Consolidated Financial Statements With Independent Auditors' Report Year Ended December 31, 2006 With Comparative Figures for 2005

BANK MANDIRI

PT Bank Mandiri (Persero) Tbk.
and Subsidiaries

ERNST & YOUNG

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Independent Auditors' Report

Report No. RPC-6569

The Stockholders, the Boards of Commissioners and Directors
PT Bank Mandiri (Persero) Tbk.

We have audited the consolidated balance sheet of PT Bank Mandiri (Persero) Tbk. (herein referred to as "Bank Mandiri") and Subsidiaries as of December 31, 2006, and the related consolidated statements of profit and loss, changes in shareholders' equity and cash flows for the year ended. These consolidated financial statements are the responsibility of Bank Mandiri's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Bank Mandiri and Subsidiaries for the year ended December 31, 2005 were audited by Prasetio, Sarwoko & Sandjaja whose report dated March 9, 2006, expressed an unqualified opinion on those statements and made reference to the financial statements of certain subsidiaries which were audited by other independent auditors whose reports expressed unqualified opinions which have been furnished to them. We did not audit the financial statements of certain subsidiaries of Bank Mandiri as of and for the year ended December 31, 2006, whose statements represent total assets of 4.57% of consolidated total assets as of December 31, 2006 and total operational revenues of 3.10% of consolidated operational revenues for the year then ended. Those financial statements were audited by other independent auditors whose reports expressed unqualified opinions and have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the reports of the other independent auditors.

We conducted our audit 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 amount 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 audit and the reports of the other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit 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 Subsidiaries as of December 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

As discussed in Note 59 to the consolidated financial statements, accounting principles generally accepted in Indonesia vary in certain significant respects from International Financial Reporting Standards. The application of International Financial Reporting Standards and Bank Indonesia Regulations in respect of the minimum provision for unimpaired loans would have affected the consolidated shareholders' equity of Bank Mandiri and Subsidiaries as for December 31, 2006 and the consolidated results of their operations for the year then ended to the extent summarized in Note 60 to the consolidated financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as whole. The financial statements for the year ended December 31, 2005 of the Bank and certain subsidiaries were audited by Prasetio, Sarwoko & Sandjaja and other independent auditors, respectively. The supplementary additional information is presented for purposes of additional analyses, and is not required part of the basic consolidated financial statements in accordance with generally accepted accounting principles in Indonesia. Such information, except for that pertaining to the year ended December 31, 2005, on which Prasetio, Sarwoko & Sandjaja and other independent auditors have expressed unqualified opinion, has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements, and in our opinion, based on our audit and the reports of the other independent auditors, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Purwantono, Sarwoko & Sandjaja

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

March 2, 2007

BANK MANDIRI

DIRECTORS STATEMENT ON THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 PT BANK MANDIRI (PERSERO) Tbk.

We the undersigned :

1.	Name	:	Agus Martowardojo
	Office Address	:	Jl. Jend. Gatot Subroto Kav.36-38 Jakarta 12190
	Residential Address	:	Kav Polri E/31 B RT011/RW007 Kelurahan Ragunan, Pasar Minggu Jakarta Selatan
	Telephone	:	5245285
	Title	:	President Director
2.	Name	:	Wayan Agus Mertayasa
	Office Address	:	Jl. Jend. Gatot Subroto Kav.36-38 Jakarta 12190
	Residential Address	:	Jl Gereja Theresia No.21, Menteng Jakarta Pusat
	Telephone	:	5245969
	Title	:	Deputy President Director

as the stated position and authority on behalf of Board of Directors, declare that:

1. We are responsible for the preparation and the presentation of the consolidated financial statements.
2. The consolidated financial statements of PT Bank Mandiri (Persero) Tbk and subsidiaries have been prepared and presented in accordance with accounting principles generally accepted in Indonesia.
3. a. All information has been fully and correctly disclosed in the consolidated financial statements of PT Bank Mandiri (Persero) Tbk.
   b. The consolidated financial statements of PT Bank Mandiri (Persero) Tbk and subsidiaries do not contain false material information or facts, nor do they not omit material information or facts.
4. We are responsible for the internal control system of PT Bank Mandiri (Persero) Tbk.

This is our declaration, which has been made truthfully.

Jakarta, March 2, 2007

ENAM RIBU RUPIAH 6000 Tgl. 20 METERAI TEMPEL

Agus Martowardojo	**Wayan Agus Mertayasa**
President Director	Deputy President Director

PT Bank Mandiri (Persero) Tbk.
Plaza Mandiri, Jl. Jend. Gatot Subroto Kav. 36 - 38, Jakarta 12190, Telp. (021) 526 5045, 526 5095 (Hunting), Fax. (021) 527 4477, 527 5577

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Consolidated Financial Statements
With Independent Auditors' Report
Year Ended December 31, 2006
With Comparative Figures for 2005

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES

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, 2006
WITH COMPARATIVE FIGURES FOR 2005

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PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
ASSETS			
Cash	2e	3,965,717	2,522,764
Current Accounts with Bank Indonesia	2e, 3	21,579,158	20,304,705
Current Accounts with Other Banks - net of allowance for possible losses of Rp11,149 and Rp7,725 as of December 31, 2006 and 2005	2d, 2e, 2o, 4, 36, 47	537,234	697,603
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp97,981, and Rp154,871 as of December 31, 2006 and 2005	2f, 2o , 5, 36	9,435,541	23,617,054
Securities	2d, 2g, 2o, 6, 36, 47		
Related parties		873,264	600,200
Third parties		18,627,219	11,238,532
		19,500,483	11,838,732
Less: Unamortized discounts, unrealized (losses)/gains from decrease/increase in value of securities and allowance for possible losses		(1,139,525)	(1,334,463)
		18,360,958	10,504,269
Government Recapitalization Bonds	2d, 2h, 2o, 7, 47	90,648,024	92,055,964
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp812,247 and Rp1,101,415 as of December 31, 2006 and 2005	2d, 2i, 2o, 8, 36, 47	1,958,039	2,724,729
Securities Purchased with Agreements to Resell - net of allowance for possible losses of Rp8,600 and RpNil as of December 31, 2006 and 2005	2j, 2o, 9, 36	833,388	317,043
Derivative Receivables - net of allowance for possible losses of Rp4,260 and Rp3,443 as of December 31, 2006 and 2005	2k, 2o, 10, 36	410,727	315,243
Loans	2d, 2l, 2o, 11, 36, 47,54		
Related parties		750,672	1,245,740
Third parties		117,006,650	105,607,206
		117,757,322	106,852,946
Less: Deferred income		(86,380)	(159,858)
		117,670,942	106,693,088
Less: Allowance for possible losses		(14,388,695)	(11,823,614)
Loans - net		103,282,247	94,869,474
Acceptances Receivable - net of allowance for possible losses of Rp155,223 and Rp429,092 as of December 31, 2006 and 2005	2d, 2m, 2o, 12, 36, 47	3,453,170	3,890,010
Investments in Shares of Stock - net of allowance for possible losses of Rp73,625 and Rp73,298 as of December 31, 2006 and 2005	2n, 2o, 13, 36	84,870	68,066

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
ASSETS (continued)			
Premises and Equipment - net of accumulated depreciation and amortization of Rp3,392,670 and Rp2,836,857 as of December 31, 2006 and 2005	2p, 14	4,709,243	5,305,413
Deferred Tax Assets - net	2v, 27e	3,295,451	2,231,402
Other Assets – net of allowance for possible losses of Rp994,703 and Rp427,225 as of December 31, 2006 and 2005	2d, 2q, 2r, 15	4,963,425	3,959,609
TOTAL ASSETS		**267,517,192**	**263,383,348**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Liabilities Immediately Payable		671,339	675,285
Deposits from Customers			
Demand deposits	2d, 2s, 16, 47		
Related parties		333,512	314,961
Third parties		48,479,241	46,095,309
		48,812,753	46,410,270
Savings deposits	2d, 2s, 17, 47		
Related parties		46,355	23,276
Third parties		60,257,206	47,129,902
		60,303,561	47,153,178
Time deposits	2d, 2s, 18, 47		
Related parties		877,911	1,080,031
Third parties		95,713,323	111,646,173
		96,591,234	112,726,204
Total Deposits from Customers		205,707,548	206,289,652
Deposits from Other Banks			
Demand and savings deposits	2d, 2t, 19, 47	1,286,609	415,841
Inter-bank call money	2t, 20	1,899,681	838,019
Time deposits	2t, 21	5,003,010	5,545,129
Total Deposits from Other Banks		8,189,300	6,798,989
Securities Sold with Agreements to Repurchase	2j, 22	1,859,780	2,046,420
Derivative Payables	2k, 10	100,823	189,546
Acceptances Payable	2m, 23, 47	3,608,393	4,319,102
Securities Issued - net of unamortized discount of Rp3,660 and Rp2,754 as of December 31, 2006 and 2005, respectively	2u, 24	3,793,883	3,983,469
Fund Borrowings	2d, 25, 47	3,424,892	4,279,631
Estimated Losses on Commitments and Contingencies	2o, 26, 45	514,399	594,084
Accrued Expenses		590,533	693,956
Taxes Payable	2v, 27a	1,582,800	272,101
Other Liabilities	2y, 28	6,970,296	5,619,744
Subordinated Loans	29	4,157,360	4,402,266
TOTAL LIABILITIES		**241,171,346**	**240,164,245**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)			
Minority Interests in Net Assets of Consolidated Subsidiaries	30	5,176	4,705
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 20,631,217,467 common shares Series B as of December 31, 2006 (1 share Dwiwarna Series A and 20,255,717,364 common shares Series B as of December 31, 2005)	31a	10,315,609	10,127,859
Additional Paid-in Capital/Agio	31b	6,433,948	6,006,255
Differences Arising from Translation of Foreign Currency Financial Statements	2c	86,867	108,923
Unrealized Gains/(Losses) on Availables-for-Sale Securities and Government Recapitalization Bonds - net of deferred tax	2g, 2h	229,572	(241,961)
Premises and Equipment Revaluation Increment	2p, 14, 31c	3,046,936	3,046,936
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	2n, 31e	9,318	(14,063)
Share Options	2z, 32	105,330	175,012
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)			
Appropriated	31d	2,575,369	2,560,285
Unappropriated	31d	3,537,721	1,445,152
Total Retained Earnings		6,113,090	4,005,437
TOTAL SHAREHOLDERS' EQUITY		**26,340,670**	**23,214,398**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**267,517,192**	**263,383,348**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
Year Ended December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
INCOME AND EXPENSES FROM OPERATIONS			
Interest Income			
Interest income	2l, 2w, 2ad, 33	25,657,397	20,366,450
Fees and commissions on loan facilities	2x, 33	603,709	632,775
Total Interest Income		26,261,106	20,999,225
Interest Expense			
Interest expense	2w, 34	(15,776,751)	(11,747,360)
Other financing expenses		(139,119)	(296,821)
Total Interest Expense		(15,915,870)	(12,044,181)
NET INTEREST INCOME		**10,345,236**	**8,955,044**
Other Operating Income			
Other fees and commissions	2x	1,755,027	1,577,330
Foreign exchange gains - net	2c	379,727	74,079
Others	35	351,345	671,462
Total Other Operating Income		2,486,099	2,322,871
Provision for Possible Losses on Earning Assets	2o, 36	(3,671,788)	(4,445,226)
Reversal/(Addition) of Estimated Losses on Commitments and Contingencies	2o, 26c	37,670	(80)
Reversal of Allowance for Possible Losses - Others	15, 28, 37	128,945	1,056,645
Gains/(Losses) from Increase/(decrease) in Value of Securities and Government Recapitalization Bonds	2g, 2h, 38	109,381	(89,144)
Gains from Sale of Securities and Government Recapitalization Bonds	2g, 2h, 2ad, 39	137,542	255,458
Other Operating Expenses			
General and administrative expenses	2p, 40	(3,250,893)	(3,080,079)
Salaries and employee benefits	2d, 2y, 2z, 32, 41, 42, 47	(3,017,502)	(3,187,255)
Others - net	43	(593,580)	(600,661)
Total Other Operating Expenses		(6,861,975)	(6,867,995)
PROFIT FROM OPERATIONS		**2,711,110**	**1,187,573**
Non-operating Income - net	44	120,086	45,304
PROFIT BEFORE TAX BENEFIT (EXPENSE) AND MINORITY INTERESTS		**2,831,196**	**1,232,877**
Tax Benefit (Expense)			
Current	2v, 27b, 27c	(1,675,010)	(500,501)
Deferred	2v, 27b, 27d	1,266,286	(127,845)
Tax Expense, net		(408,724)	(628,346)
PROFIT BEFORE MINORITY INTERESTS		**2,422,472**	**604,531**
MINORITY INTERESTS IN NET PROFIT OF CONSOLIDATED SUBSIDIARIES		**(1,067)**	**(1,162)**
NET PROFIT		**2,421,405**	**603,369**

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)
Year Ended December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
EARNINGS PER SHARE	2aa		
Basic (full amount)		**119.08**	**29.90**
Diluted (full amount)		**117.83**	**29.68**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended December 31, 2006
With Comparative Figures For 2005
(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 *) Appropriated	Retained Earnings *) Unappropriated	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**	**9,788**	**13,831**	**747,000**	**5,414,275**	**6,161,275**	**24,934,707**
Execution of shares options from Management Stock Option Plan (MSOP)	2z, 31a, 31b, 32	61,432	38,358	-	-	-	-	(8,565)	-	-	-	91,225
General and specific reserve allocated from 2004 net profit	31d	-	-	-	-	-	-	-	1,813,285	(1,813,285)	-	-
Dividends allocated from 2004 net profit	31d	-	-	-	-	-	-	-	-	(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 Commissioners Tantiem from 2004 net profit		-	-	-	-	-	-	-	-	(26,278)	(26,278)	(26,278)
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 deferred tax	2g, 2h	-	-	-	162,040	-	-	-	-	-	-	162,040
Recognition of shares options from Management Stock Option Plan (MSOP)		-	-	-	-	-	-	169,746	-	-	-	169,746
Differrence Arising from Transactions Resulting In Changes in the Equity of subsidiaries		-	-	-	-	-	(23,851)	-	-	-	-	(23,851)
Net profit for the year ended 31 December, 2005		-	-	-	-	-	-	-	-	603,369	603,369	603,369
Balance as of 31 December, 2005		**10,127,859**	**6,006,255**	**108,923**	**(241,961)**	**3,046,936**	**(14,063)**	**175,012**	**2,560,285**	**1,445,152**	**4,005,437**	**23,214,398**

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

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
Year Ended December 31, 2006
With Comparative Figures For 2005
(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 *) Appropriated	Retained Earnings *) Unappropriated	Retained Earnings *) Total	Total Shareholders' Equity
Balance as of December 31, 2005		**10,127,859**	**6,006,255**	**108,923**	**(241,961)**	**3,046,936**	**(14,063)**	**175,012**	**2,560,285**	**1,445,152**	**4,005,437**	**23,214,398**
General and specific reserve allocated from 2005 net profit	31d	-	-	-	-	-	-	-	15,084	(15,084)	-	-
Dividends allocated from 2005 net profit	31d	-	-	-	-	-	-	-	-	(301,685)	(301,685)	(301,685)
Cooperative development fund program and community development reserve allocated from 2005 net profit		-	-	-	-	-	-	-	-	(12,067)	(12,067)	(12,067)
Execution of shares options from Management Stock Option Plan (MSOP)	2z, 31a, 31b, 32	187,750	427,693	-	-	-	-	(200,352)	-	-	-	415,091
Differences arising from translation of foreign currency financial statements	2b	-	-	(22,056)	-	-	-	-	-	-	-	(22,056)
Unrealized gains on available for sale securities and government recapitalization bonds - net of deferred tax	2g, 2h	-	-	-	471,533	-	-	-	-	-	-	471,533
Difference Arising from Transactions Resulting In Changes in the Equity of Subsidiaries		-	-	-	-	-	23,381	-	-	-	-	23,381
Recognition of share options from Management Stock Option Plan (MSOP)		-	-	-	-	-	-	130,670	-	-	-	130,670
Net profit for the year ended December 31, 2006		-	-	-	-	-	-	-	-	2,421,405	2,421,405	2,421,405
Balance as of December 31, 2006		**10,315,609**	**6,433,948**	**86,867**	**229,572**	**3,046,936**	**9,318**	**105,330**	**2,575,369**	**3,537,721**	**6,113,090**	**26,340,670**

