or continue to implement the following actions:

- a. Implementing an Initial Public Offering.
- b. Implementing Enterprise Mandiri Advance System (e-MAS).
- c. Improving the extent and variety of channels of distribution.
- d. Improving various product features.
- e. Improving sources of funds, including issuing bonds and increasing interest income from reprofiling government bonds.
- f. Restructuring non-performing loans.
- g. Overcoming liquidity risk by rolling over offshore borrowings, increasing retail funding and maintaining major customers by offering competitive interest rates and services.
- h. Efficiency improvement measures, as follows:
  - i. Rationalizing the number of employees.
  - ii. Optimizing office networking and extending retail credits.
  - iii. Redesigning branch operations.
  - iv. Controlling overhead costs through improved monitoring mechanisms.
  - v. Designing and effective organizational structure.
- i. Improvement of products and service quality to meet customers' needs.
- j. Improving human resources quality by developing a leadership training program with INSEAD and by providing more effective, efficient and timely training delivery (e-Learning).

The accompanying consolidated financial statements include the effects of the adverse economic conditions to the extent they can be determined and estimated. It is not possible to determine the future effects a continuation of the adverse economic conditions may have on Bank Mandiri's and its Subsidiaries' liquidity, earnings and realization of their earning assets, including the effects from their customers, creditors, shareholders and other stakeholders. The ultimate effect of these uncertainties on the stated amounts of assets and liabilities at the balance sheet date cannot presently be determined. Related effects will be reported in the consolidated financial statements as they become known and can be estimated.

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**60. GOVERNMENT GUARANTEE OF OBLIGATIONS OF LOCALLY INCORPORATED BANKS**

Based on the Decree of the Minister of Finance No. 26/KMK.017/1998 dated January 28, 1998, which was replaced by Minister of Finance's Decree No. 179/KMK.017/2000 dated May 26, 2000, the Government of the Republic of Indonesia is guaranteeing certain obligations of locally incorporated banks namely demand deposits, savings, time deposits and deposits on call, bonds, marketable securities, inter-bank placements, fund borrowings, currency swap and contingent liabilities such as bank guarantees, standby letters of credit and other liabilities, excluding subordinated loans and amounts due to directors, commissioners and related parties.

Based on Joint Decrees of the Directors of Bank Indonesia and Head of IBRA No. 32/46/KEP/DIR and No. 181/BPPN/0599 dated May 14, 1999, the guarantee period is automatically extended, unless otherwise that within six months from the maturity of this guarantee, IBRA decided not to extend its maturity. In 2001, the joint decrees of the Directors of Bank Indonesia and the Head of IBRA were replaced by BI regulation No. 3/7/PBI/2001 and Decree of the Head of IBRA No. 1035/BPPN/0401.

The Head of IBRA issued Decree No. SK-1036/BPPN/0401 in 2001 that provides for specific operational guidance in respect of the Government of the Republic of Indonesia's Guarantee of obligations of locally incorporated banks (Note 62 d).

The Government charges a premium in respect of its guarantee program in accordance with prevailing regulations (Note 44).

**61. IMPLEMENTATION OF QUASI REORGANIZATION**

For three consecutive years from 2000 to 2002, Bank Mandiri reported accumulated net profits of Rp7,512,786 million. However, the Bank still had accumulated losses amounting to Rp161,874,901 million as of April 30, 2003 (before quasi reorganization), as a result of losses incurred by legacy banks prior to the establishment of Bank Mandiri and losses incurred by the Bank during its initial seven-month operating period through December 31, 1999.

In order for Bank Mandiri to eliminate the negative the consequences of being burdened by accumulated losses, the Bank undertook a quasi reorganization as approved in the Shareholder's Extraordinary General Meeting (RUPSLB) on May 29, 2003.

On October 30, 2003, an Extraordinary Shareholders' General Meeting (RUPSLB) approved the Quasi Reorganization as at April 30, 2003. The minutes of the RUPSLB were notarized by Notary Sutjipto S.H. in Notarial Deed No. 165 dated October 30, 2003.

In relation with the quasi reorganization, the Bank has determined that the fair value of all assets and liabilities was higher than the historical net book value as at April 30, 2003, the date of the quasi reorganization. Therefore, the Bank directly eliminated the accumulated losses against the additional paid-in capital/agio without adjusting asset and liability accounts to their fair values.

The quasi reorganization adjustments resulted in the accumulated losses of Rp162,874,901 million as at April 30, 2003 being eliminated against additional paid-in capital/agio.

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**61. IMPLEMENTATION OF QUASI REORGANIZATION (Continued)**

The Consolidated Balance Sheets as of April 30, 2003 before and after Quasi Reorganization are as follows:

