Consolidated Financial Statements
With Independent Auditors' Report
Years Ended December 31, 2005 and 2004

PT BANK MANDIRI (PERSERO) TBK.
AND SUBSIDIARIES

ERNST & YOUNG

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-5087

The Stockholders, 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, 2005 and 2004, and the related consolidated statements of profit and loss, changes in shareholders' equity and cash flows for the years ended. These consolidated financial statements are the responsibility of the Bank Mandiri's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the local subsidiaries of Bank Mandiri as of and for the year ended December 31, 2005, whose statements represent total assets of 3.72% of the consolidated total assets as of December 31, 2005 and total operational revenues of 5.33% of the consolidated operational revenue for the year ended. Those statements were audited by other independent auditors whose reports expressed an unqualified opinion and have been furnished to us, and our opinion, insofar as it relates to the amounts included for such local subsidiaries, is based solely on the reports of the other independent auditors.

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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank Mandiri and Subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

As more fully discussed in Note 2o to the consolidated financial statements, Bank Mandiri has applied Bank Indonesia Regulation No. 7/2/PBI/2005 concerning Assets Quality Rating for Commercial Banks, which became effective since January 20, 2005.

As discussed in Note 60 to the consolidated financial statements, accounting principles generally accepted in Indonesia vary in certain respect from International Financial Reporting Standards. The application of International Financial Reporting Standards and Bank Indonesia Regulation in respect of minimum provision for unimpaired loans would have affected the consolidated shareholders' equity of Bank Mandiri and Subsidiaries as of December 31, 2005 and 2004 (after quasi-reorganization) and the consolidated results of their operations for the years then ended to the extent summarized in Note 61 to the consolidated financial statements.

This report is originally issued in Indonesian language.

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 of the consolidated financial statements, and is not a required part of the basic consolidated financial statements. Such information has been subjected to auditing procedures applied in our audits of the basic consolidated financial statements, and in our opinion, such information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Prasetio, Sarwoko & Sandjaja

Drs. Soemarso S. Rahardjo, ME
Public Accountant License No. 98.1.0064

March 9, 2006

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and 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 Indonesian language.

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2005 AND 2004

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These consolidated financial statements are originally issued in Indonesian language.

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
ASSETS			
Cash	2e	2,522,764	2,439,465
Current Accounts with Bank Indonesia	2e, 3	20,304,705	15,986,630
Current Accounts with Other Banks - net of allowance for possible losses of Rp7,725 and Rp6,557 as of December 31, 2005 and 2004	2d, 2e, 2o, 4, 48	697,603	650,631
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp154,871, and Rp91,258 as of December 31, 2005 and 2004	2f, 2o , 5	23,617,054	14,180,058
Securities	2d, 2g, 2o, 2ad, 6, 48		
Related parties		600,200	399,084
Third parties		11,238,532	13,196,974
		11,838,732	13,596,058
Less: Unamortized discounts, unrealized (losses)/gains from decrease/increase in value of securities and allowance for possible losses		(1,334,463)	(1,091,329)
		10,504,269	12,504,729
Government Recapitalization Bonds	2d, 2h, 2o, 7, 48	92,055,964	93,081,021
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp1,101,415 and Rp883,405 as of December 31, 2005 and 2004	2d, 2i, 2o, 2ad, 8, 48	2,724,729	1,907,648
Securities Purchased with Agreements to Resell - net of allowance for possible losses of RpNil and Rp4,800 as of December 31, 2005 and 2004	2j, 2o, 9	317,043	703,334
Derivative Receivables - net of allowance for possible losses of Rp3,443 and Rp2,881 as of December 31, 2005 and 2004	2k, 2o, 10	315,243	285,256
Loans	2d, 2l, 2o, 2ad, 11, 48		
Related parties		1,245,740	952,277
Third parties		105,607,206	93,482,462
		106,852,946	94,434,739
Less: Allowance for possible losses		(11,823,614)	(8,471,343)
Deferred income		(159,858)	(164,964)
		94,869,474	85,798,432
Acceptances Receivable - net of allowance for possible losses of Rp429,092 and Rp147,286 as of December 31, 2005 and 2004	2d, 2m, 2o, 12, 48	3,890,010	5,094,102
Investments in Shares of Stock - net of allowance for possible losses of Rp73,298 and Rp78,145 as of December 31, 2005 and 2004	2n, 2o, 13	68,066	8,849

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
ASSETS (continued)			
Premises and Equipment - net of accumulated depreciation and amortization of Rp2,836,857 and Rp2,341,950 as of December 31, 2005 and 2004	2p, 14	5,305,413	5,483,628
Deferred Tax Assets - net	2v, 27e	2,231,402	2,252,144
Other Assets – net of allowance for possible losses of Rp427,225 and Rp1,880,346 as of December 31, 2005 and 2004	2d, 2q, 2r, 15, 48	3,959,609	7,779,900
TOTAL ASSETS		**263,383,348**	**248,155,827**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Liabilities Immediately Payable		675,285	546,277
Deposits from Customers			
Demand deposits	2d, 2s, 16, 48		
Related parties		314,961	62,412
Third parties		46,095,309	41,020,918
		46,410,270	41,083,330
Savings deposits	2d, 2s, 17, 48		
Related parties		23,276	15,467
Third parties		47,129,902	53,517,935
		47,153,178	53,533,402
Time deposits	2d, 2s, 18, 48		
Related parties		1,080,031	35,997
Third parties		111,646,173	81,185,642
		112,726,204	81,221,639
Total Deposits from Customers		206,289,652	175,838,371
Deposits from Other Banks			
Demand deposits	2d, 2t, 19, 48	415,841	970,816
Inter-bank call money	2t, 20	838,019	1,964,360
Time deposits	2t, 21	5,545,129	9,104,019
Total Deposits from Other Banks		6,798,989	12,039,195
Securities Sold with Agreements to Repurchase	2j, 22	2,046,420	2,913,632
Derivative Payables	2k, 10	189,546	66,968
Acceptances Payable	2m, 23	4,319,102	5,241,388
Securities Issued - net of unamortized discount of Rp2,754 and Rp11,136 as of December 31, 2005 and 2004, respectively	2u, 24	3,983,469	3,993,980
Fund Borrowings	2d, 25, 48	4,279,631	7,066,493
Estimated Losses on Commitments and Contingencies	2o, 26, 46	594,084	565,898
Accrued Expenses		693,956	729,753
Taxes Payable	2v, 27a	272,101	496,124
Other Liabilities	2n, 2y, 28	5,619,744	5,649,817
Subordinated Loans	2r, 29	4,402,266	6,816,206
Loan Capital	2r, 30	-	1,253,475
TOTAL LIABILITIES		**240,164,245**	**223,217,577**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)			
Minority Interests in Net Assets of Consolidated Subsidiaries	31	4,381	3,543
SHAREHOLDERS' EQUITY			
Share Capital - Rp500 (full amount) par value per share Authorized capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B Issued and fully paid-up capital - 1 share Dwiwarna Series A and 20,255,717,363 common shares Series B as of December 31, 2005 (1 share Dwiwarna Series A and 20,132,854,871 common shares Series B as of December 31, 2004)	32a	10,127,859	10,066,427
Additional Paid-in Capital/Agio	32b	6,006,255	5,967,897
Differences Arising from Translation of Foreign Currency Financial Statements	2c	108,923	72,554
Unrealized Losses on Availables-for-Sale Securities and Government Recapitalization Bonds - net of deferred tax	2g, 2h	(241,961)	(404,001)
Premises and Equipment Revaluation Increment	2p, 14, 32c	3,056,724	3,056,724
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	2n, 32e	(23,527)	-
Share Options	2z, 33	175,012	13,831
Retained Earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio as a result of quasi-reorganization as of April 30,2003)			
Unappropriated	32d	1,445,152	5,414,275
Appropriated	32d	2,560,285	747,000
Total Retained Earnings		4,005,437	6,161,275
TOTAL SHAREHOLDERS' EQUITY		**23,214,722**	**24,934,707**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**263,383,348**	**248,155,827**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
INCOME AND EXPENSES FROM OPERATIONS			
Interest Income			
Interest income	2l, 2w, 2ad, 34	20,165,414	18,706,048
Fees and commissions on loan facilities	2x, 34	632,775	507,394
Total Interest Income		20,798,189	19,213,442
Interest Expense			
Interest expense	2w, 35	(11,747,360)	(9,522,533)
Other financing expenses		(296,821)	(156,869)
Total Interest Expense		(12,044,181)	(9,679,402)
NET INTEREST INCOME		**8,754,008**	**9,534,040**
Other Operating Income			
Other fees and commissions	2x, 2ad	1,577,330	1,292,110
Foreign exchange gains - net	2c	74,079	402,038
Others	36	671,462	702,317
Total Other Operating Income		2,322,871	2,396,465
Provision for Possible Losses on Earning Assets	2o, 2ad, 37	(4,445,226)	(371,517)
(Addition to)/Reversal of Estimated Losses on Commitments and Contingencies	2o, 26c	(80)	37,923
Reversal of Allowance for Possible Losses - Others	15, 28, 38	1,056,645	309,172
(Losses)/Gains from Increase/(decrease) in Value of Securities and Government Recapitalization Bonds	2g, 2h, 39	(89,144)	66,272
Gains from Sale of Securities and Government Recapitalization Bonds	2g, 2h, 40	456,494	1,584,235
Other Operating Expenses			
Salaries and employee benefits	2d, 2y, 2z, 33, 42, 43, 48	(3,187,255)	(2,401,757)
General and administrative expenses	2p,41	(3,080,079)	(2,988,672)
Others - net	44	(600,661)	(645,562)
Total Other Operating Expenses		(6,867,995)	(6,035,991)
PROFIT FROM OPERATIONS		1,187,573	7,520,599
Non-operating Income - net	45	44,980	4,403
PROFIT BEFORE TAX EXPENSE AND MINORITY INTERESTS		**1,232,553**	**7,525,002**
Tax Expense			
Current	2v, 27b, 27c	(500,501)	(2,181,011)
Deferred	2v, 27b, 27d	(127,845)	(88,290)
PROFIT BEFORE MINORITY INTERESTS		**604,207**	**5,255,701**
MINORITY INTERESTS IN NET PROFIT OF CONSOLIDATED SUBSIDIARIES		**(838)**	**(70)**
NET PROFIT		**603,369**	**5,255,631**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS (continued)
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
EARNINGS PER SHARE	2aa		
Basic (full amount)		**29,90**	**262.15**
Diluted (full amount)		**29,68**	**259.82**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

									Retained Earnings *)			
	Notes	Issued and Fully Paid-up Capital	Additional Paid-in Capital /Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Recapitalization Bonds	Revaluation Increment of Premises and Equipment	Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	Share Options	Unappropriated	Appropriated	Total	Total Shareholders' Equity
Balance as of December 31, 2003		**10,000,000**	**5,926,418**	**34,462**	**(1,860,850)**	**3,056,724**	**-**	**9,897**	**3,228,574**	**-**	**3,228,574**	**20,395,225**
General and specific reserve allocated from 2003 net profit	32d	-	-	-	-	-	-	-	(747,000)	747,000	-	-
Dividends allocated from 2003 net profit	32d	-	-	-	-	-	-	-	(2,300,000)	-	(2,300,000)	(2,300,000)
Directors and Commissioners' Tantiem from 2003 net profit	32d	-	-	-	-	-	-	-	(22,930)	-	(22,930)	(22,930)
Execution of shares options from Management Stock Option Plan (MSOP)	2z, 32a, 32b, 33	66,427	41,479	-	-	-	-	(9,262)	-	-	-	98,644
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	2b	-	-	38,092	-	-	-	-	-	-	-	38,092
Unrealized gains on available-for-sale securities and government recapitalization bonds	2g, 2h	-	-	-	1,456,849	-	-	-	-	-	-	1,456,849
Recognition of share options from Management Stock Option Plan (MSOP)	2z, 33	-	-	-	-	-	-	13,196	-	-	-	13,196
Net profit for the year ended December 31, 2004		-	-	-	-	-	-	-	5,255,631	-	5,255,631	5,255,631
Balance as of December 31, 2004		**10,066,427**	**5,967,897**	**72,554**	**(404,001)**	**3,056,724**	**-**	**13,831**	**5,414,275**	**747,000**	**6,161,275**	**24,934,707**

*) Accumulated losses of Rp162,874,901 have been eliminated with additional paid-in capital/agio due to quasi reorganization as of April 30, 2003

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
Years Ended December 31, 2005 and 2004
(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 Gains/(Losses) on Available-for-Sale Securities and Government Recapitalization Bonds-net of deferred tax	Revaluation Increment of Premises and Equipment	Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	Share Options	Retained Earnings *) Unappropriated	Retained Earnings *) Appropriated	Retained Earnings *) Total	Total Shareholders' Equity
Balance as of December 31, 2004		**10,066,427**	**5,967,897**	**72,554**	**(404,001)**	**3,056,724**	**-**	**13,831**	**5,414,275**	**747,000**	**6,161,275**	**24,934,707**
General and specific reserve allocated from 2004 net profit	32d		-	-	-	-	-	-	(1,813,285)	1,813,285	-	-
Dividends allocated from 2004 net profit	32d	-	-	-	-	-	-	-	(2,627,816)	-	(2,627,816)	(2,627,816)
Cooperative development fund program and community development reserve allocated from 2004 net profit	32d	-	-	-	-	-	-	-	(105,113)	-	(105,113)	(105,113)
Directors and Commissioners' Tantiem from 2004 net profit	32d	-	-	-	-	-	-	-	(26,278)	-	(26,278)	(26,278)
Execution of shares options from Management Stock Option Plan (MSOP)	2z, 32a, 32b, 33	61,432	38,358	-	-	-	-	(8,565)	-	-	-	91,225
Differences arising from translation of foreign currency financial statements	2b	-	-	36,369	-	-	-	-	-	-	-	36,369
Unrealized gains on available for sale securities and government recapitalization bonds - net of deffered tax	2g, 2h	-	-	-	162,040	-	-	-	-	-	-	162,040
Recognition of share options from Management Stock Option Plan (MSOP)	2z, 33	-	-	-	-	-	-	169,746	-	-	-	169,746
Differrence Arising from Transactions Resulting In Changes in the Equity of Subsidiaries	32e	-	-	-	-	-	(23,527)	-	-	-	-	(23,527)
Net profit for the year ended December 31, 2005		-	-	-	-	-	-	-	603,369	-	603,369	603,369
Balance as of December 31, 2005		**10,127,859**	**6,006,255**	**108,923**	**(241,961)**	**3,056,724**	**(23,527)**	**175,012**	**1,445,152**	**2,560,285**	**4,005,437**	**23,214,722**

*) Accumulated losses of Rp162,874,901 have been eliminated with additional paid-in capital/agio due to quasi reorganization as of April 30, 2003

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interest income	2l, 2w	19,534,754	19,127,153
Receipts from fees and commissions	2x	2,210,104	1,867,776
Payments of interest expenses	2w	(11,783,158)	(9,379,776)
Payments of other financing expenses		(296,821)	(87,211)
Receipts from Government Recapitalization Bonds - trading portfolio	2g, 2h, 40	7,999,998	7,392,398
Acquisition of Government Recapitalization bonds - trading portfolio		(8,173,726)	(5,933,320)
Foreign exchange gains/(losses) - net	2c, 2h	(964,886)	1,341,409
Operating income - others		692,840	524,185
Operating expenses - others		(600,662)	(929,865)
Salaries and employee benefits	2y, 2z	(2,652,702)	(1,849,968)
General and administrative expenses	2p	(2,522,373)	(2,379,406)
Non-operating expense - others		(109,659)	(130,091)
Profit before changes in operating assets and liabilities		3,333,709	9,563,284
(Increase)/decrease in operating assets:			
Placements with Bank Indonesia and other banks	2f, 2o	(9,500,609)	(4,062,802)
Securities and Government recapitalization bonds - trading portfolio	2g, 2o	(156,366)	18,979
Other receivables-trade transactions	2i, 2o	(1,035,092)	(643,149)
Loans	2l, 2o	(12,120,897)	(17,648,296)
Proceeds from collection of earning assets already written-off		830,539	1,104,990
Other assets	2q, 2r	4,646,124	702,714
Increase/(decrease) in operating liabilities:			
Demand deposits	2s	3,967,854	2,279,396
Saving deposits	2s	(6,380,224)	12,225,969
Time deposits	2s	27,221,611	(20,750,183)
Inter-bank call money	2t	(1,126,341)	941,919
Liabilities immediately payable		129,008	(378,180)
Taxes payable	2v	(724,524)	(2,291,304)
Other liabilities	2n, 2y	432,339	(1,106,639)
Estimated losses on commitments and contingencies	2o	288	(37,923)
Differences arising from translation of foreign currency financial statements	2b	36,369	38,092
Net cash provided by/(used in) operating activities		**9,553,788**	**(20,043,133)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in securities - available-for-sale and held-to-maturity portfolio	2g	1,927,795	507,131
Decrease in Government recapitalization bonds - available-for-sale and held-to-maturity portfolio		1,935,476	32,081,728
Redemption of matured Government recapitalization bonds	2h	2,865,356	6,843,983
Replacement of Government recapitalization bonds	2h	(2,865,356)	(6,843,983)
Proceeds from sale of premises and equipment	2p	48,797	105,132
Acquisition of premises and equiment		(411,507)	(708,522)
(Increase)/decrease in investments in shares of stock	2n	(1,035)	36,036
Decrease/(increase) in securities purchased with agreements to resell	2j	391,091	(708,134)
Net cash provided by investing activities		**3,890,617**	**31,313,371**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in securities issued	2g	(10,511)	(752,210)
Decrease in fund borrowings		(3,035,246)	(2,018,893)
Decrease in subordinated loans		(2,413,940)	(417,566)
Repurchase of securities sold with agreements to repurchase	2j	(867,212)	(1,492,045)
Payments of dividends, Cooperative Development fund, Community Development fund and tantiem	32d	(2,759,207)	(2,322,930)
Execution of shares option	2z	91,225	98,644
Net cash used in financing activities		**(8,994,891)**	**(6,905,000)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,449,514**	**4,365,238**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**19,083,283**	**14,718,045**
CASH AND CASH EQUIVALENTS AT END OF YEAR		**23,532,797**	**19,083,283**
Cash and cash equivalents at end of year consist of:			
Cash	2e	2,522,764	2,439,465
Current accounts with Bank Indonesia	2e,3	20,304,705	15,986,630
Current accounts with other banks	2e,4	705,328	657,188
Total Cash and Cash Equivalents		**23,532,797**	**19,083,283**
SUPPLEMENTAL NON-CASH FLOWS INFORMATION			
Activities not affecting cash flows:			
Unrealized gains on securities and Government recapitalization bonds available for sale		162,040	1,368,289
Unrealized (losses)/gains on securities and Government recapitalization bonds trading		(89,144)	66,272
Recognition of shares options from Management Stock Option Plan (MSOP)		(169,746)	(13,196)
Reclassification of Loan Capital to Subordinated Loans		-	1,755,000

1. GENERAL

a. Establishment

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.TH.98 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 merger of 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").

Based on Article 3 of the Bank's 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.

Bank Mandiri's Articles of Association have been amended several times. The amendment is in respect of the exercise of stock options under the Management Stock Option Plan (MSOP) program based on the number of share options executed.

During 2005 and 2004 the amount of stock options exercised totaled 122,862,492 and 132,854,872 shares (Note 33). The total stock options exercised during 2005 and 2004 resulted to the increase in the issued and fully paid-up capital by Rp61,432 and Rp66,427, respectively, and additional paid in capital/agio of Rp38,358 and Rp41,479, respectively. The increase in agio represents the difference between the exercise price and market values of MSOP shares with the nominal value of Rp500 per share (Notes 32a and 32b). The Bank's Articles of Association was amended by Notarial Deed No. 11 dated January 5, 2006 of Aulia Taufani, SH., substitute notary of Sutjipto, S.H., in respect of the capital structure changes and have been reported to the Ministry of Justice and Human Rights Department with the receipt No. C-02540 HT.01.04.TH.2006 dated January 27, 2006.

b. 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 (Notes 32a and 32b). 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.

1. GENERAL (continued)

b. 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 its decision letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and approved by the Governor of Bank Indonesia in his 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 his 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 continued by Bank Mandiri.
- Bank Mandiri received additional paid-in capital amounting to Rp1,000,000 (one million Rupiah) (full amount) or equivalent to one share for each Merged Bank representing the remaining shares of the Government in the Merged Banks (Notes 32a and 32b).

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.

c. Recapitalization

In response to the effects of the adverse economic conditions in Indonesia on the banking sector (Note 58), 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 (CAR). 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 Recapitalization 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 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.

1. GENERAL (continued)

c. Recapitalization (continued)

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.

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 tranches of Rp103,000,000 on October 13, 1999 and Rp75,000,000 on December 28, 1999 (Note 7) so that as of December 31, 1999 the total Recapitalization Bonds issued in accordance with the aforementioned Agreements amounted to Rp178,000,000.

Based on the Management Contract dated April 8, 2000, between Bank Mandiri and the Government, the total amount of recapitalization required by Bank Mandiri was Rp173,931,000, or less than the amount of the Recapitalization 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 Recapitalization Bonds equivalent to 2,657,000 (two million six hundred and 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 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 32b).

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

d. Initial Public Offering of the Bank's Shares

Bank Mandiri submitted its registration for an Initial Public Offering (IPO) to the Capital Market Supervisory Board (Bapepam) on June 2, 2003. 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 IPO of its 4,000,000,000 shares, 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 32a).

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Initial Public Offering of the Bank's Shares (continued)

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.PSJ/07-2003 dated July 8, 2003 and Bursa Efek Surabaya's Approval Letter No. JKT-028/LIST/BES/VII/2003 dated July 10, 2003.

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

e. Quasi-Reorganization

In order for Bank Mandiri to eliminate the negative 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.

The quasi-reorganization adjustments resulted in the accumulated losses of Rp162,874,901 as at April 30, 2003 being eliminated against additional paid-in capital/agio.

Bank Mandiri's Articles of Association were amended to reflect the change in additional paid-up capital as a result of quasi-reorganization, by notarial deed No. 130 of Sutjipto, S.H. dated September 29, 2003 which was approved by the Minister of Justice and Human Rights in his decision letter No. C-25309.HT.01.04.TH.2003 dated October 23, 2003 and was published in Supplement No. 93 of State Gazette No. 910 dated October 23, 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.

f. Divestment of Government Share Ownership

On March 11, 2004, the Government divested a further 10% shareholding involving 2,000,000,000 of its shares in Bank Mandiri through private placements (Note 32a).

g. Structure and Management

Bank Mandiri's head office is located in Jl. Jend. Gatot Subroto Kav 36-38, Jakarta, Indonesia. As of December 31, 2005 and 2004 Bank Mandiri had the following domestic and offshore structure:

	2005	2004
Domestic Regional Branches	10	10
Domestic Branches:		
Hubs	54	54
Community Branches	98	95
Spokes	334	336
Cash Outlets	423	304
	909	789
Offshore Branches	4	4
Representative Office	1	1

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

g. Structure and Management (continued)

As of December 31, 2005 and 2004, Bank Mandiri had offshore branches located in Grand Cayman, Singapore, Hong Kong and Timor Leste and a representative office in Shanghai, China.

The members of the Boards of Commissioners and Directors of Bank Mandiri as of December 31, 2005 and 2004 are as follows:

		December 31, 2005	December 31, 2004
Board of Commissioners			
Chairman	:	Edwin Gerungan	Binhadi
Deputy Chairman	:	Muchayat	Markus Parmadi#)
Commissioner	:	Soedarjono	Darmin Nasution
Commissioner	:	Richard Claproth	Arie Soelendro
Commissioner	:	-	Fransiska Oei
Independent Commissioner	:	Pradjoto	A. Tony Prasetiantono
Independent Commissioner	:	Gunarni Soeworo	Riswinandi
Independent Commissioner	:	Yap Tjay Soen	-
Board of Directors			
President Director	:	Agus Martowardojo	E.C.W. Neloe
Deputy President Director	:	Wayan Agus Mertayasa	I Wayan Pugeg
Director	:	Omar Sjawaldy Anwar	Wayan Agus Mertayasa
Director	:	Johanes Bambang Kendarto	Omar Sjawaldy Anwar
Director	:	Zulkifli Zaini	Ventje Rahardjo
Director	:	Abdul Rachman	Nimrod Sitorus**)
Director	:	Sasmita*)	Johanes Bambang Kendarto
Director	:	-	M. Sholeh Tasripan
Director	:	-	Zulkifli Zaini

**) also appointed as Compliance Director (waiting for BI approval)*
***) also appointed as Compliance Director and Corporate Secretary.*
#) also appointed as Independent Commissioner.

Based on an Extraordinary General Shareholder's Meeting resolution dated December 21, 2005, the Shareholders have received and approved the resignation of Nimrod Sitorus as Director.

Bank Mandiri's Audit Committee as of December 31, 2005 and 2004 is comprised of the following members:

		2005	2004
Chairman	:	Gunarni Soeworo	Markus Parmadi
Member	:	Soedarjono	Zulkifli Djaelani
Member	:	Yap Tjay Soen	Imam Sukarno
Member	:	Zulkifli Djaelani	Fransiska Oei
Member	:	Imam Sukarno	Riswinandi

As of December 31, 2005 and 2004 Bank Mandiri has a total of 21,192 and 19,693 employees, respectively (unaudited).

(Expressed in millions of Rupiah, unless otherwise stated)

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 and the Capital Market Supervisory Board.

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 Recapitalization 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 and cash equivalents include cash on hand, current accounts with Bank Indonesia and current accounts with other banks.

The financial statements of subsidiary company engaged in syariah banking have been prepared in conformity with PSAK No.59 regarding the Accounting for Syariah Banking and Accounting Guidelines for Indonesian Syariah Banking (PAPSI).

b. Principles of Consolidation

The consolidated financial statements include the financial statements of Bank Mandiri and its majority-owned or controlled Subsidiaries. Control is presumed to exist where more than 50% of a Subsidiary’s voting power is controlled by Bank Mandiri, or Bank Mandiri is able to govern the financial and operating policies of a Subsidiary, or control the removal or appointment of the majority of a Subsidiary’s board of directors. Significant inter-company balances and transactions have been eliminated.

Subsidiaries included in the consolidated financial statements as of December 31, 2005 and 2004 are as follows:

Name of Subsidiary	Nature of Business	Domicile	Percentage of Ownership
Bank Mandiri (Europe) Limited (BMEL)	Commercial Banking	London	100.00
PT Bank Syariah Mandiri (BSM)	Syariah Banking	Jakarta	99.99
PT Usaha Gedung Bank Dagang Negara	Property Management	Jakarta	99.00
PT Mandiri Sekuritas	Securities	Jakarta	95.68
PT Bumi Daya Plaza	Property Management	Jakarta	93.33

Bank Mandiri Europe Limited (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.

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 changed several times, the latest of these changes was based on notarial deed 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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's and its Subsidiaries' offices, and other offices. It owns 75% of the share capital of PT Pengelola Harta Tetap Mandiri (PHTM) which is in liquidation process now, 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 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. PT Mandiri Sekuritas owns 99.9% of the share capital of PT Mandiri Manajemen Investasi, a subsidiary established on October 26, 2004 engaged in investment management and advisory activities.

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.

The total assets of the subsidiaries as of December 31, 2005 and 2004 (prior to elimination) amounted to Rp11,667,363 and Rp10,197,836 or 4.43% and 4.11% of the total consolidated assets, respectively.

For consolidation purposes, the financial statements of the overseas branches and overseas subsidiary of Bank Mandiri denominated in foreign currency are translated into Rupiah based on the following bases:

(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.

c. Foreign Currency Transactions and Balances

Bank Mandiri maintains its 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, 2005 and 2004. The resulting gains or losses are credited or charged to the current year's profit and loss.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Foreign Currency Transactions and Balances (continued)

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

	December 31, 2005	**December 31, 2004**
US Dollar 1/Rp	9,830	9,285
Great Britain Pound Sterling 1/Rp	16,982	17,908
Japanese Yen 100/Rp	8,383	9,059
Euro 1/Rp	11,643	12,660

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 48. Transactions of Bank Mandiri with state and regionally-owned/controlled entities including the Indonesian Bank Restructuring Agency (“IBRA”), *Unit Pelaksanaan Penjaminan Pemerintah (UP3)* (an institution that replaced IBRA), and (a new institution that replaced *UP3*), the Indonesia Deposit Insurance Corporation (LPS) are not considered as transactions with related parties.

e. Cash and Cash Equivalents

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

f. 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 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.

g. Securities

Securities consist of securities traded in the money market such as, Certificates of Bank Indonesia, medium term notes, promissory notes, commercial papers, export bills, securities traded on the capital market such as mutual fund units and securities traded on the stock exchanges such as shares of stocks and bonds.

Securities include bonds issued by the Government, that 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 year’s profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Securities (continued)

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 year'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.

(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 year'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 year incurred.

Purchase and sale of securities transactions both for the customer and for the Bank are recognized in the consolidated financial statements when there is an agreement on securities transactions.

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.

Securities are derecognized from the balance sheet after the Bank has transferred all significant risk and rewards of the related securities.

h. 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 based on the classification of the bonds, which accounting treatment is similar to those of securities as described in Note 2g above, except 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 year's profit and loss.

For Government Recapitalization Bonds which are traded, fair value is generally determined by reference to quoted market bid prices by Bloomberg's and the stock exchanges 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 the yield-to-maturity approach.

Government Recapitalization Bonds was derecognized from the balance sheet after the Bank has transferred all significant risk and rewards of the related Government Recapitalization Bonds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Other Receivables - Trade Transactions

Other receivables - trade transactions represent receivables resulting from contracts for trade-related facilities given to customers, which are collectible when due, presented at their outstanding balances, net of allowance for possible losses.

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

Securities purchased with agreements to resell are presented as assets in the consolidated balance sheet at their resell price less unamortized interest and allowance for possible losses. 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.

Securities sold with agreements to repurchase are presented as liabilities in the consolidated balance sheet 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.

k. Derivative Receivables and Derivative Payables

All derivative instruments (including foreign currency transactions for funding and trading) are recognized in the consolidated balance sheet at their fair values. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Loans

Loans represent 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, and *musyakarah* 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 balance, net of allowance for possible losses.

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 are 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Loans (continued)

Loan Restructuring (continued)

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.

m. 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.

n. 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 reduced by allowance for possible losses.

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.

Changes in value of investments in subsidiaries which is caused by changes in the subsidiaries' equity and is not a transaction between the Bank and the Subsidiaries, is recognized as part of the equity as "Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries", this account will be calculated in determining the parent companie's profit and loss at the disposal of the investment (Note 32e).

Any permanent decline in the fair value of investments is deducted from the carrying value of the investments and charged to the current year'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. 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, other receivables - trade transactions, 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.

In 2004, the classification of earning assets into current, special mention, sub-standard, doubtful and loss is determined based on the Decision Letter of Bank Indonesia Director No. 31/147/KEP/DIR dated November 12, 1998 concerning quality of earning assets, wherein the classification is 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.

Whilst in 2005, the classification is based on Bank Indonesia Regulation No.7/2/PBI/2005 dated January 20, 2005 regarding Asset Quality Rating For Commercial Banks (PBI 7). In connection with the implementation of PBI 7, Bank Mandiri determined the classification of earning assets based on the evaluation of the management on each borrower's repayment performance, business prospects, financial condition and ability to repay, and other consideration such as classification based on Bank Indonesia audit result, classification determined by other commercial banks on the earning assets given by more than one bank and the availability of audited financial statements from the debtors.

For Syariah Banks, the classification of earning assets is determined based on Bank Indonesia Regulation No.5/7/PBI/2003 dated May 19, 2003 regarding Earning Assets Quality For Syariah Banks.