*) 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
Year Ended December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interest income	2l, 2w, 2ad	25,759,601	19,534,754
Receipts from fees and commissions	2x	2,358,736	2,210,104
Payments of interest expenses	2w	(15,880,174)	(11,783,158)
Payments of other financing expenses		(139,119)	(296,821)
Receipts from the sale of Government Recapitalization Bonds - trading portfolio	2g, 2h, 2ad	3,253,360	7,999,998
Acquisition of Government Recapitalization Bonds - trading portfolio		(1,845,117)	(8,173,726)
Foreign exchange gains/(losses) - net	2c, 2h	599,902	(928,517)
Operating income - others		587,127	692,840
Operating expenses - others		(593,578)	(600,662)
Salaries and employee benefits	2y, 2z	(2,845,005)	(2,652,702)
General and administrative expenses	2p	(2,642,535)	(2,522,373)
Non-operating income/(expense) - others		246,292	(109,659)
Profit before changes in operating assets and liabilities		8,859,490	3,370,078
(Increase)/decrease in operating assets:			
Placements with Bank Indonesia and other banks	2f, 2o	14,238,403	(9,500,609)
Securities and Government Recapitalization Bonds - trading portfolio	2g, 2o	(292,604)	(156,366)
Other Receivables - Trade transactions	2i, 2o	1,055,858	(1,035,092)
Loans	2l, 2o	(15,874,043)	(12,120,897)
Proceeds from collection of earning assets already written-off		1,086,061	830,539
Other assets	2q, 2r	(873,007)	4,646,124
Increase/(decrease) in operating liabilities:			
Demand deposits	2s	4,493,436	3,967,854
Saving deposits	2s	13,150,383	(6,380,224)
Time deposits	2s	(15,496,976)	27,221,611
Inter-bank call money	2t	1,061,662	(1,126,341)
Liabilities immediately payable		(3,946)	129,008
Taxes payable	2v	(364,311)	(724,524)
Other liabilities	2n, 2y	1,202,403	432,339
Estimated losses on commitments and contingencies	2o	(2,419)	288
Net cash provided by operating activities		**12,240,390**	**9,553,788**
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(Increase) in securities - available for sale and held to maturity	2g	(6,678,117)	1,927,795
(Increase)/decrease in government recapitalization bonds - available for sale and held to maturity		(242,160)	1,935,476
Redemption of matured Government recapitalization bonds	2h	-	2,865,356
Addition to Government recapitalization bonds	2h	-	(2,865,356)
Proceeds from sale of premises and equipment	2p	65,017	48,797
Acquisition of premises and equipment		(263,847)	(411,507)
Decrease/(Increase) in investments in shares of stock	2n	6,250	(1,035)
Decrease/(Increase) in securities purchased with agreements to resell	2j	(524,945)	391,091
Net cash provided by/(used in) investing activities		**(7,637,802)**	**3,890,617**

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

(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in securities issued	2g	(189,586)	(10,511)
Decrease in fund borrowings		(1,522,333)	(3,035,246)
Decrease in subordinated loans		(244,906)	(2,413,940)
Decrease in securities sold with agreements to repurchase	2j	(186,640)	(867,212)
Payments of dividends	31d	(313,752)	(2,759,207)
Execution of shares option	2z	415,090	91,225
Net cash used in financing activities		**(2,042,127)**	**(8,994,891)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,560,461**	**4,449,514**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		23,532,797	19,083,283
CASH AND CASH EQUIVALENTS AT END OF YEAR		**26,093,258**	**23,532,797**
Cash and cash equivalents at end of year consist of:			
Cash	2e	3,965,717	2,522,764
Current accounts with Bank Indonesia	2e, 3	21,579,158	20,304,705
Current accounts with other banks	2e, 4	548,383	705,328
Total Cash and Cash Equivalents		**26,093,258**	**23,532,797**
SUPPLEMENTAL NON-CASH FLOWS INFORMATION			
Activities not affecting cash flows:			
Unrealized gains on securities and government recapitalization bonds available for sale		471,533	162,040
Unrealized (losses)/gains on securities and Government recapitalization bonds trading		109,381	(89,144)
Recognition of shares options from Management Stock Option Plan (MSOP)		(130,670)	(169,746)

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

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 the year January 1, 2006 through December 31, 2006 and year 2005 the stock options exercised totaled 375,500,103 and 122,862,492 shares (Note 32). The stock options exercised during 2006 and 2005 resulted in the increase of the issued and fully paid-up capital by Rp187,750 and Rp61,431, respectively and additional paid in capital/agio of Rp427,693 and Rp38,359 respectively. The increase in additional paid in capital/agio represents the difference between the exercise price and market values of MSOP shares with the nominal value of Rp500 per share. The amendment of the Bank's Articles of Association related to the change in the capital structure is still in process.

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 31a and 31b). 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 31a and 31b).

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 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 31b).

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 31b).

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 31a).

(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 Surabaya's Stock Exchange'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 31a).

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, 2006 and 2005 Bank Mandiri had the following domestic and offshore structure:

	2006	2005
Domestic Regional Branches	10	10
Domestic Branches:		
Hubs	57	54
Community Branches	98	98
Spokes	336	334
Cash Outlets	433	423
	924	909
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, 2006 and 2005, Bank Mandiri had offshore branches located in Grand Cayman, Singapore, Hong Kong and Timor Leste and a representative office in Shanghai, China.

On June 5, 2006, the Bank's organization structure has been changed based on Board of Directors' Resolution No. Kep.Dir/069/2006. Those changes including the Board of Directors' segregation of roles and responsibilities were approved by the Board of Commissioners through its letter No. COM/063/2006 dated June 1, 2006. On December 12, 2006, Management through letter No.COM/063/2006 proposed the change in the Organization Structure Based On Strategic Business Units to the Commissioners. The Commissioners approved the change in the Organization Structure Based On Strategic Business Units through letter No.COM/170/2006 dated December 22, 2006. The Organization Structure based on Strategic Business Units became effective since January 9, 2007 through Directors Decision Letter No. Kep.Dir/06A/2007 dated January 9, 2007.

Compared with the previous organization structure, there are several changes to Bank Mandiri's organization structure, where the function of existing units were divided into three major group, which are:

1. Business Units (BU) responsible as the Bank's main business development engine, consist of 6 Directorate which are Corporate Banking, Commercial Banking, Consumer Finance, Micro & Retail Banking, Treasury & International Banking, and Special Asset Management.
2. Corporate Centers responsible to handle strategic corporate and support the bank's policies, consist of 4 Directorate which are Risk Management, Compliance & Human Capital, Finance & Strategy and Change Management Office.
3. Shared Services as a support unit to support the Bank operational activities as a whole are handled by the Technology & Operations Directorate.

The implementation of the change in the organization structure and Strategic Business Unit (SBU) is in-line with the Bank's aspiration to become the Dominant Multi-Specialist Bank.

The members of the Boards of Commissioners and Directors of Bank Mandiri as of December 31, 2006 in accordance with the change in the organization as mentioned above and as of December 31, 2005 are as follows:

		December 31, 2006	December 31, 2005
Board of Commissioners			
Chairman	:	Edwin Gerungan*)	Edwin Gerungan
Deputy Chairman	:	Muchayat	Muchayat
Commissioner	:	Soedarjono	Soedarjono
Commissioner	:	Richard Claproth	Richard Claproth
Independent Commissioner	:	Pradjoto	Pradjoto
Independent Commissioner	:	Gunarni Soeworo	Gunarni Soeworo
Independent Commissioner	:	Yap Tjay Soen	Yap Tjay Soen

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

g. Structure and Management (continued)

Board of Directors			
President Director	:	Agus Martowardojo	Agus Martowardojo
Deputy President Director	:	Wayan Agus Mertayasa	Wayan Agus Mertayasa
Director	:	Omar Sjawaldy Anwar	Omar Sjawaldy Anwar
Director	:	Zulkifli Zaini	Johanes Bambang Kendarto
Director	:	Abdul Rachman	Zulkifli Zaini
Director	:	Sasmita	Abdul Rachman
Director	:	Sentot A. Sentausa	Sasmita ***)
Director	:	Bambang Setiawan**)	-
Director	:	Riswinandi	-
Director	:	Thomas Arifin	-
Director	:	Budi Gunadi Sadikin	-

**) also appointed as Independent Commissioner*
***) also appointed as Compliance Director*
****) also appointed as temporary Compliance Director (waiting for BI approval)*

Bank Mandiri's Audit Committee as of December 31, 2006 and 2005 is comprised of the following members:

		2006 and 2005
Chairman	:	Gunarni Soeworo
Member	:	Soedarjono
Member	:	Yap Tjay Soen
Member	:	Zulkifli Djaelani
Member	:	Imam Sukarno

As of December 31, 2006 and 2005 Bank Mandiri has a total of 21,062 and 21,192 employees (unaudited), respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

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

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The consolidated 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 a 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, 2006 and 2005 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	95.69
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.

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 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.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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.

The total assets of the subsidiaries as of December 31, 2006 and 2005 (prior to elimination) amounted to Rp14,189,586 and Rp11,667,363 or 5.30% and 4.43% 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 basis:

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

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

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 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, 2006 and 2005. The resulting gains or losses are credited or charged to the current year's profit and loss.

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

	December 31, 2006	December 31, 2005
Great Britain Pound Sterling 1/Rp	17,616	16,982
Euro 1/Rp	11,846	11,643
US Dollar 1/Rp	9,003	9,830
Japanese Yen 100/Rp	7,563	8,383

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Transactions with Related Parties

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

All significant transactions with related parties, whether or not conducted under normal terms and conditions as those with third parties, are disclosed in Note 47. 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, floating rate notes, promissory notes, 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Securities (continued)

(2) Available for sale securities are stated at fair value. Unrealized gains/losses resulting from the increase/decrease in fair value are not recognized in the current 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Securities Purchased/Sold under Resale/Repurchase Agreements

Securities purchased under resale agreements are presented as assets in the consolidated balance sheet at their resale 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 under repurchase agreements 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Loans (continued)

Syndicated (joint financing) 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 *musyarakah* financing.

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

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

Bank Indonesia 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 of stock 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 companies' profit and loss at the disposal of the investment (Note 31e).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Allowance for Possible Losses on Earning Assets and Non-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, risk sharing and unused loan facilities.

Non-earning assets are assets with potential loss and include but is not limited to foreclosed properties, abandoned properties, inter-office accounts and suspense accounts.

In accordance with Bank Indonesia (BI) regulations, the Bank classifies earning assets into one of five categories and non earning assets into one of four categories. Performing assets are categorized as "Current" and "Special Mention", while non-performing assets are categorized into three categories: "Sub-Standard", "Doubtful" and "Loss". Non earning asset are divided into "Current", "Sub-Standard", "Doubtful" and "Loss".

The classification of earning assets is based on Bank Indonesia Regulation No.7/2/PBI/2005 dated January 20, 2005 regarding Asset Quality Rating For Commercial Banks (PBI 7) which has been amended Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006 regarding Changes on 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, and ability to repay.

Except for classification of quality for foreclosed properties, abandoned properties, inter-office accounts, suspense accounts and unused loan facilities granted to customers (off balance sheet item), PBI No. 7/2/PBI/2005 became effective on the date of its enactment and is applied by the Bank prospectively.

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 amount of the minimum allowance for possible losses on assets and commitments and contingencies with credit-related risk, takes into consideration Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 (PBI 7) regarding Asset Quality Rating For Commercial Banks which has been amended with Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006 regarding Changes on PBI 7 which prescribe minimum rates of allowance for possible losses on assets and commitments and contingencies with credit-related risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

1) General provision, 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) and 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).

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

The collateral which can be deducted from the allowance for possible losses calculation is only for earning assets.

The collateral value which can be deducted from the allowance for possible losses on earning assets is that, with appraisal conducted not exceeding 24 months and is done by an independent appraisal for amounts exceeding Rp5 billion.

The Bank has not included all collateral in the calculation of allowance for possible losses since the last appraisal has exceeded 24 months.

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 classified as loss 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 year. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Premises and Equipment (continued)

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

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 – "Decline in 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, prepaid taxes, prepaid expenses, repossessed assets, abandoned properties, inter-branch accounts and others.

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, Phone 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 Bank Indonesia 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.

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

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.

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 year.

Net profit used in calculating the basic earnings per share was Rp2,421,405 and Rp603,369 for the years ended December 31, 2006 and 2005, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2006 and 2005 totaled 20,334,565,065 shares and 20,182,096,657 shares, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2006 has been adjusted to reflect the changes in issued shares as a result of the conversion of share option (Note 32).

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

The weighted-average number of outstanding shares used in computing the diluted earnings per share as of December 31, 2006 and 2005 totaled 20,550,301,606 shares and 20,326,735,892 shares, respectively.

	2006	2005
The weighted-average shares – Basic	20,334,565,065	20,182,096,657
Adjustment on dillutive common shares:		
MSOP Stage I	43,162,893	105,107,347
MSOP Stage II	110,511,469	39,531,888
MSOP Stage III	62,062,179	-
The weighted-average number of outstanding shares – Dillutive	20,550,301,606	20,326,735,892

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.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. Reclassification of Accounts

Certain accounts in the December 31, 2005 consolidated financial statements have been reclassified to conform to the presentation of accounts in the December 31, 2006 consolidated financial statements as follows:

December 31, 2005

Accounts Description	As Previously Reported	Reclassification	As Currently Reported
Gains from Sale of Securities and Government Recapitalization Bonds	456,494	(201,036)	255,458
Interest income	20,165,414	201,036	20,366,450
Premises and Equipment Revaluation Increment	3,056,724	(9,788)	3,046,936
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	(23,527)	9,464	(14,063)
Minority Interests in Net Assets of Consolidated Subsidiaries	4,381	324	4,705

3. CURRENT ACCOUNTS WITH BANK INDONESIA

	2006	2005
Rupiah	20,457,558	18,896,163
United States Dollar	1,121,600	1,408,542
	21,579,158	**20,304,705**

The current accounts with Bank Indonesia are primarily maintained to meet the minimum reserve requirements of Bank Indonesia of 11.73% and 3.01% as of December 31, 2006 (2005: 11% 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, 2006 and 2005, is as follows:

	2006	2005
Rupiah	11.73%	11.30%
United States Dollar	3.01%	3.01%

4. CURRENT ACCOUNTS WITH OTHER BANKS

a. By Currency:

	2006	2005
Rupiah	12,816	3,654
Foreign Currency	535,567	701,674
Total	548,383	705,328
Less: Allowance for Possible Losses	(11,149)	(7,725)
	537,234	**697,603**

(Expressed in millions of Rupiah, unless otherwise stated)

4. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

b. By Collectibility:

As of December 31, 2006 and 2005, all current accounts with other banks were classified as current.

c. By Related Party and Third Party:

As of December 31, 2006 and 2005, current accounts with related party were Rp70 and Rp53 respectively (Note 47).

d. Average Interest Rate per Annum:

	2006	2005
Rupiah	0.83%	0.53%
Foreign Currency	1.92%	1.32%

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

	2006	2005
Balance at beginning of year	7,725	6,557
Provision during the year (Note 36)	4,101	1,278
Others *)	(677)	(110)
Balance at end of year	**11,149**	**7,725**

(*) 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:

2006

	Maturity	Current
Rupiah:		
Call Money	< 1 month	3,300,000
	1month - 3 months	5,000
“Fixed-term” Placements	> 3 months < 6 months	212,057
	> 6 months < 12 months	180,053
Time Deposits	< 1 month	31,502
	1 month - 3 months	7,600
	> 3 months < 6 months	2,600
Total Rupiah		3,738,812

(Expressed in millions of Rupiah, unless otherwise stated)

5. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS

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

2006

	Maturity	Current
Foreign Currency:		
Call Money	< 1 month	3,493,497
	1 month - 3 months	418
"Fixed-term" Placements	< 1 month	2,278,245
Time Deposits	< 1 month	22,550
Total Foreign Currency		5,794,710
Total		9,533,522
Less: Allowance for Posible Losses		(97,981)
		9,435,541

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
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

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

c. Average Interest Rate per Annum (unaudited):

	2006	2005
Rupiah	12.09%	8.37%
Foreign Currency	4.33%	3.36%

d. As of December 31, 2006 and 2005, there was no placement pledged as cash collateral.