	<b>Before Quasi Reorganization</b>	<b>After Quasi Reorganization</b>
<b>ASSETS</b>		
Cash	1,846,539	1,846,539
Current accounts with Bank Indonesia	9,643,221	9,643,221
Current accounts with other banks - net	412,651	412,651
Placements with Bank Indonesia and other banks - net	7,019,538	7,019,538
Securities - net	12,734,855	12,734,855
Government bonds	150,332,380	150,332,380
Trade documents and other facilities - net	1,971,769	1,971,769
Derivative receivables - net	417,761	417,761
Loans - net	59,320,887	59,320,887
Acceptances receivables - net	2,688,233	2,688,233
Investments in shares of stock - net	122,271	122,271
Fixed assets - net	2,043,088	2,043,088
Deferred tax assets - net	2,923,968	2,923,968
Other assets - net	9,808,748	9,808,748
<b>Total Assets</b>	<b>261,285,909</b>	<b>261,285,909</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Other short-term liabilities	443,908	443,908
Deposits from customer	187,224,517	187,224,517
Deposits from other banks	13,790,831	13,790,831
Securities sold with agreements to repurchase	735,000	735,000
Derivative payables	13,128	13,128
Acceptances payable	2,791,637	2,791,637
Securities issued	4,053,877	4,053,877
Fund borrowings	12,658,279	12,658,279
Estimated losses on commitments and contingencies	1,488,315	1,488,315
Accrued expenses	974,474	974,474
Taxes payable	1,091,009	1,091,009
Other liabilities	9,906,046	9,906,046
Subordinated loans	5,901,077	5,901,077
Loan capital	2,926,193	2,926,193
<b>Total Liabilities</b>	<b>243,998,291</b>	<b>243,998,291</b>
Minority interests in net assets of consolidated subsidiaries	3,238	3,238
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	4,251,000	4,251,000
Additional paid-in capital/agio	173,550,319	10,675,418
Differences arising from translation of foreign currency financial statements	48,498	48,498
Unrealized gains on securities and Government Recapitalization Bonds available for sale	1,299,676	1,299,676
Premises and equipment revaluation increment	9,788	9,788
Retained earnings/(accumulated losses):		
Appropriated	3,155,386	1,000,000
Unappropriated	(165,030,287)	-
	(161,874,901)	1,000,000
<b>Total Shareholder's Equity</b>	<b>17,284,380</b>	<b>17,284,380</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>261,285,909</b>	<b>261,285,909</b>

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**61. IMPLEMENTATION OF QUASI REORGANIZATION (Continued)**

At the date of the quasi reorganization, the Bank did not eliminate appropriated retained earnings amounting to Rp1,000,000 million because the Minister of State-Owned Enterprises, as the Bank's shareholder, through Decision Letter No. Kep-154/M-MBU/2002 dated October 29, 2003 approved an increase the Bank's issued and fully paid-up capital by Rp1,000,000 which increase would be effected through the conversion of the balance of appropriated retained earnings to issued and fully paid-up capital. In addition, based on deed No. 2 of the Shareholder's Meeting regarding Changes in the Articles of Association dated June 1, 2003, prepared in front of Aulia Taufani, SH, as a replacement of Sutjipto, S.H., notary in Jakarta and Government Regulation No. 26 year 2003 dated May 29, 2003 which included the approval for the increase of the said issued and fully paid-up capital, Bank Mandiri has recorded the transfer of the balance of appropriated retained earnings of Rp1,000,000 to issued and fully paid-up capital.

**62. SUBSEQUENT EVENTS**

- a. Divestment of a 10% ownership interest in Bank Mandiri by the Government of the Republic of Indonesia

Based on a decision of Tim Kebijakan Privatisasi Badan Usaha Milik Negara No. Kep-05/TKP/01/2004 dated January 19, 2004, the divestment of a 10% ownership interest in PT Bank Mandiri (Persero) Tbk. by the Government of the Republic of Indonesia will be implemented in the 1st Quarter of 2004 (Note 32).

- b. Submission of Tax Objection Letter (Surat Keberatan) dated January 13, 2004 in relation to the Tax Assessment Letter (SKPKB) dated October 24, 2003 and a Cancellation Request Letter (Surat Gugatan) in relation to the Tax Collection Enforcement Letter (Surat Paksa) dated December 29, 2003.

On January 13, 2004, the Bank has sent a Tax Objection Letter (Surat Keberatan) to the tax office in relation to the Tax Assessment Letter (SKPKB) dated October 24, 2003. On the same day, the Bank has also sent a Cancellation Request Letter (*Surat Gugatan*) to the tax court in relation to the Tax Collection Enforcement Letter (*Surat Paksa*) from the Tax Office dated December 29, 2003 (Note 27c).

- c. Sales of Government Bonds

As of February 29, 2004 in relation to the secondary reserve requirement, the Bank entered into Government Bond sales transactions amounting to Rp17,070,000 (unaudited). As of February 29, 2004 the Bank's secondary reserve ratio is 12.64% (unaudited).

- d. Government Guarantee Program of Obligations of Locally Incorporated Banks

Based on Presidential Decree No.15/2004 dated February 27, 2004 in relation to the termination of IBRA's duties and its dissolution, and Minister of Finance Decree No. 84/KMK.06/2004 dated February 27, 2004, the Government of Republic of Indonesia established Unit Pelaksana Penjaminan Pemerintah, a new institution replacing IBRA, to continue the Government guarantee program for obligations of locally incorporated banks (Note 60).

- e. Repayment Proposal on Subordinated Loan of Bank Mandiri from Bank Indonesia (BI)

On March 9, 2004, the Bank has submitted a new proposal in relation with the settlement of subordinated loan from BI, through its letter No. COO/SPM.060/2004 dated March 9, 2004.

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**62. SUBSEQUENT EVENTS (continued)**

- f. Repayment Proposal on Subordinated Loan of PT Bank Syariah Mandiri, a subsidiary of the Bank, from Bank Indonesia.

On March 9, 2004, PT Bank Syariah Mandiri has submitted a proposal in relation with the settlement of subordinated loan from BI, through its letter No. 6/105/DIR dated March 9, 2004.

**63. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK (“INDONESIAN GAAP”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

The accompanying consolidated financial statements have been prepared in accordance with Indonesian GAAP, which varies in certain significant respects from IFRS. The significant differences relate to the items in the following paragraphs:

a. Allowance for Possible Losses on Earning Assets

Under Indonesian GAAP, the Bank records allowances for possible losses on earning assets using general and specific allowances based on management’s estimates and using the guidelines prescribed by Bank Indonesia.