The determination of the minimum allowance for possible losses on earning assets and commitments and contingencies in 2004 and 2005 takes into consideration the guidelines prescribed in Decision Letter by Director of Bank Indonesia No. 31/148/Kep/DIR dated November 12, 1998 regarding Allowances for Possible Losses on Earning Assets and Bank Indonesia Regulation No. 7/2/PBI/2005 dated 20 January 2005 regarding Asset Quality Rating For Commercial Banks which prescribe minimum rates of allowance for possible losses on earning assets and commitments and contingencies with credit-related risk.

The determination of the minimum allowance in accordance with the Bank Indonesia Regulation are as follows:

1) General provision in 2004, at minimum amounting to 1% from the earning assets classified as current, except for earning assets in Certificates of Bank Indonesia and Government Bonds (Government Recapitalization Bonds and other government bonds). Whilst in 2005 there are additional exceptions for earning assets which are guaranteed with cash collateral such as current accounts, time deposits, savings, margin deposits, gold, Certificates of Bank Indonesia or Government Bonds, Government Guarantees in accordance with the regulations, standby letters of credit from prime bank, which are issued in accordance with Uniform Customs and Practice for Documentary Credit (UCP) or International Standard Practices (ISP).

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2) Special provision, at minimum amounting to:
   a. 5% from the earning asset classified as special mention in 2004 and after deducting the value of collateral in 2005.
   b. 15% from the earning asset classified as sub-standard after deducting with the value of collateral.
   c. 50% from the earning asset classified as doubtful after deducting the value of collateral.
   d. 100% from the earning asset classified as loss after deducting the value of collateral.

In 2005, the collateral which can be deducted from the allowance for possible losses on earning assets is collateral with appraisal conducted not exceeding 24 months and with independent appraisal for amounts exceeding Rp5 billion.

The Bank has not included all collateral in the calculation of allowance for possible losses on earning assets because their appraisal has exceeded 24 months.

In 2004, 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. Since 2005, in relation to the implementation of Bank Indonesia Regulation No. 7/2/PBI/2005 regarding Asset Quality Rating For Commercial Banks, which is effective since January 20, 2005, the allowance for possible losses on earning assets maintained by the Bank is at the minimum amount required by the Bank Indonesia Regulation.

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 believes 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.

p. 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
Buildings	20
Furniture, fixtures, office equipment and computer equipment/software	5
Vehicles	5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Premises and Equipment (continued)

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 year's profit and loss.

SFAS No. 48 – "Declining Assets Value" state that 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.

q. Repossessed Assets

Repossessed 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 repossessed assets less estimated costs of liquidating the assets. Any excess of the loan balance over the value of the repossessed 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 repossessed assets are recognized in profit and loss at the time of sale.

Expenses for maintaining repossessed assets are recognized in the current year's profit and loss. The carrying amount of the repossessed assets is written down to recognize a permanent decline in value of the repossessed asset. Any such write down is recognized to the current year's profit and loss.

r. Other Assets

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

s. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Deposits from Customers (continued)

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 and 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 in which the depositor is entitled to receive bonus income.
b. Unrestricted investments in the form of *mudharabah* savings which entitle the depositor to receive a share of Bank Syariah Mandiri (BSM) 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*).

t. 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 comprise *mudharabah savings* and *mudharabah* time deposits.

u. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. 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 sheets.

w. 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.

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.

In 2004, interest income from restructured loan was recognized on an accrual basis, interest income from non-performing restructured loan was not recognized, except to the extent of cash collections received. In 2005, the interest income from restructured loan is recognized only when it is received in cash before the loan's quality become current as determined by Bank Indonesia Regulation No.7/2/PBI/2005 dated January 20, 2005-regarding Asset Quality Rating for Commercial Banks.

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 musyakarah financing profit sharing income. Income from murabahah and ijarah is recognized using the accrual basis while income from istishna transactions and mudharabah and musyakarah 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. 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 year's profit and loss upon settlement. Other fees and commissions are recognized as income at the transaction date.

y. Post-Employment Benefits

On June 2004, The Indonesian Institute of Accountants (IAI) issued Revised PSAK No. 24 regarding "Employee Benefits" replacing PSAK No. 24. The revised PSAK is regarding recognition, measurement, and disclosure of employee benefits. The estimated provision is accrued based on the results of an actuarial valuation in accordance with Labor Law No. 13/2003.

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 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 Labor Law No. 13/2003 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 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. Actuarial gain and loss is recognized as income or expense if the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date. The amount of actuarial gain or loss is recognized through the average remaining working period of the employee in the program. Past service cost arises when the bank introduces a defined benefit plan or changes the benefits payable under an existing defined benefit plan. Past service cost is recognized over the period until the benefits concerned are vested.

z. Share Options

The Bank has granted stock options to the Directors and Senior Management at certain levels and based on certain criteria under the Management Stock Option Plan (MSOP). Stock compensation cost is calculated at the grant date using the fair value of the stock options and is recognized as part of salaries and employee benefits expense, over the vesting period of the stock options based on graded vesting. The accumulated stock compensation costs are recognized as 'Share Options' in the equity section.

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

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Earnings Per Share

Earnings per share is calculated by dividing the net profit 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 Rp603,369 and Rp5,255,631 for the years ended December 31, 2005 and 2004, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2005 and 2004 totalled 20,182,096,657 shares and 20,047,890,270 shares, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2005 has been adjusted to reflect the changes in issued shares as a result of the conversion of share option (Note 33).

The weighted-average number of outstanding shares used in computing diluted earnings per share as of December 31, 2005 and 2004 have been adjusted to reflect the changes in issued shares as a result of the conversion of share options (Notes 32a and 33).

The weighted-average number of outstanding shares used in computing the diluted earnings per share as of December 31, 2005 and 2004 totalled 20,326,735,892 shares and 20,227,794,595 shares, respectively.

ab. Segment Information

Bank Mandiri and its Subsidiaries have presented financial information by 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.

ac. 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.

ad. Reclassification of Accounts

Certain accounts in the December 31, 2004 consolidated financial statements have been reclassified to conform to the presentation of accounts in the December 31, 2005 consolidated financial statements as follows:

December 31,2004

Accounts Description	As Previously Reported	Reclassification	As Currently Reported
Securities	14,355,634	(759,576)	13,596,058
Other Receivables - Trade transactions	2,063,651	727,402	2,791,053
Loans	94,402,565	32,174	94,434,739
Allowance for possible losses - Securities	(1,850,905)	759,576	(1,091,329)
Allowance for possible losses - other receivables - Trade transactions	(124,472)	(758,933)	(883,405)
Allowance for possible losses - Loans	(8,470,700)	(643)	(8,471,343)
Provision for possible losses - Other Receivables – Trade transactions	26,651	(643)	26,008

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. Reclassification of Accounts (continued)

December 31,2004 (continued)

Accounts Description	As Previously Reported (For the year ended December 31, 2004)	Reclassification	As Currently Reported (For the year ended December 31, 2004)
Provision for possible losses - Loans	275,662	643	276,305
Other fees and commissions	1,360,382	(68,272)	1,292,110
Interest income	18,637,776	68,272	18,706,048

3. CURRENT ACCOUNTS WITH BANK INDONESIA

	2005	2004
Rupiah	18,896,163	14,528,041
United States Dollar	1,408,542	1,458,589
	20,304,705	**15,986,630**

The current accounts with Bank Indonesia are primarily maintained to meet the minimum reserve requirements of Bank Indonesia of 11% and 3% (2004: 8% and 3%) of Rupiah and US Dollar deposits, respectively.

The realization of the minimum reserve requirement ratio of Bank Mandiri for its Rupiah and US Dollar accounts as of December 31, 2005 and 2004, is as follows:

	2005	2004
Rupiah	11.30%	9.08%
United States Dollar	3.01%	3.01%

4. CURRENT ACCOUNTS WITH OTHER BANKS

a. By Currency:

	2005	2004
Rupiah	3,654	14,547
Foreign Currency	701,674	642,641
Total	705,328	657,188
Less: Allowance for Possible Losses	(7,725)	(6,557)
	697,603	**650,631**

(Expressed in millions of Rupiah, unless otherwise stated)

4. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

b. By Collectibility:

As of December 31, 2005 and 2004, all current accounts with other banks were classified as current.

c. By Related Party and Third Party:

As of December 31, 2005 and 2004, current accounts with related party were Rp53 and RpNil, respectively.

d. Average Interest Rate per Annum:

	2005	2004
Rupiah	0.53%	0.40%
Foreign Currency	1.32%	0.44%

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

	2005	2004
Balance at beginning of year	6,557	3,203
Provision during the year (Note 37)	1,278	2,112
Others *)	(110)	1,242
Balance at end of year	**7,725**	**6,557**

(*) Includes effect of foreign currency translation.

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

5. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS

a. By Type, Currency, Maturity and Collectibility:

	2005	
	Maturity	**Current**
Rupiah:		
Bank Indonesia	< 1 month	8,260,930
Call Money	< 1 month	4,044,907
"Fixed-term" Placements	> 1 month < 3 months	137,864
	> 3 months < 6 months	39,062
	> 6 months < 12 months	46,925
Time Deposits	< 1 month	35,000
	> 1 month < 3 months	15,200
Total Rupiah		12,579,888

(Expressed in millions of Rupiah, unless otherwise stated)

5. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)

a. By Type, Currency, Maturity and Collectibility: (continued)

2005

	Maturity	Current
Foreign Currency:		
Call Money	< 1 month	9,069,659
	> 1 month < 3 months	25,202
"Fixed-term" Placements	< 1 month	2,057,856
Time Deposits	< 1 month	39,320
Total Foreign Currency		11,192,037
Total		23,771,925
Less: Allowance for Possible Losses		(154,871)
		23,617,054

2004

	Maturity	Current	Loss	Total
Rupiah:				
Bank Indonesia	< 1 month	5,996,699	-	5,996,699
Call Money	< 1 month	3,092,362	13,671	3,106,033
"Fixed-term" Placements	> 3 months < 6 months	359,666	-	359,666
Time Deposits	< 1 month	45,100	-	45,100
	1 - 3 months	12,500	-	12,500
	> 3 months < 6 months	50,000	-	50,000
Total Rupiah		9,556,327	13,671	9,569,998
Foreign Currency:				
Call Money	< 1 month	2,745,106	-	2,745,106
	1 - 3 months	46,425	-	46,425
	> 3 months < 6 months	46,425	-	46,425
"Fixed-term" Placements	< 1 month	557,100	-	557,100
	> 3 months < 6 months	268,337	-	268,337
Time Deposits	< 1 month	1,037,656	-	1,037,656
	1 - 3 months	269	-	269
Total Foreign Currency		4,701,318	-	4,701,318
Total		14,257,645	13,671	14,271,316
Less: Allowance for Posible Losses		(77,587)	(13,671)	(91,258)
		14,180,058	**-**	**14,180,058**

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

(Expressed in millions of Rupiah, unless otherwise stated)

5. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)

c. Average Interest Rate per Annum:

	2005	2004
Rupiah	8.37%	7.29%
Foreign Currency	3.36%	2.28%

d. As of December 31, 2005 and 2004, there was no placement pledged as cash collateral.

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

	2005	2004
Balance at beginning of year	91,258	64,849
Provision during the year (Note 37)	63,043	19,428
Recoveries	1,451	-
Others *)	(881)	6,981
Balance at end of year	**154,871**	**91,258**

(*) Includes effect of foreign currency translation.

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

6. SECURITIES

a. By Purpose and Related and Third Parties:

	2005	2004
Related parties:		
Trading	101,329	78,013
Available for sale	232,026	48,957
Held to maturity	266,845	272,114
	600,200	399,084
Third parties:		
Trading	4,100,101	351,195
Available for sale	4,500,342	2,349,680
Held to maturity	2,638,089	10,496,099
	11,238,532	13,196,974
Total	11,838,732	13,596,058
Less:		
Unamortized discounts	(8,982)	(26,139)
Unrealized (losses)/gains from decrease/increase in value of securities	(116,446)	79,311
Allowance for possible losses	(1,209,035)	(1,144,501)
	(1,334,463)	(1,091,329)
	10,504,269	**12,504,729**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

b. By Type, Currency and Collectibility:

2005

	Cost/ Nominal *)	Unamortized Premiums/ (Discounts)	Unrealized Gains/ (Losses)	Fair Value/Book Value **)			
				Current	Substandard	Loss	Total
Rupiah:							
Trading							
Certificates of Bank Indonesia	3,618,984	-	-	3,618,984	-	-	3,618,984
Bonds	381,187	-	(16,387)	364,800	-	-	364,800
Medium Term Notes	113,573	-	327	113,900	-	-	113,900
Investments in mutual fund units	18,800	-	(1,915)	16,885	-	-	16,885
Shares	16,610	-	(475)	16,135	-	-	16,135
	4,149,154	-	(18,450)	4,130,704	-	-	4,130,704
Available for sale							
Certificates of Bank Indonesia	1,485,271	-	-	1,485,271	-	-	1,485,271
Wadiah certificates of Bank Indonesia	1,373,000	-	-	1,373,000	-	-	1,373,000
Bonds	931,574	-	(99,806)	821,768	-	10,000	831,768
Syariah Mudharabah bonds	365,425	-	-	365,425	-	-	365,425
Medium Term Notes	90,000	-	-	90,000	-	-	90,000
Investments in mutual fund units	1,000	-	-	1,000	-	-	1,000
	4,246,270	-	(99,806)	4,136,464	-	10,000	4,146,464
Held to maturity							
Mandatory convertible bonds	1,018,809	-	-	-	-	1,018,809	1,018,809
Bonds	38,000	-	-	38,000	-	-	38,000
Export bills	26,399	-	-	26,399	-	-	26,399
Investments in mutual fund units	10,000	-	-	10,000	-	-	10,000
	1,093,208	-	-	74,399	-	1,018,809	1,093,208
Total Rupiah	9,488,632	-	(118,256)	8,341,567	-	1,028,809	9,370,376
Foreign currency:							
Trading							
Bonds	39,615	-	(93)	39,522	-	-	39,522
Investments in mutual fund units	12,661	-	(1,141)	11,520	-	-	11,520
	52,276	-	(1,234)	51,042	-	-	51,042
Available for sale							
Export bills	181,213	-	-	181,213	-	-	181,213
Floating rate notes	157,280	-	159	157,439	-	-	157,439
Bonds	88,685	-	(556)	88,129	-	-	88,129
Promissory Notes	58,920	-	3,441	62,361	-	-	62,361
	486,098	-	3,044	489,142	-	-	489,142
Held to maturity							
Export bills	1,185,289	-	-	919,080	205,272	60,937	1,185,289
Bonds	378,558	2,017	-	380,575	-	-	380,575
Treasury Bills	129,069	(10,979)	-	118,090	-	-	118,090
Floating rate notes	68,810	(20)	-	68,790	-	-	68,790
Medium Term Notes	50,000	-	-	50,000	-	-	50,000
	1,811,726	(8,982)	-	1,536,535	205,272	60,937	1,802,744
Total foreign currency	2,350,100	(8,982)	1,810	2,076,719	205,272	60,937	2,342,928
Total	11,838,732	(8,982)	(116,446)	10,418,286	205,272	1,089,746	11,713,304
Less: Allowance for possible losses				(88,498)	(30,791)	(1,089,746)	(1,209,035)
				10,329,788	**174,481**	**-**	**10,504,269**

*) Held to maturity securities are stated at nominal value.
**) Held to maturity securities are stated at book value.

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

b. By Type, Currency and Collectibility (continued):

2004

	Cost/ Nominal *)	Unamortized Premiums/ (Discounts)	Unrealized Gains/ (Losses)	Fair Value/Book Value **) Current	Substandard	Loss	Total
Rupiah:							
Trading							
Bonds	118,977	-	948	118,937	-	988	119,925
Medium Term Notes	81,000	-	(105)	80,895	-	-	80,895
Others	47,955	-	806	48,761	-	-	48,761
	247,932	-	1,649	248,593	-	988	249,581
Available for sale							
Bonds	1,127,586	-	32,112	1,110,698	-	49,000	1,159,698
Syariah Mudharabah bonds	411,454	-	4,193	415,647	-	-	415,647
Investment in mutual fund units	223,064	-	32,467	255,531	-	-	255,531
	1,762,104	-	68,772	1,781,876	-	49,000	1,830,876
Held to maturity							
Certificates of Bank Indonesia	7,655,636	(23,757)	-	7,631,879	-	-	7,631,879
Mandatory convertible bonds	1,018,809	-	-	-	-	1,018,809	1,018,809
Wadiah certificates of Bank Indonesia	325,000	-	-	325,000	-	-	325,000
Investment in mutual fund units	42,000	-	-	42,000	-	-	42,000
Bonds	38,000	-	-	2,000	-	36,000	38,000
Export bills	32,581	-	-	32,581	-	-	32,581
Medium Term Notes	5,000	-	-	5,000	-	-	5,000
	9,117,026	(23,757)	-	8,038,460	-	1,054,809	9,093,269
Total Rupiah	11,127,062	(23,757)	70,421	10,068,929	-	1,104,797	11,173,726
Foreign currency:							
Trading							
Bonds	181,276	-	(1,257)	180,019	-	-	180,019
Available for sale							
Export bills	301,309	-	-	301,309	-	-	301,309
Bonds	259,799	-	8,198	267,997	-	-	267,997
Promissory Notes	75,425	-	1,949	77,374	-	-	77,374
	636,533	-	10,147	646,680	-	-	646,680
Held to maturity							
Export bills	1,158,900	-	-	1,158,064	-	836	1,158,900
Bonds	276,248	(298)	-	275,950	-	-	275,950
Floating rate notes	161,050	(77)	-	155,381	-	5,592	160,973
Credit linked notes receivable	40,371	(2,007)	-	38,364	-	-	38,364
Others	14,618	-	-	9,738	-	4,880	14,618
	1,651,187	(2,382)	-	1,637,497	-	11,308	1,648,805
Total foreign currency	2,468,996	(2,382)	8,890	2,464,196	-	11,308	2,475,504
Total	13,596,058	(26,139)	79,311	12,533,125	-	1,116,105	13,649,230
Less: Allowance for possible losses				(28,396)	-	(1,116,105)	(1,144,501)
				12,504,729	**-**	**-**	**12,504,729**

*) Held to maturity securities are stated at nominal value.
**) Held to maturity securities are stated at book value.

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

c. By Remaining Period to Maturity:

	2005	2004
Rupiah:		
No maturity date	46,410	265,064
Less than 1 year	7,837,563	8,148,941
1 - 5 years	1,461,900	2,443,604
5 - 10 years	115,303	108,498
Over 10 years	27,456	160,955
	9,488,632	11,127,062
Foreign currency:		
No maturity date	12,661	-
Less than 1 year	1,672,019	1,619,749
1 - 5 years	370,010	563,633
5 - 10 years	295,410	270,161
Over 10 years	-	15,453
	2,350,100	2,468,996
	11,838,732	13,596,058
Less:		
Unamortized discounts	(8,982)	(26,139)
Unrealized (losses)/gains from decrease/increase in value of securities	(116,446)	79,311
Allowance for possible losses	(1,209,035)	(1,144,501)
	(1,334,463)	(1,091,329)
	10,504,269	**12,504,729**

d. By Type of Issuer:

	2005	2004
Government of Republic of Indonesia	580,637	395,067
Banks	8,194,980	9,659,325
Other companies	3,063,115	3,541,666
	11,838,732	13,596,058
Less:		
Unamortized discounts	(8,982)	(26,139)
Unrealized (losses)/gains from decrease/increase in value of securities	(116,446)	79,311
Allowance for possible losses	(1,209,035)	(1,144,501)
	(1,334,463)	(1,091,329)
	10,504,269	**12,504,729**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

e. Details of Bonds by Rating:

	Rating *)			Fair value/Book Value **)	
	Rating Agencies	2005	2004	2005	2004
Rupiah:					
Trading					
Bonds	Various	Various	Various	364,800	119,925
Available for sale					
Bonds					
PT Medco Energi International Tbk.	Pefindo	idAA-	idAA-	136,875	319,500
PT Ciliandra Perkasa	Pefindo	idBBB	idBBB	131,600	142,100
PT Tunas Baru Lampung Tbk.	Pefindo	idBBB	idBBB	117,500	123,750
Others	Various	Various	Various	811,218	989,995
				1,197,193	1,575,345
Held to maturity					
Mandatory convertible bonds					
- PT Garuda Indonesia	-	-	-	1,018,809	1,018,809
Bonds	Various	Various	Various	38,000	38,000
				1,056,809	1,056,809
Total Rupiah				2,618,802	2,752,079
Foreign currency:					
Trading					
Bonds	Various	Various	Various	39,522	180,019
Available for sale					
Bonds	Various	Various	Various	88,129	267,997
Held to maturity					
Bonds					
Republic of Indonesia	S & P	B+	B	166,336	237,101
Others	Various	Various	Various	214,239	38,849
				380,576	275,950
Total foreign currency				508,226	723,966

*) Information on rating of bonds were obtained from Bloomberg, which is based on ratings issued by the rating agencies acknowledged by Bank Indonesia, such as Pemeringkat Efek Indonesia, Standard and Poor's, Moody's and Fitch Ratings.

**) Held to maturity securities are stated at book value.

f. Average Interest Rates per Annum:

	2005	**2004**
Rupiah	8,18%	6.48%
Foreign currency	7.83%	3.40%

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

g. Movements of Allowance for Possible Losses on Securities:

	2005	2004
Balance at beginning of year	1,144,501	1,100,641
Provision during the year (Note 37)	59,310	45,622
Recoveries	3,919	22,527
Write-offs	-	(17,102)
Others *)	1,305	(7,187)
Balance at end of year	**1,209,035**	**1,144,501**

**) Includes effect of foreign exchange translation.*

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

7. GOVERNMENT RECAPITALIZATION BONDS

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

	2005	2004
Trading, fair value	2,143,723	1,579,834
Available for sale, fair value	28,817,643	27,584,037
Held to maturity, at cost	61,094,598	63,917,150
	92,055,964	**93,081,021**

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

	2005	2004
Trading:		
Less than 1 year	1,370,217	1,891
1 - 5 years	164,377	1,406,695
5 - 10 years	609,129	171,248
	2,143,723	1,579,834

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

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

	2005	2004
Available for sale:		
Less than 1 year	19,953	-
1 - 5 years	1,496,628	1,543,673
5 - 10 years	11,111,957	4,581,286
Over 10 years	16,189,105	21,459,078
	28,817,643	27,584,037
Held to maturity:		
Less than 1 year	-	2,822,552
1 - 5 years	1,350,000	-
5 - 10 years	1,505,329	1,350,000
Over 10 years	58,239,269	59,744,598
	61,094,598	63,917,150
	92,055,964	**93,081,021**

The details of Government Recapitalization Bonds are as follows:

2005

Trading

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	572,306	12.13%- 14.28%	593,198	02/15/2006- 12/15/2013	6 months
Variable rate bonds	1,562,361	3-month SBI	1,550,525	03/25/2006- 06/25/2011	3 months
	2,134,667		2,143,723		

Available for sale

	Nominal	Interest Rates Per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	1,829,634	14.00%- 15.58%	1,875,674	06/15/2009- 12/15/2013	6 months
Variable rate bonds	27,267,428	3-month SBI	26,941,969	03/25/2006- 07/25/2020	3 months
	29,097,062		28,817,643		

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

2005 (continued)

Held to maturity

	Nominal	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	1,350,000	13.15%	03/15/2010	6 months
Variable rate bonds	59,744,598	3-month SBI	12/25/2014-07/25/2020	3 months
	61,094,598			

2004

Trading

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	208,068	13.15%-15.43%	243,636	06/15//2009-12/15//2013	6 months
Variable rate bonds	1,344,260	3-month SBI	1,336,198	11/25/2005-10/25/2006	3 months
	1,552,328		**1,579,834**		

Available for sale

	Nominal	per Annum	Interest Rates Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	3,643,366	12.25%-15.58%	4,455,242	07/15/2007-12/15/2013	6 months
Variable rate bonds	24,387,072	3-month SBI	23,128,795	09/25/2007-07/25/2020	3 months
	28,030,438		**27,584,037**		

Held to maturity

	Nominal	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	1,350,000	13.15%	03/15/2010	6 months
Variable rate bonds	59,744,598	3-month SBI	12/25/2014-07/25/2020	3 months
Hedge bonds	2,711,595	SIBOR + 2%	01/25/2005-06/25/2005	3 months
Add: Increase in value of indexation of hedge bonds	110,957			
Hedge bonds after indexation	2,822,552			
	63,917,150			

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

Significant information relating to Government Recapitalization Bonds is as follows:

2005

As of December 31, 2005, Government Recapitalization Bonds with a total nominal amount of Rp2,084,796 had been sold to counterparties with agreements to repurchase (Note 22).

Hedge bonds which matured in 2005 were settled by the Government of Republic of Indonesia with issuance of VR0031 series replacement bonds, with aggregate nominal value of Rp2,865,356.

The ownership of Government Recapitalization Bonds with an aggregate nominal value of Rp1,926,843 have been transferred to Deutsche Bank related with Callable Parallel Deposits (Note 21) and Callable Zero Coupon Deposits transactions. Because of significant risk and rewards of ownership of Government Recapitalization Bonds that have not been transferred to Deutsche Bank, the Bank still recognized Government Recapitalization Bonds on its balance sheet.

The Bank has also entered in two callable zero coupon deposits transactions with Deutsche Bank related to transfer contract of Government of Republic of Indonesia Recapitalization Bonds. Such contract was initiated when the Bank transferred Government of Republic of Indonesia Recapitalization Bonds to Deutsche Bank and received the fund from the proceeds in Rupiah. A portion of the total transfer proceeds amounting to Rp974,666 was placed back as Callable Zero Coupon Deposits to Deutsche Bank.

A summary of callable zero coupon deposit contract is as follows:

Deposit	Effective Date	Maturity Date	Beginning Balance	Ending Balance	Effective Interest Rate
Rupiah	July 29, 2004	June 20, 2013	359,666	1,000,000	12.18%
Rupiah	April 8, 2005	December 20, 2013	615,000	1,514,470	10.90%

The deposit was funded from a portion of fund received from transfer proceeds of Government of Republic of Indonesia Recapitalization Bonds to Deutsche Bank.

The interest rate of deposit above is the same with the yield of Government of Republic of Indonesia Recapitalization Bonds at the transfer date.

The agreement gives an option right to Deutsche Bank to early terminate the agreement by early termination/withdrawal of the Rupiah deposit on any of the redemption date each year.

If trigger events occurs, which is the defaults or restructuring of FR0020 and FR0019 bonds by the Indonesian Government relating to the principal or interest payment, Deutsche Bank may opt to return the FR0020 and FR0019 transferred bonds as a settlement for the callable zero coupon deposit transactions.

As the Bank has not sold and transferred the significant risk and rewards of the Government of Indonesia Recapitalization Bonds, Bank still recognized the deposits as Government of Indonesia Recapitalization Bonds on the Bank's balance sheet as of December 31, 2005.

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

2005 (continued)

On July 27, 2005, the subsidiary (PT Mandiri Sekuritas) has reclassified government recapitalization bonds and securities with market value amounting to Rp310,847 on the reclassification date from trading to available for sale. The reclassification is to align the classification of government recapitalization bonds and securities with the company risk management policy. In accordance with PT Mandiri Sekuritas risk management, the securities are for maintaining the company liquidity.

2004

As of December 31, 2004, Government Recapitalization Bonds with an aggregate nominal value of Rp2,870,748 have been sold to other parties with agreements to repurchase (Note 22).

Maturing hedge bonds in 2004 were replaced by variable rate serial numbers VR0028, VR0029 and VR0031 by the Government of Republic of Indonesia with an aggregate nominal value of Rp6,843,983.

8. OTHER RECEIVABLES - TRADE TRANSACTIONS

a. By Type, Currency, Related Parties and Third Parties:

	2005	2004
Rupiah:		
Third parties		
Usance L/C payable at sight	520,682	167,583
Past due L/C impor	15,781	-
Others	221,051	145,944
	757,514	313,527
Foreign Currency:		
Related parties		
Others	54,531	-
	54,531	-
Third parties		
Usance L/C payable at sight	2,197,345	1,683,547
Past due L/C impor	138,120	74,222
Others	678,634	719,757
	3,014,099	2,477,526
Total Foreign Currency	3,068,630	2,477,526
Total	3,826,144	2,791,053
Less: Allowance for possible losses	(1,101,415)	(883,405)
	2,724,729	**1,907,648**

(Expressed in millions of Rupiah, unless otherwise stated)

8. OTHER RECEIVABLES - TRADE TRANSACTIONS (continued)

b. By Collectibility:

	2005	2004
Current	1,794,447	1,490,833
Special mention	401,903	498,789
Sub-standard	553,073	41,855
Doubtful	192,237	-
Loss	884,484	759,576
Total	3,826,144	2,791,053
Less: Allowance for possible losses	(1,101,415)	(883,405)
	2,724,729	**1,907,648**

c. By Maturity:

	2005	2004
Rupiah:		
Less than 1 month	333,433	175,995
1 - 3 months	120,593	36,985
3 - 6 months	303,488	100,547
	757,514	313,527
Foreign Currency:		
Less than 1 month	1,443,834	968,251
1 - 3 months	838,437	741,487
3 - 6 months	761,596	759,585
6 - 12 months	24,763	8,085
< 12 months	-	118
	3,068,630	2,477,526
Total	3,826,144	2,791,053
Less: Allowance for possible losses	(1,101,415)	(883,405)
	2,724,729	**1,907,648**

d. Movements of Allowance for Possible Losses on Other Receivables - Trade Transactions:

	2005	2004
Balance at beginning of year	883,405	788,048
Provision during the year (Note 37)	192,897	26,008
Others *)	25,113	69,349
Balance at end of year	**1,101,415**	**883,405**

(*) Includes foreign exchange translation effect.

The minimum allowance for possible losses on other receivables - trade transactions, under the guidelines prescribed by Bank Indonesia, as of December 31, 2005 and 2004 was Rp1,101,415 and Rp805,351, respectively.

Management believes that the allowance for possible losses on other receivables - trade transactions is adequate.

(Expressed in millions of Rupiah, unless otherwise stated)

9. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL

a. A summary of securities purchased with agreements to resell

2005

Counterparty	Securities	Commencement Date	Maturity Date	Resell Value	Unamortized Deferred Interest Income	Net Value
Rupiah						
PT Henan Putih Rai	ENRG shares	10/20/2005	01/18/2006	104,750	950	103,800
PT Danatama Makmur	ENRG shares	10/28/2005	01/26/2006	104,750	1,372	103,378
PT Henan Putih Rai	BUMI shares	12/2/2005	03/02/2006	52,375	1,610	50,765
PT Danatama Makmur	BUMI shares	12/2/2005	03/02/2006	52,375	1,610	50,765
PT Investindo	Bonds FR25	12/13/2005	01/13/2006	8,387	52	8,335
Total Rupiah				**322,637**	**5,594**	**317,043**

2004

Counterparty	Securities	Commencement Date	Maturity Date	Resell Value	Unamortized Deferred Interest Income	Net Value
Rupiah						
PT Bank Mega	Bonds	12/24/2004	01/24/2005	483,472	3,472	480,000
PT Satya Mulia Gemilang	Shares	11/30/2004	05/30/2005	134,973	9,917	125,056
PT Agung Ometraco Muda	Shares	10/20,21/2004	04/20,212005	107,836	4,758	103,078
Total				726,281	18,147	708,134
Less:Allowance for possible losses						(4,800)
Total Rupiah						**703,334**

b. Movements of Allowance for securities purchased with agreements to resell:

	2005	**2004**
Balance at beginning of year	4,800	-
(Reversal)/provision during the year (Note 37)	(4,800)	4,800
Balance at end of year	**-**	**4,800**

Management believes that the allowance for securities purchased with agreements to resell is adequate.