(Expressed in millions of Rupiah, unless otherwise stated)

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

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

	2006	2005
Balance at beginning of year	154,871	91,258
Provision/(reversal) during the year (Note 36)	(51,542)	63,043
Recoveries	-	1,451
Others *)	(5,348)	(881)
Balance at end of year	**97,981**	**154,871**

(*) 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:

	2006	2005
Related parties (Note 47):		
Trading	467,683	101,329
Available for sale	296,832	232,026
Held to maturity	108,749	266,845
	873,264	600,200
Third parties:		
Trading	13,013,736	4,100,101
Available for sale	2,271,071	4,500,342
Held to maturity	3,342,412	2,638,089
	18,627,219	11,238,532
Total	19,500,483	11,838,732
Less:		
Unamortized discounts	(7,056)	(8,982)
Unrealized gains/(losses) from increase/(decrease) in value of securities	13,369	(116,446)
Allowance for possible losses	(1,145,838)	(1,209,035)
	18,360,958	**10,504,269**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

b. By Type, Currency and Collectibility:

2006

	Cost/ Nominal *)	Unamortized Premiums/ (Discounts)	Unrealized Gains/ (Losses)	Fair Value/Book Value **)			
				Current	Substandard	Loss	Total
Rupiah:							
Trading							
Certificates of Bank Indonesia	12,622,441	-	28,703	12,651,144	-	-	12,651,144
Bonds	635,976	-	1,622	637,292	-	306	637,598
Shares	61,068	-	2,735	63,803	-	-	63,803
Medium Term Notes	54,900	-	-	54,900	-	-	54,900
Investments in mutual fund units	21,247	-	3,144	24,391	-	-	24,391
	13,395,632	-	36,204	13,431,530	-	306	13,431,836
Available for sale							
Wadiah certificates of Bank Indonesia	780,000	-	-	780,000	-	-	780,000
Bonds	758,056	-	(19,103)	728,953	-	10,000	738,953
Syariah Mudharabah bonds	499,500	-	(11,230)	488,270	-	-	488,270
	2,037,556	-	(30,333)	1,997,223	-	10,000	2,007,223
Held to maturity							
Mandatory convertible bonds	1,018,809	-	-	-	-	1,018,809	1,018,809
Certificates of Bank Indonesia	900,000	(764)	-	899,236	-	-	899,236
Export bills	96,455	-	-	96,455	-	-	96,455
Investments in mutual fund units	5,000	-	-	5,000	-	-	5,000
Bonds	2,000	-	-	2,000	-	-	2,000
	2,022,264	(764)	-	1,002,691	-	1,018,809	2,021,500
Total Rupiah	17,455,452	(764)	5,871	16,431,444	-	1,029,115	17,460,559
Foreign currency:							
Trading							
Bonds	85,787	-	(526)	85,261	-	-	85,261
Available for sale							
Floating rate notes	241,455	-	-	241,455	-	-	241,455
Export bills	137,519	-	-	137,519	-	-	137,519
Bonds	114,092	-	4,896	118,988	-	-	118,988
Promissory notes	37,281	-	3,128	40,409	-	-	40,409
	530,347	-	8,024	538,371	-	-	538,371
Held to maturity							
Export bills	1,020,247	-	-	985,424	-	34,823	1,020,247
Bonds	189,074	2,492	-	191,566	-	-	191,566
Treasury bills	120,543	(8,777)	-	111,766	-	-	111,766
Floating rate notes	99,033	(7)	-	99,026	-	-	99,026
	1,428,897	(6,292)	-	1,387,782	-	34,823	1,422,605
Total foreign currency	2,045,031	(6,292)	7,498	2,011,414	-	34,823	2,046,237
Total	19,500,483	(7,056)	13,369	18,442,858	-	1,063,938	19,506,796
Less: Allowance for possible losses				(41,900)	-	(1,103,938)	(1,145,838)
				18,400,958	**-**	**(40,000)**	**18,360,958**

*) 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):

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
Investment 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
Investment 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
Investment 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
Investment 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
Prommisory 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)

c. By Remaining Period to Maturity:

	2006	2005
Rupiah:		
No maturity date	92,315	46,410
Less than 1 year	14,628,446	7,837,563
1 - 5 years	2,215,227	1,461,900
5 - 10 years	167,089	115,303
Over 10 years	352,375	27,456
Total Rupiah	17,455,452	9,488,632
Foreign currency:		
No maturity date	-	12,661
Less than 1 year	1,317,261	1,672,019
1 - 5 years	484,287	370,010
5 - 10 years	169,388	295,410
Over 10 years	74,095	-
Total Foreign currency	2,045,031	2,350,100
	19,500,483	11,838,732
Less:		
Unamortized discounts	(7,056)	(8,982)
Unrealized gains/(losses) from increase/(decrease) in value of securities	13,369	(116,446)
Allowance for possible losses	(1,145,838)	(1,209,035)
	18,360,958	**10,504,269**

d. By Type of Issuer:

	2006	2005
Banks	15,921,158	8,194,980
Other companies	2,711,460	3,063,115
Government of Republic of Indonesia	867,865	580,637
	19,500,483	11,838,732
Less:		
Unamortized discounts	(7,056)	(8,982)
Unrealized gains/(losses) from increase/(decrease) in value of securities	13,369	(116,446)
Allowance for possible losses	(1,145,838)	(1,209,035)
	18,360,958	**10,504,269**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

e. Details of Bonds by Rating:

	Rating *)			Fair value/Book Value **)	
	Rating Agencies	2006	2005	2006	2005
Rupiah:					
Trading					
Bonds	Various	Various	Various	637,598	364,800
Available for sale					
Bonds					
PT Medco Energi International Tbk.	Pefindo	idAA-	idAA-	156,563	136,875
PT Tunas Baru Lampung Tbk.	Pefindo	idBBB	idBBB	123,750	117,500
PT Ciliandra Perkasa	Pefindo	-	idBBB	-	131,600
Others	Various	Various	Various	458,640	445,793
Syariah Mudharabah bonds	Various	Various	Various	488,270	365,425
				1,227,223	1,197,193
Held to maturity					
Mandatory convertible bonds					
PT Garuda Indonesia	-	-	-	1,018,809	1,018,809
Bonds	Various	Various	Various	2,000	38,000
				1,020,809	1,056,809
Total Rupiah				2,885,630	2,618,802
Foreign currency:					
Trading					
Bonds	Various	Various	Various	85,261	39,522
Available for sale					
Bonds	Various	Various	Various	118,988	88,129
Held to maturity					
Bonds					
Republic of Indonesia	S & P	BB-	B+	17,984	166,336
Others	Various	Various	Various	173,582	214,239
				191,566	380,575
Total foreign currency				395,815	508,226

*) 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:

	2006	**2005**
Rupiah	10.15%	8.18%
Foreign currency	8.40%	7.83%

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

g. Movements of Allowance for Possible Losses on Securities:

	2006	2005
Balance at beginning of year	1,209,035	1,144,501
(Reversal)/Provision during the year (Note 36)	(30,839)	59,310
Recoveries	-	3,919
Others *)	(32,358)	1,305
Balance at end of year	**1,145,838**	**1,209,035**

**) 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:

	2006	2005
Trading, fair value	834,273	2,143,723
Available for sale, fair value	28,719,153	28,817,643
Held to maturity, at cost	61,094,598	61,094,598
	90,648,024	**92,055,964**

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

	2006	2005
Trading:		
Less than 1 year	-	1,370,217
1 - 5 years	109,807	164,377
5 - 10 years	724,466	609,129
	834,273	2,143,723
Available for sale:		
Less than 1 year	-	19,953
1 - 5 years	1,190,795	1,496,628
5 - 10 years	14,911,591	11,111,957
Over 10 years	12,616,767	16,189,105
	28,719,153	28,817,643
Held to maturity:		
1 - 5 years	1,350,000	1,350,000
5 - 10 years	12,388,900	1,505,329
Over 10 years	47,355,698	58,239,269
	61,094,598	61,094,598
	90,648,024	**92,055,964**

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

The details of Government Recapitalization Bonds are as follows:

2006

Trading

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	643,606	13.15%-15.58%	784,274	06/15/2009-12/15/2013	6 months
Variable rate bonds	50,000	3-month SBI	49,999	06/25/2011	3 months
	693,606		**834,273**		

Available for sale

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	1,654,272	14.25%-15.58%	2,015,920	11/15/2010-12/15/2013	6 months
Variable rate bonds	26,727,428	3-month SBI	26,703,233	01/25/2008-07/25/2020	3 months
	28,381,700		**28,719,153**		

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			

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**		

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

2005 (continued)

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**		

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			

Significant information relating to Government Recapitalization Bonds is as follows:

2006

As of December 31, 2006, Government Recapitalization Bonds with a total nominal amount of Rp1,605,954 had been sold to counterparties with agreements to repurchase (Note 22).

The ownership of Government Recapitalization Bonds with an aggregate nominal value of Rp1,926,843 have been transferred to counterparty 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 counterparty bank, the Bank still recognized Government Recapitalization Bonds on its balance sheet.

The Bank has also entered in two Callable Zero Coupon Deposits transaction with counterparty bank related to transfer contract of Government Recapitalization Bonds. Such contract was initiated when the Bank transferred Government Recapitalization Bonds to counterparty 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 the counterparty bank.

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

Deposits	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%

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT RECAPITALIZATION BONDS (continued)

2006 (continued)

The deposit was placed from a portion of fund received from transfer proceeds of Government Recapitalization Bonds to counterpart bank.

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

The agreement gives an option right to counterpart 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 Government Recapitalization Bonds by Government of Republic of Indonesia relating to the principal or interest payment, counterpart bank may opt to return the Government Recapitalization Bonds which have been transferred to the Bank 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 Recapitalization Bonds, Bank still recognized the deposits as Government Recapitalization Bonds on the Bank's balance sheet as of December 31, 2006.

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 with issuance of VR0031 series replacement bonds, with aggregate nominal value of Rp2,865,356.

8. OTHER RECEIVABLES - TRADE TRANSACTIONS

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

	2006	2005
Rupiah:		
Third parties		
Usance L/C payable at sight	754,275	520,682
Others	223,273	236,832
Total Rupiah	977,548	757,514
Foreign Currency:		
Related parties (Note 47)		
Others	56,878	54,531
Third parties		
Usance L/C payable at sight	1,072,611	2,197,345
Others	663,249	816,754
	1,735,860	3,014,099
Total Foreign Currency	1,792,738	3,068,630
Total	2,770,286	3,826,144
Less: Allowance for possible losses	(812,247)	(1,101,415)
	1,958,039	**2,724,729**

(Expressed in millions of Rupiah, unless otherwise stated)

8. OTHER RECEIVABLES - TRADE TRANSACTIONS (continued)

b. By Collectibility:

	2006	2005
Current	1,546,468	1,794,447
Special mention	458,152	401,903
Sub-standard	-	553,073
Doubtful	1,010	192,237
Loss	764,656	884,484
Total	2,770,286	3,826,144
Less: Allowance for possible losses	(812,247)	(1,101,415)
	1,958,039	**2,724,729**

c. By Maturity:

	2006	2005
Rupiah:		
Less than 1 month	381,031	333,433
1 - 3 months	431,971	120,593
3 - 6 months	164,546	303,488
Total Rupiah	977,548	757,514
Foreign Currency:		
Less than 1 month	923,331	1,443,834
1 - 3 months	392,561	838,437
3 - 6 months	476,846	761,596
6 - 12 months	-	24,763
Total Foreign Currency	1,792,738	3,068,630
Total	2,770,286	3,826,144
Less: Allowance for possible losses	(812,247)	(1,101,415)
	1,958,039	**2,724,729**

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

	2006	2005
Balance at beginning year	1,101,415	883,405
(Reversal)/Provision during the year (Note 36)	(215,583)	192,897
Others *)	(73,585)	25,113
Balance at end of year	**812,247**	**1,101,415**

(*) 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, 2006 and 2005 amounted to Rp803,399 and Rp1,101,415 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

2006

	Securities	Commencement Date	Maturity Date	Resell Value	Unamortized Deferred Interest Income	Net Value
Rupiah						
	Bonds VR0017	12/26/06	01/26/07	226,711	1,623	225,088
	Bonds VR0017	12/27/06	01/26/07	226,648	1,623	225,025
	Shares	10/20/06	04/18/07	163,875	8,320	155,555
	Shares	10/20/06	04/18/07	54,625	2,773	51,852
	Shares	10/10/06	04/10/07	46,141	2,275	43,866
	Shares	11/16/06	05/15/07	38,410	2,559	35,851
	Shares	08/23/06	02/19/07	30,555	710	29,845
	Shares	12/21/06	03/21/07	28,283	1,140	27,143
	Shares	08/24/06	02/20/07	27,281	646	26,635
	Shares	10/03/06	01/03/07	12,555	-	12,555
	Bonds FR0026	09/25/06	03/14/07	2,756	9	2,747
	Bonds FR0025	09/25/06	03/14/07	2,739	12	2,727
	Bonds FR0024	12/22/06	01/22/07	2,067	16	2,051
	Shares	10/03/06	01/03/07	598	20	578
	Bonds FR0025	12/22/06	12/22/07	474	4	470
				863,718	**21,730**	**841,988**
Allowance for possible losses						**(8,600)**
Total						**833,388**

2005

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

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

	2006	2005
Balance at beginning of year	-	4,800
Provision/(Reversal) during the year (Note 36)	8,600	(4,800)
Balance at end of year	**8,600**	**-**

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES

As of December 31, 2006, 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	314,493	308,027	17	6,483
Others	398,874	389,757	4,028	13,145
2. Forward-sell				
US Dollar	75,158	74,350	819	11
Others	90,661	91,551	248	1,138
3. Swap-buy				
US Dollar	1,179,910	1,173,632	95	6,373
Others	1,069,095	1,080,094	13,319	2,320
4. Swap - sell				
US Dollar	3,446,550	3,054,153	392,467	70
Others	49,967	49,697	296	26
5. Option - buy				
US Dollar	-	406	406	-
Others	-	1,218	1,218	-
6. Option - sell				
US Dollar	-	408	-	408
Others	-	930	-	930
Interest Rate Related				
1. Swap - interest rate				
US Dollar	-	62,095	-	62,095
Other	-	7,411	-	7,411
2. Forward Rate Agreement				
US Dollar	-	2,487	2,074	413
Total			414,987	100,823
Less: Allowance for possible losses			(4,260)	-
			410,727	**100,823**

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. As of December 31, 2006 and 2005, losses amounting to (Rp51,512) and (Rp86,039) as a result of the hedging fair value calculation have been offset against the gain from decrease of the MTNs, a hedged item, based on the fair value calculation (Note 24).

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Interest Rate Swaps (continued)

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 sold with agreements to repurchase with several counterparty banks. The contracts 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 previously sold to counterparty banks (Notes 7 and 22).

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

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
4. Swap - sell				
US Dollar	4,869,156	4,601,502	312,921	45,267
Others	150,000	149,620	-	380

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

2005 (continued)

Transactions	Notional Amount (Contract)	Fair Value (Note 2k)	Derivative Receivables	Derivative Payables
Interest Rate Related				
1. Swap - Interest rate				
US Dollar	-	97,533	-	97,533
Other	-	4,182	1,442	2,740
2. Forward Rate Agreement				
US Dollar	-	334	-	334
Total			318,686	189,546
Less: Allowance for possible losses			(3,443)	-
			315,243	**189,546**

As of December 31, 2006 and 2005, the collectibility of derivative receivables is as follows:

	2006	2005
Current	414,987	318,686
Total	414,987	318,686
Less: Allowance for possible losses	(4,260)	(3,443)
Balance at end of year	**410,727**	**315,243**

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

Movements of allowance for possible losses on derivative receivables:

	2006	2005
Balance at beginning of year	3,443	2,881
Provision during the year (Note 36)	874	559
Others *)	(57)	3
Balance at end of year	**4,260**	**3,443**

(*) Includes effect of foreign exchange translation.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS

A. Details of loans:

a) By Currency and Related Parties and Third Parties:

	2006	2005
Rupiah:		
Related parties	121,625	568,970
Third parties	82,131,648	73,718,795
	82,253,273	74,287,765
Foreign Currency:		
Related parties	629,047	676,770
Third parties	34,875,002	31,888,411
	35,504,049	32,565,181
Total	117,757,322	106,852,946
Less: Deferred income	(86,380)	(159,858)
Total	117,670,942	106,693,088
Less: Allowance for possible losses	(14,388,695)	(11,823,614)
	103,282,247	**94,869,474**

b) By Type and Collectibility:

	2006					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Working capital	36,414,687	2,477,373	1,227,418	428,609	3,499,137	44,047,224
Investment	11,425,360	3,572,387	302,143	99,809	3,015,571	18,415,270
Consumer	9,348,868	1,979,874	87,491	113,629	339,381	11,869,243
Export	2,506,320	44,754	5,370	3,015	260,747	2,820,206
Government Program	1,633,767	316,219	2,682	31,608	208,857	2,193,133
Syndicated	236,229	235,839	-	-	997,274	1,469,342
Employees	1,429,933	4,564	307	267	3,784	1,438,855
Total Rupiah	62,995,164	8,631,010	1,625,411	676,937	8,324,751	82,253,273
Foreign Currency:						
Working capital	7,831,167	3,774,276	182,609	22,577	3,250,873	15,061,502
Investment	7,147,037	2,240,750	229,506	-	3,736,865	13,354,158
Syndicated	591,430	2,479,035	47	-	51,716	3,122,228
Export	1,316,526	407,941	81,822	-	1,036,533	2,842,822
Government Program	100,219	-	-	-	-	100,219
Consumer	29,977	11,949	-	-	5,422	47,348
Employees	456	-	-	-	-	456
Others	938,458	-	-	-	36,858	975,316
Total Foreign Currency	17,955,270	8,913,951	493,984	22,577	8,118,267	35,504,049
Total	80,950,434	17,544,961	2,119,395	699,514	16,443,018	117,757,322
Less:						
Deferred income	(9,751)	(43,722)	(1,150)	-	(31,757)	(86,380)
Total	80,940,683	17,501,239	2,118,245	699,514	16,411,261	117,670,942
Less:						
Allowance for possible losses	(836,988)	(1,292,353)	(509,604)	(255,696)	(11,494,054)	(14,388,695)
	80,103,695	**16,208,886**	**1,608,641**	**443,818**	**4,917,207**	**103,282,247**

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans: (continued)

b) By Type and Collectibility (continued):

	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
Consumer	9,427,534	2,120,579	107,404	123,371	192,450	11,971,338
Export	1,913,340	88,530	76,169	84,488	225,998	2,388,525
Government Program	1,514,859	361,198	77,271	55,509	140,594	2,149,431
Syndicated	315,149	90,240	-	1,265,454	1,002	1,671,845
Employees	1,469,741	2,735	127	256	3,720	1,476,579
Others	203,208	5,566	1,380	754	573	211,481
Total Rupiah	53,804,672	8,832,409	2,922,689	2,527,951	6,200,044	74,287,765
Foreign Currency:						
Investment	5,898,810	2,865,175	1,137,113	1,838,462	2,306,825	14,046,385
Working capital	4,511,508	695,392	1,288,343	493,546	2,832,159	9,820,948
Syndicated	489,065	389,956	10,860	172,936	3,362,862	4,425,679
Export	770,517	625,173	340,316	345,279	1,177,036	3,258,321
Consumer	225,719	46,884	-	-	-	272,603
Government Program	113,280	-	-	-	-	113,280
Employees	605	-	-	-	-	605
Others	563,704	6,319	-	-	57,337	627,360
Total Foreign Currency	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:						
Deferred income	(16,035)	(18,921)	(8,932)	(23,354)	(92,616)	(159,858)
Total	66,361,845	13,442,387	5,690,389	5,354,820	15,843,647	106,693,088
Less:						
Allowance for possible losses	(668,795)	(631,273)	(748,115)	(1,743,536)	(8,031,895)	(11,823,614)
	65,693,050	**12,811,114**	**4,942,274**	**3,611,284**	**7,811,752**	**94,869,474**

c) By Economic Sector and Collectibility:

	2006					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Manufacturing	16,320,656	2,381,695	1,096,908	290,232	3,626,984	23,716,475
Trading, restaurant and hotel	9,539,620	1,038,261	134,001	91,748	1,217,297	12,020,927
Agriculture	6,462,667	1,000,235	24,012	4,535	819,809	8,311,258
Construction	5,601,453	912,168	133,444	70,219	412,015	7,129,299
Business services	5,101,521	347,873	32,398	84,565	852,474	6,418,831
Transportation, warehousing and communications	2,441,585	725,700	45,775	14,832	513,792	3,741,684
Social services	3,221,266	81,336	4,126	2,517	191,628	3,500,873
Mining	293,609	120,296	61,082	-	86,860	561,847
Electricity, gas and water	115,927	132	1,350	-	185,264	302,673
Others	13,896,860	2,023,314	92,315	118,289	418,628	16,549,406
Total Rupiah	62,995,164	8,631,010	1,625,411	676,937	8,324,751	82,253,273

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans: (continued)

c) By Economic Sector and Collectibility (continued):

2006 (continued)

	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Foreign Currency:						
Manufacturing	4,351,014	7,561,865	256,535	17,218	5,836,755	18,023,387
Mining	5,817,732	145,239	175,082	-	495,085	6,633,138
Trading, restaurant and hotel	1,669,829	335,304	54,424	1,107	722,832	2,783,496
Agriculture	1,915,135	38,918	-	-	193,085	2,147,138
Electricity, gas and water	925,876	442,327	-	-	-	1,368,203
Construction	1,055,302	135,878	-	-	2,080	1,193,260
Transportation, warehousing and communications	598,483	172,577	-	-	91,270	862,330
Business services	366,653	5,663	607	2,385	9,168	384,476
Social services	2,056	-	-	-	-	2,056
Others	1,253,190	76,180	7,336	1,867	767,992	2,106,565
Total Foreign Currency	17,955,270	8,913,951	493,984	22,577	8,118,267	35,504,049
Total	80,950,434	17,544,961	2,119,395	699,514	16,443,018	117,757,322
Less:						
Deferred income	(9,751)	(43,722)	(1,150)	-	(31,757)	(86,380)
Total	80,940,683	17,501,239	2,118,245	699,514	16,411,261	117,670,942
Less:						
Allowance for possible losses	(836,988)	(1,292,353)	(509,604)	(255,696)	(11,494,054)	(14,388,695)
	80,103,695	**16,208,886**	**1,608,641**	**443,818**	**4,917,207**	**103,282,247**

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
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
Agriculture	4,396,305	1,590,320	184,647	82,259	606,225	6,859,756
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
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
Electricity, gas and water	89,981	52,985	-	-	115,569	258,535
Others	13,208,982	1,905,048	92,924	115,443	258,323	15,580,720
Total Rupiah	53,804,672	8,832,409	2,922,689	2,527,951	6,200,044	74,287,765
Foreign Currency:						
Manufacturing	4,670,206	2,439,139	1,237,520	1,816,862	8,136,690	18,300,417
Trading, restaurant and hotel	1,562,929	534,120	565,486	248,414	210,146	3,121,095
Agriculture	1,316,863	469,675	450,813	197,791	269,553	2,704,695
Construction	1,052,520	332,540	119,807	2,878	519,686	2,027,431
Mining	1,333,128	146,984	104,932	537,150	109,122	2,231,316
Business services	764,189	30,337	111,928	47,128	459,527	1,413,109
Electricity, gas and water	1,089,087	308,977	-	-	-	1,398,064

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans: (continued)

c) By Economic Sector and Collectibility (continued):

2005 (continued)

	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Foreign Currency:						
Transportation, warehousing and communications	184,094	332,933	-	-	30,965	547,992
Social services	2,173	-	-	-	-	2,173
Others	598,019	34,194	186,146	-	530	818,889
Total Foreign Currency	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:						
Deferred income	(16,035)	(18,921)	(8,932)	(23,354)	(92,616)	(159,858)
Total	66,361,845	13,442,387	5,690,389	5,354,820	15,843,647	106,693,088
Less:						
Allowance for possible losses	(668,795)	(631,273)	(748,115)	(1,743,536)	(8,031,895)	(11,823,614)
	65,693,050	**12,811,114**	**4,942,274**	**3,611,284**	**7,811,752**	**94,869,474**

d) By Period:

	2006	2005
Rupiah:		
Less than 1 year	13,237,128	8,176,507
1 - 2 years	7,648,357	5,438,367
2 - 5 years	22,146,627	21,883,988
Over 5 years	39,221,161	38,788,903
Total Rupiah	82,253,273	74,287,765
Foreign Currency:		
Less than 1 year	8,859,082	4,808,827
1 - 2 years	1,350,872	1,486,901
2 - 5 years	5,245,373	6,761,123
Over 5 years	20,048,722	19,508,330
Total Foreign Currency	35,504,049	32,565,181
Total	117,757,322	106,852,946
Less: Deferred income	(86,380)	(159,858)
Total	117,670,942	106,693,088
Less: Allowance for possible losses	(14,388,695)	(11,823,614)
	103,282,247	**94,869,474**

The non-performing loans ratio (consolidated gross basis) before deducting the allowance for possible losses as of December 31, 2006 and 2005, was 16.34% and 25.20%, respectively (Bank Mandiri only 17.08% and 26.58%, as of December 31, 2006 and 2005, respectively) while the non-performing loans ratio (consolidated net basis) as of December 31, 2006 and 2005, was 5.92% and 15.34%, respectively (Bank Mandiri only 6.06% and 16.17%, as of December 31, 2006 and 2005, respectively).

The loans as of December 31, 2006 and 2005 include the loans purchased from IBRA amounting to Rp3,050,488 and Rp4,771,405, respectively, with an allowance for possible losses of Rp379,446 and Rp807,109, and deferred income of Rp86,380 and Rp159,858, respectively.

(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 Rp7,215,491 and Rp5,790,544 as of December 31, 2006 and 2005:

	2006	2005
Receivables	4,291,887	4,020,059
Musyarakah finance receivables	1,554,196	1,206,012
Other *syariah* finance receivables	1,369,408	564,473
	7,215,491	5,790,544
Less: Allowance for possible losses	(261,133)	(126,687)
	6,954,358	**5,663,857**

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

Average interest rates per annum:

	2006	2005
Rupiah	15.30%	14.10%
Foreign Currency	9.31%	8.85%

Range of profit sharing per annum:

	2006	2005
Receivables	11.56% -13.46 %	13.16% - 14.08%
Musyarakah finance receivables	11.96% -16.45 %	13.57% - 13.95%
Other *syariah* finance receivables	14.70% -17.48 %	15.80% - 16.58%

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 73.40% and 4.50% to 83.09% of the total syndicated loans as of December 31, 2006 and 2005, respectively. Bank Mandiri’s total participation in syndicated loans ranged from 0.07% to 95.56% and 0.07% to 95.69%, of the total syndicated loans as of December 31, 2006 and 2005, 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, 2006 and 2005:

	2006	2005
Extension of loan maturity dates	12,063,859	9,738,462
Extension of loan maturity dates and reduction of interest rates	4,483,994	2,369,978
Long-term loans with options to convert debt to equity	1,518,801	1,568,052
Additional loan facilities	319,187	511,201
Extension of loan maturity dates and other restructuring schemes *)	2,528,410	5,239,505
	20,914,251	**19,427,198**

**) 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, 2006 and 2005 amounted to Rp7,362,544 and Rp9,419,958, respectively.

g. Loans to Related Parties (Note 47a)

Loans to related parties amounted to Rp750,672 and Rp1,245,740 as of December 31, 2006 and 2005 or 0.28% and 0.47% of total consolidated assets as of December 31, 2006 and 2005, respectively. Details of loans given to related parties are as follows:

	2006	2005
Republic of Indonesia	533,855	572,775
PT Great River International	200,899	209,747
PT Kertas Padalarang *)	-	6,000
PT Staco Estika Sedaya Finance **) (previously PT Stacomitra Sedaya Finance)	-	220,992
Danareksa	-	214,000
PT Bayu Beringin Lestari *)	-	10,500
Employee loans	15,918	11,726
	750,672	**1,245,740**

**) 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% 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.

h. Legal Lending Limit (LLL)

As of December 31, 2006 and 2005, Bank Mandiri had not exceeded the Legal Lending Limit as required by Bank Indonesia Regulations.

i. Bank Mandiri has several loan-channeling agreements with several international financial institutions (Note 54).

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

j. Movements of Allowance for Possible Losses on Loans:

The allowance for possible loan losses is comprised of:

	2006	2005
Allowance for possible loan losses	14,388,695	11,823,614
Allowance for possible losses derived from the difference between purchase price and loan principal of loans purchased from IBRA (Note 11B.n)	-	-
	14,388,695	**11,823,614**

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:

	2006	2005
Balance at beginning of year	11,823,614	8,471,343
Provision during the year (Note 36)	4,158,551	3,860,646
Loan recoveries **)	3,422,460	825,169
Write-offs	(4,492,871)	(1,503,081)
Others *)	(523,059)	169,537
Balance at end of year	**14,388,695**	**11,823,614**

**) Includes effect of foreign currency translation.*
***) Includes write-back amounting to Rp2,336,399.*

As explained in Note 2o, an allowance for possible loan losses is provided based on the review and evaluation of the collectibility and realizable value of the respective loan balances at the balance sheet date. In determining the minimum amount of allowance for possible 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, 2006 and 2005 is Rp13,485,834 and Rp11,556,688. Management believes that the allowance for possible losses on loans is adequate.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

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:

2006

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Manufacturing	5,014,124	2,780,627
Trading, restaurant and hotel	1,443,046	777,690
Business services	969,437	507,484
Others	3,200,492	1,763,499
Total Rupiah	10,627,099	5,829,300
Foreign Currency:		
Manufacturing	6,110,508	3,898,487
Trading, restaurant and hotel	778,363	510,556
Business services	12,160	10,277
Others	1,733,797	1,107,871
Total Foreign Currency	8,634,828	5,527,191
	19,261,927	**11,356,491**

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
Total Rupiah	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
Total Foreign Currency	15,363,074	5,258,968
	27,013,758	**10,381,521**

l. Write-offs Loans – Loss Rating

In 2006 and 2005, Bank Mandiri wrote-off loss rated loans amounting to Rp4,475,753 and Rp1,456,034 (Bank only) respectively. 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 loan
e. The write-offs were performed for all their entire loan obligations, including that from non cash loan facilities, so that the write-offs were not partial write-offs.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

l. Write-offs Loans – Loss Rating (continued)

The loans rated loss written-off are still to be pursued for collection continuously.

m. Bank Mandiri had extra-komtabel loans amounting to Rp24,758,452 and Rp22,621,706 as of December 31, 2006 and 2005. 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, 2006 and 2005 is as follows (Bank Only):

	2006	**2005**
Balance at beginning of year	22,621,706	21,527,023
Write-offs	4,475,753	1,456,034
Recoveries **)	(3,410,734)	(817,697)
Others *)	1,071,727	456,346
Balance at end of year	**24,758,452**	**22,621,706**

**) Includes effect of foreign currency translation.*
***) Includes write-back amounting to Rp2,336,399.*

n. Purchase of Loans from IBRA

Period from January 1, 2006 to December 31, 2006

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 Rp379,446 as of December 31, 2006.

Of the total outstanding principal balance of IBRA loans, Rp3,050,488 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the years ended December 31, 2006 amounted to Rp11,498.

Total interest and other income (up-front fees, restructuring and provision fees) received related to loans purchased from IBRA for the year ended December 31, 2006 was Rp139,010.

Total loans purchased from IBRA recorded under "Other Assets" amounted to RpNil as of December 31, 2006 (Note 15).

Period from January 1, 2005 to December 31, 2005

In addition to the allowance for possible losses and 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 Rp4,771,405 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the year ended December 31, 2005 amounted to Rp12,035.

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans: (continued)

n. Purchase of Loans from IBRA (continued)

Total interest and other income (up-front fees, restructuring and provision fees) received related to loans purchased from IBRA for the year 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).

Below are the movements of loan principal, allowance for possible losses and deferred income on loans purchased from IBRA for the years ended December 31, 2006 and 2005, which were recorded under loan account:

	2006	2005
Principal		
Balance at beginning of year	4,771,405	5,075,309
Repayments during the year	(639,663)	(514,537)
Loan write-off during the year	(742,816)	(26,933)
Foreign currency translation effect	(338,438)	237,566
Balance at end of year	**3,050,488**	**4,771,405**
Allowance for possible loan losses		
Balance at beginning of year	-	-
Reversal of provision during the year	-	-
Foreign currency translation effect	-	-
Balance at end of year	**-**	**-**
Deferred Income		
Balance at beginning of year	159,858	164,964
Correction from repayment	(18,620)	(7,088)
Deferred income utilized for write offs	(50,161)	(4,155)
Foreign currency translation effect	(4,697)	6,137
Balance at end of year	**86,380**	**159,858**

The collectibility of loans purchased from IBRA as of 31 December, 2006 and 2005 is as follows :

	2006	2005
Current	470,689	631,016
Special mention	2,072,669	436,408
Sub-standard	6,584	570,732
Doubtful	-	156,473
Loss	500,546	2,976,776
	3,050,488	**4,771,405**

o. On November 28, 2005 Bank Mandiri signed a Memorandum of Understanding with *Direktorat Jenderal Piutang dan Lelang Negara* ("DJPLN") $\frac{\text{No.NKB-001/PL/2005}}{\text{No. DIR.MOU/009/2005}}$ regarding the execution of auction of power of attorney to mortgage and sell based on Article 6 *Undang-Undang Hak Tanggungan* in order to expedite and optimize the auction based on Article 6 Law No. 4 year 1996 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)

11. LOANS (continued)

B. Significant information related to loans: (continued)

p. On December 22, 2006, the Bank held Extraordinary Shareholder's General Meeting (RUPS-LB), the shareholders agreed to approve the Directors' actions to accelerate the process of resolving non-performing loans through Bank Mandiri's Loss Rated Loans Settlement Program (PPKM Mandiri), in order to regain the status of well-performing bank as required by Bank Indonesia, by granting the Directors authorization to:

- Perform transfer including release of right and or sale of problem loans under principal value to investor, with write-off loans limit in the amount of the difference between principal value and transfer value, as determined by the RUPS from time to time.
- Utilize the write-off limit on loss loan principal written-off as approved by RUPSLB on September 29, 2003 and RUPSLB on December 21, 2005 with total amount of Rp5 trillion, in order to optimize the Bank's assets including loans, by performing loan disposal on loss loan principal and or loan disposal on difference of principal value and transfer value, including PPKM Mandiri.
- Enter into Management Performance Contract with the Government as the execution of Joint Decree between Coordinating Ministry of the Economy, Ministry of Finance, Ministry of State-Owned Enterprises, Governor of Bank Indonesia regarding Financial Sector Policy Package dated July 5, 2006.

The resolution was documented in the Notarial deed of Minutes of Meeting of Ny. Poerbaningsih Adi Warsito, S.H. No. 64 dated December 22, 2006. The copy of the notarial is still in the finalization process.

q. The Bank has adjusted the collectibility of several debtors as of December 2006 based on subsequent event transaction on the payment of principal and interest in January 2007.