Under IFRS, the Bank records allowances for possible losses on earning assets that are not considered impaired using general and specific allowances in accordance with the provisions of IAS No. 37 - “Estimated Liabilities, Contingent Liabilities and Contingent Assets”.

Under IAS No. 39 - “Financial Instruments: Recognition and Measurement”, the Bank calculates allowances for possible losses on earning assets based on the net present value of earning assets that are impaired and based on the expected collection of other earning assets. An earning asset is considered impaired when it becomes probable that the Bank will be unable to collect all amounts due according to contractual terms.

b. Allowance for Possible Losses on Commitments and Contingencies

Under Indonesian GAAP, the Bank records allowances for possible losses on commitments and contingencies using general and specific allowances based on management’s estimates and using the guidelines prescribed by Bank Indonesia.

Under IFRS, the Bank does not recognize certain of the allowances for possible losses on commitments and contingencies in accordance with the provisions of IAS No. 37-“Estimated Liabilities, Contingent Liabilities and Contingent Assets”.

c. Derivative instruments

Under Indonesian GAAP, the Bank applies SFAS No. 55 - “Accounting for Derivative Instruments and Hedging Activities” which requires that derivative instruments be measured and recognized at their fair values. As of April 30, 2003 and December 31, 2002, the fair value of the foreign currency forward transactions has been determined based on Reuters spot rates at the reporting dates in accordance with the reporting guidelines prescribed by Bank Indonesia. On October 23, 2003, Bank Indonesia issued a letter to amend the guidelines and waived the requirement to use spot rates of exchange to revalue foreign currency forward contracts.

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**63. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK (“INDONESIAN GAAP”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)**

The accompanying consolidated financial statements have been prepared in accordance with Indonesian GAAP, which varies in certain significant respects from IFRS. The significant differences relate to the items in the following paragraphs (continued):

c. Derivative instruments (continued)

Under IAS No. 39 - “Financial Instruments: Recognition and Measurement”, the Bank calculates the fair values of foreign currency forward derivative instruments based on forward rates of exchange.

The Bank classifies Government Bonds (Note 8) as originated loans under IFRS and therefore no separate measurement and recognition is required for indexation derivatives that are embedded in the hedge bonds. Originated loans are characterized by assets for which the Bank provided the original funding and are not determined by the form of the instrument that results from the loan origination.

d. Employee Benefits

Under Indonesian GAAP, the Bank recognized a provision for employee entitlements under KepMen 150 and UU no. 13/2003 equal to the present value of the obligation as determined by actuarial reports in accordance with SFAS No. 57 - “Estimated Liabilities, Contingent Liabilities and Contingent Assets”.

Under IFRS, KepMen 150 and UU no. 13/2003 is accounted for as a defined benefit plan and as such it requires the actuary to use the projected unit credit method of actuarial valuation as mandated by IAS 19 - “Employee Benefits”. Further, under IFRS, past service cost is recognized on a straight-line basis over the average period until the benefits become vested and any actuarial gain/loss resulting from differences between actuarial assumptions and what has actually occurred and changes in actuarial assumptions does not require amortization unless the change is more than a 10% corridor range of variation, in which event such excess is amortized over the remaining working lives of the employees.

As mentioned in Note 42, the Bank has evaluated the effect of UU No. 13/2003 on its consolidated financial statements and amended its policy related to employee benefits and service entitlements from KepMen 150 to UU No. 13/2003. For Indonesian GAAP, the difference between the benefit obligations in accordance with KepMen 150 and the benefit obligations under UU No. 13/2003 is recognized in 2003 statements of profit and loss. For IFRS, changes in benefit obligations are treated as negative past service costs which are amortized over the vesting period of the reduced benefits.

e. Loans Purchases from IBRA

Under Indonesian GAAP, the difference between the outstanding loan principal and purchase price is booked as deferred income if the Bank enters into a new credit agreement with the borrower, and as an allowance for possible losses if the Bank does not enter into a new credit agreement with the borrower. The allowance for loan losses or deferred income is only adjusted once the Bank has recovered the original purchase price.

Under IFRS, the difference between outstanding loan principal and purchase price is booked as deferred income for all loans purchased from IBRA. For performing loans, the deferred income is accreted into income over the life of the loan using the effective interest rate method in accordance with IAS No. 39 - “Financial Instruments: Recognition and Measurement”. For non-performing loans, the deferred income is only adjusted once the Bank has recovered the original purchase price.



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**63. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK ("INDONESIAN GAAP") AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)**

The accompanying consolidated financial statements have been prepared in accordance with Indonesian GAAP, which varies in certain significant respects from IFRS. The significant differences relate to the items in the following paragraphs (continued):

f. Premises and Equipment

Under Indonesian GAAP, premises and equipment are stated at cost, except for certain premises and equipment used in operations that were revalued in 1979, 1987 and 2003 in accordance with Government regulations, less accumulated depreciation and amortization.

Under IFRS, the Bank has opted to carry premises and equipment at historical cost in accordance with the benchmark treatment of IAS 16 (revised 1998)- "Property, Plant and Equipment". Therefore, the revaluation results of certain premises and equipment recognized on June 18, 2003 for Indonesian GAAP financial statements (Note 14) have not been recognized under IFRS.

g. Deferred Income Taxes

The impact on deferred income taxes of the IFRS adjustments has been recognized in accordance with IAS 12 - "Income Taxes". An effective tax rate of 30% has been applied.