10. DERIVATIVE RECEIVABLES AND PAYABLES

As of December 31, 2005, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Fair Value (Note 2k)	Derivative Receivables	Derivative Payables
Third parties				
Foreign Exchange Related				
1. Forward-buy				
US Dollar	622,074	605,772	1,655	17,957
Others	77,300	76,054	-	1,246
2. Forward-sell				
US Dollar	426,077	425,276	835	34
Others	59,919	59,401	594	76
3. Swap-buy				
US Dollar	2,666,750	2,644,010	1,239	23,979

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Transactions	Notional Amount (Contract)	Fair Value (Note 2k)	Derivative Receivables	Derivative Payables
4. Swap - sell				
US Dolar	4,869,156	4,601,502	312,921	45,267
Others	150,000	149,620	-	380
Interest Rate Related				
1. Swap - interest rate				
US Dolar			-	97,533
Other			1,442	2,740
2. Forward Rate Agreement				
US Dolar			-	334
Total			318,686	189,546
Less: Allowance for possible losses			(3,443)	-
			315,243	**189,546**

Interest Rate Swaps

On April 17, 2003 Bank Mandiri entered into interest rate swap agreements with counterparty banks with nominal values amounting to US$125,000,000 (full amount) and US$175,000,000 (full amount), respectively. The underlying transaction is the Bank's US$300,000,000 (full amount) 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 six-month Libor + 3.37% per annum until the maturity of the Note on April 22, 2008. The six-month Libor interest is stated in arrears. These transactions qualify as hedging for accounting purposes.

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 MTN'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, 2005 and 2004, losses amounting to (Rp86,039) and (Rp24,215) as a result of the hedging fair value calculation have been offset against the gains from decrease of the MTNs, a hedged item, based on the fair value calculation (Note 24).

Bank Mandiri entered into an interest rate swap agreement with nominal amount of US$125,000,000 (full amount) with counterparty bank in August 2002. The underlying transaction is the Bank's US$125,000,000 (full amount) 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 six-month LIBOR + 6.19% per annum for a 5-year period. The six-month Libor 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 Swaps

Bank Mandiri has entered into cross currency swap contracts, which are associated with the securities sale and repurchase agreements with several counterparty banks. The contract were 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 swaps 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 7 and 22).

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Cross Currency Swaps (continued)

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

Effective Date	Maturity Date	Type of Transactions	Buy (full amount)	Sell (full amount)
November 3, 2004	November 3, 2009	Spot	US$25 million	Rp285,060 million
		Forward	Rp285,060 million	US$25 million
November 4, 2004	November 4, 2009	Spot	US$25 million	Rp284,062 million
		Forward	Rp284,062 million	US$25 million
May 18, 2005	May 18, 2010	Spot	US$25 million	Rp316,356 million
		Forward	Rp316,356 million	US$25 million
June 7, 2005	January 7, 2008	Spot	US$50 million	Rp617,500 million
		Forward	Rp617,500 million	US$50 million

Bank Mandiri has also entered into cross currency swap contracts with several counterparty banks for funding purposes.

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

Effective Date	Maturity Date	Type of Transactions	Buy (full amount)	Sell (full amount)	Interest Rate
April 28, 2005	October 27, 2006	Spot	US$25 million	Rp239,250 million	IDR-Fix 3-Month
		Forward	Rp239,250 million	US$25 million	US$-3 - Month LIBOR + 0.70%
May 19, 2005	May 19, 2010 / 2008 (*Callable/ putable in* 2008)	Spot	US$50 million	Rp472,500 million	IDR-3 - Month SBI
		Forward	Rp472,500 million	US$50 million	US$-3 - Month LIBOR + 1.20%
June 7, 2005	June 7, 2008	Spot	US$50 million	Rp475,000 million	IDR-SBI 3 Month
		Forward	Rp475,000 million	US$50 million	US$-3 - Month LIBOR + 1.30%

The agreements require the Bank to maintain the rupiah value that related to cross currency swap transactions, through top-up deposits mechanism, which is calculated based on movement of spot rupiah against US Dolar.

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Cross Currency Swaps (continued)

As of December 31, 2004, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Fair Value (Note 2k)	Derivative Receivables	Derivative Payables
Third parties				
Foreign Exchange Related :				
1. Forward - buy				
US Dollar	623,717	625,424	3,424	1,717
Others	114,801	120,566	5,765	-
2. Forward - sell				
US Dollar	171,520	173,681	240	2,401
Others	103,076	108,747	-	5,671
3. Swap - buy				
US Dollar	2,184,989	2,205,520	23,593	3,062
Others	253,335	253,696	361	-
4. Swap - sell				
US Dollar	4,897,836	4,698,206	229,195	29,565
5. Option				
Option - buy				
US Dollar	-	-	6	127
Others	-	-	273	-
Option - sell				
US Dollar	-	-	-	210
Others	-	-	229	-
Interest Rate Related				
Swap - Interest rate				
US Dollar			25,051	24,215
Total			288,137	66,968
Less: Allowance for possible losses			(2,881)	-
			285,256	**66,968**

Movements of allowance for possible losses on derivative receivables:

	2005	**2004**
Balance at beginning of year	2,881	10,343
Provision/(reversal) during the year (Note 37)	559	(7,462)
Others *)	3	-
Balance at end of year	**3,443**	**2,881**

(*) Includes effect of foreign exchange translation.

As of December 31, 2005 and 2004, the collectibility of derivative receivables is current.

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

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS

A. Details of loans:

a) By Currency and Related Parties and Third Parties:

	2005	2004
Rupiah:		
Related parties	568,970	360,156
Third parties	73,718,795	61,266,816
	74,287,765	61,626,972
Foreign Currency:		
Related parties	676,770	592,121
Third parties	31,888,411	32,215,646
	32,565,181	32,807,767
Total	106,852,946	94,434,739
Less: Allowance for possible losses	(11,823,614)	(8,471,343)
Deferred income	(159,858)	(164,964)
	94,869,474	**85,798,432**

b) By Type and Rating:

	2005					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Working capital	29,430,891	3,010,573	1,093,399	604,524	2,948,425	37,087,812
Investment	9,529,950	3,152,988	1,566,939	393,595	2,687,282	17,330,754
Export	1,913,340	88,530	76,169	84,488	225,998	2,388,525
Consumer	9,427,534	2,120,579	107,404	123,371	192,450	11,971,338
Syndicated	315,149	90,240	-	1,265,454	1,002	1,671,845
Government Program	1,514,859	361,198	77,271	55,509	140,594	2,149,431
Employees	1,469,741	2,735	127	256	3,720	1,476,579
Others	203,208	5,566	1,380	754	573	211,481
	53,804,672	8,832,409	2,922,689	2,527,951	6,200,044	74,287,765
Foreign Currency:						
Working capital	4,511,508	695,392	1,288,343	493,546	2,832,159	9,820,948
Investment	5,898,810	2,865,175	1,137,113	1,838,462	2,306,825	14,046,385
Export	770,517	625,173	340,316	345,279	1,177,036	3,258,321
Consumer	225,719	46,884	-	-	-	272,603
Syndicated	489,065	389,956	10,860	172,936	3,362,862	4,425,679
Government Program	113,280	-	-	-	-	113,280
Employees	605	-	-	-	-	605
Others	563,704	6,319	-	-	57,337	627,360
	12,573,208	4,628,899	2,776,632	2,850,223	9,736,219	32,565,181
Total	66,377,880	13,461,308	5,699,321	5,378,174	15,936,263	106,852,946
Less:						
Allowance for possible losses	(668,795)	(631,273)	(748,115)	(1,743,536)	(8,031,895)	(11,823,614)
Deferred income	(16,035)	(18,921)	(8,932)	(23,354)	(92,616)	(159,858)
	65,693,050	**12,811,114**	**4,942,274**	**3,611,284**	**7,811,752**	**94,869,474**

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans: (continued)

b) By Type and Rating: (continued)

	2004					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Working capital	26,125,480	1,063,248	759,418	232,415	674,957	28,855,518
Investment	13,299,659	1,822,692	471,713	85,990	613,507	16,293,561
Consumer	7,995,317	620,126	125,994	49,072	124,157	8,914,666
Export	1,944,960	115,334	62,750	-	173,790	2,296,834
Syndicated	590,985	1,145,661	-	11,494	227,087	1,975,227
Government Program	1,331,340	208,148	105,014	2,923	6,922	1,654,347
Employees	1,396,330	35,213	877	567	7,189	1,440,176
Others	186,091	7,735	1,536	714	567	196,643
	52,870,162	5,018,157	1,527,302	383,175	1,828,176	61,626,972
Foreign Currency:						
Working capital	6,941,007	382,048	315,170	57,364	257,886	7,953,475
Investment	13,276,436	1,996,053	323,998	167	1,767,438	17,364,092
Consumer	280,903	14,200	-	-	-	295,103
Export	2,135,911	1,019,097	203,226	-	39,663	3,397,897
Syndicated	3,081,336	124,201	48	-	-	3,205,585
Government Program	110,390	-	-	-	-	110,390
Employees	765	-	-	-	-	765
Others	435,145	45,315	-	-	-	480,460
	26,261,893	3,580,914	842,442	57,531	2,064,987	32,807,767
Total	79,132,055	8,599,071	2,369,744	440,706	3,893,163	94,434,739
Less:						
Allowance for possible losses	(1,655,160)	(1,733,872)	(1,103,955)	(423,172)	(3,555,184)	(8,471,343)
Deferred income	(74,133)	(8,556)	(38,764)	(1,142)	(42,369)	(164,964)
	77,402,762	**6,856,643**	**1,227,025**	**16,392**	**295,610**	**85,798,432**

c) By Economic Sector and Rating:

	2005					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Manufacturing	15,112,561	2,020,058	1,054,965	1,750,235	2,654,413	22,592,232
Agriculture	4,396,305	1,590,320	184,647	82,259	606,225	6,859,756
Trading, restaurant and hotel	9,145,331	1,235,340	148,563	244,117	731,232	11,504,583
Construction	4,492,409	711,722	1,076,081	98,924	602,355	6,981,491
Business services	4,122,928	334,893	63,304	81,523	245,981	4,848,629
Transportation, warehousing and communications	1,538,706	647,259	287,580	91,351	597,100	3,161,996
Electricity, gas and water	89,981	52,985	-	-	115,569	258,535
Social services	1,419,692	179,125	10,204	650	291,125	1,900,796
Mining	277,777	155,659	4,421	63,449	97,721	599,027
Others	13,208,982	1,905,048	92,924	115,443	258,323	15,580,720
	53,804,672	8,832,409	2,922,689	2,527,951	6,200,044	74,287,765

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans: (continued)

c) By Economic Sector and Rating: (continued)

	2005					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Foreign Currency:						
Manufacturing	4,670,206	2,439,139	1,237,520	1,816,862	8,136,690	18,300,417
Agriculture	1,316,863	469,675	450,813	197,791	269,553	2,704,695
Trading, restaurant and hotel	1,562,929	534,120	565,486	248,414	210,146	3,121,095
Construction	1,052,520	332,540	119,807	2,878	519,686	2,027,431
Business services	764,189	30,337	111,928	47,128	459,527	1,413,109
Transportation, warehousing and communications	184,094	332,933	-	-	30,965	547,992
Electricity, gas and water	1,089,087	308,977	-	-	-	1,398,064
Social services	2,173	-	-	-	-	2,173
Mining	1,333,128	146,984	104,932	537,150	109,122	2,231,316
Others	598,019	34,194	186,146	-	530	818,889
	12,573,208	4,628,899	2,776,632	2,850,223	9,736,219	32,565,181
Total	66,377,880	13,461,308	5,699,321	5,378,174	15,936,263	106,852,946
Less:						
Allowance for possible losses	(668,795)	(631,273)	(748,115)	(1,743,536)	(8,031,895)	(11,823,614)
Deferred income	(16,035)	(18,921)	(8,932)	(23,354)	(92,616)	(159,858)
	65,693,050	**12,811,114**	**4,942,274**	**3,611,284**	**7,811,752**	**94,869,474**

	2004					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Manufacturing	16,787,996	2,070,755	573,748	165,742	583,625	20,181,866
Agriculture	5,734,606	440,688	322,275	4,697	114,338	6,616,604
Trading, restaurant and hotel	8,739,612	431,447	146,435	70,740	455,320	9,843,554
Transportation, warehousing and communications	2,193,288	544,970	294,181	26,271	253,708	3,312,418
Business services	4,304,199	406,362	49,065	46,359	56,267	4,862,252
Construction	4,197,379	373,993	47,326	18,171	19,163	4,656,032
Social services	1,365,801	25,550	2,396	1,285	195,381	1,590,413
Mining	484,278	102,672	2,366	36	2,557	591,909
Electricity, gas and water	274,033	11,611	-	-	-	285,644
Others	8,788,970	610,109	89,510	49,874	147,817	9,686,280
	52,870,162	5,018,157	1,527,302	383,175	1,828,176	61,626,972
Foreign Currency:						
Manufacturing	12,445,541	2,470,546	745,292	45,922	1,890,586	17,597,887
Agriculture	2,150,793	20,481	30,512	-	137,732	2,339,518
Trading, restaurant and hotel	2,270,286	728,401	10,353	345	2,715	3,012,100
Transportation, warehousing and communications	869,258	91,266	33,050	-	-	993,574
Business services	893,981	196,735	23,235	11,264	-	1,125,215
Construction	2,110,234	47,652	-	-	16,097	2,173,983
Social services	237	-	-	-	-	237
Mining	3,257,623	12,272	-	-	17,184	3,287,079
Electricity, gas and water	1,374,902	-	-	-	-	1,374,902

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans: (continued)

c) By Economic Sector and Rating: (continued)

	2004					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Others	889,038	13,561	-	-	673	903,272
	26,261,893	3,580,914	842,442	57,531	2,064,987	32,807,767
Total	79,132,055	8,599,071	2,369,744	440,706	3,893,163	94,434,739
Less:						
Allowance for possible losses	(1,655,160)	(1,733,872)	(1,103,955)	(423,172)	(3,555,184)	(8,471,343)
Deferred income	(74,133)	(8,556)	(38,764)	(1,142)	(42,369)	(164,964)
	77,402,762	**6,856,643**	**1,227,025**	**16,392**	**295,610**	**85,798,432**

The non-performing loans ratio (consolidated gross basis) before deducting the allowance for possible loan losses as of December 31, 2005 and 2004, was 25.28% and 7.10%, respectively (Bank Mandiri only 26.66% and 7.42%, as of December 31, 2005 and 2004) while the non-performing loans ratio (consolidated net basis) as of December 31, 2005 and 2004, was 15.32% and 1.63%, respectively (Bank Mandiri only – 16.14% and 1.62%, as of December 31, 2005 and 2004). Based on Bank Indonesia Regulation No. 6/9/PBI/2004 regarding “Follow-Up Supervision and Bank Status Determination", dated March 26, 2004, the maximum ratio for non-performing loan is 5%.

The loans as of December 31, 2005 and 2004 include the loans purchased from IBRA amounting to Rp4,771,405 and Rp5,075,309, respectively, with an allowance for possible losses of Rp807,109 and Rp2,262,110, and deferred income of Rp159,858 and Rp164,964, respectively.

d) By Period:

	2005	2004
Rupiah:		
Less than 1 year	8,176,507	5,492,842
1 - 2 years	5,438,367	7,218,878
2 - 5 years	21,883,988	20,285,757
Over 5 years	38,788,903	28,629,495
	74,287,765	61,626,972
Foreign Currency:		
Less than 1 year	4,808,827	1,855,149
1 - 2 years	1,486,901	1,999,598
2 - 5 years	6,761,123	9,296,786
Over 5 years	19,508,330	19,656,234
	32,565,181	32,807,767
Total	106,852,946	94,434,739
Less: Allowance for possible losses	(11,823,614)	(8,471,343)
Deferred income	(159,858)	(164,964)
	94,869,474	**85,798,432**

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans:

a. Included in loans are *syariah* finance receivables amounting to Rp5,790,544 and Rp5,266,893 as of December 31, 2005 and 2004:

	2005	2004
Receivables	4,020,059	4,143,861
Musyarakah finance receivables	1,206,012	767,144
Other *syariah* finance receivables	564,473	355,888
	5,790,544	5,266,893
Less: Allowance for possible losses	(126,687)	(85,899)
	5,663,857	**5,180,994**

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

Average interest rates per annum:

	2005	2004
Rupiah	14.10%	13.75%
Foreign Currency	8.85%	8.38%

Range of profit sharing per annum:

	2005	2004
Receivables	13.16% - 14.08%	8.80% - 24.25%
Musyarakah finance receivables	13.57% - 13.95%	0.00% - 15.74%
Other *syariah* finance receivables	15.80% - 16.58%	22.12% - 22.33%

c. Loan Collateral

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

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 4.50% to 83.09% and 4.50% to 75.08% of the total syndicated loans as of December 31, 2005 and 2004, respectively. Bank Mandiri's total participation in syndicated loans ranged from 0.07% to 95.69% and 0.03% to 75.00%, of the total syndicated loans as of December 31, 2005 and 2004, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

f. Restructured Loans

Below is the type and amount of restructured loans as of December 31, 2005 and 2004

	2005	2004
Extension of loan maturity dates	9,738,462	11,199,799
Long-term loans with options to convert debt to equity	1,568,052	1,940,924
Additional loan facilities	511,201	415,326
Extension of loan maturity dates and reduction of interest rates	2,369,978	1,988,565
Extension of loan maturity dates and other restructuring schemes *)	5,239,505	5,500,340
	19,427,198	**21,044,954**

**) Other restructuring schemes mainly involve one or more of the following: reduction of interest rates, rescheduling of unpaid interest and extension of repayment periods for unpaid interest.*

Total restructured loans under non-performing loans (NPL) category as of December 31, 2005 and 2004 amounted to Rp9,419,958 and Rp1,533,485, respectively.

g. Loans to Related Parties (Note 48a)

Loans to related parties amounted to Rp1,245,740 and Rp952,277 as of December 31, 2005 and 2004 or 0.47% and 0.38% of total consolidated assets as of December 31, 2005 and 2004, respectively. Details of loans given to related parties are as follows:

	2005	2004
Republik of Indonesia	572,775	591,899
PT Staco Estika Sedaya Finance **) (previously PT Stacomitra Sedaya Finance)	220,992	98,050
Danareksa	214,000	-
PT Great River International	209,747	-
PT Bayu Beringin Lestari *)	10,500	15,625
PT Kertas Padalarang *)	6,000	6,000
PT Semen Kupang (Persero) *)	-	158,541
PT Estika Sedaya Finance **)	-	59,211
PT Estika Jasa Kelola **)	-	14,869
Employee loans	11,726	8,082
	1,245,740	**952,277**

**) 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 4% (2004:4%) per annum which are intended for the acquisition of vehicles and houses, and are repayable within 1 (one) to 15 (fifteen) years through monthly payroll deductions.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

h. Legal Lending Limit (LLL)

As of December 31, 2005 and 2004, Bank Mandiri had not exceeded the Legal Lending Limit as per BI Regulations.

i. Bank Mandiri has several loan-channeling agreements in place with several international financial institutions (Note 55).

j. Movements of Allowance for Possible Losses on Loans:

The allowance for possible loan losses is comprised of:

	2005	2004
Allowance for possible loan losses	11,823,614	8,471,343
Allowance for possible losses derived from the difference between purchase price and loan principal of loans purchased from IBRA (Note 11B.n)	-	-
	11,823,614	**8,471,343**

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

	2005	2004
Balance at beginning of year	8,471,343	8,703,411
Provision during the year (Note 37)	3,860,646	276,305
Loan recoveries	825,169	1,082,463
Write-offs	(1,503,081)	(1,789,353)
Others *)	169,537	198,517
Balance at end of year	**11,823,614**	**8,471,343**

**) Includes effect of foreign currency translation.*

As explained in Note 2o, 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 year. 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, 2005 and 2004 is Rp11,716,546 and Rp6,151,232. Management believes that the allowance for possible losses on loans is adequate.

k. 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:

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

2005

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Manufacturing	5,459,613	2,408,678
Trading, restaurant and hotel	1,123,912	489,404
Business services	390,808	171,631
Others	4,676,351	2,052,840
	11,650,684	5,122,553
Foreign Currency:		
Manufacturing	11,191,072	3,815,221
Trading, restaurant and hotel	1,024,046	370,557
Business services	618,583	210,885
Others	2,529,373	862,305
	15,363,074	5,258,968
	27,013,758	**10,381,521**

2004

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Manufacturing	1,323,115	765,463
Trading, restaurant and hotel	672,495	223,032
Business services	151,691	84,670
Others	1,591,352	890,663
	3,738,653	1,963,828
Foreign Currency:		
Manufacturing	2,681,800	2,047,218
Trading, restaurant and hotel	13,413	4,440
Business services	34,499	9,117
Others	235,248	181,221
	2,964,960	2,241,996
	6,703,613	**4,205,824**

I. Write-offs Loans – Loss Rating

In 2005 and 2004, Bank Mandiri wrote-off loss rated loans amounting to Rp1,456,034 dan Rp1,774,024. The debtors' criteria for loan write-offs are as follows:

a. Loan Facility is classified as loss
b. Loan Facility has been provided with 100% provision from the loan principal.
c. Collection and recovery efforts were performed, but the results were unsuccessful.
d. The debtors' business prospect or performance is bad or they do not have the ability to repay the loans.
e. The write-offs were performed for all their entire loan obligations, including non cash loan facilities, so that the write-offs were not partial write-offs.

The loss rating loans write-offs is still to be pursued for collection continuosly.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

m. Bank Mandiri had extra-komtabel loans amounting to Rp22,621,706 and Rp21,527,023 as of December 31, 2005 and 2004. 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 years ended December 31, 2005 and 2004 is as follows (Bank Only):

	2005	**2004**
Balance at beginning of year	21,527,023	20,470,844
Write-offs	1,456,034	1,774,024
Recoveries	(817,697)	(1,076,203)
Others *)	456,346	358,358
Balance at end of period	**22,621,706**	**21,527,023**

**) Includes effect of foreign currency translation.*

n. Purchase of Loans from IBRA

<u>Period from January 1, 2005 to December 31, 2005</u>

In addition to deferred income, the Bank had provided an additional allowance for possible losses on IBRA loans amounting to Rp807,109 as of December 31, 2005.

Of the total outstanding principal balance of IBRA loans, Rp4,771,405 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the years ended December 31, 2005 amounted to Rp12,035.

Total interest and other income (up-front fees, restructuring and provision fees) received related to loans purchased from IBRA for the years ended December 31, 2005 was Rp209,066.

Total loans purchased from IBRA recorded under "Other Assets" amounted to Rp2,288 as of December 31, 2005 (Note 15). The cessie agreements related to these loans are still in the process of finalization.

<u>Period from January 1, 2004 to December 31, 2004</u>

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 Rp2,262,110 as of December 31,2004.

Of the total outstanding principal balance of Rp5,075,309 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the years ended December 31, 2004 amounted to Rp333,755.

Total interest and other income (up-front fees, restructuring and provision fees) received related to loans purchased from IBRA for the years ended December 31, 2004 was Rp343,209.

Total loans purchased from IBRA recorded under "Other Assets" amounted to Rp2,188 as of December 31, 2004 (Note 15).

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

n. Purchase of Loans from IBRA

Below are the movements of loan principal, allowance for possible loan losses and deferred income on loans purchased from IBRA for the years ended December 31, 2005 and 2004, which were recorded under loan account:

	2005	2004
Principal		
Balance at beginning of year	5,075,309	5,249,139
Repayments during the year	(514,537)	(463,846)
Loan write-offs during the year	(26,933)	(86,305)
Adjustment on deferred income	-	(64,826)
Foreign currency translation effect	237,566	441,147
Balance at end of year	**4,771,405**	**5,075,309**

	2005	2004
Allowance for possible loan losses		
Balance at beginning of year	-	186,972
Correction from repayment	-	(8,915)
Adjustment on allowance for possible loan losses	-	(195,796)
Foreign currency translation effect	-	17,739
Balance at end of year	**-**	**-**
Deferred Income		
Balance at beginning of year	164,964	209,573
Provision during the year	-	-
Deferred income utilized for write-offs	(4,155)	(22,106)
Adjustment on deferred income	-	(36,472)
Correction from repayment	(7,088)	(185)
Foreign currency translation effect	6,137	14,154
Balance at end of year	**159,858**	**164,964**

The rating of loans purchased from IBRA as of December 31, 2005 and 2004 is as follows :

	2005	2004
Current	631,016	2,141,748
Special mention	436,408	433,036
Sub-standard	570,732	557,566
Doubtful	156,473	4,771
Loss	2,976,776	1,938,188
	4,771,405	**5,075,309**

o. On November 28, 2005 Bank Mandiri signed a Memorandum of Understanding with *Direktorat Jenderal Piutang dan Lelang Negara* ("DJPLN") regarding the execution of auction of power of attorney to mortgage and sell based on Article 6 *Undang-Undang Hak Tanggungan* Number: NKB-001/PL/2005/Nomor :DIR.MOU/009/2005 in order to expedite and optimize the auction based on Article 6 of UUHT by DJPLN/KP2LN on request from the Bank as the holder of power of attorney to mortgage and sell.

(Expressed in millions of Rupiah, unless otherwise stated)

12. ACCEPTANCES RECEIVABLE

a) By Currency and Related Parties and Third Parties:

	2005	2004
Rupiah:		
Receivables from other banks		
Related parties	552	-
Third parties	12,718	3,289
Receivables from debtors		
Third parties	175,065	136,480
Total Rupiah	188,335	139,769
Foreign Currency:		
Receivables from other banks		
Third parties	38,487	20,660
Receivables from debtors		
Third parties	4,092,280	5,080,959
Total Foreign Currency	4,130,767	5,101,619
Total	4,319,102	5,241,388
Less: Allowance for possible losses	(429,092)	(147,286)
	3,890,010	**5,094,102**

b) By Maturity:

	2005	2004
Rupiah:		
Less than 1 month	104,444	32,183
1 - 3 months	61,374	67,331
3 - 6 months	22,517	40,255
	188,335	139,769
Foreign Currency:		
Less than 1 month	986,953	1,245,286
1 - 3 months	1,868,876	2,107,345
3 - 6 months	1,243,348	1,221,510
6 - 12 months	27,165	521,920
Over 12 months	4,425	5,558
	4,130,767	5,101,619
Total	4,319,102	5,241,388
Less: Allowance for possible losses	(429,092)	(147,286)
	3,890,010	**5,094,102**

(Expressed in millions of Rupiah, unless otherwise stated)

12. ACCEPTANCES RECEIVABLE (continued)

c) By Collectibility:

	2005	2004
Current	2,563,288	4,920,860
Special mention	1,161,873	317,900
Sub-standard	250,612	2,628
Doubtful	67,987	-
Loss	275,342	-
Total	4,319,102	5,241,388
Less: Allowance for possible losses	(429,092)	(147,286)
	3,890,010	**5,094,102**

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

	2005	2004
Balance at beginning of year	147,286	148,762
Provision during the year (Note 37)	277,140	6,626
Others *)	4,666	(8,102)
Balance at end of year	**429,092**	**147,286**

**) Includes effect of foreign currency translation.*

The minimum allowance for possible losses on acceptances receivable under the guidelines prescribed by Bank Indonesia, as of December 31, 2005 and 2004 is Rp429,092 and Rp65,433, 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:

	2005	2004
Equity method of accounting	62,374	8,981
Cost method of accounting	78,990	78,013
Total	141,364	86,994
Less: Allowance for possible losses	(73,298)	(78,145)
	68,066	**8,849**

(Expressed in millions of Rupiah, unless otherwise stated)

13. INVESTMENTS IN SHARES OF STOCK (continued)

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

The details of investments in shares of stock as of December 31, 2005 are as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
Equity Method of Accounting:					
PT AXA Mandiri Financial Services	Insurance	49.00	16,761	45,613	62,374
PT Sarana Bersama Pembiayaan Indonesia	Holding company	34.00	2,278	(2,278)	-
					62,374
Cost Method of Accounting:					
PT Semen Kupang [a)]	Manufacturing	59.70	45,023		45,023
PT Sri Thai [a)]	Manufacturing	21.60	23,055		23,055
Others(each less than Rp3,889)	Various		10,912		10,912
					78,990
Total					141,364
Less: Allowance for possible losses					(73,298)
					68,066

a) These investments represent restructured loans through debt to equity participations (Note 11B.g). 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.

The details of investments in shares of stock as of December 31, 2004 are as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
Equity Method of Accounting:					
PT AXA Mandiri Financial Services	Insurance	49.00	16,761	(12,939)	3,822
PT Sarana Bersama Pembiayaan Indonesia	Holding company	34.00	2,278	2,881	5,159
					8,981
Cost Method of Accounting:					
PT Semen Kupang [a)]	Manufacturing	59.73	45,023		45,023
PT Sri Thai [a)]	Manufacturing	21,60	23,055		23,055
Others (each less than Rp3,889)	Various		9,935		9,935
					78,013
Total					86,994
Less: Allowance for possible losses					(78,145)
					8,849

a) These investments represent restructured loans through debt to equity participations (Note 11B.g). 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.

(Expressed in millions of Rupiah, unless otherwise stated)

13. INVESTMENTS IN SHARES OF STOCK (continued)

b. Investments in shares of stocks by Collectibility:

	2005	2004
Current	68,739	4,922
Sub-standard	-	1,955
Loss	72,625	80,117
Total	141,364	86,994
Less: Allowance for possible losses	(73,298)	(78,145)
	68,066	**8,849**

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

	2005	2004
Balance at beginning of year	78,145	89,693
Reversal during the year (Note 37)	(4,847)	(1,922)
Write-offs	-	(9,530)
Others	-	(96)
Balance at end of year	**73,298**	**78,145**

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

14. PREMISES AND EQUIPMENT

	2005	2004
Cost/Valuation *)	8,142,270	7,825,578
Less: Accumulated depreciation and amortization	(2,836,857)	(2,341,950)
Net book value	**5,305,413**	**5,483,628**

**) Certain premises and equipment were revalued in 1979, 1987 and 2003.*

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

Movements from January 1, 2005 to December 31, 2005	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost /Valuation					
Direct ownership					
Land *)	2,829,613	301	(4,989)	-	2,824,925
Buildings *)	1,460,171	20,147	(30,623)	13,790	1,463,485
Furniture, fixtures, office equipment and computer equipment/software	3,125,558	140,569	(11,506)	256,317	3,510,938
Vehicles	63,157	11,299	(3,719)	-	70,737
Construction in progress	265,551	239,191	-	(232,557)	272,185
Leased assets	81,528	-	(43,978)	(37,550)	-
	7,825,578	411,507	(94,815)	-	8,142,270
Accumulated Depreciation and Amortization					
Direct ownership					
Buildings	695,344	76,580	(34,810)	-	737,114
Furniture, fixtures, office equipment and/ computer equipment/software	1,580,906	474,020	(9,229)	20,027	2,065, 724
Vehicles	32,963	4,602	(3,546)	-	34,019
Leased assets	32,737	2,504	(15,214)	(20,027)	-
	2,341,950	557,706	(62,799)	-	2,836,857

Net book value	
Direct ownership	
Land	2,824,925
Buildings	726,371
Furniture, fixtures, office equipment and computer equipment/software	1,445,214
Vehicles	36,718
	5,033,228
Construction in progress	272,185
	5,305,413

*) *The amount includes an increment in value of premises and equipment based on revaluation of fixed assets of the merged banks performed by an Independent Appraiser, PT Vigers Hagai Sejahtera, using market values as of July 31, 1999. The revaluation increment was recorded prospectively on June 18, 2003 (Note 14a).*

Construction in progress as of December 31, 2005 is comprised of:

Product and license - Core Banking System	164,554
Buildings	44,229
Others	63,402
	272,185

The construction in progress was approximately 95.78% complete as of December 31, 2005.

Certain premises and equipment of BSM, a subsidiary, with net book value as of December 31, 2005 amounting to Rp 33,648, have been pledged as collateral to Bank Indonesia in relation to BSM's proposal for the settlement of its Rp32,000 subordinated loan from BI (Note 29).