12. ACCEPTANCES RECEIVABLE

a) By Currency, Related Parties and Third Parties:

	2006	2005
Rupiah:		
Receivables from other banks		
Related parties (Note 47)	769	552
Third parties	20,708	12,718
Receivables from debtors		
Third parties	290,583	175,065
Total Rupiah	312,060	188,335
Foreign Currency:		
Receivables from other banks		
Third parties	38,450	38,487
Receivables from debtors		
Third parties	3,257,883	4,092,280
Total Foreign Currency	3,296,333	4,130,767
Total	3,608,393	4,319,102
Less: Allowance for possible losses	(155,223)	(429,092)
	3,453,170	**3,890,010**

(Expressed in millions of Rupiah, unless otherwise stated)

12. ACCEPTANCES RECEIVABLE (continued)

b) By Maturity:

	2006	2005
Rupiah:		
Less than 1 month	88,066	104,444
1 - 3 months	164,020	61,374
3 - 6 months	59,974	22,517
Total Rupiah	312,060	188,335
Foreign Currency:		
Less than 1 month	790,217	986,953
1 - 3 months	1,448,175	1,868,876
3 - 6 months	957,886	1,243,348
6 - 12 months	93,303	27,165
Over 12 months	6,752	4,425
Total Foreign Currency	3,296,333	4,130,767
Total	3,608,393	4,319,102
Less: Allowance for possible losses	(155,223)	(429,092)
	3,453,170	**3,890,010**

c) By Collectibility:

	2006	2005
Current	2,968,660	2,563,288
Special mention	599,910	1,161,873
Sub-standard	247	250,612
Doubtful	-	67,987
Loss	39,576	275,342
Total	3,608,393	4,319,102
Less: Allowance for possible losses	(155,223)	(429,092)
	3,453,170	**3,890,010**

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

	2006	2005
Balance at beginning year	429,092	147,286
(Reversal)/Provision during the year (Note 36)	(202,701)	277,140
Others *)	(71,168)	4,666
Balance at end of year	**155,223**	**429,092**

**) 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, 2006 and 2005 is Rp99,295 and Rp429,092, respectively.

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

(Expressed in millions of Rupiah, unless otherwise stated)

13. INVESTMENTS IN SHARES OF STOCK

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

	2006	2005
Equity method of accounting	79,505	62,374
Cost method of accounting	78,990	78,990
Total	158,495	141,364
Less: Allowance for possible losses	(73,625)	(73,298)
	84,870	**68,066**

The details of investments in shares of stock as of December 31, 2006 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	62,744	79,505
PT Sarana Bersama Pembiayaan Indonesia	Holding company	34.00%	2,278	(2,278)	-
					79,505
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		10,912		10,912
					78,990
Total					158,495
Less: Allowance for possible losses					(73,625)
					84,870

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

(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 (continued):

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
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.

b. Investments in shares of stocks by collectibility:

	2006	2005
Current	85,815	68,739
Loss	72,680	72,625
Total	158,495	141,364
Less: Allowance for possible losses	(73,625)	(73,298)
	84,870	**68,066**

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

	2006	2005
Balance at beginning of year	73,298	78,145
Provision during the year (Note 36)	327	(4,847)
Balance at end of year	**73,625**	**73,298**

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

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT

	2006	2005
Cost/Valuation *)	8,101,913	8,142,270
Less: Accumulated depreciation and amortization	(3,392,670)	(2,836,857)
Net book value	**4,709,243**	**5,305,413**

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

Movements from January 1, 2006 to December 31, 2006	Beginning Balance	Additions	Deductions	Reclassifications**)	Ending Balance
Cost /Valuation					
Direct ownership					
Land *)	2,824,925	6,725	-	(227,547)	2,604,103
Buildings *)	1,463,485	11,233	(1,226)	67,060	1,540,552
Furnitures, fixtures, office equipment and computer equipment/software	3,510,938	107,065	(29,418)	128,925	3,717,510
Vehicles	70,737	4,267	(1,617)	(209)	73,178
Construction in progress	272,185	134,557	(47,322)	(192,850)	166,570
	8,142,270	263,847	(79,583)	(224,621)	8,101,913
Accumulated Depreciation and Amortization					
Direct *ownership*					
Buildings	737,114	84,805	(348)	(21,328)	800,243
Furnitures, fixtures, office equipment and computer equipment/software	2,065,724	513,860	(29,110)	-	2,550,474
Vehicles	34,019	9,693	(1,550)	(209)	41,953
	2,836,857	608,358	(31,008)	(21,537)	3,392,670

Net book value	
Direct *ownership*	
Land	2,604,103
Buildings	740,309
Furniture, fixtures, office equipment and computer equipment/software	1,167,036
Vehicles	31,225
	4,542,673
Construction in progress	166,570
	4,709,243

***) Reclassified to abandoned property.*

Construction in progress as of December 31, 2006 is comprised of:

Product and license - Core Banking System	79,562
Buildings	30,851
Others	56,157
	166,570

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

The construction in progress for Integrated Banking System agreement with PT Silverlake Informatikatama was approximately 96.22% complete whilst with Silverlake Corporation was approximately 100% complete as of December 31, 2006.

Certain premises and equipment of BSM, a subsidiary, with net book value as of December 31, 2006 amounting to Rp24,346 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).

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
Furnitures, 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
Furnitures, 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 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, 2005 is comprised of:

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

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

The construction in progress for integrated banking system agreement with PT Silverlake Informatikatama was approximately 95.78% complete as of December 31, 2005.

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 Rp3,016,153 and US$174,357,150.76 (full amount) as of December 31, 2006 and Rp2,481,272 as of December 31, 2005. 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

	2006	2005
Accrued income	1,661,130	1,852,191
Others	3,302,295	2,107,418
	4,963,425	**3,959,609**

Accrued Income

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

Others

	2006	2005
Rupiah:		
Receivables from customer transactions	713,357	107,000
Abandoned properties – net of accumulated losses arising from difference in net realizable value of Rp28,762 and Rp31,064 as of December 31, 2006 and 2005	416,167	238,236
Prepaid expenses	303,804	361,361
Interest receivables from financial institutions	254,004	43,496
Interbranch account – net	201,152	265,400
Repossessed assets – net of accumulated losses arising from difference in net realizable value of Rp10,451 and Rp10,451 as of December 31, 2006 and 2005	188,094	188,703
Prepaid taxes	7,356	217,292
Others	1,630,052	729,753
Total Rupiah	3,713,986	2,151,241
Foreign Currency:		
Prepaid expenses	21,041	52,736
Interest receivables from financial institutions	17,601	-
Receivables from customer transactions	16,052	26,860
Prepaid taxes	92	-
Interbranch account – net	-	39,306
Others	528,226	264,500
Total Foreign Currency	583,012	383,402
Total	4,296,998	2,534,643
Less: Allowance for possible losses	(994,703)	(427,225)
	3,302,295	**2,107,418**

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

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

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

Prepaid taxes as of December 31, 2006 and 2005 primarily comprised of corporate income tax installments and others.

(Expressed in millions of Rupiah, unless otherwise stated)

15. OTHER ASSETS (continued)

Included in others is purchased loans from IBRA amounting to RpNil and Rp2,288 in 2006 and 2005, respectively in which related cessie agreements to these loans are still in the process of finalization (Note 11). As of 31 December, 2006 all related cessie agreements to loans from IBRA have been finalized.

The allowance for possible losses amounting to Rp994,703 and Rp427,225 as of December 31, 2006 and 2005, respectively, was provided to cover possible losses arising from inter-branch accounts and other assets. Bank Mandiri's management believes that the allowance is adequate to cover possible losses arising from other assets.

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

	2006	2005
Balance at beginning of year	427,225	1,880,346
Provision/(reversal) during the year	53,663	(797,841)
Utilization during the year (open items written off)	-	(1,089,404)
Others *)	513,815	434,124
Balance at end of year	**994,703**	**427,225**

**) Includes effect of foreign currency translation.*

16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS

a. By Currency and Related Parties and Third Parties:

	2006	2005
Rupiah:		
Related parties (Note 47)	83,524	82,377
Third parties	35,366,597	31,145,666
Total Rupiah	35,450,121	31,228,043
Foreign Currency:		
Related parties (Note 47)	249,988	232,584
Third parties	13,112,644	14,949,643
Total Foreign Currency	13,362,632	15,182,227
	48,812,753	**46,410,270**

Included in demand deposits are *wadiah* deposits amounting to Rp2,058,994 and Rp1,261,474 as of December 31, 2006 and 2005, respectively.

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

Average interest rates per annum:

	2006	2005
Rupiah	3.26%	3.52%
Foreign Currency	2.59%	1.84%

Range of bonuses per annum on *wadiah* deposits:

	2006	2005
Rupiah	1.09% -1.42%	1.31% - 2.90%
Foreign Currency	1.24% -1.95 %	0.26% - 1.98%

(Expressed in millions of Rupiah, unless otherwise stated)

16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS (continued)

c. As of December 31, 2006 and 2005, demand deposits pledged by borrowers as collateral for bank guarantees, loans and trade finance facilities amounted to Rp859,951 and Rp780,244 respectively.

17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS

a. By Type and Currency:

	2006	2005
Rupiah:		
Mandiri Savings	57,283,153	44,857,580
Mudharabah Savings	2,662,402	1,988,476
Mandiri Haji Savings	358,006	307,122
	60,303,561	**47,153,178**

b. As of December 31, 2006 and 2005, Bank Mandiri had saving deposits from related party amounting to Rp46,355 and Rp23,276 respectively, or 0.08% and 0.05% from total saving deposits (Note 47).

c. Annual average interest rates of savings deposits for the years ended December 31, 2006 and 2005 were 4.53% and 4.33%, respectively.

d. Profit sharing for *mudharabah* savings ranged from 2.73% to 7.39% and 5.72% to 6.57% for the years ended December 31, 2006 and 2005, respectively.

18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS

a. By Currency:

	2006	2005
Rupiah	83,539,150	96,464,773
Foreign Currency	13,052,084	16,261,431
	96,591,234	**112,726,204**

b. By Contract Period:

	2006	2005
Rupiah:		
1 month	56,945,785	66,298,569
3 months	12,322,070	18,495,955
6 months	3,569,430	4,253,505
12 months	7,063,403	3,782,693
Over 12 months	3,638,462	3,634,051
Total Rupiah	83,539,150	96,464,773
Foreign Currency:		
1 month	11,364,960	12,889,302
3 months	834,361	1,285,620
6 months	343,553	1,055,938
12 months	463,257	895,639
Over 12 months	45,953	134,932
Total Foreign Currency	13,052,084	16,261,431
	96,591,234	**112,726,204**

(Expressed in millions of Rupiah, unless otherwise stated)

18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)

c. By Remaining Period Until Maturity Date:

	2006	2005
Rupiah:		
1 month	62,419,959	71,644,295
3 months	13,293,095	15,748,165
6 months	2,723,278	2,262,829
12 months	3,226,267	3,204,628
Over 12 months	1,876,551	3,604,856
Total Rupiah	83,539,150	96,464,773
Foreign Currency:		
1 month	11,612,650	13,197,420
3 months	951,699	1,573,232
6 months	275,116	667,922
12 months	211,658	703,725
Over 12 months	961	119,132
Total Foreign Currency	13,052,084	16,261,431
	96,591,234	**112,726,204**

d. Included in time deposits are unrestricted *mudharabah* investments amounting to Rp3,510,184 and Rp3,818,239 as of December 31, 2006 and 2005, respectively.

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

Average interest rates per annum:

	2006	2005
Rupiah	11.12%	8.27%
Foreign Currency	4.03%	2.99%

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

	2006	2005
Rupiah	6.56% - 8.24 %	6.42% - 8.31%
Foreign Currency	2.73% - 3.55 %	1.40% - 3.46%

f. As of December 31, 2006 and 2005, time deposits from related parties amounted to Rp877,911 and Rp1,080,031, respectively, or 0.91% and 0.96% of the total time deposits, respectively (Note 47).

g. As of December 31, 2006 and 2005, time deposits which are frozen and blocked as collateral for bank guarantees, loans and trade finance facilities amounted to Rp5,645,389 and Rp4,976,460, respectively. *Mudharabah* time deposits pledged as of December 31, 2006 and 2005, for *mudharabah* receivables extended by a subsidiary amounted to RpNil and Rp19,735, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

19. DEPOSITS FROM OTHER BANKS - DEMAND AND SAVING DEPOSITS

a. By Currency:

	2006	2005
Rupiah	1,090,454	374,078
Foreign Currency	196,155	41,763
	1,286,609	**415,841**

Included in deposits from other banks - demand deposits are *wadiah* deposits amounting to RpNil and Rp8,636 as of December 31, 2006 and 2005, respectively.

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

Average interest rates per annum:

	2006	2005
Rupiah	3.26%	3.52%
Foreign Currency	2.59%	1.84%

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

Range of bonuses per annum on *wadiah* deposits:

	2006	2005
Rupiah	1.09% - 4.26 %	1.31% - 2.90%
Foreign Currency	0.22% - 1.95 %	-

c. As of December 31, 2006 and 2005, the Bank demand deposits from related party banks amounted to Rp138 and Rp287 (Note 47).

d. As of December 31, 2006 and 2005, demand deposits pledged by borrowers as bank guarantees, loan collateral and trade finance facilities amounted to Rp1,596 and Rp2,718, respectively.

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

a. By Currency:

	2006	2005
Rupiah	1,420,000	600,000
Foreign Currency	479,681	238,019
	1,899,681	**838,019**

b. By Remaining Period Until Maturity Date:

	2006	2005
Rupiah:		
Less than 1 month	1,420,000	600,000
Foreign Currency:		
Less than 1 month	479,681	238,019
	1,899,681	**838,019**

(Expressed in millions of Rupiah, unless otherwise stated)

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

c. Average Interest Rates Per Annum:

	2006	2005
Rupiah	8.26%	10.86%
Foreign Currency	4.25%	3.99%

d. As of December 31, 2006 and 2005, the Bank had no inter-bank call money from related party banks.

21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS

a. By Currency:

	2006	2005
Rupiah	4,203,055	4,013,928
Foreign Currency	799,955	1,531,201
	5,003,010	**5,545,129**

b. By Contract Period:

	2006	2005
Rupiah:		
Less than 1 month	4,152,853	3,993,650
3 months	43,708	13,513
6 months	4,269	5,885
12 months	2,225	880
Total Rupiah	4,203,055	4,013,928
Foreign Currency:		
Less than 1 month	799,955	17,707
3 months	-	53,559
6 months	-	203,565
12 months	-	273,370
Over 12 months	-	983,000
Total Foreign Currency	799,955	1,531,201
	5,003,010	**5,545,129**

Included in deposits from other banks - time deposits are unrestricted investments - *mudharabah* time deposits amounting to Rp5,433 and Rp133,522 as of December 31, 2006 and 2005, respectively.

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

Average interest rates per annum:

	2006	2005
Rupiah	11.12%	8.27%
Foreign Currency	4.03%	2.99%

(Expressed in millions of Rupiah, unless otherwise stated)

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

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

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

	2006	2005
Rupiah	5.58% - 8.53 %	6.42% - 8.31%
Foreign Currency	1.20% - 3.55 %	1.40% - 3.46%

d. As of December 31, 2006 and 2005, the Bank had no time deposits from related party banks.

e. As of December 31, 2006 and 2005, time deposits from other banks which are frozen and blocked as bank guarantees, loan collateral and trade finance facilities amounted to Rp11,721 and Rp4,893, respectively.

f. In the second quarter of year 2005, Bank has entered into two callable parallel deposit transactions with counterparty bank relating to the sale contract of Government Recapitalization Bonds. Such contract was initiated when the Bank transferred Government Recapitalization Bonds to Counterpart 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 counterparty bank and then the Bank received US Dollar loan amounting to US$100 million (full amount).

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 *)	11.17%
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 Recapitalization Bonds to counterparty bank.

(Expressed in millions of Rupiah, unless otherwise stated)

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

Based on the agreement counterparty 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 counterparty bank during the period of transaction based on the movement of Rupiah against US Dollar spot rate.

On June 15, 2006, the Bank has excercised the right to early terminate the facility of US$50,000,000 (full amount) with effective date May 17, 2005. On December 15, 2006, the Bank also has exercised the right to early terminate the facility of US$50,000,000 (full amount) with effective date June 8, 2005. In the event that counterparty bank excercise the option then the outstanding placement in Callable Zero Coupon Deposit is not automatically terminated.

If trigger events occur, which is the defaults or restructuring of Government Recapitalization Bonds by Government the Indonesia relating to the principal or interest payment, the counterparty bank may opt to return the transferred bonds as a settlement for the callable zero coupon deposit transactions.

As of December 31, 2006, on the Bank's balance sheet the Rupiah deposits are presented as Government Recapitalization Bonds (Note 7), considering that the sales has not yet met the Government Recapitalization Bonds sales recognition requirement.

22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE

As of December 31, 2006, 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 VR0019	111,915	12/28/2006	01/25/2007	100,700	625	100,075
	Recap bonds VR0013	617,500	06/07/2005	01/07/2008	617,500	-	617,500
	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
	Recap bonds VR0019	355,652	05/18/2005	05/18/2010	316,356	-	316,356
	Bonds	30,000	09/29/2006	09/28/2007	31,994	3,194	28,800
	Bonds	27,000	09/29/2006	09/28/2007	26,426	2,396	24,030
	Medium term notes	21,000	12/22/2006	06/20/2007	22,097	1,097	21,000
	Bonds	14,000	09/29/2006	09/28/2007	14,087	1,347	12,740
	Medium term notes	10,000	09/29/2006	09/28/2007	10,057	822	9,235
	Bonds	10,000	09/29/2006	09/28/2007	9,915	915	9,000
	Bonds	9,000	12/22/2006	06/20/2007	9,550	550	9,000
	Bonds	6,500	12/22/2006	06/20/2007	7,028	398	6,630
	Recap bonds FR0040	6,000	12/22/2006	06/20/2007	6,545	314	6,231
	Bonds	5,000	09/29/2006	09/28/2007	5,304	504	4,800
	Bonds	5,000	09/29/2006	09/28/2007	5,001	476	4,525
	Bonds	2,000	12/22/2006	06/20/2007	2,125	112	2,013
	Bonds	2,000	12/22/2006	06/20/2007	2,111	104	2,007
	Bonds	1,900	12/22/2006	06/20/2007	2,004	123	1,881
Foreign Currency							
	Bonds FR0038 and FR0040	47,725	12/11/2006	01/27/2007	48,054	182	47,872
	Bonds FR0019, FR0023, FR0034 and bonds	50,588	12/15/2006	01/15/2007	50,828	116	50,712
	Bonds FR0034 and FR0040	16,226	12/21/2006	01/22/2007	16,305	54	16,251
Jumlah		**1,869,893**			**1,873,109**	**13,329**	**1,859,780**

(Expressed in millions of Rupiah, unless otherwise stated)

22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE (continued)

The agreements to repurchase Government Recapitalization Bonds with counterparty banks (serial numbers VR0013, VR0017, FR0019 and serial numbers 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 December 31, 2005, securities sold with agreements to repurchase were as follows:

	Securities	Nominal Value	Commencement Date	Maturity Date	Repurchase Value	Unamortized Prepaid Interest Expense	Net Value
Rupiah							
	Bonds FR0019	231,028	11/03/2004	11/03/2009	285,060	-	285,060
	Bonds VR0017	289,859	11/04/2004	11/04/2009	284,062	-	284,062
	Bonds VR0019	355,652	05/18/2005	05/18/2010	316,356	-	316,356
	Bonds VR0013	617,500	06/07/2005	01/07/2008	617,500	-	617,500
	Bonds VR0019	63,982	12/05/2005	01/04/2006	56,595	79	56,516
	Bonds VR0019	57,127	12/15/2005	01/16/2006	50,578	289	50,289
	Bonds VR0019	114,550	12/22/2005	01/19/2006	100,994	673	100,321
	Bonds VR0019	114,550	12/28/2005	01/09/2006	100,398	297	100,101
	Bonds VR0019	114,548	12/29/2005	01/30/2006	101,134	1,063	100,071
	Bonds FR0002	30,000	10/20/2005	01/20/2006	29,108	114	28,994
	Bonds FR0013	20,000	10/20/2005	01/20/2006	21,202	196	21,006
	Bonds FR0020	1,000	12/13/2005	01/11/2006	999	2	997
	Bonds FR0013	25,000	12/14/2005	01/16/2006	25,060	173	24,887
	Bonds FR0002	20,000	12/15/2005	01/16/2006	20,258	129	20,129
	Bonds FR0002	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
Jumlah		**2,094,626**			**2,049,765**	**3,345**	**2,046,420**

The agreements to repurchase Government Recapitalization Bonds with counterparty banks (serial numbers VR0013, VR0017, FR0019 and serial numbers VR0019) are associated with cross currency swap transactions with the respective counterparties. There is no premium or discount on these contracts.