**64. RECONCILIATION OF NET INCOME AND SHAREHOLDERS' EQUITY TO THE AMOUNTS DETERMINED UNDER IFRS**

The following is a summary of the adjustments to shareholders' equity as of December 31, 2003, April 30, 2003 and December 31, 2002 and net profit for the periods then ended, which would be required if IFRS had been applied by Bank Mandiri instead of Indonesian GAAP in the preparation of its consolidated financial statements.

	For the 8-month period ended December 31, 2003	For the 4-month period ended April 30, 2003	For the year ended December 31, 2002
Net profit as reported in the consolidated financial statements prepared under Indonesian GAAP	3,228,574	1,357,515	3,585,589
IFRS adjustments - increase/(decrease) due to:			
Allowance for possible losses on earning assets	(101,844)	(560,379)	215,445
Allowance for possible losses on commitments and contingencies	(965,641)	1,069,602	(77,277)
Change in fair value of derivatives	38,794	13,539	(52,333)
Employee benefits	(21,230)	3,955	(94,096)
Accretion of deferred income arising from the purchase of loans from IBRA	54,777	-	-
De-recognition of revaluation of premises and equipment	199,026	-	-
Deferred income taxes	238,835	(158,015)	2,478
Net (decrease)/increase in reported net profit	(557,283)	368,702	(5,783)
<b>Net profit in accordance with IFRS</b>	<b>2,671,291</b>	<b>1,726,217</b>	<b>3,579,806</b>
<b>Net earnings per share</b>			
Basic (full amount)	133.56	86.31	178.99
Diluted (full amount)	133.18	86.06	178.47

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**64. RECONCILIATION OF NET INCOME AND SHAREHOLDERS' EQUITY TO THE AMOUNTS DETERMINED UNDER IFRS (continued)**

The following is a summary of the adjustments to shareholders' equity as of December 31, 2003, April 30, 2003 and December 31, 2002 and net profit for the periods then ended, which would be required if IFRS had been applied by Bank Mandiri instead of Indonesian GAAP in the preparation of its consolidated financial statements (continued).

	<b>December 31, 2003</b>	<b>April 30, 2003</b>	<b>December 31, 2002</b>
Shareholders' equity as reported in the consolidated financial statements prepared under Indonesian GAAP	20,395,225	17,284,380	14,434,510
IFRS adjustments - increase/(decrease) due to:			
Allowance for possible losses on earning assets	1,818,761	1,920,605	2,480,984
Allowance for possible losses on commitments and contingencies	491,135	1,456,776	387,174
Change in fair value of derivatives	-	(38,794)	(52,333)
Employee benefits	(25,185)	-	(3,955)
Accretion of deferred income arising from the purchase of loans from IBRA	54,777	-	-
De-recognition of revaluation of premises and equipment	(2,847,910)	-	-
Deferred income taxes	152,527	(1,001,576)	(843,561)
Net (decrease)/increase in reported shareholders' equity	(355,895)	2,337,011	1,968,309
<b>Shareholders' equity in accordance with IFRS</b>	<b>20,039,330</b>	<b>19,621,391</b>	<b>16,402,819</b>

**65. COMPLETION OF THE FINANCIAL STATEMENTS**

The management of the Bank is responsible for the preparation of these consolidated financial statements which were completed on March 9, 2004.

*These consolidated financial statements are originally issued in the Indonesian language.*

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**BALANCE SHEETS - PARENT COMPANY ONLY**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
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	December 31, 2003	April 30, 2003	December 31, 2002
		(After Quasi Reorganization)	
<b>ASSETS</b>			
Cash	2,177,056	1,816,952	2,135,280
Current Accounts with Bank Indonesia	11,980,680	9,573,319	9,553,963
Current Accounts with Other Banks - net of allowance for possible losses of Rp3,118, Rp3,286 and Rp3,280 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	315,258	341,883	301,798
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp64,144, Rp69,578 and Rp51,179 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	10,203,669	6,871,598	14,828,869
Securities			
Related parties	403,654	260,420	511,317
Third parties	10,502,361	13,070,388	1,994,527
	10,906,015	13,330,808	2,505,844
Less: Unamortized interest, unrealized gains from increase in value of securities and allowance for possible losses	(1,138,852)	(1,163,252)	(1,069,969)
Net	9,767,163	12,167,556	1,435,875
Government Recapitalization Bonds	122,781,134	150,332,380	148,845,927
Trade Documents and Other Facilities - net of allowance for possible losses of Rp799,310, Rp769,481 and Rp829,350 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	2,656,183	1,786,250	1,446,696
Derivative Receivables - net of allowance for possible losses of Rp10,343, Rp4,198 and Rp3,625 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	1,023,947	415,643	358,862
Loans			
Related parties	921,068	919,884	848,948
Third parties	72,389,650	66,698,618	63,091,669
	73,310,718	67,618,502	63,940,617
Less: Allowance for possible losses	(8,836,394)	(9,821,174)	(8,852,557)
Deferred income	(209,574)	(203,946)	(164,284)
Net	64,264,750	57,593,382	54,923,776
Acceptances Receivable - net of allowance for possible losses of Rp148,762, Rp103,404 and Rp 127,538 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	3,116,110	2,680,494	2,021,657
Investments in Shares of Stock - net of allowance for possible losses of Rp89,693, Rp27,633 and Rp 62,807 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	1,731,202	1,760,660	1,399,519