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

Movements from January 1, 2004 to December 31, 2004	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost /Valuation					
Direct ownership					
Land *)	2,903,770	185	(74,342)	-	2,829,613
Buildings *)	1,391,505	28,226	(2,817)	43,257	1,460,171
Furnitures, fixtures, office equipment and computer equipment/software	2,484,614	175,345	(45,761)	511,360	3,125,558
Vehicles	47,446	21,379	(5,668)	-	63,157
Construction in progress	380,759	439,409	-	(554,617)	265,551
Leased assets	37,550	43,978	-	-	81,528
	7,245,644	708,522	(128,588)	-	7,825,578
Accumulated Depreciation and Amortization					
Direct ownership					
Buildings	599,243	98,725	(2,624)	-	695,344
Furnitures, fixtures, office equipment and computer equipment/software	1,226,794	399,499	(45,387)	-	1,580,906
Vehicles	25,222	12,611	(4,870)	-	32,963
Leased assets	10,013	22,724	-	-	32,737
	1,861,272	533,559	(52,881)	-	2,341,950

Net book value	
Direct ownership	
Land	2,829,613
Buildings	764,827
Furniture, fixtures, office equipment and computer equipment/software	1,544,652
Vehicles	30,194
	5,169,286
Construction in progress	265,551
Leased assets	48,791
	5,483,628

*) *The amount includes an 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 values as of July 31, 1999. The revaluation increment was recorded prospectively on June 18, 2003 (Note 14a).*

Construction in progress as of December 31, 2004 is comprised of:

Product and license - Core Banking System	146,960
Buildings	9,996
Others	108,595
	265,551

The construction in progress was approximately 92.79% complete as of December 31, 2004.

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

a. 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, BBD, BDN, Bank Exim and Bapindo as of July 31, 1999, in relation to the transfer to Bank Mandiri of tax losses of these taxpayers which transferred assets to Bank Mandiri.

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 were 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
	4,885,200	**1,119,139**	**3,766,061**

PT Vigers Hagai Sejahtera's opinion of the market value was based on "Indonesian Appraisal Standards" issued by the Indonesian Appraisal Companies Association (GAPPI) 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 dan 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, 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, involved land, buildings, vehicles, and office equipment.

The recognition of the premises and equipment revaluation increment did not impact the Bank's tax expense 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.

b. Bank Mandiri and Subsidiaries have insured their premises and equipment (excluding land) against physical loss; fire, theft and natural disaster with PT Staco Jasapratama, PT Asuransi Raya and PT Asuransi Dharma Bangsa for total coverage amounts of Rp2,481,272 and Rp3,342,230 as of December 31, 2005 and 2004, respectively. Management believes that the insurance coverage is adequate to cover the possibility of losses arising in relation to premises and equipment.

(Expressed in millions of Rupiah, unless otherwise stated)

15. OTHER ASSETS

	2005	2004
Receivables	-	3,256,714
Accrued income	1,852,191	1,145,139
Others	2,107,418	3,378,047
	3,959,609	**7,779,900**

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:

	2005	2004
SUFRNs classified as subordinated loans (Note 29)		
Bapindo SUFRNs	-	1,084,024
Bank Exim SUFRNs	-	1,044,563
	-	2,128,587
SUFRNs classified as loan capital (Note 30)		
BDN SUFRNs	-	1,128,127
	-	**3,256,714**

On July 27, 2005, November 30, 2005 and December 21, 2005 the Bank executed the option to repurchase Bank Exim, Bapindo and BDN SUFRNs and the Bank has compensated the related receivables with the aggregate nominal amount of Bank Exim, Bapindo and BDN SUFRNs (Note 29).

Accrued Income

Accrued income primarily comprises accrued interest receivable from placements, securities, Government Recapitalization Bonds, loans, and accrued fees and commissions.

Others

	2005	2004
Rupiah:		
Prepaid expenses	414,097	338,279
Interbranch account – net	265,400	216,145
Abandoned property – net of accumulated losses arising from difference in net realizable value of Rp31,064 and RpNil as of December 31, 2005 and 2004	238,236	255,738
Prepaid taxes	217,292	63
Repossessed assets – net of accumulated losses arising from difference in net realizable value of Rp10,451 and RpNil as of December 31, 2005 and 2004	188,703	200,040
Receivables from customer transactions	107,000	-
Interest receivables from financial institutions	43,496	31,597
Prepaid dividends	-	1,207,926
Interest receivables from government (Note 48)	-	866
Others	756,613	2,461,035
Total Rupiah	2,230,837	4,711,689
Foreign Currency:		
Interbranch account - net	39,306	258,433
Others	264,500	288,271
Total Foreign Currency	303,806	546,704

(Expressed in millions of Rupiah, unless otherwise stated)

15. OTHER ASSETS (continued)

Others (continued)

Total	2,534,643	5,258,393
Less: Allowance for possible losses	(427,225)	(1,880,346)
	2,107,418	**3,378,047**

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

Abandoned property is the fixed assets in the form of property owned by the Bank but is not utilized for the Bank's general operational activities.

Prepaid taxes as of December 31, 2005 and 2004 primarily comprised of corporate income tax installments and others.

Receivables from customer transactions primarily consist of securities transactions from PT Mandiri Sekuritas (subsidiary).

Prepaid dividends amounting Rp1,207,926 as of December 31, 2004 represent payments of interim dividends for the year 2004.

Included in others is purchased loans from IBRA amounting to Rp2,288 and Rp2,188 in 2005 and 2004, respectively which related cessie agreements to these loans are still in the process of finalization (Note 11).

The allowance for possible losses amounting to Rp427,225 and Rp1,880,346 as of December 31, 2005 and 2004, respectively, was 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. Bank Mandiri's management is of the opinion that the provision is adequate to cover possible losses arising from other assets.

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

	2005	**2004**
Balance at beginning of year	1,880,346	2,486,456
Reversal during the year	(797,841)	-
Utilization during the period (open items write off)	(1,089,404)	(603,002)
Others *)	434,124	(3,108)
Balance at end of year	**427,225**	**1,880,346**

*) Includes effect of foreign currency translation

Utilization during the year (open items write off) amounting to Rp1,089,404 consists of carried over open items which were outstanding for more than 180 days and were provided with 100% provision. The open items are from errors in posting December 31, 1999 Bank Mandiri's financial statement audit adjustments and ex-legacy BDN balance migration.

(Expressed in millions of Rupiah, unless otherwise stated)

16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS

a. By Currency and Related Parties and Third Parties:

	2005	2004
Rupiah:		
Related parties (Note 48)	82,377	38,477
Third parties	31,145,666	28,865,715
	31,228,043	28,904,192
Foreign Currency:		
Related parties (Note 48)	232,584	23,935
Third parties	14,949,643	12,155,203
	15,182,227	12,179,138
	46,410,270	**41,083,330**

Included in demand deposits are *wadiah* deposits amounting to Rp1,261,474 and Rp980,661 as of December 31, 2005 and 2004, respectively.

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

Average interest rates per annum:

	2005	2004
Rupiah	3.52%	3.60%
Foreign Currency	1.84%	0.50%

Range of bonuses per annum on *wadiah* deposits:

	2005	2004
Rupiah	1.31% - 2.90%	1.21% - 1.43%
Foreign Currency	0.26% - 1.98%	0.24% - 0.70%

c. As of December 31, 2005 and 2004, demand deposits pledged by borrowers as collateral for bank guarantees, loans and trade finance facilities amounted to Rp780,244 and Rp1,039,179 respectively.

17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS

a. By Type and Currency:

	2005	2004
Rupiah:		
Mandiri Savings	44,857,580	51,751,525
Mudharabah Savings	1,988,476	1,536,277
Mandiri Haji Savings	307,122	245,600
	47,153,178	**53,533,402**

b. As of December 31, 2005 and 2004, Bank Mandiri had savings deposits from related parties amounting to Rp23,276 and Rp15,467, respectively, or 0.05% and 0.03% of total savings deposits, respectively (Note 48).

(Expressed in millions of Rupiah, unless otherwise stated)

17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS (continued)

c. Annual average interest rates of savings deposits for the years ended December 31, 2005 and 2004 were 4.33% and 5.03%, respectively.

d. Profit sharing for *mudharabah* savings ranged from 5.72% to 6.57% and 4.23% to 7.94% for the years ended December 31, 2005 and 2004, respectively.

18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS

a. By Currency:

	2005	2004
Rupiah	96,464,773	68,885,997
Foreign Currency	16,261,431	12,335,642
	112,726,204	**81,221,639**

b. By Contract Period:

	2005	2004
Rupiah:		
1 month	66,298,569	43,586,510
3 months	18,495,955	11,900,143
6 months	4,253,505	7,891,840
12 months	3,782,693	2,781,990
Over 12 months	3,634,051	2,725,514
	96,464,773	68,885,997
Foreign Currency:		
1 month	12,889,302	10,097,715
3 months	1,285,620	1,344,763
6 months	1,055,938	408,862
12 months	895,639	477,173
Over 12 months	134,932	7,129
	16,261,431	12,335,642
	112,726,204	**81,221,639**

c. By Remaining Period Until Maturity Date:

	2005	2004
Rupiah:		
1 month	71,644,295	48,334,125
3 months	15,748,165	12,280,476
6 months	2,262,829	3,900,206
12 months	3,204,628	2,294,201
Over 12 months	3,604,856	2,076,989
	96,464,773	68,885,997
Foreign Currency:		
1 month	13,197,420	10,701,096
3 months	1,573,232	1,019,114
6 months	667,922	319,178
12 months	703,725	293,808
Over 12 months	119,132	2,446
	16,261,431	12,335,642
	112,726,204	**81,221,639**

(Expressed in millions of Rupiah, unless otherwise stated)

18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)

d. Included in time deposits are unrestricted *mudharabah* investments amounting to Rp3,818,239 and Rp3,208,069 as of December 31, 2005 and 2004, respectively.

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

Average interest rates per annum:

	2005	2004
Rupiah	8.27%	6.50%
Foreign Currency	2.99%	0.93%

Range of profit sharing per annum on *mudharabah* investments:

	2005	2004
Rupiah	6.42% - 8.31%	6.61% - 9.01%
Foreign Currency	1.40% - 3.46%	1.81% - 1.91%

f. As of December 31, 2005 and 2004, time deposits from related parties amounted to Rp1,080,031 and Rp35,997, respectively, or 0.96% and 0.04% of the total time deposits, respectively (Note 48).

g. As of December 31, 2005 and 2004, time deposits which are frozen and blocked as collateral for bank guarantees, loans and trade finance facilities amounted to Rp4,976,460 and Rp4,511,787, respectively. *Mudharabah* time deposits pledged as of December 31, 2005 and 2004, for *mudharabah* receivables extended by a subsidiary amounted to Rp19,735 and Rp49,454, respectively.

19. DEPOSITS FROM OTHER BANKS - DEMAND DEPOSITS

a. By Currency:

	2005	2004
Rupiah	374,078	950,690
Foreign Currency	41,763	20,126
	415,841	**970,816**

Included in deposits from other banks - demand deposits are *wadiah* deposits amounting to Rp8,636 and Rp4,438 as of December 31, 2005 and 2004, respectively.

b. Average Interest Rates and Range of Bonuses Per Annum:

Average interest rates per annum:

	2005	2004
Rupiah	3.52%	3.60%
Foreign Currency	1.84%	0.50%

(Expressed in millions of Rupiah, unless otherwise stated)

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

Range of bonuses per annum on *wadiah* deposits:

	2005	2004
Rupiah	1.31% - 2.90%	1.21% - 1.43%

c. As of December 31, 2005 and 2004, the Bank demand deposits from related party banks amounted to Rp287 and Nil (Note 48).

d. As of December 31, 2005 and 2004, demand deposits pledged by borrowers as bank guarantees, loan collateral and trade finance facilities amounted to Rp2,718 and Rp4,983, respectively.

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

a. By Currency:

	2005	2004
Rupiah	600,000	330,200
Foreign Currency	238,019	1,634,160
	838,019	**1,964,360**

b. By Remaining Period Until Maturity Date:

	2005	2004
Rupiah:		
Less than 1 month	600,000	330,000
1-3 months	-	200
	600,000	330,200
Foreign Currency:		
Less than 1 month	238,019	1,634,160
	238,019	**1,634,160**
	838,019	**1,964,360**

c. Average Interest Rates Per Annum:

	2005	2004
Rupiah	10.86%	6.39%
Foreign Currency	3.99%	3.18%

d. As of December 31, 2005 and 2004, the Bank had no inter-bank call money from related party banks.

21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS

a. By Currency:

	2005	2004
Rupiah	4,013,928	8,218,662
Foreign Currency	1,531,201	885,357
	5,545,129	**9,104,019**

(Expressed in millions of Rupiah, unless otherwise stated)

21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS (continued)

b. By Contract Period:

	2005	2004
Rupiah:		
Less than 1 month	3,993,650	7,959,739
3 months	13,513	254,438
6 months	5,885	185
12 months	880	4,300
	4,013,928	8,218,662
Foreign Currency:		
Less than 1 month	17,707	623,183
3 months	53,559	112,913
6 months	203,565	108,131
12 months	273,370	17,093
Over 12 months	983,000	24,037
	1,531,201	885,357
	5,545,129	**9,104,019**

Included in deposits from other banks - time deposits are unrestricted investments - *mudharabah* time deposits amounting to Rp133,522 and Rp175,800 as of December 31, 2005 and 2004, respectively.

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

Average interest rates per annum:

	2005	2004
Rupiah	8.27%	6.50%
Foreign Currency	2.99%	0.93%

Range of profit sharing per annum on *mudharabah* time deposits:

	2005	2004
Rupiah	6.42% - 8.31%	6.61% - 9.01%
Foreign Currency	1.40% - 3.46%	1.81% - 1.91%

d. As of December 31, 2005 and 2004, the Bank had no time deposits from related party banks.

e. As of December 31, 2005 and 2004, time deposits from other banks which are frozen and blocked as bank guarantees, loan collateral and trade finance facilities amounted to Rp4,893 and Rp17,676, respectively.

f. In the second quarter of year 2005, Bank has entered into two callable parallel deposit transactions with Deutsche Bank relating to the sale contract of Government of Republic of Indonesia Recapitalization Bonds. Such contract was initiated when the Bank transferred Government of Republic of Indonesia Recapitalization Bonds to Deutsche Bank and received the fund from the proceeds in Rupiah. A portion of the total transfer proceeds amounting to Rp1,268,000 was placed back as deposit to Deutsche Bank and then the Bank received US Dollar loan amounting to US$100 million (full amount).

(Expressed in millions of Rupiah, unless otherwise stated)

21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS (continued)

The details of Callable Parallel Deposits contracts are as follows:

Deposit	Effective Date	Maturity Date	Beginning Balance	Ending Balance	Interest Rate
Rupiah	May 16, 2005	June 20, 2013	634,000	1,493,110 *)	11.87%
United States Dollar	May 17, 2005	June 15, 2013	US$50 million (full amount)	US$50 million (full amount)	3 months LIBOR + spread
Rupiah	June 3, 2005	December 20, 2013	634,000	1,540,310 *)	11.00%
United States Dollar	June 8, 2005	December 15, 2013	US$50 million (full amount)	US$50 million (full amount)	3 months LIBOR + spread

*) Zero Coupon Deposits

The deposit was funded from a portion of fund received from transfer proceeds of Government of Republic of Indonesia Recapitalization Bonds to Deutsche Bank.

Based on the agreement Deutsche Bank has option rights to pre-terminate the transaction by early termination/withdrawal of the Rupiah and US Dollar deposits on any of the redemption date each year. The Agreement requires the Bank to add (top up) Rupiah deposit placement to Deutsche Bank during the period of transaction based on the movement of Rupiah against US Dollar spot rate.

Based on the agreement, Deutsche Bank could also pre-terminate the agreement in the event of Trigger Events and Unwind Events, as follows :

a. Spot USD/IDR exchange rate, as solely determined by Deutsche Bank, is at or above Rp11,000/USD
b. The Credit Rating of the foreign currency long-term debt of the Republic of Indonesia is lower than specified rating or no longer rated by any rating agency.
c. Any event of default or restructuring on any of the foreign currency long-term debt of the Republic of Indonesia.
d. The Bank default on any of the additional top up deposit requires by the agreement.

In the event that Deutsche Bank exercises its right to early terminate the transactions due to the occurrence of Unwind Event, the Bank is required to pay Unwind cost to Deutsche Bank as will be solely determined by Deutsche Bank. If the transaction is early terminated due to the occurrence of Trigger Event, Deutsche Bank may opt to return the transferred Government Recapitalization Bonds.

As of December 31, 2005, on the Bank's balance sheet the US Dollar deposits from Deutsche Bank is recognized as Deposit from Other Banks – Time Deposit, while the Rupiah deposits, considering that the sales has not yet meet the Government Recapitalization Bonds sales recognition requirement, are presented as Government of Republic of Indonesia Recapitalization Bonds (Note 7).

(Expressed in millions of Rupiah, unless otherwise stated)

22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE

As of December 31, 2005, securities sold with agreements to repurchase are as follows :

	Securities	Nominal Value	Commen-cement Date	Maturity Date	Repurchase Value	Unamortized Prepaid Interest Expense	Net Value
Rupiah							
	Recap bonds FR0019	231,028	11/03/2004	11/03/2009	285,060	-	285,060
	Recap bonds VR0017	289,859	11/04/2004	11/04/2009	284,062	-	284,062
	Recap bonds VR0019	355,652	05/18/2005	05/18/2010	316,356	-	316,356
	Recap bonds VR0013	617,500	06/07/2005	01/07/2008	617,500	-	617,500
	Recap bonds VR0019	63,982	12/05/2005	01/04/2006	56,595	79	56,516
	Recap bonds VR0019	57,127	12/15/2005	01/16/2006	50,578	289	50,289
	Recap bonds VR0019	114,550	12/22/2005	01/19/2006	100,994	673	100,321
	Recap bonds VR0019	114,550	12/28/2005	01/09/2006	100,398	297	100,101
	Recap bonds VR0019	114,548	12/29/2005	01/30/2006	101,134	1,063	100,071
	Recap bonds FR 02	30,000	10/20/2005	01/20/2006	29,108	114	28,994
	Recap bonds FR 13	20,000	10/20/2005	01/20/2006	21,202	196	21,006
	Recap bonds FR 20	1,000	12/13/2005	01/11/2006	999	2	997
	Recap bonds FR 13	25,000	12/14/2005	01/16/2006	25,060	173	24,887
	Recap bonds FR 02	20,000	12/15/2005	01/16/2006	20,258	129	20,129
	Recap bonds FR 02	30,000	12/23/2005	01/23/2006	30,469	279	30,190
Foreign Currency							
	SN BMRI	9,830	10/28/2005	01/30/2006	9,992	51	9,941
Total		**2,094,626**			**2,049,765**	**3,345**	**2,046,420**

The agreements to repurchase Government Recapitalization Bonds with Standard Chartered Bank (serial numbers VR0013 and VR0017) and HSBC (serial number FR0019 and VR0019) are associated with funding of foreign currency with cross currency swap transactions with the respective counterparties. There is no premium or discount on these contracts.

As of September 1, 2005, Bank executed call option of its agreements to repurchase Government Recapitalization Bonds with Deutsche Bank (serial numbers VR0010). The Bank already repurchased the Government Recapitalization Bonds.

As of December 31, 2004, securities sold with agreements to repurchase were as follows:

	Securities	Nominal Value	Commen-cement Date	Maturity Date	Repurchase Value	Unamortized Prepaid Interest Expense	Net Value
Rupiah							
	Recap bonds VR0010	1,312,361	05/09/2003	10/25/2006	1,305,000	-	1,305,000
	Recap bonds VR0013	1,037,500	06/04/2003	06/06/2005	1,037,500	-	1,037,500
	Recap bonds FR0019	231,028	11/03/2004	11/03/2009	285,060	-	285,060
	Recap bonds VR0017	289,859	11/04/2004	11/04/2009	284,062	-	284,062
	Bonds	1,003	12/22/2004	01/05/2005	1,003	-	1,003
	Bonds	1,007	12/10/2004	01/10/2005	1,007	-	1,007
Total		**2,872,758**			**2,913,632**	**-**	**2,913,632**

The agreements to repurchase Government Recapitalization Bonds with Deutsche Bank (serial numbers VR0010) and Standard Chartered Bank (serial numbers VR0013) are associated with cross currency swap transactions with the respective counterparties. There is no premium or discount on these contracts. Bank Mandiri pre-terminate the agreement to repurchase with Bank Mega amounted to Rp2,000,000 from the contractual schedule on September 11, 2005 and September 25, 2005.

(Expressed in millions of Rupiah, unless otherwise stated)

23. ACCEPTANCES PAYABLE

a. By Currency and Related Parties and Third Parties:

	2005	2004
Rupiah:		
Payable to other banks		
Third parties	175,065	136,480
Payable to debtors		
Third parties	13,270	3,289
Total Rupiah	188,335	139,769
Foreign Currency:		
Payable to other banks		
Third parties	4,092,280	5,080,959
Payable to debtors		
Third parties	38,487	20,660
Total Foreign Currency	4,130,767	5,101,619
	4,319,102	**5,241,388**

b. By Maturity:

	2005	2004
Rupiah:		
Less than 1 month	104,444	32,183
1 - 3 months	61,374	67,331
3 - 6 months	22,517	40,255
	188,335	139,769
Foreign Currency:		
Less than 1 month	986,953	1,245,286
1 - 3 months	1,868,876	2,107,345
3 - 6 months	1,243,348	1,221,510
6 - 12 months	27,165	521,920
Over 12 months	4,425	5,558
	4,130,767	5,101,619
	4,319,102	**5,241,388**

(Expressed in millions of Rupiah, unless otherwise stated)

24. SECURITIES ISSUED

By Type and Currency:

	2005	2004
Rupiah :		
Mandiri travelers' cheques	948,451	906,572
Syariah bonds	200,000	200,000
Others	564	688
	1,149,015	1,107,260
Foreign Currency :		
Floating Rate Notes (FRN) and Medium Term Notes (MTN)	2,753,515	2,814,852
Promissory Notes	83,693	83,004
	2,837,208	2,897,856
Total	3,986,223	4,005,116
Less: Unamortized discount	(2,754)	(11,136)
	3,983,469	**3,993,980**

Details of FRNs and MTN are as follows:

2005

Type/ ISIN No	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount US$ (full amount)	Nominal Amount Equivalent Rupiah
MTN (XS0167272375)	Credit Suisse First Boston (Europe) Ltd., London, UBS Hong Kong and PT Mandiri Sekuritas	Apr 22, 2008	60	7.00%	291,247,264	2,862,961
Less: - Securities issued and held by Bank Mandiri and Subsidiaries					(11,133,826)	(109,446)
- Unamortized discount					(280,165)	(2,754)
					279,833,273	**2,750,761**

2004

Type/ ISIN No	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount US$ (full amount)	Nominal Amount Equivalent Rupiah
FRN BDN (XS0061292263)	Merrill Lynch Securities, Hong Kong	Nov 10, 2005	120	2.32%	17,000,000	157,845
MTN (XS0167272375)	Credit Suisse First Boston (Europe) Ltd., London, UBS Hong Kong and PT Mandiri Sekuritas	Apr 22, 2008	60	7.00%	297,392,025	2,761,284
Less: - Securities issued and held by Bank Mandiri and Subsidiaries					(11,230,679)	(104,277)
- Unamortized discount					(1,199,354)	(11,136)
					301,961,992	**2,803,716**

(Expressed in millions of Rupiah, unless otherwise stated)

24. SECURITIES ISSUED (continued)

On October 31, 2003, Bank Syariah Mandiri, a subsidiary, issued five-year *Syariah* bonds amounting to Rp200,000 which mature on October 31, 2008. The profit sharing on such bonds is payable every 3 months with the first payment being made on January 30, 2004. The profit on sharing will be taken from the margin revenue of Bank Syariah Mandiri obtained from its quarterly *murabhahah* portfolio.

Bank Mandiri issued Senior Notes amounting to US$300,000,000 (full amount) at 99.482% of nominal value with a coupon of 7.00% per annum, 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, 2005 and 2004 decreased by Rp86,039 or equivalent to US$8,752,736 (full amount) and Rp24,215 or equivalent to US$2,607,975 (full amount), respectively.

On December 15, 2004, Bank Mandiri exercised the call option for its BDN FRNs (Eurobond) amounting to US$17,000,000 (full amount).

25. FUND BORROWINGS

	2005	2004
Rupiah:		
Bank Indonesia (a)	735,004	943,089
PT Permodalan Nasional Madani (Persero) (b)	573,722	414,011
PT Bank Ekspor Indonesia (Persero) (d)	667,400	313,528
The Government of Republic of Indonesia (c) (Note 48)	350,000	-
Others (h) (Note 48)	305,000	316,378
	2,631,126	1,987,006
Foreign Currency:		
Trade Financing Facilities (e)	196,600	1,949,968
Direct Off-shore Loans (f)	1,445,010	529,245
PT Bank Ekspor Indonesia (Persero) (d)	-	903,310
Exchange Offer Loans (g)	-	1,690,799
Others (h)	6,895	6,165
	1,648,505	5,079,487
	4,279,631	**7,066,493**

As of December 31, 2005 and 2004, fund borrowings from related parties amounted to Rp350,000 and Rp126,378, respectively.

(a) Bank Indonesia

This account represents a credit liquidity facility obtained from Bank Indonesia (BI), which was re-loaned to Bank Mandiri customers under the Government Credit Program. The management and monitoring of the credit facility are performed by PT Permodalan Nasional Madani (Persero), a state-owned company, based on Law No. 23/1999 dated May 17, 1999 regarding BI, BI Regulation No. 2/3/PBI/2000 dated February 1, 2000 and BI Regulation No. 5/20/PBI/2003 dated September 17, 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 9% per annum and will mature on various dates through 2017. The details of this account are as follows:

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(a) Bank Indonesia (continued)

	2005	2004
Rupiah:		
Small-Scale Working Capital Loans (KKPA)	420,571	520,650
Small-Scale Investment Loans (KIK)	188,738	266,628
Investment Loans (KI)	125,695	155,811
	735,004	**943,089**

(b) 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 to the members of the Primary Cooperative (Kredit Koperasi Primer kepada Anggotanya [KKPA]). These facilities are subject to interest at 7% per annum. The loan terms and installment payments schedule reflect the terms of the individual loan agreements.

(c) The Government of Republic of Indonesia

This account represents credit facilities obtained from The Government of Republic of Indonesia based on agreement No. KP-022/DP3/2004 dated May 14, 2004 which was amended with agreement No. AMA-7/KP-022/DP3/2004 dated December 15, 2004 and letter No.5-662/PB.7/2005 dated May 13, 2005 regarding amandment of loan agreement between The Government of Republic of Indonesia and PT Bank Mandiri (Persero) Tbk No. KP-022/DP3/2004 dated May 14, 2004. This borrowing is re-loaned by Bank Mandiri to the small and micro businesses which procedures, arrangements and requirements of the relending program are agreed with the Decision Letter of Ministry of Finance No. 40/KMK.06/2003 dated January 29, 2003 regarding Credit Financing Facilities for Small and Micro Businesses and amended with Decision Letter of Ministry of Finance No. 74/KMK.06/2004 dated February 20, 2004. This facility bears interest at 3-month SBI rate which will be determined every four months at March 10, June, 10 September 10 and December 10 based on the latest SBI auction rate. The repayment of the borrowing will be made in five (5) installments and the first installment will be due on December 10, 2007.

(d) PT Bank Ekspor Indonesia (Persero)

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) Tbk. The agreement was for the period from December 20, 2000 until December 19, 2001, and was extended annually with the latest agreement No. 054/PPF/12/2005 to December 16, 2006. The facilities were re-loaned to direct and indirect exporter customers of Bank Mandiri and bear interest at market rates.

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(e) Trade Financing Facilities

Trade financing facilities represent short-term borrowings with tenors between 180 to 185 days and bear interest at LIBOR and SIBOR plus an applicable margin. These borrowings are guaranteed by letters of credit issued by Bank Mandiri. The details of the borrowings are as follows :

	2005	2004
Commerzbank, Singapore	196,600	-
HSBC, Jakarta	-	510,675
ABN AMRO, Singapore	-	464,250
Bank of New York, Singapore	-	232,125
HSBC, Hong Kong	-	232,125
Indover Bank Limited, Hong Kong	-	278,668
ABN AMRO, Jakarta	-	185,700
Indover Bank Limited, Germany	-	46,425
	196,600	**1,949,968**

(f) Direct Off-shore Loans

The details of direct off-shore loans are as follows :

	2005	2004
Deutsche Bank AG, Singapore	737,250	-
Sumitomo Mitsui Banking Corporation, Singapore	294,900	278,550
United Overseas Bank, Singapore	265,410	111,420
Bayerische Hypo-Und Vereinsbank AG, Singapore	147,450	139,275
	1,445,010	**529,245**

Borrowing from Deutsche Bank AG, Singapore, Sumitomo Mitsui Banking Corporation (SMBC), Singapore, Bayerische Hypo-und Vereinsbank AG (BHV), Singapore and United Overseas Bank (UOB), Singapore bear interest at three-month LIBOR plus an applicable margin, three-month SIBOR plus an applicable margin, six-month LIBOR plus an applicable margin and six-month SIBOR plus an applicable margin respectively. These borrowings will be fully paid on maturity date.

(g) 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:

	2005		2004	
	US$ (full amount)	Rupiah Equivalent	US$ (full amount)	Rupiah Equivalent
Exchange Offer Loan II	-	-	182,100,000	1,690,799

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(g) Exchange Offer Loans (continued)

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

In 2005, Bank Mandiri has settled Exchange Offer Loan II with a nominal value amounting to US$182,100,000 (full amount).

(h) Others

(i) Rupiah

	2005	2004
Bank Panin, Jakarta	100,000	50,000
HSBC, Jakarta	105,000	90,000
DBS Bank Ltd., Jakarta	100,000	50,000
Borrowing from the Government of the Republic of Indonesia	-	126,378
	305,000	**316,378**

(ii)Foreign Currency

	2005	2004
Others	**6,895**	**6,165**

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:

	2005	2004
Rupiah:		
Bank guarantees issued (Note 46)	3,797,255	3,185,858
Outstanding irrevocable letters of credit (Note 46)	603,455	369,425
Standby letters of credit (Note 46)	-	30,000
	4,400,710	3,585,283
Foreign Currency:		
Bank guarantees issued (Note 46)	4,695,898	4,307,596
Standby letters of credit (Note 46)	3,557,056	2,943,434
Outstanding irrevocable letters of credit (Note 46)	3,236,305	6,117,130
	11,489,259	13,368,160
	15,889,969	**16,953,443**

(Expressed in millions of Rupiah, unless otherwise stated)

26. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

b. By Collectibility:

	2005	2004
Current	14,419,537	16,628,425
Special mention	831,259	315,787
Sub-standard	329,674	9,231
Doubtful	128,710	-
Loss	180,789	-
Total	15,889,969	16,953,443
Less: Estimated losses	(594,084)	(565,898)
Commitments and Contigencies - net	**15,295,885**	**16,387,545**

c. Movements of estimated losses on commitments and contingencies:

	2005	2004
Balance at beginning of year	565,898	572,267
Provision/(Reversal of) provision during the year	80	(37,923)
Others *)	28,106	31,554
Balance at end of year	**594,084**	**565,898**

**) includes effect of foreign currency translation.*

The minimum estimated losses on commitments and contingencies, under the guidelines prescribed by Bank Indonesia, as of December 31, 2005 and 2004, were Rp594,084 and Rp371,470, respectively.