23. ACCEPTANCES PAYABLE

a. By Currency, Related Parties and Third Parties:

	2006	2005
Rupiah:		
Payable to other banks		
Related parties (Note 47)	322	-
Third parties	290,261	175,065
Payable to debtors		
Third parties	21,477	13,270
Total Rupiah	312,060	188,335
Foreign Currency:		
Payable to other banks		
Third parties	3,257,883	4,092,280
Payable to debtors		
Related parties (Note 47)	517	-
Third parties	37,933	38,487
	38,450	38,487
Total Foreign Currency	3,296,333	4,130,767
	3,608,393	**4,319,102**

(Expressed in millions of Rupiah, unless otherwise stated)

23. ACCEPTANCES PAYABLE (continued)

b. By Maturity:

	2006	2005
Rupiah:		
Less than 1 month	88,066	104,444
1 - 3 months	164,020	61,374
3 - 6 months	59,974	22,517
Total Rupiah	312,060	188,335
Foreign Currency:		
Less than 1 month	790,217	986,953
1 - 3 months	1,448,175	1,868,876
3 - 6 months	957,886	1,243,348
6 - 12 months	93,303	27,165
Over 12 months	6,752	4,425
Total Foreign Currency	3,296,333	4,130,767
	3,608,393	**4,319,102**

24. SECURITIES ISSUED

By Type and Currency:

	2006	2005
Rupiah :		
Mandiri travelers' cheques	948,267	948,451
Syariah bonds	200,000	200,000
Others	564	564
	1,148,831	1,149,015
Foreign Currency :		
Floating Rate Notes (FRN) and Medium Term Notes (MTN)	2,558,682	2,753,515
Promissory Notes	90,030	83,693
	2,648,712	2,837,208
Total	3,797,543	3,986,223
Less: Unamortized discount	(3,660)	(2,754)
	3,793,883	**3,983,469**

(Expressed in millions of Rupiah, unless otherwise stated)

24. SECURITIES ISSUED (continued)

Details of MTN are as follows:

2006

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%	294,278,375	2,649,388
Less: - Securities issued and held by Bank Mandiri and Subsidiaries					(10,075,134)	(90,706)
					284,203,241	2,558,682
- Unamortized discount					(406,575)	(3,660)
					283,796,666	**2,555,022**

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)
					280,113,438	2,753,515
- Unamortized discount					(280,165)	(2,754)
					279,833,273	**2,750,761**

On October 31, 2003, Bank Syariah Mandiri, a subsidiary, issued five-year *Syariah* bonds amounting to Rp200,000. The profit sharing on such bonds is payable every 3 months with the first payment being made on January 30, 2004 whilst the maturity of the *Syariah* bonds is on October 31, 2008. The profit on sharing will be taken from the margin revenue of Bank Syariah Mandiri obtained from its quarterly *murabahah* 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, 2006 and 2005 decreased by Rp51,512 or equivalent to US$5,721,625 (full amount) and Rp86,039 or equivalent to US$8,752,736 (full amount).

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS

	2006	2005
Rupiah:		
Bank Indonesia (a)	599,426	735,004
PT Permodalan Nasional Madani (Persero) (b)	486,159	573,722
PT Bank Ekspor Indonesia (Persero) (c)	400,000	667,400
The Government of Republic of Indonesia (d) (Note 47)	350,000	350,000
Others (g)	75,000	305,000
Total Rupiah	1,910,585	2,631,126
Foreign Currency:		
Direct Off-shore Loans (e)	1,359,453	1,445,010
Trade Financing Facilities (f)	154,854	196,600
Others (g)	-	6,895
Total Foreign Currency	1,514,307	1,648,505
	3,424,892	**4,279,631**

As of December 31, 2006 and 2005, fund borrowings from related parties amounted to Rp350,000 and Rp350,000, respectively (Note 47).

(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:

	2006	2005
Rupiah:		
Small-Scale Working Capital Loans (KKPA)	365,407	420,571
Small-Scale Investment Loans (KIK)	121,675	188,738
Investment Loans (KI)	112,344	125,695
	599,426	**735,004**

(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.

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(c) 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 agreement which will be effective until 2007 is in the extention process. The facilities were re-loaned to direct and indirect exporter customers of Bank Mandiri and bear interest at market rates.

(d) 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 amendment 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.

(e) Direct Off-shore Loans

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

	2006	2005
Deutsche Bank AG, Singapore	675,225	737,250
Sumitomo Mitsui Banking Corporation, Singapore	270,090	294,900
Bayerische Hypo-Und Vereinsbank AG, Singapore	135,045	147,450
Natexis Banques Popularies	135,045	-
Overseas Chinese Banking Corp.	135,045	-
Bank of New York, Singapore	9,003	-
United Overseas Bank, Singapore	-	265,410
	1,359,453	**1,445,010**

Borrowing from Deutsche Bank AG, Singapore bear interest at three-month LIBOR plus an applicable margin, borrowing from Sumitomo Mitsui Banking Corporation (SMBC), Singapore bear interest at three-month SIBOR plus an applicable margin, borrowing from Bayerische Hypo-und Vereinsbank AG (BHV), Singapore bear interest at six-month LIBOR plus an applicable, borrowing from Natexis Banques Popularies and Overseas Chinese Banking Corp., Singapore bear interest at three-month LIBOR plus an applicable, borrowing from Bank of New York, Singapore bear fixed interest 5.59% and borrowing from United Overseas Bank (UOB), Singapore bear interest at six-month SIBOR plus an applicable margin. These borrowings will be fully paid on maturity date.

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(f) Trade Financing Facilities

Trade financing facilities represent short-term borrowings with tenors between 129 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:

	2006	2005
Bayerische Landesbank, Munchen	67,523	-
Dresdner Bank, AG, Frankfurt	67,523	-
Natexis Banques Popularies	19,808	-
Commerzbank, Singapore	-	196,000
	154,854	**196,600**

(g) Others

	2006	2005
(i) Rupiah		
Bank Permata, Jakarta	50,000	-
Bank Lippo, Jakarta	25,000	-
Bank Panin, Jakarta	-	100,000
HSBC, Jakarta	-	105,000
DBS Bank Ltd., Jakarta	-	100,000
	75,000	**305,000**
(ii) Foreign Currency		
Others	-	6,895
	-	**6,895**

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:

	2006	2005
Rupiah:		
Bank guarantees issued (Note 45)	3,746,502	3,797,255
Outstanding irrevocable letters of credit (Note 45)	892,418	603,455
	4,638,920	4,400,710
Foreign Currency:		
Bank guarantees issued (Note 45)	4,535,248	4,695,898
Outstanding irrevocable letters of credit (Note 45)	3,024,142	3,236,305
Standby letters of credit (Note 45)	2,866,448	3,557,056
	10,425,838	11,489,259
	15,064,758	**15,889,969**

(Expressed in millions of Rupiah, unless otherwise stated)

26. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

b. By Collectibility:

	2006	2005
Current	14,456,257	14,419,537
Special mention	469,192	831,259
Sub-standard	911	329,674
Doubtful	12,425	128,710
Loss	125,973	180,789
Total	15,064,758	15,889,969
Less: Estimated losses	(514,399)	(594,084)
Commitments and Contingencies - net	**14,550,359**	**15,295,885**

c. Movements of estimated losses on commitments and contingencies:

	2006	2005
Balance at beginning of year	594,084	565,898
(Reversal)/Provision during the year	(37,670)	80
Others *)	(42,015)	28,106
Balance at end of year	**514,399**	**594,084**

**) 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, 2006 and 2005, were Rp300,345 and Rp464,765, respectively.

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

27. TAXATION

a. Taxes payable

	2006	2005
Bank Mandiri		
Income Taxes:		
Employee income tax - Article 21	21,824	42,483
Withholding tax - Article 4 (2)	175,985	201,611
Corporate income tax - Article 29	1,345,436	-
Others	13,756	7,277
	1,557,001	251,371
Subsidiaries	25,799	20,730
	1,582,800	**272,101**

b. Tax expense

	2006	2005
Tax expense - current:		
Bank Mandiri only	1,609,549	403,244
Subsidiaries	65,461	97,257
	1,675,010	**500,501**

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

b. Tax expense (continued)

	2006	2005
Tax (benefit)/expense - deferred		
Bank Mandiri only	(1,266,454)	136,223
Subsidiaries	168	(8,378)
	(1,266,286)	**127,845**
	408,724	**628,346**

As explained 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 benefit (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:

	2006	2005
Consolidated profit before tax benefit (expense) and minority interests	2,831,196	1,232,877
Less: Profit before tax expense of Subsidiaries after elimination	(66,696)	(90,041)
Profit before tax expense and minority interests - Bank Mandiri only	2,764,500	1,142,836
Add/(deduct) permanent differences:		
Non-deductible expenses	332,524	422,074
Losses from Dili branch	4,876	-
Others	194,930	385,373
Add/(deduct) temporary differences:		
Over/(under) provision for loans losses per commercial to allowable tax provision	5,160,826	(1,162,641)
Write Back and loan recovery *)	(2,371,131)	(152,003)
Under Depreciation of fixed assets per commercial over depreciation per fiscal	(23,436)	(96,839)
Financial statement provision for personnel expenses over allowable tax provision	264,876	364,807
Financial statement provision for losses on earning assets other than loans (under)/over allowable tax provision	(670,837)	610,993
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	(2,303)	31,064
Under provision for estimated losses on commitments and contingencies per commercial over allowable tax provision	(46,577)	(3,106)
Under provision for losses arising from legal cases per commercial over allowable tax provision	(156,026)	(280,001)
(Gains)/Loses on increase in market value of securities and Government recapitalization bonds	(87,001)	71,196
Estimated taxable income	5,365,221	1,344,204
Estimated tax expense - current		
Bank Mandiri only	1,609,549	403,244
Subsidiaries	65,461	97,257
Estimated tax expense – current	**1,675,010**	**500,501**

*) The amount in 2006 includes the write back amounting to Rp2,336,399 and the loans recovery amounting to Rp34,732 to which the deferred tax impact were not computed.
The amount in 2005 includes the loan recovery amounting to Rp152,003 to which the deferred tax was not computed.

27. TAXATION (continued)

c. Tax expense - current (continued)

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 November 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. Bank had agreed and paid for the tax underpayment.

ii. Tax decision letter dated December 31, 2004 revised the final income tax article 4 (2) assessment from Rp542,846 to Rp40,594. The Bank filed an appeal against such decision to the tax court on March 29, 2005. On March 15, 2006 the tax court issued Tax Court Decisions No.Put.07796/PP/M.VI/25/2006, which approved most of the bank's appeal which revised the final income tax article 4 (2) underpayment from Rp40,594 to Rp39,067. Bank had agreed and paid for the tax underpayment.

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 to the tax court on March 29, 2005. On February 20, 2006 the tax court issued Tax Court Decisions No.Put.07629/PP/M.VI/10/2006, which approved most of the bank's appeal. On March 21, 2006 DGT issued decision letter No. KEP-00019/WPJ.07/KP.0103/2006 regarding implementation of tax court decision which revised the income tax article 21 underpayment from Rp33,434 to Rp32,926. Bank had agreed and paid for the tax underpayment.

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

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, 2006 and 2005 are as follows:

	2006	2005
Consolidated profit before tax benefit (expense) and minority interests	2,831,196	1,232,877
Less: Profit before tax expense of Subsidiaries after elimination	(66,696)	(90,041)
Profit before tax expense and minority interests - Bank Mandiri only	2,764,500	1,142,836
Estimated income tax expense at standard statutory rates	829,333	342,833
Tax effect of permanent differences:		
Non-deductible expenses	99,757	126,622
Losses from Dili branch	1,463	-
Others	58,479	115,612
Loans write back and recovery	(711,339)	(45,601)
Provision for deferred tax assets	65,402	-
	(486,238)	**196,633**
Tax expense – Bank Mandiri only	343,095	539,466
Tax expense – Subsidiaries	65,629	88,880
Tax expense – consolidated	408,724	628,346
Less: current tax expense - consolidated	(1,675,010)	(500,501)
Tax (benefit) Expense Deferred - Consolidated	**(1,266,286)**	**127,845**

e. Deferred Tax Assets

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

	2006	2005
Bank Mandiri		
Deferred tax assets:		
Loans write-off	1,611,806	386,767
Allowance for possible losses on earning assets other than loans	690,742	891,994
Allowance for possible loan losses	513,987	190,778
Provision for personnel expenses	447,177	367,714
Estimated Losses on Commitments and Contingencies	153,657	167,630
Allowance for possible losses arising from legal cases – net provision for deferred tax asset Rp65,402	29,302	141,512
Accumulated losses arising from the difference in net realizable value of abandoned property	8,627	9,319
Accumulated losses arising from the difference in net realizable value of repossessed collateral	3,135	3,135
Deferred tax assets	3,458,433	2,158,849
Deferred tax liabilities:		
Mark to market of securities	(4,346)	21,754
Net book value of fixed assets	(75,256)	(68,225)
Unrealized loss for securities and government recapitalization bonds (available for sale)	(98,387)	103,697
Net deferred tax assets - Bank Mandiri only	3,280,444	2,216,075
Net deferred tax assets - Subsidiaries	15,007	15,327
Total deferred tax assets - net	**3,295,451**	**2,231,402**

(Expressed in millions of Rupiah, unless otherwise stated)

28. OTHER LIABILITIES

	2006	2005
Rupiah:		
Payable to customer	664,689	-
Provision for post-employment benefits (Note 42)	689,654	517,426
Provision for free of service period benefits (Note 42)	489,650	376,340
Accrued bonus, employee incentives, leave and holiday	399,635	418,948
Unearned income	333,089	233,488
Provision for possible losses on legal cases (Note 56g)	301,046	453,412
Guarantee deposits	306,880	284,808
Inter-branch accounts – net	-	80,210
Others	2,248,471	1,701,232
Total Rupiah	5,433,114	4,065,864
Foreign Currency:		
Guarantee deposits	312,870	531,714
Unearned income	185,487	204,938
Inter-branch accounts	69,040	-
Provision for possible losses on legal cases (Note 56g)	15,181	18,294
Others	954,604	798,934
Total Foreign Currency	1,537,182	1,553,880
	6,970,296	**5,619,744**

Movements of certain provisions for the years ended December 31, 2006 and 2005 were as follows:

	2006	2005
Balance at beginning of year	471,706	751,707
Reversal during the year (Note 37)	(154,427)	(297,241)
Utilization during the year	-	(48)
Others *)	(1,052)	17,288
Balance at end of year	**316,227**	**471,706**

**) Includes effect of foreign currency translation.*

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS

a. By Currency:

	2006	2005
Rupiah:		
Two-Step Loans (TSL)		
(a) Nordic Investment Bank (NIB)	246,358	278,993
(b) Export-Import Bank of Japan (EBJ)	9,765	29,294
(c) Asian Development Bank (ADB)	1,378	2,610
(d) International Bank for Reconstruction and Development (IBRD)	8,674	18,285
(e) ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF)	84,507	93,505
(f) ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ)	2,812	3,936
	353,494	426,623
Bank Indonesia	2,448,859	2,473,859
Total Rupiah	2,802,353	2,900,482
Foreign Currency:		
(c) Two-Step Loans - Asian Development Bank (ADB)	200,797	224,959
(g) Two-Step Loans - Kreditanstalt fur Wiederaufbau, Frankfurt (KfW)	34,192	54,970
Others	1,120,018	1,221,855
Total Foreign Currency	1,355,007	1,501,784
	4,157,360	**4,402,266**

b. By Type:

	2006	2005
Two-Step Loans (TSL)		
(a) Nordic Investment Bank (NIB)	246,358	278,993
(b) Export-Import Bank of Japan (EBJ)	9,765	29,294
(c) Asian Development Bank (ADB)	202,175	227,569
(d) International Bank for Reconstruction and Development (IBRD)	8,674	18,285
(e) ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF)	84,507	93,505
(f) ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ)	2,812	3,936
(g) Kreditanstalt fur Wiederaufbau, Frankfurt (KfW)	34,192	54,970
	588,483	706,552
Bank Indonesia	2,448,859	2,473,859
Others	1,120,018	1,221,855
	4,157,360	**4,402,266**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

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, through 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 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:

	2006	2005
(a) Nordic Investment Bank III (NIB III)	22,660	33,990
(b) Nordic Investment Bank IV (NIB IV)	223,698	245,003
	246,358	**278,993**

The interest rate on the NIB III and IV facility are 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, through 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 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:

	2006	2005
Export-Import Bank of Japan IV (EBJ-TSL IV)	**9,765**	**29,294**

(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 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.