**PT BANK MANDIRI (PERSERO) TBK.**  
**BALANCE SHEETS - PARENT COMPANY ONLY (continued)**  
**December 31, 2003, April 30, 2003 and December 31, 2002**  
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	December 31, 2003	April 30, 2003	December 31, 2002
		(After Quasi Reorganization)	
Premises and Equipment - net of accumulated depreciation and amortization of Rp1,694,789, Rp1,488,487 and Rp1,404,032 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	5,249,055	1,921,827	1,843,201
Deferred Tax Assets - net	2,336,670	2,922,870	2,594,379
Other Assets			
Accrued income	1,630,037	3,219,538	2,099,865
Receivables	2,819,848	2,810,862	2,875,188
Prepaid tax	833	363,434	363,559
Prepaid expenses	230,533	268,494	134,652
Others - net	3,527,609	2,940,548	2,006,743
Total Other Assets	8,208,860	9,602,876	7,480,007
<b>TOTAL ASSETS</b>	<b>245,811,737</b>	<b>259,787,690</b>	<b>249,169,809</b>

**PT BANK MANDIRI (PERSERO) TBK.**  
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	December 31, 2003	April 30, 2003	December 31, 2002
		(After Quasi Reorganization)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities Immediately Payable	868,125	404,506	32,058
Deposits from customers:			
Demand deposits			
Related parties	63,534	50,117	63,791
Third parties	37,827,891	33,187,988	32,341,071
	37,891,425	33,238,105	32,404,862
Savings deposits			
Related parties	8,769	2,406	32,823
Third parties	40,545,966	29,678,878	29,556,920
	40,554,735	29,681,284	29,589,743
Time deposits			
Related parties	529,598	2,397,187	1,784,859
Third parties	97,182,435	120,822,638	119,413,481
	97,712,033	123,219,825	121,198,340
Certificates of deposit - net of unamortized interest of Rp7, Rp20 and Rp69 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	36	119	78,883
Total Deposits from Customers	176,158,229	186,139,332	183,271,828
Deposits from Other Banks:			
Demand deposits	588,573	291,083	596,319
Inter-bank call money	1,022,441	1,574,947	796,555
Time deposits	9,900,271	11,875,734	11,462,944
Certificates of deposit - net of unamortized interest of RpNil as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	-	-	30
Total Deposits From Other Banks	11,511,285	13,741,764	12,855,848
Securities Sold with Agreements to Repurchase	4,342,500	735,000	735,000
Derivative Payables	22,312	10,621	5,417
Acceptances Payable	3,264,872	2,783,898	2,149,195
Securities Issued - net of unamortized discount of Rp11,609, Rp15,428 and Rp2,342 as of December 31, 2003, April 30, 2003 and December 31, 2002, respectively	4,196,883	4,118,898	1,518,990
Fund Borrowings	8,385,169	12,658,279	13,659,536
Estimated Losses on Commitments and Contingencies	571,492	1,488,299	1,211,086
Accrued Expenses	484,216	953,623	882,972
Taxes Payable	587,974	1,080,615	286,752
Other Liabilities	7,073,220	9,635,689	8,895,243
Subordinated Loans	5,086,484	5,869,077	6,326,965
Loan Capital	2,892,375	2,926,193	2,963,250
<b>Total Liabilities</b>	<b>225,445,136</b>	<b>242,545,795</b>	<b>234,794,140</b>

**PT BANK MANDIRI (PERSERO) TBK.**  
**BALANCE SHEETS – PARENT COMPANY ONLY (continued)**  
**December 31, 2003, April 30, 2003 And December 31, 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	December 31, 2003	April 30, 2003	December 31, 2002
		(After Quasi Reorganization)	
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital - Rp500 (full amount) par value per share (April 30, 2003 and December 31, 2002: Rp 1,000,000 (full amount) par value per share); Authorized - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B (April 30, 2003 and December 31, 2002: 16,000,000 shares); Issued and fully paid -1 share Dwiwarna Series A and 19,999,999,999 common shares Series B (April 30, 2003 and December 31, 2002: 4,251,000 shares)	10,000,000	4,251,000	4,251,000
Additional Paid-in Capital/Agio	5,926,418	10,675,418	173,550,319
Differences Arising from Translation of Foreign Currency Financial Statements	16,092	16,267	16,498
Unrealized (Losses)/Gains on Securities and Government Recapitalization Bonds Available for Sale	(1,861,316)	1,299,210	(2,139,573)
Premises and Equipment Revaluation Increment	3,046,936	-	-
Share Options	9,897	-	-
Retained Earnings/(Accumulated Losses) - (Rp162,874,901 of accumulated losses was eliminated against additional paid-in capital/agio as a result of the quasi reorganization on April 30, 2003)			
Appropriated	-	1,000,000	2,099,638
Unappropriated	3,228,574	-	(163,402,213)
Total Retained Earnings/(Accumulated Losses)	3,228,574	1,000,000	(161,302,575)
<b>Total Shareholders' Equity</b>	<b>20,366,601</b>	<b>17,241,895</b>	<b>14,375,669</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>245,811,737</b>	<b>259,787,690</b>	<b>249,169,809</b>