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

27. TAXATION

a. Taxes payable

	2005	2004
Bank Mandiri		
Income Taxes:		
Employee income tax - Article 21	42,483	35,065
Withholding tax - Article 4(2)	201,611	104,380
Corporate income tax - Article 25	-	242,330
Land and building tax	-	1
Others	7,277	56,379
	251,371	438,155
Subsidiaries	20,730	57,969
	272,101	**496,124**

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

b. Tax expense

	2005	2004
Tax expense - current:		
Bank Mandiri only	403,244	2,085,997
Subsidiaries	97,257	95,014
	500,501	**2,181,011**
Tax expense/ (benefit) - deferred		
Bank Mandiri only	136,223	88,070
Subsidiaries	(8,378)	220
	127,845	**88,290**
	628,346	**2,269,301**

As discussed in Note 2v, 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. Tax expense - current

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

	2005	2004
Consolidated profit before tax expense and minority interests	1,232,553	7,525,002
Less: Profit before tax expense of Subsidiaries after elimination	(89,717)	(95,304)
Profit before tax expense and minority interests - Bank Mandiri only	1,142,836	7,429,698
Add/(deduct) permanent differences:		
(Non-taxable income)/non-deductible expenses	422,074	(388,673)
Others	233,370	205,922
Add/(deduct) temporary differences:		
Under depreciation of fixed assets per commercial over depreciation per fiscal	(96,839)	(49,616)
Financial statement provision for personnel expenses over allowable tax provision	364,807	160,715

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

c. Tax expense - current (continued)

	2005	2004
Financial statement provision for losses on earning assets other than loans over allowable tax provision	610,993	158,347
Under provision for loan Losses per commercial over allowable provision per fiscal	(1,162,641)	(265,862)
Difference in net realizable value of repossessed collateral over asset value based on tax	10,451	-
Difference in net realizable value of abandoned property over asset value based on tax	31,064	-
Under provision for estimated losses on commitments and contingencies per commercial over allowable tax provision	(3,106)	(9,620)
Under provision for losses arising from legal cases per commercial over allowable tax provision	(280,001)	(228,783)
Loses/(Gains) on increase in market value of securities and Government recapitalization bonds	71,196	(58,747)
Estimated taxable income	1,344,204	6,953,381
Estimated tax expense - current		
Bank Mandiri only	403,244	2,085,997
Subsidiaries	97,257	95,014
Estimated tax expense – current	**500,501**	**2,181,011**

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.

Tax Decisions and Tax Assessments

On October 29, 2003, Bank Mandiri received tax assessment letters dated October 24, 2003 regarding BDN tax audits for the period of January 1, 1999 up to July 31, 1999. Based on the assessment letters, BDN had tax underpayments amounting to Rp717,229 which consisted of income tax article 21 of Rp172,378, income tax article 23 of Rp301, value added tax (VAT) of Rp1,501,final income tax article 4 (2) of Rp542,846 and a VAT tax collection letter for an amount of Rp203. On January 13, 2004, the Bank submitted an objection letter to the tax office regarding such tax assessment letters and the Director General of Taxation (DGT) approved most of the Bank's objections by issuing tax decision letters as follows:

i. Tax decision letter dated August 24, 2004 revised the value added tax assessment from Rp1,501 to Rp1,062. The Bank filed an appeal against such decision to the tax court on November 11, 2004. On October 28, 2005 the tax court issued Tax Court Decisions No.Put.06848/PP/M.VI/16/2005, which approved most of the bank's appeal. On Nopember 23, 2005 DGT issued decision letter No. KEP-002/WPJ.07/KP.0103/2005 regarding Implementation of tax court decision which revised VAT underpayment from Rp1,062 to Rp507.

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

c. Tax expense - current (continued)

ii. Tax decision letter dated December 31, 2004 revised the final income tax article 4 (2) assessment from Rp542,846 to Rp40,594.

iii. Tax decision letter dated December 31, 2004 revised the income tax article 21 assessment from Rp172,378 to Rp33,434.

The bank filed an appeal against such decision for the above point ii & iii on March 29, 2005, as the bank believe, that liability arising from the such tax assessment is less than amount stated on tax decision letter.

In 2004, the Directorate General of Taxation conducted an audit on Bank Mandiri for the fiscal year 2003 for all taxes. On December 27, 2004, the Directorate General of Taxation issued tax assessments for underpayments of corporate income tax, income tax article 21, 22, 23, 4 (2) final, 26 and value added tax and related penalties amounting to Rp35,128, Rp7,308, Rp2,659, Rp741, Rp871, Rp55 and Rp57, respectively. The Bank has paid all of such tax and penalties on December 30, 2004.

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 (five) years after the year in which the tax loss was incurred. Until December 31, 2004 Bank Mandiri has no tax losses that may be carried forward and utilized to offset taxable income.

d. Tax expense-deferred

The reconciliation between estimated income tax expense, calculated using applicable tax rates based on commercial profit before tax expense, and estimated income tax as reported in the statements of profit and loss for the years ended December 31, 2005 and 2004 are as follows:

	2005	**2004**
Consolidated profit before tax expense and minority interests	1,232,553	7,525,002
Less: Profit before tax expense of Subsidiaries after elimination	(89,717)	(95,304)
Profit before tax expense and minority interests - Bank Mandiri only	1,142,836	7,429,698
Estimated income tax expense at standard statutory rates	342,833	2,228,892
Tax effect of permanent differences:		
(Non-taxable income)/non-deductible expenses	126,622	(116,602)
Others	70,011	61,777
	196,633	**(54,825)**
Tax expense - Bank Mandiri only	539,466	2,174,067
Tax expense – Subsidiaries	88,880	95,234
Tax expense – consolidated	628,346	2,269,301
Less: Current tax expense - consolidated	(500,501)	(2,181,011)
Tax Expense Deffered - Consolidated	**127,845**	**88,290**

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

e. Deferred tax assets

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

	2005	2004
Bank Mandiri		
Deferred tax assets:		
Allowance for possible losses on earning assets other than loans	891,994	708,695
Loans write-offs	386,767	-
Provision for personnel expenses	367,714	258,272
Allowance for possible loan losses	190,778	926,337
Estimated losses on commitments and contingencies	167,630	168,562
Allowance for possible losses arising from legal cases	141,512	225,512
Unrealized loss for securities and government recapitalization bonds (available for sale)	103,697	-
Mark to market of securities	21,754	395
Accumulated losses arising from difference in net realizable value of abandoned property	9,319	-
Accumulated losses arising from difference in net realizable value of repossessed collateral	3,135	-
Deferred tax assets	2,284,300	2,287,773
Deferred tax liabilities:		
Net book value of premises and equipment	(68,225)	(39,173)
Net deferred tax assets - Bank Mandiri only	2,216,075	2,248,600
Net deferred tax assets - Subsidiaries	15,327	3,544
Total consolidated deferred tax assets - net	**2,231,402**	**2,252,144**

28. OTHER LIABILITIES

	2005	2004
Rupiah:		
Provision for post-employment benefits (Note 43)	508,477	446,290
Provision for possible losses on legal cases (Note 57e)	453,412	409,356
Accrued bonus, employee incentives, leave and holiday	418,948	492,668
Provision for free of service period benefits (Note 43)	376,340	-
Guarantee deposits	284,808	274,075
Unearned income	233,488	215,588
Inter-branch accounts – net	80,210	-
Others	1,710,181	1,866,443
	4,065,864	3,704,420
Foreign Currency:		
Guarantee deposits	531,714	704,656
Unearned income	204,938	197,032
Provision for possible losses on legal cases (Note 57e)	18,294	342,351
Others	798,934	701,358
	1,553,880	1,945,397
	5,619,744	**5,649,817**

(Expressed in millions of Rupiah, unless otherwise stated)

28. OTHER LIABILITIES (continued)

Movements of certain provisions for the years ended December 31, 2005 were as follows:

	Provision for Possible Losses on Legal Cases	Provision for Post-Employment Benefits	Provision for free of service period
Balance at beginning of year	751,707	446,290	-
(Reversal)/provision during the year (Note 38)	(297,241)	79,850	376,340
Utilization during the year	(48)	(17,663)	-
Others *)	17,288	-	-
Balance at end of year	**471,706**	**508,477**	**376,340**

**) Includes effect of foreign currency translation.*

Movements of certain provisions for the years ended December 31, 2004 were as follows:

	Provision for Possible Losses on Legal Cases	Provision for Post-Employment Benefits
Balance at beginning of year	936,473	361,453
(Reversal)/Provision during the year (Note 38)	(259,172)	84,837
Utilization during the year	(339)	-
Others *)	74,745	-
Balance at end of year	**751,707**	**446,290**

**) Includes effect of foreign currency translation.*

29. SUBORDINATED LOANS

a. By Currency:

	2005	2004
Rupiah:		
Two-Step Loans (TSL)		
(a) Nordic Investment Bank (NIB)	278,993	319,007
(b) Export-Import Bank of Japan (EBJ)	29,294	81,755
(c) Asian Development Bank (ADB)	2,610	10,674
(d) International Bank for Reconstruction and Development (IBRD)	18,285	27,896
(e) ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF)	93,505	105,410
(f) ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ)	3,936	5,623
	426,623	550,365
Bank Indonesia	2,473,859	2,498,859
	2,900,482	3,049,224
Foreign Currency:		
(c) Two-Step Loans - Asian Development Bank (ADB)	224,959	217,993
(g) Two-Step Loans - Kreditanstalt fur Wiederaufbau, Frankfurt (KfW)	54,970	87,963
Others	1,221,855	3,461,026
	1,501,784	3,766,982
	4,402,266	**6,816,206**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

b. By Type:

	2005	2004
Two-Step Loans (TSL)		
(a) Nordic Investment Bank (NIB)	278,993	319,007
(b) Export-Import Bank of Japan (EBJ)	29,294	81,755
(c) Asian Development Bank (ADB)	227,569	228,667
(d) International Bank for Reconstruction and Development (IBRD)	18,285	27,896
(e) ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF)	93,505	105,410
(f) ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ)	3,936	5,623
(g) Kreditanstalt fur Wiederaufbau, Frankfurt (KfW)	54,970	87,963
	706,552	856,321
Bank Indonesia	2,473,859	2,498,859
Others	1,221,855	3,461,026
	4,402,266	**6,816,206**

Two-Step Loans (TSL)

(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 1st 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 1st 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 1st installment on August 31, 2002.

The details of credit facilities from Nordic Investment Bank are as follows:

	2005	2004
(a) Nordic Investment Bank II (NIB II)	-	7,379
(b) Nordic Investment Bank III (NIB III)	33,990	45,320
(c) Nordic Investment Bank IV (NIB IV)	245,003	266,308
	278,993	**319,007**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

(a) Nordic Investment Bank (NIB) (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 (5) state-owned banks.
- Not be lower than the interbank interest rate to the Government of the Republic of Indonesia plus 1.75% per annum.

The interest rate on the NIB III facility is based on a 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 a 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 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 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 1st installment on July 15, 1992.
EBJ-TSL II	To finance private and state-owned company projects in sectors prioritized by the Government and that are export-oriented.	October 14, 1989 - October 1, 2004 with the 1st installment on April 1, 1993.
EBJ-TSL III	To finance private and state-owned company projects in sectors prioritized by the Government and that are export-oriented.	January 21, 1991 - July 15, 2005 with the 1st 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 1st installment on July 15, 1995.

The details of credit facilities from the EBJ are as follows:

		2005	2004
(a)	Export-Import Bank of Japan I (EBJ-TSL I)	-	3,364
(b)	Export-Import Bank of Japan II (EBJ-TSL II)	-	-
(c)	Export-Import Bank of Japan III (EBJ-TSL III)	-	29,568
(d)	Export-Import Bank of Japan IV (EBJ-TSL IV)	29,294	48,823
		29,294	**81,755**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

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%. EBJ-TSL I and EBJ-TSL II facilities have been fully settled on January 2005 and October 2004, respectively.

The interest rate on the credit facilities from EBJ-TSL III and EBJ-TSL IV 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 (5) 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 (5) state-owned banks for EBJ-TSL IV.

EBJ-TSL III facilities have been fully settled in July 2005.

(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 Perkebunan Nusantara XII and Nescoco Inti	To finance government projects in funding credit for plantation projects.	February 15, 1989 - September 15, 2008 with 1st installment on March 15, 1995.
Development Financing Loan Project	To finance industrial sector prioritizing manufacturing products for non-oil export, agro-based industry, employee-centered programs and earning foreign exchange.	January 10, 1990 - January 15, 2005 with 1st installment on July 15, 1993.
ADB Fishery II	To finance government projects in funding credit for fishery projects.	December 19, 1991 - September 15, 2006 with 1st installment on March 15, 1995
ADB 1327-INO (SF)	To finance Micro Credit Projects.	January 15, 2005 - July 15, 2029 with 1st installment on January 15, 2005.

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

		2005	2004
(a)	ADB Loan 1327 - INO	224,959	217,993
(b)	ADB Perkebunan Nusantara XII and Nescoco Inti	2,067	2,755
(c)	ADB Fishery II	543	1,086
(d)	Development Financing Loan Project	-	6,833
		227,569	**228,667**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

The Ministry of Finance of the Republic of Indonesia had issued letter No. S-596/MK.6/2004 dated July 12, 2004, which approved the transfer of Micro Project Loan of ADB No. 1327-INO (SF) from Bank Indonesia to Bank Mandiri. With the transfer approval, an amendment was made on channeling loan No. SLA-805/DP3/1995 dated April 27, 1995 which was revised by amendment No. AMA-287/SLA-805/DP3/2003 dated April 22, 2003, from the Republic of Indonesia and Bank Indonesia to the Republic of Indonesia and PT Bank Mandiri (Persero) Tbk., under No. AMA-298/SLA-805/DP3/2004 dated July 16, 2004.

The ADB Loans for Micro Credit Projects was extended in SDR (Special Drawing Rights) for SDR15,872,600.44 (full amount) which is repayable by Bank Mandiri in SDR to the Government in fifty semi-annual equal installments every January 15 and July 15, with the first installment to be paid on January 15, 2005 and the last on July 15, 2029. The ADB loans are subject to a service charge of 1.50% per annum every January 15 and July 15 starting from the drawdown of the loans.

The annual interest rates on the ADB Perkebunan Nusantara XII and ADB Nescoco Inti facilities are 9.50% per annum and 10.00% per annum, respectively.

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 (15) years from the first drawdown (inclusive of a 3-year grace period) and are repayable in 24 semi-annual installments starting March 15, 1995.

The interest rate on the Development Financing Loan Project facility is based on a variable interest rate as determined by Bank Indonesia every six (6) months based on the weighted average interest rates for depositors in a foreign exchange bank but not lower than the interest rate charged by ADB plus 1.75% per annum. The Bank has fully settled the Development Financing Loan Project facility in January 2005.

(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:

Credit Facility	Purpose	Repayment Period
Agricultural Financing Project (AFP)	To finance production sector projects and agriculture, animal husbandry, fishery and forestry industries.	January 10, 1992 - December 1, 2006 with 1st installment on June 1, 1995.
Financial Sector Development Project (FSDP)	To finance Financial Sector Development Projects.	February 1, 1993 - September 15, 2007 with 1st installment on March 15, 1998.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

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

	2005	2004
(a) Financial Sector Development Project (FSDP)	17,347	26,021
(b) Agricultural Financing Project (AFP)	938	1,875
	18,285	**27,896**

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.

(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)	To purchase equipment to prevent pollution	August 19, 1993 - August 19, 2013, with 1st installment on August 15, 1998
Small Scale Industry (SSI)	To finance small-scale industry	August 19, 1993 - August 19, 2013, with 1st 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:

	2005	2004
(a) Pollution Abatement Equipment Program (PAE)	90,385	102,436
(b) Small Scale Industry (SSI)	3,120	2,974
	93,505	**105,410**

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

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 of the 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 of the three-month Certificates of Bank Indonesia, less 2.5% per annum.

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

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 24 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.

Total outstanding credit facilities from the International ASEAN Japan Development Fund - Export - Import Bank of Japan (AJDF-EBJ) as of December 31, 2005 and 2004 were Rp3,936 and Rp5,623, respectively.

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 fur Wiederaufbau (KfW)

This account represents a credit facility from KfW to the Government of the Republic of Indonesia through Bank Indonesia (BI) and is disbursed by Bank Mandiri to finance export contracts denominated in Deutsche Marks (DM) with a maximum of DM250,000,000 (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 DM 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 DM353,000 (full amount) of which the resulting credit element would be DM300,000 (full amount).

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (continued)

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

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 five 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 ten 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 starting from the date of withdrawal of loans, 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; and
- A penalty of 2% per annum above the interest rate as explained in point three in the event of late payment.

KfW advanced to the Government of Republic of Indonesia through BI and Bank Mandiri an amount of EUR11,777,361 (full amount), of which EUR11,133,645 (full amount) had already been 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, Erlangan, Germany, to PT Krakatau Steel which has entered into two ILAs with BI and KfW, as follows:

Loan No.	Facility (full amount)	Used Facility (full amount)	Unused Facility (full amount)	Repayment Period
F3137/1	EUR7,859,450	EUR7,215,734	EUR643,716	January 13, 2000 - December 15, 2006 with 1st 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	EUR Nil	March 3, 2000 - June 15, 2006 with 1st 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 and PT Bank Syariah Mandiri (a subsidiary).

Bank Indonesia agreed to the restructuring of the subordinated loans of BDN amounting to Rp736,859 and Bapindo (previously recorded as Loan Capital) amounting to Rp1,755,000 as stated in Bank Indonesia Letter No. 6/360/BKR dated November 23, 2004 regarding the Restructuring of Subordinated Loans. Under the restructuring, the subordinated loans of both ex-legacies are combined into one amount of Rp2,491,859, with a repayment period of eleven years from 2004 until 2014. The restructured loan bears interest at the rate of 0.2% per annum. The restructuring of the subordinated loans was legalized in the notarial deed of Restructuring Agreement of Subordinated Loan No. 4 dated December 7, 2004 by notary Ratih Gondokusumo Siswono, S.H. in Jakarta.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Bank Indonesia (continued)

As stated in the letter from Bank Indonesia No. 6/130i/DPbS dated November 26, 2004 regarding the settlement of the subordinated loan to BSM, Bank Indonesia agreed to the proposal from BSM to fully pay the subordinated loan amounting to Rp32,000 on November 30, 2008. For this purpose, BSM pledged premises and equipment as collateral. The loan bears interest at the rate of 6% per annum and is to be repaid in quarterly installments.

The details of this facility as of December 31, 2005 and 2004 are as follows:

Bank	Term of Loan	2005 Amount (Rupiah)	2004 Amount (Rupiah)	Interest Rate
PT Bank Mandiri (Persero) Tbk.	November 30, 2004 - March 31, 2014 with 1st installment on November 30, 2004.	2,441,859	2,466,859	0.2% per annum
PT Bank Syariah Mandiri (BSM)	January 31, 1994 - November 30, 2008 with payment at maturity date	32,000	32,000	Paid quarterly at 6% per annum
		2,473,859	**2,498,859**	

Others

Subordinated Loans - Others are comprised of:

		2005	2004
(a)	Subordinated Undated Floating Rate Notes (SURFNs)	-	2,307,902
(b)	Subordinated Notes (SNs)	1,221,855	1,153,124
		1,221,855	**3,461,026**

(a) Subordinated Undated Floating Rate Notes (SUFRNs)

Details of SUFRNs are as follows:

Issuer	Subscriber	Term of Subscription	2005 Original Amount (full amount)	2005 Equivalent Rupiah	2004 Original Amount (full amount)	2004 Equivalent Rupiah
Bank Exim	Puri International Limited	July 27, 1990 - July 27, 2005	-	-	US$125,000,000	1,160,625
Bapindo	Mitra Sejati International	Dec 21, 1990 - Dec 21, 2005	-	-	US$125,000,000	1,160,625
			-	-	US$250,000,000	2,321,250
Less: Unamortized discount			-	-	(US$1,437,664)	(13,348)
			-	**-**	**US$248,562,336**	**2,307,902**

29. SUBORDINATED LOANS (continued)

Others (continued)

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 Islandss Branch to Puri International Limited. (PIL), a special purpose vehicle incorporated in the Cayman Islandss, in exchange for cash of US$90,255,000 (full amount).

The aggregate nominal value of the Bank Exim SUFRNs of US$125,000,000 (full amount) and accrued interest thereon is recognized as a liability as of December 31, 2005 and 2004 because Bank Mandiri assumed all of Bank Exim's assets and liabilities from the date of the merger (Note 1b). 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.

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 was 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.

29. SUBORDINATED LOANS (continued)

Others (continued)

(a) Subordinated Undated Floating Rate Notes (SUFRNs) (continued)

Bank Exim SUFRNs (continued)

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.

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.

On July 27, 2005 the Bank through it's Cayman Islands Branch executed the option to repurchase Bank Exim SUFRNs and paid US$3,000 (full amount), thus the Deposit and the ING Deposit was off-set with the aggregate nominal value of Bank Exim SUFRNs (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 Islandss, 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 Islandss Branch.

The aggregate nominal value of the Bapindo SUFRNs of US$125,000,000 (full amount) and accrued interest thereon are recognized as liabilities as of December 31, 2005 and 2004 as Bank Mandiri assumed all of Bapindo's assets and liabilities from the date of the merger (Note 1b). 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 the six-month LIBOR interest rate;
- From the IPRD falling in December 2000 through to the IPRD falling in December 2005 - 5.2% per annum plus the six-month LIBOR interest rate times 23% to 19%; and
- From the IPRD falling in December 2005 at 0.0001% per annum.

29. SUBORDINATED LOANS (continued)

Others (continued)

(a) Subordinated Undated Floating Rate Notes (SUFRNs) (continued)

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.

The scheduled interest payments to MSI from Bank Mandiri on the Bapindo SUFRNs are 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 (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 SURFNs, 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 RpNil and Rp1,084,024 as of December 31, 2005 and 2004, 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).

On December 21, 2005 the Bank through the Cayman Islandss Branch executed the option to repurchase Bapindo SUFRNs with payment amounting to US$3,000 (full amount) and the payment from MSI to investors recorded as other assets has been off-set with the aggregate nominal amount of Bapindo SUFRNs (Note 15).

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Others (continued)

(b) Subordinated Notes (SNs)

Details of *Subordinated Notes (SNs)* are as follows:

Issuer	Term of Subscription	2005 Original Amount (full amount)	2005 Equivalent Rupiah	2004 Original Amount (full amount)	2004 Equivalent Rupiah
Bank Mandiri	August 2, 2002 - 2012 with Call Option by August 2, 2007	US$125,000,000	1,228,750	US$125,000,000	1,160,625
Less: Unamortized discount		(US$701,448)	(6,895)	(US$807,861)	(7,501)
		US$124,298,552	**1,221,855**	**US$124,192,139**	**1,153,124**

For purposes of increasing the Bank's Supplementary Capital (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 Due 2012 (the "Notes") through its Cayman Islandss Branch. The Notes have been issued at 99.148% of their principal amount and are due on August 2, 2012. The Notes bear interest at the rate of 10.625% per annum from and including August 2, 2007 but excluding August 3, 2007 except that in 2007, interest will accrue from and including February 2, 2007 but excluding August 3, 2007. Unless the Notes are previously redeemed, the interest rate from and including August 3, 2007 but excluding August 2, 2012 will be reset at the US Treasury Rate plus 11.20% per annum. Interest will be paid semi-annually in arrears on February 2 and August 2, starting 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 of 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 one 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:

	2005	**2004**
Foreign Currency:		
Subordinated Undated Floating Rate Notes (SUFRNs) BDN	-	1,253,475
	-	**1,253,475**

30. LOAN CAPITAL (continued)

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 Islandss Branch to Badaneg Ltd. ("Badaneg"), a special purpose vehicle incorporated in the Cayman Islandss, 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, 2005 and 2004 because Bank Mandiri assumed all of BDN's assets and liabilities from the date of the merger (Note 1b). 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.

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 Islandss 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.

(Expressed in millions of Rupiah, unless otherwise stated)

30. LOAN CAPITAL (continued)

BDN SUFRNs (continued)

The asset recognized by Bank Mandiri for the accreted value of Zero Coupon Bonds amounted to RpNil and Rp1,128,127 as of December 31, 2005 and 2004, respectively (Note 15).

On November 30, 2005 the Bank through Cayman Islands Branch executed the option to repurchase BDN SUFRNs with payment amounting to US$3,000 (full amount) and the accreted value of zero coupon bonds recognized as other assets has been off-set with the aggregate nominal amount of BDN SUFRNs (Note 15).

31. MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES

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

	2005	2004
Dana Pensiun Bank Bumi Daya	3,385	2,621
Yayasan Dana Pensiun Bank Dagang Negara	943	882
Koperasi Karyawan - PT Bank Mandiri (Persero), Tbk.	53	40
	4,381	**3,543**

32. SHAREHOLDERS' EQUITY

a. Authorized, Issued and Fully Paid-up Capital

The Bank's authorized, issued and fully paid-up capital as of December 31, 2005 and 2004 is as follows:

	2005			
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage Of Ownership
Authorized Capital				
- 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**	**500**	**16,000,000,000,000**	**100.00%**
Issued and Fully Paid-up Capital				
Republic of Indonesia				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	13,999,999,999	500	6,999,999,999,500	69.11%
JP Morgan Chase Bank US Resident (Norbax Inc)				
- Common Shares B Series	1,954,376,586	500	977,188,293,000	9.65%
Public (less than 5 % each)				
- Common Shares B Series	4,301,340,778	500	2,150,670,389,000	21.24%
Total Issued and Fully Paid-up Capital	**20,255,717,364**	**500**	**10,127,858,682,000**	**100.00%**

(Expressed in millions of Rupiah, unless otherwise stated)

32. SHAREHOLDERS' EQUITY (continued)

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

Shares ownership by directors and commissioners are 1,747,809 shares (0.0086287%) as of Desember 31, 2005.

	2004			
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage Of Ownership
Authorized Capital				
- 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**	**500**	**16,000,000,000,000**	**100.00%**
Issued and Fully Paid-up Capital				
Republic of Indonesia				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	13,999,999,999	500	6,999,999,999,500	69.54%
Publik (less than 5 % each)				
- Common Shares B Series	6,132,854,872	500	3,066,427,436,000	30.46%
Total Issued and Fully Paid-up Capital	**20,132,854,872**	**500**	**10,066,427,436,000**	**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.
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 1st Recapitalization Program as per Government Regulation No. 52/1999.

32. SHAREHOLDERS' EQUITY (continued)

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

Based on an 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 split the 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 (full amount) shares to 32,000,000,000 (full amount) 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 (full amount) 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 to the change in 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 the Shareholder.

The Dwiwarna A Series share represents a share owned by the Republic of Indonesia, which is not transferable. It 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 composition of the Boards of Directors and Commissioners should be attended and approved by the Dwiwarna A Series shareholder;
3. General Shareholders Meetings concerning changes in the Articles of Association should be attended and approved by the Dwiwarna A Series shareholder;
4. General Shareholders Meetings concerning mergers, acquisitions and takeovers should be attended and approved by the Dwiwarna A Series shareholder;
5. General Shareholders Meetings concerning dissolution and liquidation should be attended and approved by the Dwiwarna A Series shareholder.

The changes in the capital structure are based on the Minutes of the 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. 6590 of State Gazette of the Republic of Indonesia No. 63 dated August 8, 2003 (Note 1d).

32. SHAREHOLDERS' EQUITY (continued)

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

The increase in paid-up capital of Bank Mandiri from Rp4,251,000 to Rp10,000,000 was made through the following:

1. 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 the Minister of State-Owned Enterprises, as the Bank's shareholder, No. KEP-154/M-MBU/2002 dated October 29, 2002.

2. 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 Shareholders' Meeting held on May 29, 2003, which was notarized on the same date by Sutjipto, S.H., as 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 Plan and a Share Purchase at Discount 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 program are recognized by Bank Mandiri through allocation 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).

Following the Regulation of the Government of the Republic of Indonesia No. 27/2003 dated June 2, 2003 which approved the divestment of the Government ownership in Bank Mandiri of up to 30%, and based on a decision of Tim Kebijakan Privatisasi Badan Usaha Milik Negara No. Kep-05/TKP/01/2004 dated January 19, 2004, the Government of the Republic of Indonesia divested a 10% ownership interest in PT Bank Mandiri (Persero) Tbk. or 2,000,000,000 shares of Common Shares of Series B on March 11, 2004 through private placements.

On July 14, 2003, the date of the IPO, through MSOP – Stage 1 (Management Stock Option Plan – Stage 1), the Bank issued 378,583,785 share options for the management with an exercise price of Rp742.5 (full amount) per share and a nominal value of Rp500 (full amount) per share. The share options are recorded in the equity account – Share Options amounting to Rp69,71 per options. As at December 31, 2005, MSOP – Stage 1 options exercised totalled 255,717,364 shares, thereby increasing the total issued and fullly paid-up capital by Rp127,859 and agio by Rp79,837.

The General Shareholders' Meeting on May 16, 2005 approved MSOP – Stage 2 amounting to 312,000,000 share options. The exercise price and nominal value for each share is Rp1,190.5 (full amount) and Rp500 (full amount), respectively. As at December 31, 2005, the Bank recorded MSOP – Stage 2 in the equity account – Share Options with fair value amounting to Rp642.28 per share options. As of December 31, 2005, there are no options excercised for MSOP – Stage 2.

32. SHAREHOLDERS' EQUITY (continued)

b. Additional Paid-In Capital/Agio

The additional paid-in capital/agio of Rp6,006,255 and Rp5,967,897, as of December 31, 2005 and 2004, respectively, represents additional paid-up capital arising from the Recapitalization Program (Note 1c).

The increase in agio amounting to Rp79,837 as of December 31, 2005 represents the excess of the exercise price over the nominal value of the exercised share options .

Based on the results of a due diligence review conducted on behalf of the Government dated December 31, 1999 and a 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.

The return of the above excess recapitalization amounting to Rp1,412,000 includes issued and fully paid-up capital of 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, which was amended by KMK No. 420/KMK.02/2003 dated September 30, 2003, which provides further guidance on Government Regulations No. 52 year 1999 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, the Bank's accumulated losses as of April 30, 2003 amounting to Rp162,874,901 were eliminated against additional paid-in capital/agio.

c. Premises and Equipment Revaluation Increment

The premises and equipment revaluation increment amounting to Rp3,056,724 as of December 31, 2005 and 2004, 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.

(Expressed in millions of Rupiah, unless otherwise stated)

32. SHAREHOLDERS' EQUITY (continued)

d. Distribution of Net Profit

Based on the resolution of the shareholders during their general meetings held on May 16, 2005 and May 5, 2004, the shareholders approved the distribution of the 2004 and 2003 net profit as follows:

		2004	2003
Dividends		2,627,816	2,300,000
Tantiem *)		26,278	22,930
Cooperative Development fund program		78,835	-
Community Development fund program		26,278	-
		2,759,207	2,322,930
Appropriated retained earnings:	General reserve	1,813,285	200,000
	Specific reserve	-	547,000
Total		1,813,285	747,000
Retained earnings		683,139	158,644
		5,255,631	3,228,574
Dividend per share		Rp130.496 (full amount)	Rp115.00 (full amount)

*) In accordance with the Extraordinary General Shareholders' Meeting held on December 21, 2005, tantiem is taken from 2004 net profit, which have been approved as retained earnings based on the General Shareholders' Meeting's decision on May 16, 2005

The dividends from 2004 net profit were paid to the shareholders on June 24, 2005. The dividends and directors' and tantiem from the 2003 net profit were paid to the shareholders and directors and commissioners of the Bank on June 7, 2004 and June 30, 2004, respectively. The allocations for Cooperative development fund program and the community development fund program were paid on June 21, 2005.

Up to 2003, the Bank charged tantiem to retained earnings. In accordance with PSAK No.24 (Revised 2004) regarding employee benefits, the Bank has accrued the tantiem in the 2004 financial statements. At the General Stockholders' Meeting on May 16, 2005, the shareholders agreed the payment of tantiem to the members of the Board of Directors and Commissioners and Commissioners' Secretary in the amount of Rp26,278.

Tantiem amounting to Rp26,278 from the 2004 profit which was previously charged against the accrual provided in 2004, based on the decision at the Extraordinary General Shareholders' Meeting is charged against the 2004 retained earnings and the accrual previously provided is reversed as part of the 2005 operational profit.