(c) Asian Development Bank (ADB)

This account represents credit facilities from the ADB through the Government of the Republic of Indonesia, through 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.
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:

		2006	2005
(a)	ADB Loan 1327 - INO	200,797	224,959
(b)	ADB Perkebunan Nusantara XII and Nescoco Inti	1,378	2,067
(c)	ADB Fishery II	-	543
		202,175	**227,569**

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.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

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 Bank has fully settled ADB Fishery II facility on September 15, 2006.

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

This account represents credit facilities obtained from IBRD through the Government of the Republic of Indonesia, through 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.

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

	2006	2005
(a) Financial Sector Development Project (FSDP)	8,674	17,347
(b) Agricultural Financing Project (AFP)	-	938
	8,674	**18,285**

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.

(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)

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.

The Bank has fully settled AFP facility on December 1, 2006.

(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, through 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:

	2006	2005
(a) Pollution Abatement Equipment Program (PAE)	81,803	90,385
(b) Small Scale Industry (SSI)	2,704	3,120
	84,507	**93,505**

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.

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

(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, through 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, 2006 and 2005 were Rp2,812 and Rp3,936, 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).

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 0.75% 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.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (continued)

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

KfW advanced to the Government of Republic of Indonesia through BI and Bank Mandiri an amount of EUR11,777,361 (full amount), 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 Drivers 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:

2006

Loan No.	Facility (full amount)	Used Facility (full amount)	Balance Original Currency (full amount)	Balance Rupiah Equivalent	Repayment Period
F3137/1	EUR7,859,450	EUR7,215,734	EUR2,886,293.80	34,192	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. Last installment is on December 15, 2008
F3137/2	EUR3,917,911	EUR3,917,911	-	-	March 3, 2000 - June 15, 2006 with 1st installment on December 31, 2001. Repayments are due in ten equal installments.

In accordance with the agreement, loan number F3137/2 was settled on June 15, 2006.

2005

Loan No.	Facility (full amount)	Used Facility (full amount)	Balance Original Currency (full amount)	Balance Rupiah Equivalent	Repayment Period
F3137/1	EUR7,859,450	EUR7,215,734	EUR4,329,440.70	50,408	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	EUR391,791.10	4,562	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, 2006 and 2005 are as follows:

Bank	Term of Loan	2006 Amount (Rupiah)	2005 Amount (Rupiah)	Interest Rate
PT Bank Mandiri (Persero) Tbk.	November 30, 2004 - March 31, 2014 with 1st installment on November 30, 2004.	2,416,859	2,441,859	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
		2,448,859	**2,473,859**	

Others

Subordinated Notes (SNs)

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

Issuer	Term of Subscription	2006 Original Amount (full amount)	2006 Equivalent Rupiah	2005 Original Amount (full amount)	2005 Equivalent Rupiah
Bank Mandiri	August 2, 2002 - 2012 with Call Option by August 2, 2007	US$125,000,000	1,125,375	US$125,000,000	1,228,750
Less: Unamortized discount		(US$595,036)	(5,357)	(US$701,448)	(6,895)
		US$124,404,964	**1,120,018**	**US$124,298,552**	**1,221,855**

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 Islands 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 12, 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.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Others (continued)

Subordinated Notes (SNs) (continued)

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. MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES

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

	2006	2005
Dana Pensiun Bank Bumi Daya	4,072	3,650
Yayasan Dana Pensiun Bank Dagang Negara	1,058	1,002
Koperasi Karyawan - PT Bank Mandiri (Persero), Tbk.	46	53
	5,176	**4,705**

31. SHAREHOLDERS’ EQUITY

a. Authorized, Issued and Fully Paid-up Capital

The Bank’s authorized, issued and fully paid-up capital as of December 31, 2006 and 2005 are as follows:

	2006			
	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%**

(Expressed in millions of Rupiah, unless otherwise stated)

31. SHAREHOLDERS' EQUITY (continued)

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

	2006 (continued)			
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage Of Ownership
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	67.86%
Public (less than 5 % each)				
- Common Shares B Series	6,631,217,467	500	3,315,608,733,500	32.14%
Total Issued and Fully Paid-up Capital	**20,631,217,467**	**500**	**10,315,608,733,500**	**100.00%**

Shares ownership by directors are 21,063,890 shares (0.1020972%) as of December 31, 2006.

	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%**

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

31. SHAREHOLDERS' EQUITY (continued)

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

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:

1. Cash payment through Bank Indonesia amounting to Rp1,600,004.
2. 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.

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:

31. SHAREHOLDERS' EQUITY (continued)

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

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).

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 32).

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).

31. SHAREHOLDERS' EQUITY (continued)

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

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, 2006, MSOP – Stage 1 options exercised totaled 327,017,703 shares, thereby increasing the total issued and fully paid-up capital by Rp163,509 and agio by Rp102,098, including MSOP – Stage 1 exercised during 2006 amounting to 71,300,339 shares thereby increasing the total issued and fully paid-up capital by Rp35,650 and agio by Rp22,262. As of Desember 31, 2006 share option value still recorded as equity – shares option from MSOP – Stage 1 amounting to Rp 3,595.

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 31,2006 MSOP – Stage 2 option exercised totaled 304,199,764 shares thereby increasing the total issued and fully paid-up capital by Rp152,100 and agio by Rp405,431. As of December 31, 2006 share option value still recorded as equity-share option from MSOP – Stage 2 amounting to Rp5,010.

During 2006, MSOP – Stage 1 option and MSOP – Stage 2 option exercised totaled 71,300,339 and 304,199,764 shares respectively, thereby increasing the total issued and fully paid – up capital by Rp187,750.

The General Shareholders' Meeting on May 22, 2006 approved MSOP – Stage 3 amounting to 309,416,215 share options or 1.55% from total issued and fully paid – up capital at the date of the IPO to purchase new shares B series to be issued. The General Shareholders' Meeting also give authority to the commissioners to determine the execution and monitoring policy of MSOP – Stage 3 including the options implementation and report it in the future general shareholders' meeting.

b. Additional Paid-In Capital/Agio

The additional paid-in capital/agio of Rp6,433,948 and Rp6,006,255, as of December 31, 2006 and 2005, respectively, represents additional paid-up capital arising from the Recapitalization Program (Note 1c).

The increase in agio amounting to Rp427,693 as of December 31, 2006 represents exercised of MSOP Stage 1 and MSOP Stage 2 amounting to 71,300,339 and 304,199,764, respectively.

31. SHAREHOLDERS' EQUITY (continued)

b. Additional Paid-In Capital/Agio (continued)

Based on the results of a due diligence review conducted on behalf of the Government dated December 31, 1999 and 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 Rp3,046,936 as of December 31, 2006 and 2005, 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)

31. SHAREHOLDERS' EQUITY (continued)

d. Distribution of Net Profit

Based on the resolution of the shareholders during their general meetings held on May 22, 2006 and May 16, 2005, the shareholders approved the distribution of the 2005 and 2004 net profit as follows:

		2005	2004
Dividends		301,685	2,627,816
Tantiem *)		-	26,278
Cooperative Development fund program		-	78,835
Community Development fund program		12,067	26,278
		313,752	2,759,207
Appropriated retained earnings:	General reserve	15,084	1,813,285
	Specific reserve	-	-
Total		15,084	1,813,285
Retained earnings		274,533	683,139
		603,369	**5,255,631**
Dividend per share		Rp14.853(full amount)	Rp130.496(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 2005 and 2004 net profit were paid to the shareholders on June 30, 2006 and June 24, 2005, respectively. Based on the decision of Shareholder's Annual General Meeting Year 2005 on May 22, 2006, there is no tantiem paid from the 2005 net profit. The tantiem from 2004 amounting to Rp26,278 were paid to the directors and commissioners of the Bank on December 30, 2005. The allocations for Cooperative development fund program and the community development fund program from 2005 and 2004 net profit were paid on June 16, 2006 and June 21, 2005, respectively.

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 held on December 21, 2005 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 2006 and 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.

32. 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 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, after approval by Extraordinary General Shareholders' Meeting held on May 29, 2003, the Bank granted MSOP - Stage 1 amounting to 378,583,785 share options with an exercise price of Rp742.5 (full amount) per share or 110% of the offering price with a vesting period of two years.

The fair value of MSOP – Stage 1 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) for the first two execution period and Rp500 (full amount), respectively.

MSOP – Stage 2 share option life is five years from the grant date, which was on June 21, 2005. The number of stock options that can be exercised since December 4, 2006 is 100% of the total options granted.

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.

MSOP – Stage 2 options exercised since December 4, 2006 totaled 304,199,764 shares. The remaining options amounting to 7,800,236 shares can be exercised effective May 7, 2007 with exercise price Rp2,493 calculated from the average share closing price during 25 days before reporting date to Jakarta Stock Exchange.

The General Shareholders' Meeting held on May 22, 2006 approved the MSOP – Stage 3 amounting to 309,416,215 share options or 1.55% from the issued and fully paid-up capital at the date of IPO to purchase the new common shares Series B to be issued. Exercise price for each share is Rp1,495.08 (full amount) during the options period.

The decision of the stock options allocation and the policy of MSOP – Stage 3 was established by the Commissioners on July 28, 2006. MSOP – Stage 3 share option life is 5 (five) years from the grant date with exercise period of 30 (thirty) days for each excecution.

The fair value of MSOP – Stage 3 stock options granted as of May 22, 2006 was Rp593.89 (full amount) based on a valuation report issued by PT Watson Wyatt Indonesia dated February 22, 2007.

(Expressed in millions of Rupiah, unless otherwise stated)

32. 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	MSOP – Stage 3
Risk free interest rate	8.46%	9.50%	11.65%
Expected period of option	5 years	5 years	5 years
Expected stock's volatility	24.53%	50%	50%
Expected dividend yield	7.63%	7.63%	7.75%
Employee turnover rate	1%	1%	1%

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

	2006			
	Number of options	Weight average fair value of options (full amount)	Weighted average excercise price of options (full amount)	Value of Options
Option outstanding at begining of year	434,866,421	480.51	1,063.92	175,012
Option granted during the year	309,416,215	593.89	1,495.08	130,669
Option excercised during the year	(375,500,103)	533.56	1,105.43	(200,351)
Options that can be excercised at the end of the year	368,782,533	521.62	1,383.41	105,330

	2005			
	Number of options	Weight average fair value of options (full amount)	Weighted average excercise price of options (full amount)	Value of Options
Option outstanding at begining of year	245,728,913	69.71	742.50	13,830
Option granted during the year	312,000,000	642.28	1,190.50	169,746
Option excercised during the year	(122,862,492)	69.71	742.50	(8,564)
Options that can be excercised at the end of the year	434,866,421	480.51	1,063.92	175,012

Share options amounted to Rp105,330 and Rp175,012 as of December 31, 2006 and 2005. MSOP – Stage 1 and MSOP – Stage 2 and MSOP – Stage 3 expense which was recorded as salaries and employee benefits for the years ended December 31, 2006 and 2005 totaled Rp130,669 and Rp169,746, respectively (Note 41).

(Expressed in millions of Rupiah, unless otherwise stated)

33. INTEREST INCOME

Interest income was derived from the following:

	2006	2005
Loans	11,319,184	10,418,826
Government Recapitalization Bonds	10,840,987	7,797,767
Securities	1,646,826	1,008,765
Placements with Bank Indonesia and other banks	1,067,532	789,287
Fees and commissions	603,709	632,775
Others	782,868	351,805
	26,261,106	**20,999,225**

Included in interest income from loans and others is *syariah* income for the years ended December 31, 2006 and 2005 amounting to Rp825,107 and Rp777,812, respectively, with details as follows:

	2006	2005
Murabahah income	492,689	567,368
Musyarakah income	189,779	137,735
Others	142,639	72,709
	825,107	**777,812**

34. INTEREST EXPENSE

Interest expense was incurred on the following:

	2006	2005
Time deposits	11,459,892	7,161,132
Savings deposits	2,059,386	2,033,438
Demand deposits	1,325,764	1,252,277
Fund borrowings	331,809	427,613
Securities issued	251,972	413,203
Subordinated loans	129,704	84,006
Loan capital	-	56,863
Others	218,224	318,828
	15,776,751	**11,747,360**

Included in interest expense from time and savings deposits is *syariah* expense for the years ended December 31, 2006 and 2005 amounting to Rp314,493 and Rp357,518, respectively.

35. OTHER OPERATING INCOME - OTHERS

	2006	2005
Accretion in the realizable value of the security and effective reduction of principal related to SUFRNs	-	337,431
Others	351,345	334,031
	351,345	**671,462**

(Expressed in millions of Rupiah, unless otherwise stated)

36. PROVISION FOR POSSIBLE LOSSES ON EARNING ASSETS

	2006	2005
Provision/(reversal of allowance) for possible losses on:		
Current accounts with other banks (Note 4e)	4,101	1,278
Placements with other banks (Note 5e)	(51,542)	63,043
Securities (Note 6g)	(30,839)	59,310
Other receivables - trade transactions (Note 8d)	(215,583)	192,897
Securities purchased with agreements to resell (Note 9b)	8,600	(4,800)
Derivative receivables (Note 10)	874	559
Loans (Note 11B.j)	4,158,551	3,860,646
Acceptances receivable (Note 12d)	(202,701)	277,140
Investments in shares of stock (Note 13c)	327	(4,847)
	3,671,788	**4,445,226**

37. REVERSAL OF ALLOWANCE FOR POSSIBLE LOSSES - OTHERS

	2006	2005
Reversal/(provision) of allowance for:		
Possible losses on legal cases (Note 28)	154,427	297,241
Possible losses on fraud cases	51,018	3,078
Others assets	(53,663)	797,841
Others	(22,837)	(41,515)
	128,945	**1,056,645**

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

	2006	2005
Securities	8,318	(22,812)
Government Recapitalization Bonds	101,063	(66,332)
	109,381	**(89,144)**

39. GAINS FROM SALE OF SECURITIES AND GOVERNMENT RECAPITALIZATION BONDS

	2006	2005
Securities	94,286	(1,832)
Government Recapitalization Bonds	43,256	257,290
	137,542	**255,458**

(Expressed in millions of Rupiah, unless otherwise stated)

40. GENERAL AND ADMINISTRATIVE EXPENSES

	2006	2005
Depreciation and amortization of premises and equipment	608,358	557,706
Rent	452,025	446,310
Promotions	406,826	270,812
Communications	342,519	419,915
Repairs and maintenance	312,698	283,153
Professional fees *)	281,925	277,075
Electricity, water and gas	191,234	198,716
Office supplies	159,897	154,989
Transportations	82,023	133,385
Research and development	7,114	6,480
Others	406,274	331,538
	3,250,893	**3,080,079**

*) Professional fees included audit services amounting to Rp15,775 and Rp23,703 for the years ended December 31, 2006 and 2005, respectively.

41. SALARIES AND EMPLOYEE BENEFITS

	2006	2005
Salaries, wages, pension and tax allowances	1,727,159	1,547,352
Holidays (THR), leave and related entitlements	324,168	356,060
Provision for post-employment benefit expenses (Note 42)	303,691	456,190
Employee benefits in kind	213,459	163,768
Training and development	133,087	127,835
Compensation expense on stock options (Note 32)	130,669	169,746
Bonuses and others	185,269	366,304
	3,017,502	**3,187,255**

Total gross salaries, allowances and bonuses of the Boards of Directors and Commissioners, and Executive Officers amounted to Rp61,242 and Rp107,086 for the years ended December 31, 2006 and 2005, respectively, are as follows:

	2006				
	Number of Members/ Officers	Salaries	Allowances*)	Bonuses	Total
Board of Commissioners	7	4,733	2,673	-	7,406
Board of Directors	11	16,552	12,199	-	28,751
Audit Committee	2	635	177	-	812
Senior Executive Vice Presidents, Group Heads and Advisors of Directors	45	15,668	4,670	3,935	24,273
	65	**37,588**	**19,719**	**3,935**	**61,242**

*) Including post employment benefit

(Expressed in millions of Rupiah, unless otherwise stated)

41. SALARIES AND EMPLOYEE BENEFITS (continued)

	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**

42. PENSION AND SEVERANCE

Under the Bank's policy, in addition to salaries, 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 and were amended based on the Minister of Finance of the Republic of Indonesia's letter No. KEP-213/KM.5/2005 dated July 22, 2005 and was included in the Addendum to the State Gazette of the Republic of Indonesia No. 77 dated September 27, 2005 and Bank Mandiri's Directors' Resolution No. 068/KEP.DIR/2005 dated June 28, 2005.