**PT BANK MANDIRI (PERSERO) TBK.**  
**STATEMENTS OF PROFIT AND LOSS - PARENT COMPANY ONLY**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
			(For Comparative Purposes)	
<b>INCOME AND EXPENSES FROM OPERATIONS</b>				
Interest Income				
Interest income	15,426,254	9,270,062	24,696,316	31,251,646
Fees and commissions on loan facilities	312,009	158,472	470,481	356,758
Total Interest Income	15,738,263	9,428,534	25,166,797	31,608,404
Interest Expense				
Interest expense	(10,238,572)	(7,050,611)	(17,289,183)	(24,858,194)
Other financing expenses	(81,198)	(31,334)	(112,532)	(64,326)
Total Interest Expense	(10,319,770)	(7,081,945)	(17,401,715)	(24,922,520)
<b>NET INTEREST INCOME</b>	<b>5,418,493</b>	<b>2,346,589</b>	<b>7,765,082</b>	<b>6,685,884</b>
Other Operating Income				
Foreign exchange gain - net	30,297	79,881	110,178	-
Other fees and commissions	637,181	192,900	830,081	791,595
Others	510,566	154,106	664,672	706,689
Total Other Operating Income	1,178,044	426,887	1,604,931	1,498,284
Provision for Possible Losses on Earning Assets	(629,773)	(534,351)	(1,164,124)	(4,597,879)
Reversal/(Addition) of Estimated Losses on Commitments and Contingencies	847,097	(205,317)	641,780	3,364,433
(Provision)/Reversal of Allowance for Possible Losses on Other Assets	(165,094)	(1,098)	(166,192)	288,940
(Loss)/Gain from Decrease/(Increase) in Value of Securities and Government Recapitalization Bonds - net	(768,240)	717,298	(50,942)	1,530,413
Gain from Sale of Securities and Government Recapitalization Bonds	1,799,016	324,422	2,123,438	490,337
Other Operating Expenses				
General and administrative expenses	(1,482,409)	(499,333)	(1,981,742)	(1,947,671)
Salaries and employee benefits	(1,055,761)	(575,317)	(1,631,078)	(1,473,385)
Foreign exchange loss - net	-	-	-	(23,652)
Others - net	(132,018)	(178,136)	(310,154)	(1,302,262)
Total Other Operating Expenses	(2,670,188)	(1,252,786)	(3,922,974)	(4,746,970)
<b>PROFIT FROM OPERATIONS</b>	<b>5,009,355</b>	<b>1,821,644</b>	<b>6,830,999</b>	<b>4,513,442</b>
Non-Operating Income - Net	119,560	72,779	192,339	1,259,631
<b>PROFIT BEFORE CORPORATE INCOME TAX EXPENSE</b>	<b>5,128,915</b>	<b>1,894,423</b>	<b>7,023,338</b>	<b>5,773,073</b>
Corporate Income Tax (Expense)/Benefit				
Current	(1,314,142)	(865,398)	(2,179,540)	-
Deferred	(586,199)	328,490	(257,709)	(2,187,484)
<b>NET PROFIT</b>	<b>3,228,574</b>	<b>1,357,515</b>	<b>4,586,089</b>	<b>3,585,589</b>



These consolidated financial statements are originally issued in Indonesian language.

**PT BANK MANDIRI (PERSERO) TBK.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Year Ended December 31, 2002**  
**(Expressed in Millions of Rupiah, Unless Otherwise Stated)**

	Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital/Agio*	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized (Losses)/ Gains on Securities and Government Recapitalization Bonds Available for Sale	Differences Arising from Transactions between entities under common control	Premises and Equipment Revaluation Increment	Share Options	Retained Earnings/(Accumulated Losses)			Total Shareholders' Equity
									Unappropriated	Appropriated	Total	
<b>Balance as of January 1, 2002</b>		<b>4,251,000</b>	<b>174,962,319</b>	<b>(8,052)</b>	<b>(5,047,162)</b>	<b>(129,685)</b>	-	-	<b>(163,642,045)</b>	<b>159,140</b>	<b>(163,482,905)</b>	<b>10,545,515</b>
Return of additional paid-in capital to the Government	32	-	(1,412,000)	-	-	-	-	-	-	-	-	(1,412,000)
Additional differences arising from the translation of foreign currency financial statements	2b, 2c	-	-	24,550	-	-	-	-	-	-	-	24,550
Unrealized gain on securities and Government Recapitalization Bonds available for sale	2h	-	-	-	2,907,589	-	-	-	-	-	-	2,907,589
Dividends allocated from 2001 net profit	32	-	-	-	-	-	-	-	(1,372,878)	-	(1,372,878)	(1,372,878)
Reduction in differences arising from transactions between entities under common control		-	-	-	-	129,685	-	-	-	-	-	129,685
Allocation for small industry and cooperative development fund ("PUKK"), environmental development fund and directors' and commissioners' bonuses (tantiem) from 2001 net profit	32	-	-	-	-	-	-	-	(32,381)	-	(32,381)	(32,381)
General and specific reserves allocated from 2001 net profit	32	-	-	-	-	-	-	-	(1,340,498)	1,340,498	-	-
Net profit for 2002		-	-	-	-	-	-	-	3,585,589	-	3,585,589	3,585,589
Reserve allocated from net profit for the six-month period ended June 30, 2002		-	-	-	-	-	-	-	(600,000)	600,000	-	-
<b>Balance as of December 31, 2002</b>		<b>4,251,000</b>	<b>173,550,319</b>	<b>16,498</b>	<b>(2,139,573)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(163,402,213)</b>	<b>2,099,638</b>	<b>(161,302,575)</b>	<b>14,375,669</b>

These consolidated financial statements are originally issued in Indonesian language.