The change is made to fulfill the legal requirement as stated in Explanation of Article 62 (1) UU No. 1 Year 1995 regarding Limited Company ("UU PT"), which states that tantiem be taken from net profit.

e. Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries

The account represents the Bank's proportionate interest in the subsidiaries arising from changes in subsidiaries' equity which are not derived from transactions with the Bank and are calculated based on the percentage of ownership of the Bank and subsidiaries. In 2005, the Bank adjusted the unrealized loss from available for sale securities as part of Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries because of the related securities held by Subsidiaries.

33. MANAGEMENT STOCK OPTION PLAN

Based on the Extraordinary General Shareholders' Meeting held on May 29, 2003, which was notarized on the same date by Sutjipto, S.H., as per notarial deed No. 142, the shareholders approved the adoption of the Management Stock Option Plan (MSOP).

The purpose of the MSOP program is to achieve long-term objective, of ensuring the continuity of the current or future performance of the Bank by aligning management and shareholders' objectives. The Bank implemented a MSOP program to attract, retain and motivate senior management and other key employees. The bank plans to issue MSOP shares, additional common shares Series B (issued without the priority right to order share), up to maximum 5% from the total of Issued and fully paid-up capital or equal to 1 billion of common shares Series B with par value of Rp500 (full amount) per share.

The options granted at Stage-1 (MSOP - Stage 1) which were approved during the Extraordinary General Shareholders' Meeting held on May 29, 2003, involved 2.18% of the total paid-up capital, with an exercise price of 110% of the offering price or equivalent to Rp742.5 (full amount) per share, and with a vesting period of two years.

The share option life is five years from the grant date. The number of stock options that can be exercised (for MSOP - Stage 1) 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% may be exercised 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 MSOP - Stage 1 amonting to 378,583,785 share options with an exercise price of Rp742.5 (full amount) per share or 110% of the offering price.

The fair value of MSOP – Stage 2 stock options granted as of July 14, 2003 was Rp69.71 (full amount) based on a valuation report issued by PT Watson Wyatt Indonesia dated March 4, 2004.

The General Shareholders' Meeting held on May 16, 2005 approved the MSOP – Stage 2 amounting to 312,000,000 share options. Exercise price and nominal value for each share is Rp1,190.5 (full amount) and Rp500 (full amount), respectively.

MSOP – Stage 2 share option life is five years from the grant date. All stock options can be exercised since February 7, 2006 which is determined as vested date. The exercise of the share options is in accordance with Jakarta Stock Exchange regulation that the window for exercise is only two times a year.

The exercise period is in accordance with the window trading regulation which is 2 (two) working days after the issuance of a quarterly published financial report and is closed at 30 (thirty days) working days after or when there is non material non public information/ or Corporate Action, which ever comes first.

The fair value of MSOP – Stage 2 stock options granted as of May 16, 2005 was Rp642.28 (full amount) based on a valuation report issued by PT Watson Wyatt Indonesia dated February 27, 2006.

(Expressed in millions of Rupiah, unless otherwise stated)

33. MANAGEMENT STOCK OPTION PLAN (continued)

The fair value of the options granted were estimated using the Black-Scholes option-pricing model with the following assumptions:

	MSOP – Stage 1	MSOP –Stage 2
Risk free interest rate	8.46%	9.50%
Expected period of option	5 years	5 years
Expected stock's volatility	24.53%	50%
Expected dividend yield	7.63%	7.63%
Employee turnover rate	1%	1%

A summary of the Management Stock Option Plan and the movements during the year (full amount):

	2005 Number of Options	2004 Number of Options
Options outstanding at the beginning of year	245,728,913	378,583,785
Options granted during the year	312,000,000	-
Options exercised during the year	(122,862,492)	(132,854,872)
Options that can be exercised at the end of the year	**434,866,421**	**245,728,913**

Share options amounted to Rp175,012 and Rp13,831 as of December 31, 2005 and 2004. MSOP – Stage 1 and MSOP – Stage 2 expense which was recorded as salaries and employee benefits for the years ended December 31, 2005 and 2004 was Rp169,746 and Rp13,196, respectively (Note 42).

34. INTEREST INCOME

Interest income was derived from the following:

	2005	**2004**
Loans	10,418,826	8,877,334
Government Recapitalization Bonds	7,797,767	8,182,196
Securities	807,729	952,491
Placements with Bank Indonesia and other banks	789,287	519,438
Fees and commissions	632,775	507,394
Others	351,805	174,589
	20,798,189	**19,213,442**

Included in interest income from loans and others is *syariah* income for the years ended December 31, 2005 and 2004 amounting to Rp777,812 and Rp511,061, respectively, with details as follows:

	2005	**2004**
Murabahah income	567,368	400,111
Musyarakah income	137,735	83,368
Others	72,709	27,582
	777,812	**511,061**

(Expressed in millions of Rupiah, unless otherwise stated)

35. INTEREST EXPENSE

Interest expense was incurred on the following:

	2005	2004
Time deposits	7,161,132	5,147,235
Savings deposits	2,033,438	2,112,420
Demand deposits	1,252,277	1,131,117
Fund borrowings	427,613	349,484
Securities issued	413,203	362,396
Subordinated loans	84,006	310,138
Loan capital	56,863	35,309
Others	318,828	74,434
	11,747,360	**9,522,533**

Included in interest expense from time and savings deposits is *syariah* expense for the years ended December 31, 2005 and 2004 amounting to Rp357,518 and Rp242,675, respectively.

36. OTHER OPERATING INCOME - OTHERS

	2005	2004
Accretion in the realizable value of the security and effective reduction of principal related to SUFRNs (Notes 15, 29 and 30)	337,431	144,830
Others	334,031	557,487
	671,462	**702,317**

37. PROVISION (REVERSAL OF ALLOWANCE) FOR POSSIBLE LOSSES ON EARNING ASSETS

	2005	2004
Provision/(reversal of allowance) for possible losses on:		
Current accounts with other banks (Note 4e)	1,278	2,112
Placements with other banks (Note 5e)	63,043	19,428
Securities (Note 6g)	59,310	45,622
Other receivables - trade transactions (Note 8d)	192,897	26,008
Securities purchased with agreements to resell (Note 9b)	(4,800)	4,800
Derivative receivables (Note 10)	559	(7,462)
Loans (Note 11B.j)	3,860,646	276,305
Acceptances receivable (Note 12d)	277,140	6,626
Investments in shares of stock (Note 13c)	(4,847)	(1,922)
	4,445,226	**371,517**

(Expressed in millions of Rupiah, unless otherwise stated)

38. REVERSAL OF ALLOWANCE FOR POSSIBLE LOSSES - OTHERS

	2005	2004
Reversal of allowance for:		
Possible losses on legal cases (Note 28)	297,241	259,172
Possible losses on fraud cases	3,078	50,000
Others	756,326	-
	1,056,645	**309,172**

39. (LOSSES)/GAINS FROM (DECREASE)/INCREASE IN VALUE OF SECURITIES AND GOVERNMENT RECAPITALIZATION BONDS

	2005	2004
Securities	(22,812)	71
Government Recapitalization Bonds	(66,332)	66,201
	(89,144)	**66,272**

40. GAINS FROM SALE OF SECURITIES AND GOVERNMENT RECAPITALIZATION BONDS

	2005	2004
Securities	199,204	218,892
Government Recapitalization Bonds	257,290	1,365,343
	456,494	**1,584,235**

41. GENERAL AND ADMINISTRATIVE EXPENSES

	2005	2004
Depreciation and amortization of premises and equipments	557,706	533,559
Rent	446,310	346,168
Repairs and maintenance	283,153	313,723
Communications	281,917	301,263
Professional fees *)	277,075	256,084
Promotions	270,812	321,910
Electricity, water and gas	198,716	153,664
Public relations	137,998	198,343
Transportations	133,385	51,671
Office supplies	113,930	117,450
Office equipments	41,059	20,889
Research and development	6,480	8,469
Others	331,538	365,479
	3,080,079	**2,988,672**

*) Professional fees included audit and tax services amounting to Rp23,703 and Rp21,227 for the years ended December 31, 2005 and 2004, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

42. SALARIES AND EMPLOYEE BENEFITS

	2005	2004
Salaries, wages, pension and tax allowances (Note 43)	1,547,352	1,337,272
Provision for post-employment benefit expenses (Note 28)	456,190	84,837
Holidays (THR), leave and related entitlements	356,060	302,524
Compensation expense on stock options (Note 33)	169,746	13,196
Employee benefits in kind	163,768	148,397
Training and development	127,835	125,648
Bonuses and others	366,304	389,883
	3,187,255	**2,401,757**

Total gross salaries, allowances and bonuses of the Boards of Directors and Commissioners, and Executive Officers amounted to Rp107,086 and Rp96,168 for the years ended December 31, 2005 and 2004, respectively, are as follows:

	December 31, 2005				
	Number of Members/ Officers	Salaries	Allowances	Bonuses	Total
Board of Commissioners	7	4,983	3,258	5,587	13,828
Board of Directors	8	15,378	16,140	19,745	51,263
Audit Committee	2	634	123	369	1,126
Senior Executive Vice Presidents, Group Heads and Advisors of Directors	47	25,568	9,131	6,170	40,869
	64	**46,563**	**28,652**	**31,871**	**107,086**

	December 31, 2004				
	Number of Members/ Officers	Salaries	Allowances	Bonuses	Total
Board of Commissioners	7	4,436	2,663	7,302	14,401
Board of Directors	9	14,919	7,752	20,750	43,421
Audit Committee	2	636	123	272	1,031
Senior Executive Vice Presidents, Group Heads and Advisors of Directors	37	21,333	4,903	11,079	37,315
	55	**41,324**	**15,441**	**39,403**	**96,168**

43. PENSION AND SEVERANCE

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 the 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 regulations were 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 the DPBM are active employees of Bank Mandiri; therefore, in substance, Bank Mandiri has control over the DPBM. As a consequence, transactions between the DPBM and Bank Mandiri are considered related party transactions. The DPBM invests a part of its financial resources in Bank Mandiri time deposits, which balances as of December 31, 2005 and 2004 were Rp24,000 and Rp43,000, respectively. The interest rates on these time deposits are at arms-length.

   The Bank paid pension contributions totaling Rp96,272 and Rp87,974, respectively, for the years ended December 31, 2004 and 2005, 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 his 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 of the Republic of Indonesia based on his decision letters No. KEP/115/KM.6/2003 for PDP DPBM I, No. KEP/116/KM.6/2003 for PDP DPBM II, No. KEP/117/KM.6/2003 for PDP DPBM III, and No. KEP/118/KM.6/2003 for PDP DPBM IV, all dated March 31, 2003.

(Expressed in millions of Rupiah, unless otherwise stated)

43. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

The members of the defined benefit pension plans originated from the 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 has been terminated but for whom the beneficial rights were not transferred to other pension plans), and pensioners.

As of December 31, 2005 and 2004, the calculation of the fair value of plan assets and projected benefit obligation is based on the independent actuarial report of PT Dayamandiri Dharmakonsilindo dated March 2, 2006 and February 11, 2005, respectively. In its calculation, the actuary used the following assumptions:

	DPBM I	**DPBM II**	**DPBM III**	**DPBM IV**
Discount rate	12% per annum (2004 : 9%)	12% per annum (2004 : 9%)	12% per annum (2004 : 9%)	12% per annum (2004 : 9%)
Expected rate of return on plan assets	12% per annum (2004 : 10%)	12% per annum (2004 : 10%)	12% per annum (2004 : 10%)	12% per annum (2004 : 10%)
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 January 1, 2003, adjusted amount over legacy banks' pensionable salary	As of January 1, 2003, adjusted amount over legacy banks' pensionable salary	As of January 1, 2003, adjusted amount over legacy banks' pensionable salary	As of January 1, 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 of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter	5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter	5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter	5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter
Disability rate	10% of mortality rate	10% of mortality rate	10% of mortality rate	10% of mortality rate
Actuarial method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Normal pension age	56 years for all grades	56 years for all grades	56 years for all grades	56 years for all grades
Maximum defined benefit amount	80% of latest gross pensionable salary (PhDP)	80% of latest gross pensionable salary (PhDP)	62.5% 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

(Expressed in millions of Rupiah, unless otherwise stated)

43. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

The projected benefit obligations and fair value of plan assets as of December 31, 2005 are as follows:

	DPBM I	DPBM II	DPBM III	DPBM IV
Projected Benefit Obligations	875,883	828,720	503,472	292,743
Fair Value of Plan Assets	1,283,339	1,300,799	720,997	406,869
Funded Status	407,456	472,079	217,525	114,126
Unrecognized Past Service Cost	-	-	-	-
Unrecognized Actuarial Gains	(270,826)	(236,254)	(184,188)	(26,787)
Surplus Based on PSAK No. 24 (Revised)	136,630	235,825	33,337	87,339
Asset Ceilling *)	-	-	-	-
Pension Plan Program Assets recognized in Balance Sheet **)	-	-	-	-

The projected benefit obligations and fair value of plan assets as of December 31, 2004 are as follows:

	DPBM I	DPBM II	DPBM III	DPBM IV
Projected Benefit Obligations	928,878	881,941	589,821	296,543
Fair Value of Plan Assets	1,254,763	1,271,452	676,450	402,902
Funded Status	325,885	389,511	86,629	106,359
Unrecognized Past Service Cost	-	-	-	-
Unrecognized Actuarial Gains	(237,126)	(201,908)	(63,688)	(31,783)
Surplus Based on PSAK No. 24 (Revised)	88,759	187,603	22,941	74,576
Asset Ceilling *)	-	-	-	-
Pension Plan Program Assets recognized in Balance Sheet **)	-	-	-	-

*) There are no unrecognized accumulated actuarial loss-net nor unrecognized past service cost and there are no present value of available future refunds or reductions of future contributions.
**) There are no plan assets recognized in the Balance Sheets since the requirements under PSAK No. 24 (Revised) are not fulfilled.

(Expressed in millions of Rupiah, unless otherwise stated)

43. PENSION AND SEVERANCE (continued)

Labor Law No. 13/2003

On March 25, 2003, the House of Representatives of the Republic of Indonesia and the Government of the Republic of Indonesia approved Labor Law No.13 Year 2003 (UU No.13/2003), which regulates, among others, the calculation of post-employment benefits, compensation upon termination and gratuity.

Bank Mandiri has implemented an accounting policy for employment benefits (PSAK 24 - Revised 2004) to recognize provision for employee service entitlements. As of December 31, 2005 and 2004, the Bank recognized a provision for employee service entitlements in accordance with Labor Law No. 13/2003 amounting to Rp508,477 and Rp446,290, respectively, based on independent actuarial reports (Note 28).

Provision for employee service entitlements as of December 31, 2005 and 2004 is based on independent actuarial reports of PT Dayamandiri Dharmakonsilindo dated March 2, 2006 and February 11, 2005, respectively. The assumptions used by the actuary were as follows:

a. Discount rate is 13% per annum (December 31, 2004: 10% per annum).
b. Expected rate of annual salary increase is 12% (December 31, 2004: 9% per annum).
c. Mortality rate table is US 1980 Commissioners' Standard Ordinary Table of Mortality.
d. Early retirement rate is 5% from age 25 decreasing linearly at 0.25% per year up to 0% at age 45 and thereafter.
e. Actuarial method is projected unit credit method.
f. Normal pension age is 56 years.
g. Disability rate is 10% of mortality rate.

Reconciliation between the provision for post employee benefits presented in the balance sheet and its expenses are as follows:

	2005	2004
Present Value of Obligations	(413,602)	(374,721)
Unrecognized Past Service Cost	(31,611)	(31,678)
Unrecognized Actuarial Gains	(63,264)	(39,891)
Provision for Post Employee Benefits Presented in Balance Sheet	**(508,477)**	**(446,290)**

	2005	2004
Current Service Cost	39,565	45,913
Interest Cost	40,487	38,991
Amortization of Unrecognized Actuarial Gains	(135)	-
Amortization of Unrecognized Past Service Cost	(67)	(67)
Cost of Pension benefits	**79,850**	**84,837**

Reconciliation of Provision for Post Employee Benefits are as follows:

	2005	2004
Beginning Balance of Provision for Post Employee Benefits	446,290	361,453
Expenses during the year	79,850	84,837
Payment of Benefit	(17,663)	-
Provision for Post Employee Benefits	**508,477**	**446,290**

(Expressed in millions of Rupiah, unless otherwise stated)

43. PENSION AND SEVERANCE (continued)

Free of Service Period (MBT)

MBT is a period prior to pension age which frees the employee from their active routine job where the related employee does not come to work but still obtains employee benefits such as: salary, medical facility, religion vacation benefit, annual leave (if in the current year the employee has active working period), special leave (if the special leave is in the MBT period) and mourning benefit and mourning facility.

In addition to the above benefits, the MBT facilities are to provide the employee a preparation opportunity before entering pension age.

The pension age, Minimal Working Period and MBT period are as follows:

No	Pension Age	Minimal Working Period	MBT Period
1.	56 years	12 years	12 months
2.	46 years	9 years	9 months

Assumptions used in the actuarial report for MBT are as follows:

a. Discount rate is 13% per annum.
b. Expected rate of annual salary increase is 12%.
c. Normal pension age 56 years.
d. Early retirement rate is 5% from age 25 decreasing linearly at 0.25% per year up to 0% at age 45 and thereafter.
e. Mortality rate table is US 1980 Commissioners' Standard Ordinary Table of Mortality.
f. Disability rate is 10% of mortality rate.

Based on those assumptions, provision for MBT facilities as of December 31, 2005 as stated in the independent actuarial reports of PT Dayamandiri Dharmakonsilindo dated March 2, 2006 amounts to Rp376,340 (Note 28).

44. OTHER OPERATING EXPENSES – OTHERS - NET

	2005	2004
Insurance premiums on customer guarantees	442,916	529,209
Others	157,745	116,353
	600,661	**645,562**

45. NON-OPERATING INCOME - NET

	2005	2004
Gain on sale of premises and equipment	16,781	29,425
Penalties	(31,489)	(48,735)
Others - net	59,688	23,713
	44,980	**4,403**

(Expressed in millions of Rupiah, unless otherwise stated)

46. COMMITMENTS AND CONTINGENCIES

	2005	2004
COMMITMENTS		
Commitment Receivables:		
Unrealized spot foreign currencies bought (Note 47)		
Third Parties	479,336	131,889
Total Commitment Receivables	479,336	131,889
Commitment Payables:		
Unused loan facilities granted		
Third Parties	19,494,865	19,758,736
Related Parties	32,008	98,229
	19,526,873	19,857,035
Outstanding irrevocable letters of credit (Note 26)		
Third Parties	3,827,930	6,486,555
Related Parties	11,830	-
	3,839,760	6,486,555
Unrealized spot foreign currencies sold (Note 47)		
Third Parties	478,878	93,611
	478,878	93,611
Total Commitment Payables	23,845,511	26,437,201
Commitment Payables - Net	(23,366,175)	(26,305,312)
CONTINGENCIES		
Contingent Receivables:		
Interest receivable on non-performing assets	4,205,991	1,923,241
Guarantees received from other banks	2,542,446	2,562,975
Others	32,904	32,970
Total Contingent Receivables	6,781,341	4,519,186
Contingent Payables:		
Guarantees issued in the form of:		
Bank guarantees issued (Note 26):		
Third Parties	8,486,811	7,493,454
Related Parties	6,342	-
	8,493,153	7,493,454
Standby letters of credit (Note 26)	3,557,056	2,973,434
Others	106,227	85,640
Total Contingent Payables	12,156,436	10,552,528
Contingent Payables - Net	(5,375,095)	(6,033,342)
COMMITMENTS AND CONTINGENCIES PAYABLE – NET	**(28,741,270)**	**(32,338,654)**

(Expressed in millions of Rupiah, unless otherwise stated)

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, 2005 are as follows:

	Spot-Bought		Spot-Sold	
Original Currency	Original Currency (full amount)	Equivalent Rupiah	Original Currency (full amount)	Equivalent Rupiah
United States Dollars	3,009,000	29,578	45,704,193	449,272
Others	-	449,758	-	29,606
		479,336		**478,878**

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2004 are as follows:

	Spot-Bought		Spot-Sold	
Original Currency	Original Currency (full amount)	Equivalent Rupiah	Original Currency (full amount)	Equivalent Rupiah
United States Dollars	11,340,333	105,295	9,500,333	88,211
Others	-	26,594	-	5,400
		131,889		**93,611**

48. 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 Axa Mandiri Financial Services, Danareksa, PT Great River International, PT Kustodian Sentral Efek Indonesia, PT Sarana Bersama Pembiayaan Indonesia, PT Semen Kupang (Persero), PT Staco Estika Sedaya Finance, PT Wana Rimba Kencana, PT Eastern Sumatera Indonesia, PT Tolan Tiga Indonesia, PT Melania Indonesia, PT Bayu Beringin Lestari, PT Kertas Padalarang, PT Bandar Sumatera Indonesia, PT Bank Niaga Tbk., PT Bank International Indonesia Tbk.

- **Related by management or key personnel Bank Mandiri's employees**

Details of significant transactions with related parties as of December 31, 2005 and 2004 are as follows:

	2005	**2004**
Government Recapitalization Bonds (Note 7)	92,055,964	93,081,021
Loans (Note 11B.g)	1,245,740	952,277
Securities (Note 6a)	600,200	399,084
Other Receivables – Trade transaction (Note 8a)	54,531	-
Acceptance Receivables (Note 12a)	552	-
Current Accounts with Other Banks (Note 4c)	53	-
Interest refundable by the Government (Note 15)	-	866
Total assets involving related parties	93,957,040	94,433,248
Total consolidated assets	263,383,348	248,155,827

(Expressed in millions of Rupiah, unless otherwise stated)

48. RELATED PARTY TRANSACTIONS (continued)

a. Banking Activities in the Ordinary Course of Business (continued)

	2005	2004
Percentage of assets involving related parties to total consolidated assets	**35.67%**	**38.05%**

The percentages of Government Recapitalization Bonds, Loans, securities, other receivables – trade transaction, acceptance receivable, current account with other bank, and interest receivable from the Government compared to the total consolidated assets are as follows:

	2005	2004
Government Recapitalization Bonds	34.95%	37.50%
Loans	0.47%	0.38%
Securities	0.23%	0.16%
Other Receivables – Trade transaction	0.02%	-
Acceptance Receivable	-	-
Current account with other bank	-	-
Interest refundable by the Government	-	-
Total	**35.67%**	**38.05%**

	2005	2004
Time Deposits (Note 18f)	1,080,031	35,997
Fund Borrowings (Note 25)	350,000	126,378
Demand Deposits (Note 16a)	314,961	62,412
Savings Deposits (Note 17b)	23,276	15,467
Deposits From Other Banks – Demand Deposits (Note 19c)	287	-
Total liabilities involving related parties	1,768,555	240,254
Total consolidated liabilities	240,164,244	223,217,577
Percentage of liabilities involving related parties to total consolidated liabilities	**0.74%**	**0.11%**

Percentages of time deposits, fund borrowings, demand deposits, saving deposits and deposits from other banks - demand deposits compared to the total consolidated liabilities are as follows:

	2005	2004
Time Deposits	0.45%	0.01%
Fund Borrowings	0.15%	0.06%
Demand Deposits	0.13%	0.03%
Savings Deposits	0.01%	0.01%
Deposits From Other Banks – Demand Deposits	-	-
Total	**0.74%**	**0.11%**

Salary, allowances and bonuses of the Boards of Directors and Commissioners and Executive Officers (Note 42) for the years ended December 31, 2005 and 2004 amount to Rp107,086 and Rp96,168, respectively.

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 1c and 7).

(Expressed in millions of Rupiah, unless otherwise stated)

48. RELATED PARTY TRANSACTIONS (continued)

b. Significant transactions with the Government of the Republic of Indonesia (continued)

- 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.

- The Bank returned additional paid-in capital of Rp1,412,000 representing a portion of the excess recapitalization (Note 32b).

- Based on the Minister of Finance's Decision Letter 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 funds amounting to Rp5,000,000 into 5,000,000 shares with a nominal value of Rp1,000,000 (full amount) per share, and the remaining recapitalization funds amounting to Rp168,801,315 were 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.

49. MATURITY PROFILE

This profile as of December 31, 2005 and 2004 is based on the remaining maturity period since those dates. Historically, a significant proportion of deposits are rolled-over on maturity. Also, Government recapitalization bonds (trading and available for sale) could be liquidated through sale or used as collateral in the inter-bank market should the need for liquidity arise. The Bank's policy with regards to the maturity gap between the monetary assets and liabilities is to determine a gap limit which is adjusted to the Bank's ability to obtain immediate liquidity.

The maturity profile of the Bank's assets and liabilities is as follows:

2005

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth < 6 mth	>6 mth < 12 mth	>12 mth
Assets							
Cash	2,522,764	-	2,522,764	-	-	-	-
Current accounts with Bank Indonesia	20,304,705	-	20,304,705	-	-	-	-
Current accounts with other banks - net	697,603	-	697,603	-	-	-	-
Placements with Bank Indonesia and other banks - net	23,617,054	-	23,355,312	176,616	38,671	46,455	-
Securities - net	10,504,269	55,530	7,488,147	355,044	232,059	261,000	2,112,489
Government Recapitalization Bonds	92,055,964	-	-	57,568	-	1,332,602	90,665,794
Other receivables-trade transactions - net	2,724,729	-	834,141	867,759	999,742	23,087	-
Securities bought with agreements to resell - net	317,043	-	215,513	101,530	-	-	-
Derivative receivables - net	315,243	-	19,545	18,795	5,673	-	271,230
Loans - net	94,869,474	-	15,469,798	9,987,343	6,415,058	8,718,649	54,278,626
Acceptances receivable - net	3,890,010	-	906,352	1,757,492	1,194,869	26,901	4,396
Investments in shares of stock - net	68,066	68,066	-	-	-	-	-
Premises and equipment - net	5,305,413	5,305,413	-	-	-	-	-
Deferred tax assets - net	2,231,402	2,231,402	-	-	-	-	-
Accrued income	1,852,191	1,852,191	-	-	-	-	-
Others - net	2,107,418	238,236	107,000	-	-	631,389	1,130,793
Total Assets	**263,383,348**	**9,750,838**	**71,920,880**	**13,322,147**	**8,886,072**	**11,040,083**	**148,463,328**

(Expressed in millions of Rupiah, unless otherwise stated)

49. MATURITY PROFILE (continued)

2005 (continued)

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth < 6 mth	>6 mth < 12 mth	>12 mth
Liabilities							
Liabilities immediately payable	675,285	-	675,285	-	-	-	-
Demand deposits	46,410,270	-	46,410,270	-	-	-	-
Savings deposits	47,153,178	-	47,153,178	-	-	-	-
Time deposits	112,726,204	-	84,841,715	17,321,397	2,930,751	3,908,353	3,723,988
Deposits from other banks							
- Demand deposits	415,841	-	415,841	-	-	-	-
- Inter-bank call money	838,019	-	838,019	-	-	-	-
- Time deposits	5,545,129	-	4,104,556	222,658	674,276	543,639	-
Securities sold with agreements to repurchase	2,046,420	-	543,443	-	-	-	1,502,977
Derivative payables	189,546	-	20,194	21,027	5,771	2,391	140,163
Acceptances payable	4,319,102	-	1,091,398	1,930,249	1,265,865	27,165	4,425
Securities issued	3,983,469	-	949,015	83,693	-	-	2,950,761
Fund borrowings	4,279,631	-	508,495	462,223	420,623	1,103,936	1,784,354
Estimated losses on commitments and contingencies	594,084	594,084	-	-	-	-	-
Accrued expenses	693,956	-	693,956	-	-	-	-
Taxes payable	272,101	-	-	-	-	-	272,101
Other liabilities	5,619,744	5,205,407	-	-	389,992	-	24,345
Subordinated loans	4,402,266	-	-	-	4,562	-	4,397,704
Total Liabilitiies	**240,164,245**	**5,799,491**	**188,245,365**	**20,041,247**	**5,691,840**	**5,585,484**	**14,800,818**
Net Assets (Liabilities)	**23,219,103**	**3,951,347**	**(116,324,485)**	**(6,719,100)**	**3,194,232**	**5,454,599**	**133,662,510**

2004

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth < 6 mth	>6 mth < 12 mth	>12 mth
Assets							
Cash	2,439,465	-	2,439,465	-	-	-	-
Current accounts with Bank Indonesia	15,986,630	-	15,986,630	-	-	-	-
Current accounts with other banks - net	650,631	-	650,631	-	-	-	-
Placements with Bank Indonesia and other banks – net	14,180,058	-	13,403,697	58,677	717,684	-	-
Securities - net	12,504,729	295,208	9,149,299	206,490	228,344	139,015	2,486,373
Government Recapitalization Bonds	93,081,021	-	470,472	940,943	1,411,137	1,891	90,256,578
Other receivables - trade transactions - net	1,907,648	-	348,744	734,958	815,987	7,843	116
Securities Purchased with Agreements to Resell	703,334	-	475,200	-	-	228,134	-
Derivative receivables - net	285,256	-	17,398	31,306	107,925	-	128,627
Loans - net	85,798,432	-	4,784,770	9,666,077	5,915,334	10,230,606	55,201,645
Acceptances receivable - net	5,094,102	-	1,241,876	2,113,459	1,222,348	510,913	5,506
Investments in shares of stock - net	8,849	8,849	-	-	-	-	-
Premises and equipment - net	5,483,628	5,483,628	-	-	-	-	-
Deferred tax assets - net	2,252,144	2,252,144	-	-	-	-	-
Receivables	3,256,714	-	-	-	-	3,256,714	-
Accrued income	1,145,139	-	1,145,139	-	-	-	-
Others - net	3,378,047	1,800,182	31,597	-	1,207,926	338,342	-
Total Assets	**248,155,827**	**9,840,011**	**50,144,918**	**13,751,910**	**11,626,685**	**14,713,458**	**148,078,845**

(Expressed in millions of Rupiah, unless otherwise stated)

49. MATURITY PROFILE (continued)

2004 (continued)

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth < 6 mth	>6 mth < 12 mth	>12 mth
Liabilities							
Liabilities immediately payable	546,277	-	546,277	-	-	-	-
Demand deposits	41,083,330	-	41,083,330	-	-	-	-
Savings deposits	53,533,402	-	53,533,402	-	-	-	-
Time deposits	81,221,639	-	59,035,221	13,299,590	4,219,384	2,588,009	2,079,435
Deposits from other banks							
- Demand deposits	970,816	-	970,816	-	-	-	-
- Inter-bank call money	1,964,360	-	1,964,360	-	-	-	-
- Time deposits	9,104,019	-	8,879,559	179,666	745	20,809	23,240
Securities sold with agreements to repurchase	2,913,632	-	2,010	-	1,037,500	-	1,874,122
Derivative payables	66,968	-	22,092	20,650	11	-	24,215
Acceptances payable	5,241,388	-	1,277,471	2,174,675	1,261,764	521,920	5,558
Securities issued	3,993,980	-	906,572	83,003	-	157,845	2,846,560
Fund borrowings	7,066,493	-	1,059,858	853,716	3,511,081	314,167	1,327,671
Estimated losses on commitments and contingencies	565,898	565,898	-	-	-	-	-
Accrued expenses	729,753	-	729,753	-	-	-	-
Taxes payable	496,124	-	160,760	335,364	-	-	-
Other liabilities	5,649,817	5,156,708	-	-	364,592	128,517	-
Subordinated loans	6,816,206	-	10,197	-	14,096	2,383,944	4,407,969
Loan capital	1,253,475	-	-	-	-	1,253,475	-
Total Liabilities	**223,217,577**	**5,722,606**	**170,181,678**	**16,946,664**	**10,409,173**	**7,368,686**	**12,588,770**
Net Assets (Liabilities)	**24,938,250**	**4,117,405**	**(120,036,760)**	**(3,194,754)**	**1,217,512**	**7,344,772**	**135,490,075**

50. 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	Nature of Business	Location
• Parent		
PT Bank Mandiri (Persero) Tbk.	Commercial Banking	Indonesia, Singapore, Hong Kong, Grand Cayman and Timor Leste
• Subsidiaries		
PT Bank Syariah Mandiri	Syariah Banking	Indonesia
Bank Mandiri (Europe) Limited	Commercial Banking	United Kingdom
PT Mandiri Sekuritas	Securities	Indonesia
PT Bumi Daya Plaza and its subsidiaries	Others	Indonesia
PT Usaha Gedung Bank Dagang Negara and its subsidiaries	Others	Indonesia

(Expressed in millions of Rupiah, unless otherwise stated)

50. SEGMENT INFORMATION (continued)

Primary Segment Information for the years ended December 31, 2005

	Banking	'Syariah' Banking	Securities	Others	Elimination	Consolidated
Operating income	22,326,888	959,115	202,671	88,880	-	23,577,554
Inter-segment operating income	79,094	-	4,305	-	(83,399)	-
Operating income including inter-segment operating income	22,405,982	959,115	206,976	88,880	(83,399)	23,577,554
Operating expenses	21,332,048	821,937	155,918	80,078	-	22,389,981
Inter-segment operating expenses	10,917	-	-	-	(10,917)	-
Operating expenses including inter-segment operating expenses	21,342,965	821,937	155,918	80,078	(10,917)	22,389,981
Profit from operations	1,063,017	137,178	51,058	8,802	(72,482)	1,187,573
Net profit	549,404	83,819	16,690	25,938	(72,482)	603,369
Total assets	256,152,002	8,272,965	1,233,023	298,653	(2,573,295)	263,383,348
Total assets (as a percentage of total consolidated assets prior to elimination)	96.31%	3.11%	0.46%	0.11%		

Secondary Segment Information for the years ended December 31, 2005

	Indonesia (Domestic)	Asia	West Europe	Pacific (Cayman)	Elimination	Consolidated
Operating income	22,901,973	357,059	123,432	195,090	-	23,577,554
Inter-segment operating income	83,402	-	-	-	(83,402)	-
Operating income including inter-segment operating income	22,985,375	357,059	123,432	195,090	(83,402)	23,577,554
Operating expenses	21,347,131	231,216	169,481	642,153	-	22,389,981
Inter-segment operating expenses	10,917	-	-	-	(10,917)	-
Operating expenses including inter-segment operating expenses	21,358,048	231,216	169,481	642,153	(10,917)	22,389,981
Profit from operations	1,627,327	125,843	(46,049)	(447,063)	(72,485)	1,187,573
Net profit	425,991	106,626	(46,514)	189,751	(72,485)	603,369
Total assets	257,256,936	4,474,469	1,862,722	2,362,516	(2,573,295)	263,383,348
Total assets (as a percentage of total consolidated assets prior to elimination)	96.73%	1.68%	0.70%	0.89%		

(Expressed in millions of Rupiah, unless otherwise stated)

50. SEGMENT INFORMATION (continued)

Primary Segment Information for the years ended December 31, 2004

	Banking	'Syariah' Banking	Securities	Others	Elimination	Consolidated
Operating income	22,243,815	695,387	250,533	70,679	-	23,260,414
Inter-segment operating income	189,123	-	5,282	-	(194,405)	-
Operating income including inter-segment operating income	22,432,938	695,387	255,815	70,679	(194,405)	23,260,414
Operating expenses	14,951,923	554,745	163,462	69,685	-	15,739,815
Inter-segment operating expense	5,282	-	-	-	(5,282)	-
Operating income including inter-segment operating expenses	14,957,205	554,745	163,462	69,685	(5,282)	15,739,815
Profit from operations	7,475,733	140,642	92,353	994	(189,123)	7,520,599
Net profit	5,255,561	103,447	62,988	22,758	(189,123)	5,255,631
Total assets	240,436,505	6,869,949	1,435,684	1,892,203	(2,478,514)	248,155,827
Total assets (as a percentage of total consolidated assets prior to elimination)	95.93%	2.74%	0.57%	0.76%		

Secondary Segment Information for the years ended December 31, 2004

	Indonesia (Domestic)	Asia	Europe	Others	Elimination	Consolidated
Operating income	22,833,298	241,968	94,207	90,941	-	23,260,414
Inter-segment operating Income	194,405	-	-	-	(194,405)	-
Operating income including inter-segment operating income	23,027,703	241,968	94,207	90,941	(194,405)	23,260,414
Operating expenses	14,905,210	104,849	80,601	649,155	-	15,739,815
Inter-segment operating expenses	5,282	-	-	-	(5,282)	-
Operating income including inter-segment operating expense	14,910,492	104,849	80,601	649,155	(5,282)	15,739,815
Profit from operations	8,117,211	137,119	13,606	(558,214)	(189,123)	7,520,599
Net profit	5,226,014	107,449	13,448	97,843	(189,123)	5,255,631
Total assets	236,144,152	2,933,885	1,617,573	9,938,731	(2,478,514)	248,155,827
Total assets (as a percentage of total consolidated assets prior to elimination)	94.22%	1.17%	0.64%	3.97%		

(Expressed in millions of Rupiah, unless otherwise stated)

51. CAPITAL ADEQUACY RATIO

The 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 core (Tier I) capital and supplementary capital (Tier II) less investments in subsidiaries. To calculate the market risk exposure, the Bank could include the supplementary capital (Tier III). Supplementary capital for taking account of market risk (Tier III) is short-term subordinated loans which meet the criteria as capital components. The CAR of Bank Mandiri (Bank Mandiri only) as of December 31, 2005 and 2004 was 23.65% and 25.28% for CAR with credit risk, and 23.21% and 24.48% for CAR with credit risk and market risk, respectively and calculated as follows:

	2005	2004
Capital:		
Tier I *)	20,858,866	20,283,275
Tier II	8,591,425	9,189,588
Total Tier I and Tier II	29,450,291	29,472,863
Less: Investments in subsidiaries	(2,036,344)	(1,936,018)
Total capital for credit risk	27,413,947	27,536, 845
Tier III	-	-
Total capital for credit risk and market risk	27,413,947	27,536, 845
Credit RWA	115,908,987	108,934,763
Market RWA	2,204,133	3,554,156
Total Risk-Weighted Assets	118,113,120	112,488,919
CAR for credit risk	23.65%	25.28%
CAR for credit risk and market risk	23.21%	24.48%
Minimum CAR	8%	8%

*) Excludes the impact of deferred tax assets of Rp127,845 and Rp88,070 as of December 31, 2005 and 2004, and unrealized losses on available for sale securities and Government Recapitalization Bonds of Rp345,658 and Rp404,001 as of December 31, 2005 and 2004, respectively.

52. NET OPEN POSITION

Net Open Position calculation as of December 31, 2005 was based on Bank Indonesia's Regulation No. 7/37/PBI/2005 dated September 30, 2005. Based on the related regulation, banks are required to maintain aggregate and balance sheet net open position of a maximum of 20% of total capital. In accordance with Bank Indonesia guidelines, the aggregate net open position ratio is the sum of the absolute values of the net difference between assets and liabilities denominated in each foreign currency plus the net difference of receivables and payables of both commitments and contingencies recorded in the administrative accounts denominated in each foreign currency, which are stated in Rupiah. The Net Open Position for balance sheets is the net difference between total assets and total liabilities in the balance sheets denominated in each foreign currency which are stated in Rupiah.

Net Open Position calculation as of December 31, 2004 is based on Bank Indonesia's Regulation No. 5/13/PBI/2003 dated July 17, 2003. Based on the related decision letter, banks are required to maintain aggregate net open position of a maximum of 20% of the total capital.

(Expressed in millions of Rupiah, unless otherwise stated)

52. NET OPEN POSITION (continued)

The NOP by currency of Bank Mandiri as of December 31, 2005 was as follows:

Currency	Assets	Liabilities	Absolute Open Position
AGGREGATE (ON & OFF BALANCE SHEET)			
United States Dollar	47,328,306	46,984,911	343,395
Singapore Dollar	1,805,477	1,683,567	121,910
Euro	716,890	692,445	24,445
Japanese Yen	252,298	243,775	8,523
Hong Kong Dollar	248,797	123,844	124,953
Great Britain Poundsterling	125,526	75,880	49,646
Australian Dollar	30,350	17,114	13,236
Others	20,009	6,375	20,250
Total			706,358
ON-BALANCE SHEET			
United States Dollar	43,919,757	41,432,545	2,487,212
Singapore Dollar	1,805,477	1,647,090	158,387
Euro	724,170	708,480	15,690
Japanese Yen	241,435	237,832	3,603
Hong Kong Dollar	235,924	123,844	112,080
Great Britain Poundsterling	96,656	47,011	49,645
Australian Dollar	30,350	17,114	13,236
Others	20,009	6,375	13,634
Total			2,853,487
Total Tier I and II Capital less investments in subsidiaries (Note 51)			27,413,947
NOP Ratio (On-Balance Sheet)			10.41%
NOP Ratio (Aggregate)			2.58%

NOP Ratios based on the total capital as of November 30, 2005 (unaudited) are as follows :

NOP Ratio (On-Balance Sheet)	10.27%
NOP Ratio (Aggregate)	2.54%

The Net Open Position by currency of Bank Mandiri (Bank only) as of December 31, 2004 is as follows:

Currency	Assets	Liabilities	Absolute Open Position
ON-BALANCE SHEET			
United Stated Dolar	45,304,043	45,270,883	33,160
Euro	351,764	592,691	240,927
Singapore Dollar	1,644,486	1,531,252	113,234
Japanese Yen	260,764	253,688	7,076
Hong Kong Dollar	207,031	103,945	103,086
Great Britain Pound Sterling	32,569	37,136	4,567
Australian Dollar	44,520	14,877	29,643
Others	22,959	45,242	22,283
Total			553,976
OFF-BALANCE SHEET			
United Stated Dollar	5,423,879*)	4,823,758	600,121
Euro	319,089	-	319,089
Great Britain Pound Sterling	118,822	100,913	17,909
Singapore Dollar	16,320	99,572	83,252
Japanese Yen	1,411	5,400	3,989
Total			1,024,360
Total Absolute Open Position			912,869

*) include hedge bonds of Rp2,822,552 (Note 7).

(Expressed in millions of Rupiah, unless otherwise stated)

52. NET OPEN POSITION (continued)

OFF-BALANCE SHEET (continued)	
Total Tier I and II Capital less investments in subsidiaries (Note 51)	27,536,845
NOP Ratio (On-Balance Sheet)	**2.01%**
NOP Ratio (Off-Balance Sheet)	**3.72%**
NOP ratio (Aggregate)	**3.32%**

53. NON-PERFORMING EARNING ASSETS RATIO, TOTAL ALLOWANCE FOR POSSIBLE LOSSES ON EARNING ASSETS RATIO AND SMALL-SCALE LOANS RATIO, AND LEGAL LENDING LIMIT

Non-performing earning assets to total earning assets Bank Mandiri only, was 12.32% and 3.65% as of December 31, 2005 and 2004, respectively. The Non-Performing Loan (NPL) ratio (Bank Mandiri only) before being deducted by the allowance for possible losses (gross basis) was 26.66% and 7.42% as of December 31, 2005 and 2004, respectively (Note 11A.c).

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 were 102.94% and 132.84% as of December 31, 2005 and 2004, respectively.

The small-scale loans to total loans ratio was 4.85% and 4.42% as of December 31, 2005 and 2004, respectively.

Legal Lending Limit (BMPK) as of December 31, 2005 and 2004 did not exceed the BMPK regulation for related parties and third parties. BMPK is calculated in accordance with Bank Indonesia Regulation - PBI No.7/3/PBI/2005 dated January 20, 2005.

54. CUSTODIAL AND TRUST OPERATIONS

Custodial Operations

Bank Mandiri started rendering custodial services in 1995. 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. Bank Mandiri's Custodial, 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 script and scriptless trading transactions.
b. Safekeeping and administration of securities and other valuable assets.
c. Corporate action services related to the rights on the securities.
d. Proxy services for its customers' shareholders' meetings and obligation holders' meetings.

In order to fulfill the investors needs in investing in various securities instruments, Bank Mandiri's Custodial facilitates by acting as:

a. General custodial which provides services for the investors in investing in the Indonesia capital market;
b. Local custodial for American Depository Receipts (ADRs) and Global Depository Receipts (GDR) which is needed by the investors in converting the companies' shares listed in local and overseas stock exchange (dual listing);
c. Sub-registry services for settlement of transactions of Indonesian recapitalization bonds ("Government Recapitalization Bonds") as well as SBIs;
d. As direct participant of Euroclear;

(Expressed in millions of Rupiah, unless otherwise stated)

54. CUSTODIAL AND TRUST OPERATIONS (continued)

Custodial Operations (continued)

e. Custodial for mutual fund managed by investment manager.

Bank Mandiri has 329 and 304 custodial customers as of December 31, 2005 and 2004, respectively. The customers are primarily pension funds, insurance companies, banks, securities companies, mutual funds and other private companies with a total portfolio value as of December 31, 2005 of Rp 60,690,045 and US$260,618,596.36 (full amount).

Bank Mandiri carries insurance on custodial services against safekeeping and transit loss under blanket policies amounting to approximately Rp251,000. Management is of the opinion that the insurance coverage is adequate to cover possible losses from safekeeping and transit risks.

Trust Operations

Bank Mandiri had been rendering trustee services since 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 Decision Letter 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 and following up and executing the results of bondholder meetings, as required.
e. Providing information on issuers' performance as requested by Bapepam or bondholders.
f. Managing the sinking fund and other collateral as required by a bond's issuance and terms and conditions.
g. Paying agent for bonds issue, shares, MTN and others.
h. Escrow agent and security agent.

Bank Mandiri Wali Amanat has 31 and 34 trustee customers as of December 31, 2005 and 2004, respectively. The total value of bonds issued amounted to Rp9,381,567 and US$100,000,000 (full amount), while the the escrow account amounted to Rp374,582 on behalf of six customers.

Both Bank Mandiri Trust and Custodial Services have received Quality Certification ISO 9001 in 2000.

55. CHANNELING LOANS

Channeling loans based on sources of funds and economic sectors are as follows:

	2005	2004
Government:		
Electricity, gas and water	9,295,177	9,414,882
Transportation and communications	4,973,541	5,335,880
Agriculture	1,492,249	1,737,072
Manufacturing	796,800	839,980
Mining	65,995	99,738
Construction	15,558	17,015
Others	110,375	122,847
	16,749,695	**17,567,414**

55. CHANNELING LOANS (CONTINUED)

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 for financing government projects through BUMN, BUMD, and PEMDA, 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 Français du Comm, US Exim Bank, and Banque Paribas.

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 bank fee which varies from 0.15% - 0.40% of the interest paid from the borrowers and 0.50% from the average loan balance in one year.

56. RISK MANAGEMENT

The Bank's risk management is not only based on Bank Indonesia's Regulations regarding the Implementation of Risk Management for Commercial Banking No. 5/8/PBI/2003 dated May 19, 2003 and Circular Letter No. 5/21/DPNP dated September 29, 2003 regarding Implementation of Risk Management for Banks, and it is intended that the Bank can implement Basel II in 2008. The Bank is implementing Basel II and related regulations in stages, starting with the standard model and then through the internal model approach which will be developed in accordance with the best practice standard, which is primarily based on identification, risk measurement, risk monitoring and risk mitigation.

For implementation, the Bank has established a Basel II Compliance Committee, with purpose to integrate initiatives related to risk management, such as:

- Identify PT Bank Mandiri (Persero) Tbk. position with the Basel II regulation (gap analysis).
- Prepare the strategy and implementation of integrated Risk Management.
- Integrate the above steps with the infrastructure preparation including the information technology means through the Enterprise Risk Management (ERM) Project (2005 - 2008).

In complying with the above Regulations and Bank Indonesia's Circular Letter, the Bank prepares a risk profile every quarterly and reports to Bank Indonesia as scheduled. The risk profile report describes the inherent risk in the Bank's business activities including the risk control system for each risk. At present, the Bank has prepared risk profiles as of Quarter I/2005, Quarter II/2005 and Quarter III/2005.

Besides reporting quarterly to BI, the Bank also internally analyzes their risk profile more frequenth, such as monthly, weekly and daily, thus the risk performance can be detected earlier and more accurate.

In accordance with Bank Indonesia regulation regarding Impelementation of Risk Management for Commercial Banks, the Bank has a established Risk Management Committee and Risk Management Task Force which are intended to support the Bank-wide, intergrated, measurable and controlled risk management.

56. RISK MANAGEMENT (continued)

The Risk Management Committee in Bank Mandiri is called Risk and Capital Committee (RCC) which was established on October 10, 2001. RCC is responsible for establishing Bank-wide risk management policies, such as reviewing internal limits, establishing funding and loan related interest rate policies, loan policies, new product launching and monitoring the implementation of established policies and procedures for risk identification, measurement and mitigation.

The Risk and Capital Committee is also responsible for establishing the capital charge to cover existing risks, especially credit risk, market risk and operational risk. The scope of responsibility and function of the committee has experienced several changes. The latest changes which started to be implemented in the second half year of 2005 is the development of RCC into 4 (four) committees, which are: Asset & Liability Committee, Credit Policy Committee, Credit Approval Committee and Capital & Investment Approval Committee. The scope of control and responsibility over risks has become more focused and effective with this development. Each committee is supported by working group whose members are consist of groups directly related to the risk problems included in the committees scope.

The Bank has established an organizational structure which is able to support risk management in a more comprehensive, centralized, measurable and controllable way, by establishing the Risk Management Task Force which is also referred to as the Risk Management Directorate. The Risk Management Directorate is responsible in managing/coordinating all risks encountered by the Bank, such as credit risk, market risk, operational risk, liquidity risk, legal risk, reputation risk, strategic risk and compliance risk, and defining risk management guidance and policies.

The Risk Management Directorate is managed by a Director/Coordinator whom is responsible to the Board of Director and also a voting member of the Risk and Capital Committee. The Risk Management Directorate is divided into 2 (two) main functions: 1) Credit approval as a part of the four-eye principle, and 2) Independent Risk Management which is divided into several groups in relation with credit and portfolio risk, operational risk and market risk.

Besides the Risk Management Directorate, the Bank also established the Risk and Capital Committee on October 10, 2001. The Risk and Capital Committee is a committee that is made up of members of the Board of Directors and Group Heads from various units. The Risk and Capital Committee is led by the President Director and supported by permanent and contributing members who are responsible for establishing Bank-wide risk management policies, such as reviewing internal limits, establishing new product launching interest rate policies and monitoring the implementation of established policies and procedures for risk identification, measurement and mitigation.

The scope of responsibility and function of the committee has experienced several changes. The latest changes which was implemented on June 16, 2005 is the development of RCC into 4 (four) committees, which are: Asset & Liability Committee, Credit Policy Committee, Credit Approval Committee and Capital & Investment Approval Committee. The scope of control and responsibility over risks has become more focused and effective with this development. Each committee is supported by working group whose members are consist of groups directly related to the risk problems included in the committees' scope.

In response to the Bank Indonesia Regulation No. 7/25/PBI/2005 regarding Certification of Risk Management for the Management of the Bank, the Bank have enrolled their employees from Risk Management and related Business Units into the Risk Management Training and Risk Management Certification which is conducted by Badan Sertifikasi Manajemen Risiko (BSMR) in cooperation with Global Association of Risk Professionals (GARP). Through intensive internal certification training, the Bank will be prepared with human resources with risk management certification in accordance with BI regulation and Basel II.

56. RISK MANAGEMENT (continued)

Credit Risk

The Bank has written credit policies and guidelines on loan administration, which includes the Bank Mandiri Loan Policy Manual (KPBM), Loan Implementation Guidelines (PPK), and various circular letters that constitute a more detailed administration manual. The purpose of the guidelines is to provide a comprehensive formal loan management manual relating to application, analyzing process, approval, recording, monitoring and restructuring processes, including risk analysis and assessment. In order to make the loan process to be more prudent, the Bank has improved the KPBM and PPK with current business periodically.

In general the credit risk management is implemented on both transactional and portfolio level. In the transactional level, the Bank implements four-eye principal which is every loan approval will involve business unit and risk unit independently to obtain an objective decision. Since establishment of Credit Approval Committee on June 16, 2005, the loan approval process is conducted through Credit Committee meeting. Therefore, the loan disbursement process becomes more comprehensive and more prudent.

In this loan approval process, the decision makers are equipped with Tools Rating and Scoring System which enable a more accurate risk quantification and enable a more accurate risk based pricing. To ensure the availability of Credit Risk model which is proven and reliable, the Bank has guidance in designing and developing the Credit Rating and Credit Scoring model, which is a comprehensive guidance for the Bank in preparing the capital that will be implemented into the Credit Risk Tools as one of the tools to make credit decision. Periodically they issued review on the scoring and rating result performed by the business units in Credit Scoring Review and Rating Outlook.

Non-performing loans are managed by special unit (Credit Recovery Group) in order to obtain a comprehensive resolution and the Business Unit can stay focus on the performing debtors and loan expansion. In accordance with the organization need, Credit Recovery Group was developed from 1 (one) group into 2 (two) groups in order to have a faster and more effective non-performing loans resolution.

At the portfolio level the Bank has Portfolio Guideline which is utilized to guide the loan expansion for maintaining optimum portfolio, both on economy, geographical, segment and product sectors. Optimum portfolio allocation enables to prevent taking the risk over the Bank's risk appetite and to obtain optimum return. Portfolio analysis is performed periodically (monthly and semi annually) in order to monitor the changes in economic and sectoral (industrial) variables which influence the optimum allocation and to make the anticipation actions both tactical and strategic (portfolio rebalancing).

In accordance with the implementation of the risk measurement tools and as supporting analysis in credit risk management, the Bank uses Customer Profitability Analysis based on risk, which can show the economical value added to the shareholders on loans activities performed by the Bank. The Bank will continue to increase the credit risk measurement tools in order to obtain the lower economic capital allocation incentive when the New Basel II Capital Accord is implemented in the future.

Market and Liquidity Risk

a. Liquidity Risk Management

Liquidity Risk is measured by knowing the existing liquidity condition (liquidity provision, interbank borrowing position and funding structure) and projecting the cashflow in the future. Methodology used in measurement of liquidity risk are liquidity risk indicator/ratio and liquidity gap.

56. RISK MANAGEMENT (continued)

Market and Liquidity Risk (continued)

a. Liquidity Risk Management (continued)

Liquidity risk is also measured by using several indicators/ratios of liquidity risk which is known as liquidity red flags. Liquidity red flags consist of primary reserves, secondary reserves, loans to deposits ratio, concentration of fund sources, overnight inter-bank borrowings, and Maximum Cumulative Outflow (MCO). In order to project the Bank's excess/under liquidity by including business development and external factors, the Bank uses Liquidity Gap methodology.

Liquidity projection measurement is performed both in normal condition and in unusual and crisis condition, which is implemented in scenario analysis and stress testing.

Monitoring and controlling over liquidity risk is performed by establishing liquidity risk limits, which are liquidity risk limits and MCO limits on liquidity gap. Breach over the liquidity risk limit is managed with mitigation and risk strategic control through funding strategy and asset restructuring strategy. In extreme and unusual condition, the Bank establish the contingency plan.

Primary reserve consists of the Minimum Reserve Requirement (GWM) and Cash. Bank Indonesia's Regulations require that the Bank maintains a daily reserve requirement in the form of a minimum reserve requirement to Bank Indonesia in a minimum of 11% of third party funds (excluding loans from other banks), and a minimum reserve of 3% out of foreign currency third party funds (including loans from other banks).

The Bank maintains a liquidity position by keeping the liquid assets which can cover the withdrawal of customer's deposits or disbursement of loans. Liquidity assets owned by the Bank consist of Certificates of Bank Indonesia, placement with other banks and available for sale marketable securities. As of December 31, 2005, the Bank had a secondary reserve requirement in the form of SBI/FASBI, and placement with other banks and marketable securities (AFS and Trading) amounting to Rp30,381,678, or equivalent to 11.95% of the total assets of Rp254,289,279.

b. Interest Rate Risk Management

Bank Mandiri's assets which are sensitive to interest rates are dominated by Government recapitalization bonds and loans, and the liabilities which are sensitive to interest rates are dominated by third party funds (current accounts, time deposits and savings).

The primary method in managing interest rate risk is repricing gap analysis and duration gap. The Bank has performed simulation to measure the sensitivity of revenue and equity from the interest rate movements. With a parallel shift assumption decrease amounting to 100 basis points, looking 12 months ahead it shows a NII increase amounting to 1.15% and equity amounting to 2.41%. Whilst to measure the effect of interest rate volatility on the Bank's revenue and equity, the Bank uses Earning at Risk (EaR) and Capital at Risk (CaR). As of December 31, 2005, EaR and CaR were 3.20% and 0.59%, respectively.

For the early warning of interest rate risk events, the Bank has monitoring tools called Interest Rate Risk Red Flags consisting of interest risk indicators, such as: Repricing Gap, Duration Gap, NII Sensivitity and Economic Value of Equity Sensitivity, EaR and CaR.

For the interest rate risk management, the Bank established limits on interest rate risk indicators. If there is a limits breach, the risk will be mitigated through Assets and Liabilities restructuring strategies or hedging strategies.

56. RISK MANAGEMENT (continued)

Market and Liquidity Risk (continued)

c. Market Risk Management

In monitoring treasury trading activities, the Bank has established trading risk limits in the form of Value at Risk (VaR) and dealer limits, and produces daily, weekly and monthly VaR reports for all the financial products traded by the Bank. The VaR reports are intended to provide measurement 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 methodology to quantify financial risk arising from low probability and abnormal market movements on a monthly basis. Bank Mandiri has performed Back Testing to accurately measure the method and resuting VaR, on a monthly basis.

In accordance with Bank Indonesia regulations, the Bank has considered market risk in preparing its Capital Adequacy Ratio (CAR) calculation. The minimum capital adequacy required which has considered market risk as of December 31, 2005 was Rp231.75 billion, therefore the CAR which has considered market risk and credit risk is 23.51% (Note 51).

The Bank monitors the methodology development and market risk management practice in the banking industry and performs improvements in accordance with the needs in financial instruments and Bank activities.

d. Foreign Exchange Risk Management

The Bank has centralized the operational management of the foreign exchange position within the Treasury Group, which is required to comply with the policies and procedures approved by the Risk and Capital Committee, and also 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 capital.

Operational Risk

The main principle in Operational Risk Management (ORM) is that risk management is the responsibility of all levels of management, as reflected in their daily activities through risk awareness and risk culture.

ORM goals are to effectively implement the Proactive Risk Management with management/mitigation of prioritize risk from assessment result to prevent the potential losses and to support the Bank's goals and targets. Proactive risk management enables the Bank to achieve targets and still taken into account the prudent principles in each business unit activity. The operational risk management initiative in Bank Mandiri consists of three major components:

- ORM policies in accordance with the latest Bank Indonesia Regulation,
- Operational Risk Profile supported with ORM, and
- Implementation ORM tools including training.

In accordance with Bank Indonesia regulation concerning implementation of risk management, each Business Unit is required to create an operational risk profile. Every violation is recorded in the Loss Event Data Base (LED). The risk profile is complited from self assessment process over the inherent risk and control risk of the Business Unit activity.

56. RISK MANAGEMENT (continued)

Operational Risk (continued)

With the availability of the risk profile for Bank Indonesia regulation requirement, the profile is also function as the tools of awareness, identification, management, mitigation and comprehensive operasional risk monitoring.

57. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Integrated Banking System Agreement with PT Silverlake Informatikama and Silverlake Corporation

On July 20, 2001, Bank Mandiri entered into an agreement with PT Silverlake Informatikama for the 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) excluding 10% VAT. Additional projects have been contracted involving a value of US$18,606,562 (full amount) on April 23, 2002, US$420,000 (full amount) on August 28, 2003 and US$838,301 (full amount) on April 12, 2004. The estimated percentage of completion of the contract as of December 31, 2005 is 95.78% or amounting to US$62,191,257.85 (full amount) (including VAT) had been recognized as premises and equipment.

b. Agreement with PT Suprima Nusantara (SNP)

On December 16, 2004, Bank Mandiri has entered into a joint financing agreement with SNP, a multi-finance company. Based on such agreement Bank Mandiri and/or its affiliated companies have an option to become shareholders of SNP if Bank Mandiri disburses a financing facility to SNP and/or its consumers, either directly or indirectly, of up to Rp1,000,000 or effective 1 (one) year after the signing date of such agreement, whichever is earlier.

The agreement was notarized under Deed No. 37 by N.M. Dipo Nusantara Pua Upa, S.H., dated December 16, 2004.

c. 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 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.

d. Additional Prudential Supervision Requirements from Bank Indonesia

Based on the result of the meetings between Bank Mandiri and Bank Indonesia on May 23, 2003 and a follow up meeting on 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:

a. Secondary reserve (liquid assets/total assets) ≥ 12% *)
b. Cost of funds to total assets ratio ≤ 7.5%
c. Core earning to total assets ratio ≥ 1.5%

*) *Liquid assets comprised of Current accounts with Other Banks, Placements with Bank Indonesia and Other Banks and Trading and Available for sale Securities, excluding Government Recapitalization Bonds.*

(Expressed in millions of Rupiah, unless otherwise stated)

57. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Additional Prudential Supervision Requirements from Bank Indonesia (continued)

Based on 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.

Bank Mandiri has demonstrated its efforts to comply with the ratios as required by Bank Indonesia and accordingly had a meeting with Bank Indonesia on June 29, 2005 to discuss the development of Corporate Banking Credit. Based on the result of the meeting, the minimum limitation of Secondary Reserve ratio for Bank Mandiri became 5% due to several considerations, such as the increasing GWM ratio, fluctuating liquidity needs and unprofitable yield of assets which could also lessen the banking intermediary function. The Bank has sent a letter to Bank Indonesia No. COO/287/2005 dated July 12, 2005 to confirm the meeting result.

With regards to Bank Mandiri's corporate banking portfolio which has been guarded under 50% from total loans and referring to Bank Mandiri letter to Bank Indonesia No. COO/287/2005 dated July 12, 2005, Bank Mandiri sent another letter to Bank Indonesia No. DIRUT/038/2006 dated March 6, 2006 which states the cancellation of ratio requirement as stated in the Bank Indonesia letter No.5/5/DGS/DPwB2 dated August 29, 2003 and No. 5/8/DGS/DPwB2 dated November 17, 2003.

As of December 31, 2005, the various ratios under the additional prudential supervision requirements were as follows:

Bank Indonesia's Ratios	Actual	Minimum Requirement
a. Secondary reserve	11.95%	≥ 12%
b. Cost of funds to total assets ratio	4.75%	≤ 7.5%
c. Core earnings to total assets ratio	1.54%	≥ 1.5%
d. Corporate credit to total credit ratio	44.6%	≤ 50% by 2004

e. Legal Matters

- Bank Mandiri received a request from a customer to liquidate its current account and deposit since the Directorate General of Taxes has taken off the blockage and confiscation. Due to several conditions, the request cannot be executed directly since Bank Mandiri has to clarify it first to IBRA.

  In the process, Bank Mandiri received admonition from the customer directly via the High Court to disburse as soon as possible the above mentioned accounts. Receiving the admonition, Bank Mandiri took steps by proposing a request to consign the funds to the High Court.

  When transferring the customer funds to the High Court account, Bank Mandiri received an order from the Minister of State Owned Enterprises as the Deputy of Clearance Team of IBRA to freeze the fund transfer. Bank Mandiri also received a letter from the Minister of Finance as the Chief of Clearance Team of IBRA confirming that Bank Mandiri not to execute the disbursement of that customer funds.

  Minister of Finance as the Chief of Clearance Team of IBRA in his letter dated November 15, 2005 instructed the Coordinator of Execution Clearance Team of IBRA to ask Bank Mandiri to set off the customer's demand deposit and time deposit, and follow up the letter of the Minister of Finance, Coordinator of Execution Clearance Team of IBRA in its letter dated November 25, 2005 informed the Bank to immediately transfer the customer's demand deposit and time deposit to the government account in Bank Indonesia.

57. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

e. Legal Matters (continued)

The Bank replied the letter on December 28, 2005 stating that in accordance with the procedures and regulation the liquidation of customers' demand deposit and time deposit requires liquidation letter from the customer and the time deposit certificate.

- Aside from the above legal case, Bank Mandiri has also received a letter from a customer (giran) dated January 27, 2005 regarding the customer's plan to include in its balance sheets, receivables from Bank Mandiri amounting to US$10,000,000 (full amount) and request to the Bank to credit their account amounting to US$10,000,000 (full amount).

  That customer request is related to the foreign exchange transaction conducted by the customer through Bank Mandiri, which was later on checked by the investigators and proposed to the court at Central Jakarta High Court. In the litigation process, it is determined that the accused and the defendant is the customer's employee/official.

  In this matter, Bank Mandiri opined that the Bank does not have the obligation to fulfill the customer's request and decides not to pay the customer, since not one of Bank Mandiri's employees/officials have been named as the accused/defendant, and there is no court verdict obliging Bank Mandiri to pay to the customer.

  Furthermore, Bank Mandiri opined that in relation to the content of the above letter, there is no liability that should be acknowledged or adjustment that should be made in the financial statement of PT Bank Mandiri (Persero) Tbk. and Subsidiaries as of December 31, 2005.

  The Bank's total potential exposure arising from outstanding lawsuits as of December 31, 2005 and 2004 amounts to Rp2,615,232 and Rp2,822,761, respectively. As of December 31, 2005 and 2004, Bank Mandiri has provided a provision (included in "Other Liabilities") for a number of lawsuits involving Bank Mandiri amounting to Rp471,706 and Rp751,707, respectively (Note 28). Management believes that the provision is adequate to cover possible losses arising from pending litigation, or litigation cases currently in progress.

f. On January 25, 2005, Bank Mandiri has entered into an agreement with PT SCS Astragraphia Technologies for the implementation of mySAP Human Resource Solution. mySAP is the methodology used for projects implementation management, including data compilation activity and procedures, documentation of work results and human resource management. The contract is estimated to be completed in 2006 with contract value of US$1,441,001 (full amount). Up to December 31, 2005, Personnel Management Module had been implemented and on the next stages Compensation, Benefit and Employee Self Service will be implemented.

58. 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 the recent improvement in the key economic indicators, Indonesian banks have engaged in limited lending activities. Any worsening of the 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 the fiscal and monetary actions being undertaken by the Government and others, actions that are beyond the control of the Bank.

The accompanying consolidated financial statements include the effects of the adverse economic conditions to the extent they can be determined and estimated. Economic improvements and sustained recovery are dependent upon the fiscal and monetary action being undertaken by the Government to achieve the economic recovery, actions that are beyond the control of the Bank and Subsidiaries. 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.

59. GOVERNMENT GUARANTEE OF OBLIGATIONS OF LOCALLY INCORPORATED BANKS

Based on the Decree of the Minister of Finance of Republic Indonesia No. 26/KMK.017/1998 dated January 28, 1998, which was replaced by the Decree of the Minister of Finance 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 swaps 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 i.e. that within six months from the maturity of this guarantee, IBRA decides 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 the 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.

The Government charges a premium in respect of its guarantee program in accordance with prevailing regulations (Note 44).

59. GOVERNMENT GUARANTEE OF OBLIGATIONS OF LOCALLY INCORPORATED BANKS (continued)

Based on Presidential Decree No. 15/2004 dated February 27, 2004 in relation to the termination of IBRA's duties and its dissolution, and Decree of the Minister of Finance No. 84/KMK.06/2004 dated February 27, 2004, the Government of the 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.

Based on Ministry of Finance Decree No. 17/PMK.05/2005 dated March 3, 2005, effective as of April 18, 2005, the Government guarantee program covers the demand deposits, savings, time deposits and deposits from other banks from money market interbank transactions.

Government guarantee program through Unit Pelaksana Penjamin Pemerintah (UP3) was ended on September 22, 2005, as stated in Ministry of Finance Decree No. 68/PMK.05/2005 dated August 10, 2005 regarding Calculation and Payment of Bank Liability on Government Guarantee Program Premium For Period July 1 until September 21, 2005. The Government replaced UP3 with an independent institution, Lembaga Penjamin Simpanan (LPS) based on Republic of Indonesia Decree No. 24/2004 dated September 22, 2004 regarding Lembaga Penjamin Simpanan (LPS), which LPS guarantee third party fund including placement from other bank in the form of current account, time deposit, certificate of deposit, savings and other form that is equivalent to them.

60. 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 (BI).

Under IAS No. 39 - "Financial Instruments: Recognition and Measurement", the Bank calculates allowances for possible losses on earning assets based on the difference between the carrying amount of the impaired earning asset and the net present value of expected future cash flows discounted at the earning asset's original effective interest rate. 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. In addition, the Bank also recognizes allowances for possible losses on unimpaired loans in accordance with BI minimum provision.

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

The Bank classifies Government Bonds (Note 10) as originated loans under IFRS and therefore no

60. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK ("INDONESIAN GAAP") AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

c. Derivative instruments (continued)

separate measurement and recognition is required for indexation derivatives that are embedded in the hedge bonds. Originated loans under IFRS 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, prior to December 31, 2004, the Bank recognized a provision for employee entitlements under Labor Law 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". In October 2004, the Indonesian Institute of Accountants (IAI) published the revised PSAK 24 which is aligned with the accounting treatment for Employee Benefits with IAS 19- "Employee Benefits". Therefore, upon the adoption of this revised standard on December 31, 2004, the accounting treatment for employee benefits are the same between IFRS and Indonesian GAAP.

Under IFRS, Labor Law 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.

e. Loans Purchased 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.

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, in accordance with IAS 16 - "Property, Plant and Equipment", property, plant and equipment is continued to be carried at its cost less any accumulated depreciation, rather than at its revalued amount, due to the requirement of IAS 16 to perform the revaluations with "sufficient regularity".

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.

(Expressed in millions of Rupiah, unless otherwise stated)

61. 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, 2005 and 2004 and net profit for the years 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.

	Dec 31, 2005	Dec 31, 2004
Shareholders' equity as reported in the consolidated financial statements prepared under Indonesian GAAP	**23,214,722**	**24,934,707**
IFRS adjustments - increase/(decrease) due to:		
Allowance for possible losses on earning assets	(1,170,791)	1,509,761
Allowance for possible losses on commitments and contingencies	338,407	561,282
Employee benefits	-	-
Accretion of deferred income arising from the purchase of loans from IBRA	56,097	65,143
De-recognition of revaluation of premises and equipment	(2,747,181)	(2,772,609)
Deferred income taxes	1,057,040	190,927
Net decrease in reported shareholders' equity	(2,466,428)	(445,496)
Shareholders' equity in accordance with IFRS	**20,748,294**	**24,489,211**

	For the year ended Dec 31, 2005	For the year ended Dec 31, 2004
Net profit as reported in the consolidated financial statements prepared under Indonesian GAAP	**603,369**	**5,255,631**
IFRS adjustments - increase/(decrease) due to:		
Allowance for possible losses on earning assets	(2,680,552)	(309,000)
Allowance for possible losses on commitments and contingencies	(222,875)	70,147
Employee benefits	-	25,185
Accretion of deferred income arising from the purchase of loans from IBRA	9,046	10,366
De-recognition of revaluation of premises and equipment	25,428	75,301
Deferred income taxes	860,686	38,400
Net decrease in reported net profit	(2,008,267)	(89,601)
Net (loss)/profit in accordance with IFRS	**(1,404,898)**	**5,166,030**
Net (loss)/earnings per share		
Basic (full amount)	(69.61)	257.28
Diluted (full amount)	(69.12)	255.39

62. SUBSEQUENT EVENTS

a. Regarding the execution of MSOP-Stage 1, on January 5, 2006, the Bank's Articles of Association has been amended by Notarial Deed No. 11 of Aulia Taufani, S.H., substitute notary of Sutjipto, S.H. and has been reported to the Ministry of Justice and Human Rights Department with the receipt No. C-02540 HT.01.04.TH.2006 dated January 27, 2006.

b. On January 2006, Bank Indonesia issued certain regulations in respect to, among others, Amendment to Bank Indonesia Regulation No. 7/2/PBI/2005 Concerning Asset Quality Rating For Commecial Banks, Calculation of Risk-Weighted Assets for Small Business Loan, Housing Loan and Employee/Retirement Loan, implementation of Good Corporate Governance for a Commercial Banks, Bank Intermediaries and Implementation of consolidated Risk Management for Banks having control over subsidiaries. Management is in the process of evaluating the impact of this regulation on the Consolidated Financial Statements.

63. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Bank is responsible for the preparation of these consolidated financial statements which were completed on March 9, 2006.

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
INDEX TO ADDITIONAL INFORMATION
DECEMBER 31, 2005 AND 2004

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY
DECEMBER 31, 2005 AND 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
ASSETS		
Cash	2,428,499	2,369,196
Current Accounts with Bank Indonesia	19,988,680	15,585,302
Current Accounts with Other Banks - net of allowance for possible losses of Rp6,790 and Rp5,902 as of December 31, 2005 and 2004, respectively	626,384	584,373
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp154,108 and Rp89,537 as of December 31, 2005 and 2004, respectively	23,365,073	13,711,630
Securities		
Related parties	485,983	306,520
Third parties	8,385,932	11,694,154
	8,871,915	12,000,674
Less: Unamortized discounts, unrealized (losses)/gains from decrease/increase in value of securities and allowance for possible losses	(1,305,496)	(1,091,290)
Net	7,566,419	10,909,384
Government Recapitalization Bonds	91,884,307	92,892,140
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp1,101,415 and Rp883,405 as of December 31, 2005 and 2004, respectively	2,724,729	1,907,648
Securities Purchased with Agreements to Resell - net of allowance for possible losses of RpNil and Rp4,800 as of December 31, 2005 and 2004, respectively	-	475,200
Derivative Receivables - net of allowance for possible losses of Rp3,443 and Rp2,881 as of December 31, 2005 and 2004, respectively	314,298	285,243
Loans		
Related parties	1,128,972	839,007
Third parties	99,196,779	87,737,770
	100,325,751	88,576,777
Less: Allowance for possible losses	(11,649,804)	(8,368,401)
Deferred income	(159,858)	(164,964)
Net	88,516,089	80,043,412

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
DECEMBER 31, 2005 AND 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
ASSETS (continued)		
Acceptances Receivable - net of allowance for possible losses of Rp429,092 and Rp147,286 as of December 31, 2005 and 2004, respectively	3,886,864	5,087,573
Investments in Shares of Stock - net of allowance for possible losses of Rp73,298 and Rp78,145 as of December 31, 2005 and 2004, respectively	2,036,344	1,936,018
Premises and Equipment - net of accumulated depreciation and amortization of Rp2,602,712 and Rp2,124,465 as of December 31, 2005 and 2004, respectively	5,129,702	5,290,384
Deferred Tax Assets – net	2,216,075	2,248,600
Other Assets - net of allowance for possible losses of Rp427,225 and Rp1,880,346 as of December 31, 2005 and 2004, respectively	3,605,816	7.179.117
TOTAL ASSETS	**254,289,279**	**240,505,220**

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
DECEMBER 31, 2005 AND 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities Immediately Payable	548,340	516,709
Deposits from Customers		
Demand deposits		
Related parties	322,613	88,067
Third parties	44,693,519	39,850,371
	45,016,132	39,938,438
Savings deposits		
Related parties	19,504	15,467
Third parties	45,145,198	51,981,658
	45,164,702	51,997,125
Time deposits		
Related parties	1,275,705	248,357
Third parties	107,580,558	77,810,468
	108,856,263	78,058,825
Total Deposits from Customers	199,037,097	169,994,388
Deposits from Other Banks		
Demand deposits	426,513	974,451
Inter-bank call money	838,019	1,964,360
Time deposits	4,900,078	8,528,406
Total Deposits from other Banks	6,164,610	11,467,217
Securities Sold with Agreements to Repurchase	1,910,277	2,911,622
Derivative Payables	188,883	66,955
Acceptances Payable	4,315,956	5,234,859
Securities Issued - net of unamortized discount of Rp2,754 and Rp11,136 as of December 31, 2005 and 2004, respectively	3,809,222	3,815,254
Fund Borrowings	3,974,631	6,830,068
Estimated Losses on Commitments and Contingencies	558,766	561,872
Accrued Expenses	676,241	681,942
Taxes Payable	251,371	438,155
Other Liabilities	5,278,686	5,023,579
Subordinated Loans	4,370,266	6,784,206
Loan Capital	-	1,253,475
TOTAL LIABILITIES	**231,084,345**	**215,580,301**

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
DECEMBER 31, 2005 AND 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)		
SHAREHOLDERS' EQUITY		
Share Capital - Rp500 (full amount) par value per share Authorized capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B Issued and fully paid-up capital - 1 share Dwiwarna Series A and 20,255,717,363 common shares Series B as of December 31, 2005 (1 share Dwiwarna Series A and 20,132,854,871 common shares Series B as of December 31, 2004)	10,127,859	10,066,427
Additional Paid-in Capital/Agio	6,006,255	5,967,897
Differences Arising from Translation of Foreign Currency Financial Statements	108,923	72,554
Unrealized Losses on Available-for-Sale Securities and Government Recapitalization Bonds - net of deffered tax	(241,961)	(404,001)
Premises and Equipment Revaluation Increment	3,046,936	3,046,936
Diferrence Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	(23,527)	-
Share Options	175,012	13,831
Retained Earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio as a result of quasi-reorganization as April 30,2003)		
Unappropriated	1,445,152	5,414,275
Appropriated	2,560,285	747,000
Total Retained Earnings	4,005,437	6,161,275
TOTAL SHAREHOLDERS' EQUITY	**23,204,934**	**24,924,919**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**254,289,279**	**240,505,220**

APPENDIX 2

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF PROFIT AND LOSS - PARENT COMPANY ONLY
For the years ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
INCOME AND EXPENSES FROM OPERATIONS		
Interest Income		
Interest income	19,080,733	17,977,577
Fees and commissions on loan facilities	602,290	477,659
Total Interest Income	19,683,023	18,455,236
Interest Expense		
Interest expense	(11,257,166)	(9,203,512)
Other financing expenses	(296,821)	(156,869)
Total Interest Expense	(11,553,987)	(9,360,381)
NET INTEREST INCOME	**8,129,036**	**9,094,855**
Other Operating Income		
Foreign exchange gains – net	61,918	398,363
Other fees and commissions	1,441,757	1,189,508
Others	628,967	706,958
Total Other Operating Income	2,132,642	2,294,829
Provision for Possible Losses on Earning Assets	(4,337,583)	(309,473)
Reversal of Estimated Losses on Commitments and Contingencies	30,850	41,170
Reversal of Allowance for Possible Losses - Others	1,056,645	309,172
Gains/(Losses) from Increase/(decrease) in Value of Securities and Government Recapitalization Bonds – net	(66,214)	66,300
Gains from Sale of Securities and Government Recapitalization Bonds	443,952	1,522,367
Other Operating Expenses		
General and administrative expenses	(2,800,771)	(2,727,435)
Salaries and employee benefits	(2,914,602)	(2,206,887)
Others - net	(564,893)	(622,771)
Total Other Operating Expenses	(6,280,266)	(5,557,093)
PROFIT FROM OPERATIONS	**1,109,062**	**7,462,127**
Non-operating Income - Net	33,774	(32,429)
PROFIT BEFORE TAX EXPENSE	**1,142,836**	**7,429,698**
Tax Expense		
Current	(403,244)	(2,085,997)
Deferred	(136,223)	(88,070)
NET PROFIT	**603,369**	**5,255,631**

These financial statements are originally issued in Indonesian language.

APPENDIX 3

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY
Years ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-Up Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Recapitalization Bonds	Revaluation Increment of Premises and Equipment	Difference Arising from Resulting in Changes in the Equity of Subsidiaries	Share Options	Retained Earnings *) Unappropriated	Retained Earnings *) Appropriated	Retained Earnings *) Total	Total Shareholders' Equity
Balance as of December 31, 2003	**10,000,000**	**5,926,418**	**16,092**	**(1,861,316)**	**3,046,936**	**-**	**9,897**	**3,228,574**	**-**	**3,228,574**	**20,366,601**
General and specific reserve allocated from 2003 net profit	-	-	-	-	-	-	-	(747,000)	747,000	-	-
Dividends allocated from 2003 net profit	-	-	-	-	-	-	-	(2,300,000)	-	(2,300,000)	(2,300,000)
Directors and Commissioners' Tantiem from 2003 net profit	-	-	-	-	-	-	-	(22,930)	-	(22,930)	(22,930)
Execution of shares option from Management Stock Option Plan (MSOP)	66,427	41,479	-	-	-	-	(9,262)	-	-	-	98,644
Differences arising from translation of foreign currency financial statements	-	-	56,462	-	-	-	-	-	-	-	56,462
Unrealized gains on available-for-sale securities and government recapitalization bonds	-	-	-	1,457,315	-	-	-	-	-	-	1,457,315
Recognition of share options from Management Stock Option Plan (MSOP)	-	-	-	-	-	-	13,196	-	-	-	13,196
Net profit for the year ended December 31, 2004	-	-	-	-	-	-	-	5,255,631	-	5,255,631	5,255,631
Balance as of December 31, 2004	**10,066,427**	**5,967,897**	**72,554**	**(404,001)**	**3,046,936**	**-**	**13,831**	**5,414,275**	**747,000**	**6,161,275**	**24,924,919**

*) Accumulated losses of Rp162,874,901 has been eliminated with additional paid-in capital/agio due to quasi reorganization as of April 30, 2003

APPENDIX 3

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY (continued)
Years ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-Up Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Recapitalization Bonds-net of deferred tax	Revaluation Increment of Premises and Equipment	Difference Arising from Resulting in Changes in the Equity of Subsidiaries	Share Options	Retained Earnings *) Unappropriated	Retained Earnings *) Appropriated	Retained Earnings *) Total	Total Shareholders' Equity
Balance as of December 31, 2004	**10,066,427**	**5,967,897**	**72,554**	**(404,001)**	**3,046,936**	**-**	**13,831**	**5,414,275**	**747,000**	**6,161,275**	**24,924,919**
General and specific reserve allocated from 2004 net profit	-	-	-	-	-	-	-	(1,813,285)	1,813,285	-	-
Dividends allocated from 2004 net profit	-	-	-	-	-	-	-	(2,627,816)	-	(2,627,816)	(2,627,816)
Cooperative development fund program and community development reserve allocated from 2004 net profit	-	-	-	-	-	-	-	(105,113)	-	(105,113)	(105,113)
Directors and Commisioners' Tantiem from 2004 net profit	-	-	-	-	-	-	-	(26,278)	-	(26,278)	(26,278)
Execution of shares options from Management Stock Option Plan (MSOP)	61,432	38,358	-	-	-	-	(8,565)	-	-	-	91,225
Differences arising from translation of foreign currency financial statements	-	-	36,369	-	-	-	-	-	-	-	36,369
Unrealized gains on available-for-sale securities and government recapitalization bonds – net of deferred tax	-	-	-	162,040	-	-	-	-	-	-	162,040
Recognition of share options from Management Stock Option Plan (MSOP)	-	-	-	-	-	-	169,746	-	-	-	169,746
Differrences arising from equity transactions of subsidiaries	-	-	-	-	-	(23,527)	-	-	-	-	(23,527)
Net profit for the year ended December 31, 2005	-	-	-	-	-	-	-	603,369	-	603,369	603,369
Balance as of December 31, 2005	**10,127,859**	**6,006,255**	**108,923**	**(241,961)**	**3,046,936**	**(23,527)**	**175,012**	**1,445,152**	**2,560,285**	**4,005,437**	**23,204,934**

*) Accumulated losses of Rp162,874,901 has been eliminated with additional paid-in capital/agio due to quasi reorganization as of April 30, 2003

APPENDIX 4

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY (continued)
Years ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Receipts from interest income	18,449,440	18,403,100
Receipts from fees and commissions	2,044,047	1,735,439
Payments of interest expense	(11,262,867)	(9,122,741)
Payments of other financing expenses	(296,821)	(39,914)
Receipts from Government recapitalization bonds - trading portfolio	7,798,577	7,330,530
Acquisition of Government recapitalization bonds - trading portfolio	(8,173,726)	(5,870,159)
Foreign exchange gains/(losses) - net	(969,336)	1,346,026
Operating income - others	603,094	394,365
Operating expenses - others	(564,895)	(903,833)
Salaries and employee benefits	(2,380,049)	(1,655,098)
General and administrative expenses	(2,284,160)	(2,174,350)
Non-operating expenses - others	(117,879)	(133,048)
Profit before changes in operating assets and liabilities	2,845,425	9,310,317
(Increase)/decrease in operating assets:		
Placements with Bank Indonesia and other banks	(9,718,014)	(3,530,901)
Securities and Government recapitalization bonds - trading portfolio	22,632	(115,288)
Other receivables - trade transactions	(1,035,095)	(558,498)
Loans	(11,468,977)	(14,469,778)
Proceeds from collection of earning assets already written-off	823,067	1,098,730
Other assets	4,399,773	988,157
Increase/(decrease) in operating liabilities:		
Demand deposits	3,741,010	1,501,661
Saving deposits	(6,832,423)	11,442,390
Time deposits	26,489,678	(22,787,035)
Inter-bank call money	(1,126,341)	941,919
Liabilities immediately payable	31,632	(386,163)
Taxes payable	(590,029)	(2,235,816)
Other liabilities	717,514	(1,390,134)
Estimated losses on commitments and contingencies	288	(41,170)
Differences arising from translation of foreign currency financial statements	36,369	56,462
Net cash provided by/(used in) operating activities	**8,336,509**	**(20,175,147)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in securities - available-for-sale and held-to-maturity portfolio	3,113,790	177,072
Decrease in Government recapitalization bonds - available-for-sale and held-to-maturity portfolio	2,107,132	32,065,586
Redemption of matured Government recapitalization bonds	2,865,356	6,843,983
Replacement of Government recapitalization bonds	(2,865,356)	(6,843,983)
Proceeds from sale of premises and equipment	19,492	48,317
Acquisition of premises and equipment	(358,223)	(594,415)
Decrease in investment in shares of stock	-	26,506
Decrease/(increase) in securities purchased with agreement to resell	480,000	(480,000)
Net cash provided by investing activities	**5,362,191**	**31,243,066**

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY (continued)
Years ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in securities issued	(6,032)	(815,208)
Decrease in fund borrowings	(3,103,821)	(2,105,318)
Decrease in subordinated loans	(2,413,940)	(423,568)
Repurchase of securities sold with agreements to repurchase	(1,001,345)	(1,430,878)
Payments of dividends, Cooperative Development fund, Community Development fund and tantiem	(2,759,207)	(2,322,930)
Execution of shares option	91,225	98,644
Net cash used in financing activities	**(9,193,120)**	**(6,999,258)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,505,580**	**4,068,661**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,544,773	14,476,112
CASH AND CASH EQUIVALENTS AT END OF YEAR	**23,050,353**	**18,544,773**
Cash and cash equivalents at end of year consist of:		
Cash	2,428,499	2,369,196
Current accounts with Bank Indonesia	19,988,680	15,585,302
Current accounts with other banks	633,174	590,275
Total Cash and Cash Equivalents	**23,050,353**	**18,544,773**

SUPPLEMENTAL NON-CASH FLOW INFORMATION

	2005	2004
Activities not affecting cash flows:		
Unrealized gains on securities and Government recapitalization bonds available for sale	162,040	1,368,289
Unrealized (losses)/gains on securities and Government recapitalization bonds trading	(66,214)	66,300
Recognition of share options from Management Stock Option Plan (MSOP)	(169,746)	(13,196)
Reclassification of Loan Capital to Subordinated Loans	-	1,755,000

PT BANK MANDIRI (PERSERO) TBK. - PARENT COMPANY
EARNING ASSETS *)
As of December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

No	ACCOUNT	BANK											
		December 31, 2005						December 31, 2004					
		CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL	CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL
I	**Related Parties**												
A	**EARNING ASSETS**												
1	Placement with other banks	**206,761**	**-**	**-**	**-**	**-**	**206,761**	**229,703**	**-**	**-**	**-**	**-**	**229,703**
2	Securities **)	**92,320,016**	**-**	**-**	**-**	**-**	**92,320,016**	**93,204,383**	**-**	**-**	**-**	**-**	**93,204,383**
3	Loan to related parties	**913,194**	**31**	**6,000**	**-**	**209,747**	**1,128,972**	**680,343**	**123**	**158,541**	**-**	**-**	**839,007**
	a. Small scale business credit (KUK)	-	-	-	-	-	-	-	-	-	-	-	-
	b. Property Loans	11,014	-	-	-	-	11,014	31,351	28	-	-	-	31,379
	i. Restructured	10,500	-	-	-	-	10,500	15,625	-	-	-	-	15,625
	ii. Unrestructured	514	-	-	-	-	514	15,726	28	-	-	-	15,754
	c. Other restructured loans	110,992	-	-	-	-	110,992	157,261	-	148,793	-	-	306,054
	d. Others	791,188	31	6,000	-	209,747	1,006,966	491,731	95	9,748	-	-	501,574
4	Investment in shares of stock of related parties	**2,032,062**	**-**	**-**	**-**	**-**	**2,032,062**	**1,931,424**	**-**	**-**	**-**	**5,159**	**1,936,583**
	a. In bank financial institutions	1,167,731	-	-	-	-	1,167,731	1,098,182	-	-	-	-	1,098,182
	b. In non bank financial institutions	723,626	-	-	-	-	723,626	709,258	-	-	-	5,159	714,417
	c. Due to loan restructuring	-	-	-	-	-	-	-	-	-	-	-	-
	d. Others	140,705	-	-	-	-	140,705	123,984	-	-	-	-	123,984
5	Other receivables from related parties	**54,531**	**552**	**-**	**-**	**-**	**55,083**	**-**	**-**	**-**	**-**	**-**	**-**
6	Commitments and contingencies to related parties	**18,172**	**-**	**-**	**-**	**-**	**18,172**	**-**	**-**	**-**	**-**	**-**	-
B	**NON EARNING ASSETS**												
1	Assets not in Use	-	-	-	-	-	**-**	-	-	-	-	-	-
2	Repossessed Assets	-	-	-	-	-	**-**	-	-	-	-	-	-
3	Interbranch and suspense account	-	-	-	-	-	**-**	-	-	-	-	-	-
II	**Third Parties**												
A	**EARNING ASSETS**	**23,945,594**	**-**	**-**	**-**	**-**	**23,945,594**	**14,148,068**	**-**	**-**	**-**	**13,671**	**14,161,739**
1	Placement with other banks												
2	Securities (Issued by Bank Indonesia and Third Parties)	**7,040,858**	**-**	**205,272**	**-**	**1,089,746**	**8,335,876**	**10,627,094**	**-**	**-**	**-**	**1,110,237**	**11,737,331**
3	Loan to third parties	**59,749,204**	**12,911,782**	**5,611,681**	**5,322,437**	**15,601,675**	**99,196,779**	**72,986,940**	**8,333,778**	**2,141,959**	**417,511**	**3,857,582**	**87,737,770**
	a. Small scale business credit (KUK)	3,751,797	581,821	91,285	79,328	361,136	4,865,367	3,227,794	367,749	106,783	44,553	169,326	3,916,205
	b. Property Loans	1,958,965	965,059	1,025,979	197,637	316,095	4,463,735	2,347,261	886,323	2,209	276	83,552	3,319,621
	i. Restructured	81,369	240,125	76,412	189,258	-	587,164	256,781	681,422	-	-	-	938,203
	ii. Unrestructured	1,877,596	724,934	949,567	8,379	316,095	3,876,571	2,090,480	204,901	2,209	276	83,552	2,381,418
	c. Other restructured loans	5,542,379	3,487,042	1,303,274	2,284,314	5,496,175	18,113,184	13,563,956	4,257,951	839,774	47,529	491,080	19,200,290
	d. Others	48,496,063	7,877,860	3,191,143	2,761,158	9,428,269	71,754,493	53,847,929	2,821,755	1,193,193	325,153	3,113,624	61,301,654
4	Investment in shares of stock of third parties	**4,955**	**-**	**-**	**-**	**72,625**	**77,580**	**3,000**	**-**	**1,955**	**-**	**72,625**	**77,580**
	a. In bank financial institutions	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	-	**-**	-	-
	b. In non bank financial institutions	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	-	**-**	-	-
	c. Due to loan restructuring	**-**	**-**	**-**	**-**	72,625	72,625	-	**-**	-	**-**	72,625	72,625
	d. Others	4,955	-	-	-	-	4,955	3,000	-	1,955	**-**	-	4,955
5	Other receivables from third parties	**4,617,799**	**1,563,224**	**803,685**	**260,224**	**1,159,826**	**8,404,758**	**7,173,288**	**816,689**	**44,483**	**-**	**759,576**	**8,794,036**
6	Commitments and contingencies to third parties	**13,939,899**	**831,260**	**329,674**	**68,243**	**180,790**	**15,349,866**	**16,354,264**	**273,984**	**9,232**	**-**	**-**	**16,637,480**
B	**NON EARNING ASSETS**												
1	Assets not in Use	**-**	**-**	**-**	**-**	**-**	**238,236**	**-**	**-**	**-**	**-**	**-**	**255,738**
2	Repossessed Assets	**-**	**-**	**-**	**-**	**-**	**158,922**	**-**	**-**	**-**	**-**	**-**	**169,373**
3	Interbranch and suspense account	**-**	**-**	**-**	**-**	**-**	**1,205,839**	**-**	**-**	**-**	**-**	**-**	**2,056,247**
	TOTAL	**204,843,045**	**15,306,849**	**6,956,312**	**5,650,904**	**18,314,409**	**252,674,516**	**217,338,507**	**9,424,574**	**2,356,170**	**417,511**	**5,818,850**	**237,836,970**
	Required allowance for possible losses on earning assets ****)	1,002,592	737,477	962,672	1,922,564	10,277,878	14,903,183	1,463,396	1,003,252	392,984	209,326	5,548,315	8,617,273
	Required allowance for possible losses on non earning assets	-	-	-	-	-	-	-	-	-	-	-	-
	Total required allowance for possible losses on assets	**1,002,592**	**737,477**	**962,672**	**1,922,564**	**10,277,878**	**14,903,183**	**1,463,396**	**1,003,252**	**392,984**	**209,326**	**5,548,315**	**8,617,273**
	Established allowance for possible losses on earning assets	1,174,223	737,477	962,672	1,922,564	10,544,804	15,341,740	2,431,259	1,887,936	1,162,362	417,510	5,548,315	11,447,382
	Established allowance for possible losses on non earning assets	-	-	-	-	-	427,225	-	-	-	-	-	1,880,346
	Total established allowance for possible losses on assets	**1,174,223**	**737,477**	**962,672**	**1,922,564**	**10,544,804**	**15,768,965**	**2,431,259**	**1,887,936**	**1,162,362**	**417,510**	**5,548,315**	**13,327,728**

*) The above financial information is presented in accordance with the following stipulations :

a) Bank Indonesia's Regulation No. 3/22/PBI/2001 dated December 13, 2001 regarding Transparency of Bank's Financial Condition.

b) Bank Indonesia's Circular Letter No. 7/10/DPNP dated March 31, 2005 regarding the amendment of Bank Indonesia's Circular Letter No. 3/30/DPNP dated December 14, 2001 regarding Presentation of Quarterly and Monthly Published Financial Statements of Commercial Banks and Certain Reports Submitted to Bank Indonesia

c) Bank Indonesia's Regulation No. 4/7/PBI/2002 dated September 27, 2002 regarding Prudential Principles for Purchase of Credit by Banks from the Indonesian Banks Restructuring Agency (IBRA).

**) Include Government Recapitalization Bonds

***) The Calculation of allowance for possible losses on earning assets should be provided on the principal after deducting by collaterals. No allowance for posible losses is required for certificates of Bank Indonesia, placements with Bank Indonesia and gover