**PT BANK MANDIRI (PERSERO) TBK.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Year Ended December 31, 2002**  
**(Expressed in Millions of Rupiah, Unless Otherwise Stated)**

	Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital/Agio*	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized (Losses)/ Gains on Securities and Government Recapitalization Bonds Available for Sale	Differences Arising from Transactions between entities under common control	Premises and Equipment Revaluation Increment	Share Options	Retained Earnings/(Accumulated Losses)			Total Shareholders' Equity
									Unappropriated	Appropriated	Total	
<b>Balance as of December 31, 2002</b>		<b>4,251,000</b>	<b>173,550,319</b>	<b>16,498</b>	<b>(2,139,573)</b>	-	-	-	<b>(163,402,213)</b>	<b>2,099,638</b>	<b>(161,302,575)</b>	<b>14,375,669</b>
General and specific reserves allocated from 2002 net profit	32	-	-	-	-	-	-	-	(1,055,748)	1,055,748	-	-
Dividends allocated from 2002 net profit	32	-	-	-	-	-	-	-	(1,792,794)	-	(1,792,794)	(1,792,794)
Allocation for small industry and cooperative development fund (PUKK), environmental development fund and directors' and commissioners' bonuses (tantiem) from 2002 net profit	32	-	-	-	-	-	-	-	(137,047)	-	(137,047)	(137,047)
Reduction in differences arising from the translation of foreign currency financial statements	2b,2c	-	-	(231)	-	-	-	-	-	-	-	(231)
Unrealized gain on securities and Government Recapitalization Bonds available for sale	2h	-	-	-	3,438,783	-	-	-	-	-	-	3,438,783
Net profit for the four-month period ended April 30, 2003		-	-	-	-	-	-	-	1,357,515	-	1,357,515	1,357,515
<b>Balance as of April 30, 2003 before quasi reorganization</b>		<b>4,251,000</b>	<b>173,550,319</b>	<b>16,267</b>	<b>1,299,210</b>	-	-	-	<b>(165,030,287)</b>	<b>3,155,386</b>	<b>(161,874,901)</b>	<b>17,241,895</b>
Elimination of accumulated losses against additional paid-in capital/agio on quasi reorganization	2ae,32	-	(162,874,901)	-	-	-	-	-	165,030,287	(2,155,386)	162,874,901	-
<b>Balance as of April 30, 2003 after quasi reorganisation</b>	2ae,32	<b>4,251,000</b>	<b>10,675,418</b>	<b>16,267</b>	<b>1,299,210</b>	-	-	-	-	<b>1,000,000</b>	<b>1,000,000</b>	<b>17,241,895</b>

\* Agio represents paid-up capital in excess of par value.

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**PT BANK MANDIRI (PERSERO) TBK.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four Month Period Ended April 30, 2003 and the Year Ended December 31, 2002**  
**(Expressed in Millions of Rupiah, Unless Otherwise Stated)**

	Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital/Agio*	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized (Losses)/ Gains on Securities and Government Recapitalization Bonds Available for Sale	Differences Arising from Transactions between entities under common control	Premises and Equipment Revaluation Increment	Share Options	Retained Earnings/Accumulated Losses)			Total Shareholders' Equity
									Unappropriated	Appropriated	Total	
<b>Balance as of April 30, 2003 after quasi reorganisation</b>	2ad,32	<b>4,251,000</b>	<b>10,675,418</b>	<b>16,267</b>	<b>1,299,210</b>	-	-	-	-	<b>1,000,000</b>	<b>1,000,000</b>	<b>17,241,895</b>
Conversion of issued and fully paid-up capital to additional paid-in capital/agio	32	(251,000)	251,000	-	-	-	-	-	-	-	-	-
Conversion of appropriated retained earnings to issued and fully paid-up capital	32	1,000,000	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-
Conversion of additional paid-in capital /agio to issued and fully paid-up capital	32	5,000,000	(5,000,000)	-	-	-	-	-	-	-	-	-
Additional premises and equipment revaluation increment	2q,14c,32	-	-	-	-	-	3,046,936	-	-	-	-	3,046,936
Differences arising from translation of foreign currency financial statements	2b,2c	-	-	(175)	-	-	-	-	-	-	-	(175)
Unrealized losses on securities and Government Recapitalization Bonds available for sale	2h	-	-	-	(3,160,526)	-	-	-	-	-	-	(3,160,526)
Recognition of share options	33	-	-	-	-	-	-	9,897	-	-	-	9,897
Net profit for the eight-month period ended December 31, 2003		-	-	-	-	-	-	-	3,228,574	-	3,228,574	3,228,574
<b>Balance as of December 31, 2003</b>		<b>10,000,000</b>	<b>5,926,418</b>	<b>16,092</b>	<b>(1,861,316)</b>	<b>-</b>	<b>3,046,936</b>	<b>9,897</b>	<b>3,228,574</b>	<b>-</b>	<b>3,228,574</b>	<b>20,366,601</b>

\* Agio represents paid-up capital in excess of par value.

**PT BANK MANDIRI (PERSERO) TBK.**  
**STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four-Month Period Ended April 30, 2003 and the Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
			(For Comparative Purposes)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interest income	17,015,755	8,150,390	25,166,145	32,265,194
Receipts from fees and commissions	949,189	351,373	1,300,562	1,148,353
Payment of interest expense	(10,707,980)	(6,979,959)	(17,687,939)	(25,253,098)
Payment of other financing expenses	(81,198)	(31,335)	(112,533)	(64,326)
Gains from sale of securities and Government Recapitalization Bonds	1,797,839	325,599	2,123,438	490,337
Foreign exchange gains/(losses) - net	(63,899)	659,958	596,059	4,336,325
Operating income - others	521,545	177,963	699,508	483,131
Operating expenses - others	(126,929)	(272,884)	(399,813)	1,887,070
Salaries and employee benefits	(833,216)	(493,357)	(1,326,573)	(1,473,385)
General and administrative expenses	(1,239,904)	(414,878)	(1,654,782)	(1,659,998)
Non-operating income/(expense) - others	85,855	70,693	156,548	301,830
<b>Profit before changes in operating activities</b>	<b>7,317,057</b>	<b>1,543,563</b>	<b>8,860,620</b>	<b>12,461,433</b>
(Increase)/decrease in operating assets:				
Placements with Bank Indonesia and other banks	(3,326,806)	7,938,872	4,612,066	20,838,663
Securities - trading portfolio	440,564	(47,716)	392,848	(452,415)
Sale of Government Recapitalization Bonds - trading portfolio	26,206,584	81,199	26,287,783	1,024,891
Trade documents and other facilities	(899,763)	(279,684)	(1,179,447)	323,398
Loans	(8,630,408)	(4,266,554)	(12,896,962)	(16,437,494)
Proceeds from collection of earning assets already written-off	902,200	337,918	1,240,118	1,103,124
Deposit made to State Treasury	-	-	-	(1,124,194)
Other assets	483,314	(1,069,718)	(586,404)	(198,467)
Increase/(decrease) in operating liabilities:				
Demand deposits	4,950,811	528,006	5,478,817	(4,986,778)
Savings deposits	10,873,450	91,542	10,964,992	7,471,662
Time deposits	(27,483,255)	2,434,275	(25,048,980)	(5,910,921)
Certificates of deposit	(83)	(78,795)	(78,878)	(3,262,970)
Inter-bank call money	(552,506)	778,392	225,886	461,554
Liabilities immediately payable	463,620	372,448	836,068	6,570
Taxes payable	(1,806,782)	(71,536)	(1,878,318)	(55,544)
Other liabilities	(923,910)	1,226,680	302,770	558,254
Estimated losses on commitments and contingencies	(847,097)	205,317	(641,780)	(3,791,207)
Differences arising from translation of foreign currency financial statements	(175)	(231)	(406)	24,550
<b>Net cash provided by operating activities</b>	<b>7,166,815</b>	<b>9,723,978</b>	<b>16,890,793</b>	<b>8,054,109</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease/(increase) in securities - held to maturity portfolio	1,079,050	(9,980,164)	(8,901,114)	(379,626)
Redemption of matured Government Recapitalization Bonds	5,010,603	1,404,063	6,414,666	11,552,679
Addition to Government Recapitalization Bonds	(5,010,603)	(1,404,063)	(6,414,666)	(11,552,679)
Purchase of Government Recapitalization Bonds	(465,354)	-	(465,354)	-
Decrease/(increase) in investments in shares of stock	36,131	-	36,131	(564,457)
Sale of securities purchased with agreements to resell	-	-	-	305,102
Proceeds from sale of premises and equipment	210,268	-	210,268	1,472
Acquisition of premises and equipment	(739,553)	(170,422)	(909,975)	(347,354)
<b>Net cash provided by/(used in) investing activities</b>	<b>120,542</b>	<b>(10,150,586)</b>	<b>(10,030,044)</b>	<b>(984,863)</b>

**PT BANK MANDIRI (PERSERO) TBK.**  
**STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY (continued)**  
**For the Eight-Month Period Ended December 31, 2003,**  
**the Four Month Period Ended April 30, 2003 and Years Ended December 31, 2003 and 2002**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Eight-Month Period Ended December 31, 2003	Four-Month Period Ended April 30, 2003	Year Ended December 31, 2003	Year Ended December 31, 2002
			(For Comparative 2003)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(decrease) in securities issued	77,986	2,599,908	2,677,894	(1,916,113)
Decrease in fund borrowings	(3,869,606)	(662,477)	(4,532,083)	(4,590,044)
Increase/(decrease) in subordinated loans	(697,724)	(357,704)	(1,055,428)	237,630
Sale of securities sold with agreements to repurchase	2,872,500	-	2,872,500	735,000
Payment of dividend, PUKK, environmental development fund and tantiem	(2,929,841)	-	(2,929,841)	(1,372,878)
Return of additional paid-in capital to the Government	-	(1,412,000)	(1,412,000)	-
Net cash (used in)/provided by financing activities	(4,546,685)	167,727	(4,378,958)	(6,906,405)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,740,672</b>	<b>(258,881)</b>	<b>2,481,791</b>	<b>162,841</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>11,735,440</b>	<b>11,994,321</b>	<b>11,994,321</b>	<b>11,831,480</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>14,476,112</b>	<b>11,735,440</b>	<b>14,476,112</b>	<b>11,994,321</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD CONSIST OF:</b>				
Cash	2,177,056	1,816,952	2,177,056	2,135,280
Current accounts with Bank Indonesia	11,980,680	9,573,319	11,980,680	9,553,963
Current accounts with other banks	318,376	345,169	318,376	305,078
Total cash and cash equivalents	14,476,112	11,735,440	14,476,112	11,994,321
<b>SUPPLEMENTAL NON-CASH FLOW INFORMATION:</b>				
Activities not affecting cash flows:				
Unrealized gains/(losses) on securities and Government Bonds available for sale	(3,928,766)	4,156,081	227,315	4,438,002
Reprofiling of Government Recapitalization Bonds Reserves for dividend, PUKK, environmental development fund, tantiem and incentive bonuses from 2002 net profit	-	16,783,377	16,783,377	103,849,017
Governments Bonds swapped with IBRA' s loans	-	(1,929,841)	(1,929,841)	-
Proposed return of additional paid in capital to the Government	-	-	-	(5,422,497)
	-	-	-	(1,412,000)