   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, 2006 and 2005 were Rp30,000 and Rp24,000, respectively. The interest rates on these time deposits are at arms-length.

   The Bank paid pension contributions totaling Rp107,566 and Rp96,272, respectively, for the years ended December 31, 2006 and 2005, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

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.

   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, 2006 and 2005, 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 February 23, 2007 and March 2, 2006 for the years ended December 31, 2006 and 2005, respectively. In its calculation, the actuary used the following assumptions:

	DPBM I	DPBM II	DPBM III	DPBM IV
Discount rate	9.5% per annum (2005 : 12%)	9.5% per annum (2005 : 12%)	9.5% per annum (2005 : 12%)	9.5% per annum (2005 : 12%)
Expected rate of return on plan assets	9.5% per annum (2005 : 12%)	9.5% per annum (2005 : 12%)	9.5% per annum (2005 : 12%)	9.5% per annum (2005 : 12%)
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

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

	DPBM I	**DPBM II**	**DPBM III**	**DPBM IV**
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)	62.50% of latest gross pensionable salary (PhDP)	75% of latest gross pensionable salary (PhDP)
Expected rate of pension benefit increase	Nil	Nil	Nil	4% every 2 years
Tax rates - average	15% of pension benefit	15% of pension benefit	15% of pension benefit	15% of pension benefit

The projected benefit obligations and fair value of plan assets as of December 31, 2006 are as follows:

	DPBM I	**DPBM II**	**DPBM III**	**DPBM IV**
Projected Benefit Obligations	900,027	849,484	519,172	294,111
Fair Value of Plan Assets	1,342,620	1,456,766	707,511	450,450
Funded Status	442,593	607,282	188,339	156,339
Unrecognized Past Service Cost	-	-	-	-
Unrecognized Actuarial Gains	(258,648)	(305,567)	(174,902)	(55,305)
Surplus Based on PSAK No. 24 (Revised)	183,945	301,715	13,437	101,034
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)

42. 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 **)	-	-	-	-

*) 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.

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, 2006 and 2005, the Bank recognized a provision for employee service entitlements in accordance with Labor Law No. 13/2003 amounting to Rp689,654 and Rp517,426 respectively, based on independent actuarial reports (Note 28).

Provision for employee service entitlements as of December 31, 2006 and 2005 is based on independent actuarial reports of PT Dayamandiri Dharmakonsilindo dated February 14, 2007 and March 2, 2006 for the year ended December 31, 2005 and 2004, respectively. The assumptions used by the actuary were as follows:

a. Discount rate is 10% per annum (December 31, 2005: 13% per annum).
b. Expected rate of annual salary increase is 10% (December 31, 2005: 12% 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.

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Labor Law No. 13/2003 (continued)

Reconciliation between the provision for post employee benefits presented in the balance sheet and its expenses are as follows (Bank Mandiri only):

	2006	2005
Present value of obligations	636,267	413,602
Unrecognized past service cost	31,544	31,611
Unrecognized actuarial gains	10,317	63,264
Provision for Post Employee Benefits Presented in Balance Sheet	**678,128**	**508,477**

	2006	2005
Current service cost	26,060	39,565
Interest cost	61,302	40,487
Amortization of unrecognized actuarial gains	(644)	(135)
Amortization of unrecognized past service cost	(67)	(67)
Adjustment from last year tax calculation effect	67,697	-
Recognition of past service cost *)	25,015	-
Cost of Pension benefits	**179,363**	**79,850**

*) Represents recognition of cost from changes in benefit received by employees who voluntarily resign in accordance with the new employment agreement.

Reconciliation of Provision for Post Employee Benefits are as follows:

	2006	2005
Beginning Balance of Provision for Post Employee Benefits	508,477	446,290
Expenses during the year	179,363	79,850
Payments of benefits	(9,712)	(17,663)
Provision for Post Employee Benefits (Note 28)	**678,128**	**508,477**

As of December 31, 2006 and 2005, the provision for post employee benefits in the subsidiaries amounted to Rp11,526 and 8,949, respectively.

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

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Free of Service Period (MBT) (continued)

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

a. Discount rate is 10% per annum (December 31, 2005: 13% per annum).
b. Expected rate of annual salary increase is 10% (December 31, 2005: 12% per annum).
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 for years 2006 and 2005 amounted to Rp489,650 and Rp376,340 respectively (Note 28).

Reconciliation of Provision for Free of Service Period facilities is as follows:

	2006	2005
Current Service Cost	67,637	376,340
Interest Cost	52,397	-
Adjustment from last year tax calculation effect	30,178	-
Recognition of Actuarial Gains/(loss)	(25,884)	-
Cost of free of service period	**124,328**	**376,340**
Beginning balance of provision of free of service period facilities	376,340	-
Expenses during the year	124,328	376,340
Payment of benefit	(11,018)	-
Cost of Pension benefits	**489,650**	**376,340**

43. OTHER OPERATING EXPENSES – OTHERS - NET

	2006	2005
Insurance premiums on customer guarantees (Note 58)	401,219	422,916
Others	192,361	157,745
	593,580	**600,661**

44. NON-OPERATING INCOME/(EXPENSE) - NET

	2006	2005
Gain on sale of premises and equipment	16,217	16,781
Penalties	(16,417)	(31,489)
Others - net	120,286	60,012
	120,086	**45,304**

(Expressed in millions of Rupiah, unless otherwise stated)

45. COMMITMENTS AND CONTINGENCIES

	2006	2005
COMMITMENTS		
Commitment Receivables:		
Unrealized spot foreign currencies bought (Note 46)		
Third Parties	1,861,522	479,336
Total Commitment Receivables	1,861,522	479,336
Commitment Payables:		
Unused loan facilities granted		
Third Parties	20,128,250	19,494,865
Related Parties	-	32,008
	20,128,250	19,526,873
Outstanding irrevocable letters of credit (Note 26)		
Third Parties	3,916,516	3,827,930
Related Parties	44	11,830
	3,916,560	3,839,760
Unrealized spot foreign currencies sold (Note 46)		
Third Parties	1,860,475	478,878
	1,860,475	478,878
Total Commitment Payables	25,905,285	23,845,511
Commitment Payables - Net	(24,043,763)	(23,366,175)
CONTINGENCIES		
Contingent Receivables:		
Interest receivable on non-performing assets	6,913,744	4,205,991
Guarantees received from other banks	2,479,215	2,542,446
Others	32,741	32,904
Total Contingent Receivables	9,425,700	6,781,341
Contingent Payables:		
Guarantees issued in the form of:		
Bank guarantees issued (Note 26):		
Third Parties	8,277,171	8,486,811
Related Parties	4,579	6,342
	8,281,750	8,493,153
Standby letters of credit (Note 26)	2,866,448	3,557,056
Others	37,645	106,227
Total Contingent Payables	11,185,843	12,156,436
Contingent Payables - Net	(1,760,143)	(5,375,095)
COMMITMENTS AND CONTINGENCIES PAYABLE – NET	**(25,803,906)**	**(28,741,270)**

(Expressed in millions of Rupiah, unless otherwise stated)

46. 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, 2006 are as follows:

	Spot-Bought		Spot-Sold	
Original Currency	Original Currency (full amount)	Equivalent Rupiah	Original Currency (full amount)	Equivalent Rupiah
United States Dollars	82,950,750	746,806	122,991,590	1,107,293
Others	-	1,114,716	-	753,182
		1,861,522		**1,860,475**

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**

47. 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 Services, PT. Koexim Mandiri Finance, PT. Kustodian Sentral Efek Indonesia, PT. Mandiri Management Investasi, PT. Danareksa, PT. Sarana Bersama Pembiayaan Indonesia, PT. Great River International, PT. Tuban Petrochemical Industries, PT. Asuransi Dharma Bangsa, PT. Gelora Karya Jasatama, PT. Gelora Karya Jasatama Putera, PT. Asuransi Staco Jasapratama, PT. Bandar Sumatera Indonesia, PT. Stacomitra Graha, PT. Eastern Sumatera Indonesia, PT. Kerasaan Indonesia, PT. Melania Indonesia, PT. Staco Estika Sedaya Finance, PT. Timbang Deli Indonesia, PT. Tolan Tiga Indonesia, PT. Mulia Sasmita Bhakti, PT. Puri Asri Bhakti Karya, PT. Surya Chandra Permai, PT. Caraka Mulia, PT. Puripariwara, PT. Griyawisata HM & C, PT. Gedung Bank Exim, PT. Wahana Optima Permai, PT. Tatapuri Perdana, PT. Estika Daya Mandiri, PT. Krida Upaya Tunggal, PT. Aneka Tambang (Persero) Tbk, PT. Bank Niaga Tbk, Asuransi Jiwa Bersama Bumiputera (AJBP) 1912, and PT. Bapindo Bumi Sekuritas.

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

(Expressed in millions of Rupiah, unless otherwise stated)

47. RELATED PARTY TRANSACTIONS (continued)

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

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

Details of significant transactions with related parties as of December 31, 2006 and 2005 are as follows:

	2006	**2005**
Current Accounts with Other Banks (Note 4c)	70	53
Securities (Note 6a)	873,264	600,200
Government Recapitalization Bonds (Note 7)	90,648,024	92,055,964
Other Receivables – Trade transaction (Note 8a)	56,878	54,531
Loans (Note 11B.g)	750,672	1,245,740
Acceptance Receivables (Note 12a)	769	552
Total assets involving related parties	92,329,677	93,957,040
Total consolidated assets	267,517,192	263,383,348
Percentage of assets involving related parties to total consolidated assets	**34.51%**	**35.67%**

The percentages of securities, Government Recapitalization Bonds, other receivables – trade transaction and loans, compared to the total consolidated assets are as follows:

	2006	**2005**
Current Accounts with Other Banks	-	-
Securities	0.33%	0.23%
Government Recapitalization Bonds	33.88%	34.95%
Other Receivables – Trade transaction	0.02%	0.02%
Loans	0.28%	0.47%
Acceptance Receivables	-	-
Total	**34.51%**	**35.67%**

	2006	**2005**
Demand Deposits (Note 16a)	333,512	314,961
Savings Deposits (Note 17b)	46,355	23,276
Time Deposits (Note 18f)	877,911	1,080,031
Deposits From Other Banks – Demand Deposits and Savings (Note 19c)	138	287
Acceptance Payables (Note 23)	839	-
Fund Borrowings (Note 25)	350,000	350,000
Total liabilities involving related parties	1,608,755	1,768,555
Total consolidated liabilities	241,171,346	240,164,245
Percentage of liabilities involving related parties to total consolidated liabilities	**0.67%**	**0.74%**

(Expressed in millions of Rupiah, unless otherwise stated)

47. RELATED PARTY TRANSACTIONS (continued)

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

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

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

	2006	2005
Demand Deposits	0.14%	0.13%
Savings Deposits	0.02%	0.01%
Time Deposits	0.36%	0.45%
Deposits From Other Banks – Demand Deposits and Savings	-	-
Acceptance Payables	-	-
Fund Borrowings	0.15%	0.15%
Total	**0.67%**	**0.74%**

Salary, allowances and bonuses of the Boards of Directors and Commissioners and Executive Officers (Note 41) for the years ended December 31, 2006 and 2005 amounted to Rp61,242 and Rp107,086, 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).
- 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 31a).

Based on the Decree of the Minister of Finance of the Republic of Indonesia No.227/KMK.02/2003 dated May 23, 2003 and the 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 the recapitalization fund amounting to Rp5,000,000 with 5,000,000 shares with nominal Rp1,000,000 (full amount) per share, and with the remaining recapitalization fund amounting to Rp168,801,315 recorded as Agio.

The regulation of the Government of the Republic of Indonesia No.26/2003 dated May 29, 2003 approved the increase in fully issued and paid – up capital of the Bank amounting to Rp1,000,000 from capitalization of partial appropriated reserve.

48. MATURITY PROFILE

This profile as of December 31, 2006 and 2005 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.

(Expressed in millions of Rupiah, unless otherwise stated)

48. MATURITY PROFILE (continued)

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

2006

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth < 6 mth	>6 mth < 12 mth	>12 mth
Assets							
Cash	3,965,717	-	3,965,717	-	-	-	-
Current accounts with Bank Indonesia	21,579,158	-	21,579,158	-	-	-	-
Current accounts with other banks - net	537,234	-	537,234	-	-	-	-
Placements with Bank Indonesia and other banks - net	9,435,541	-	9,031,890	12,888	212,511	178,252	-
Securities - net	18,360,958	92,262	15,286,420	259,586	203,067	128,910	2,390,713
Government Recapitalization Bonds	90,648,024	-	-	-	-	-	90,648,024
Other receivables-trade transactions - net	1,958,039	-	526,842	802,434	628,763	-	-
Securities purchased agreements to resell - net	833,388	-	460,929	88,206	284,253	-	-
Derivative receivables - net	410,727	-	13,059	17,929	2,697	3,093	373,949
Loans - net	103,282,247	-	10,760,612	9,538,657	7,892,524	18,682,463	56,407,991
Acceptances receivable - net	3,453,170	-	805,629	1,551,088	999,879	89,889	6,685
Investments in shares of stock – net	84,870	84,870	-	-	-	-	-
Premises and equipment - net	4,709,243	4,709,243	-	-	-	-	-
Deferred tax assets - net	3,295,451	3,295,451	-	-	-	-	-
Accrued income	1,661,130	-	-	1,661,130	-	-	-
Others - net	3,302,295	2,240,593	729,409	-	-	332,293	-
Total Assets	**267,517,192**	**10,422,419**	**63,696,899**	**13,931,918**	**10,223,694**	**19,414,900**	**149,827,362**

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	671,339	-	671,339	-	-	-	-
Demand deposits	48,812,753	-	48,812,753	-	-	-	-
Savings deposits	60,303,561	-	60,303,561	-	-	-	-
Time deposits	96,591,234	-	74,032,609	14,244,794	2,998,394	3,437,925	1,877,512
Deposits from other banks							
- Demand & Saving deposits	1,286,609	-	1,286,609	-	-	-	-
- Inter-bank call money	1,899,681	-	1,899,681	-	-	-	-
- Time deposits	5,003,010	-	4,952,808	43,708	4,269	2,225	-
Securities sold with agreements to repurchase	1,859,780	-	214,909	-	141,893	-	1,502,978
Derivative payables	100,823	-	15,235	14,196	1,474	14,679	55,239
Acceptances payables	3,608,393	-	878,285	1,612,195	1,017,859	93,302	6,752
Securities issued	3,793,883	-	-	-	-	-	3,793,883
Fund borrowings	3,424,892	-	-	-	-	-	3,424,892
Estimated losses on commitments and contingencies	514,399	514,399	-	-	-	-	-
Accrued expenses	590,533	-	590,533	-	-	-	-
Taxes payable	1,582,800	-	-	-	-	-	1,582,800
Other liabilities	6,970,296	6,970,296	-	-	-	-	-
Subordinated loans	4,157,360	-	9,765	27,499	563	53,063	4,066,470
Total Liabilities	**241,171,346**	**7,484,695**	**193,668,087**	**15,942,392**	**4,164,452**	**3,601,194**	**16,310,526**
Net Assets (Liabilities)	**26,345,846**	**2,937,724**	**(129,971,188)**	**(2,010,474)**	**6,059,242**	**15,813,706**	**133,516,836**

(Expressed in millions of Rupiah, unless otherwise stated)

48. MATURITY PROFILE (continued)

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 Purchased 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**

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 payables	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 Liabilities	**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**

49. 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:

(Expressed in millions of Rupiah, unless otherwise stated)

49. SEGMENT INFORMATION (continued)

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

Primary Segment Information for the year ended December 31, 2006

	Banking	'Syariah' Banking	Securities	Others	Elimination	Consolidated
Operating income	27,679,726	1,079,546	219,439	15,417	-	28,994,128
Inter-segment operating income	201,370	-	-	-	(201,370)	-
Operating income including inter-segment operating income	27,881,096	1,079,546	219,439	15,417	(201,370)	28,994,128
Operating expenses	25,052,651	978,714	158,118	93,535	-	26,283,018
Inter-segment operating expenses	33,028	-	-	-	(33,028)	-
Operating expenses including inter-segment operating expenses	25,085,679	978,714	158,118	93,535	(33,028)	26,283,018
Profit from operations	2,795,417	100,832	61,321	(78,118)	(168,342)	2,711,110
Net profit	2,479,433	65,480	42,635	20,945	(187,088)	2,421,405
Total assets	258,211,155	9,554,967	2,320,022	314,660	(2,883,612)	267,517,192
Total assets (as a percentage of total consolidated assets prior to elimination)	95.49%	3.53%	0.86%	0.12%		

Secondary Segment Information for the year ended December 31, 2006

	Indonesia (Domestic)	Asia	West Europe	Pacific (Cayman)	Elimination	Consolidated
Operating income	28,285,022	336,121	159,571	213,414	-	28,994,128
Inter-segment operating income	194,715	-	6,655	-	(201,370)	-
Operating income including inter-segment operating income	28,479,737	336,121	166,226	213,414	(201,370)	28,994,128
Operating expenses	25,591,972	170,382	112,974	407,690	-	26,283,018
Inter-segment operating expenses	25,400	-	7,628	-	(33,028)	-
Operating expenses including inter-segment operating expenses	25,617,372	170,382	120,602	407,690	(33,028)	26,283,018
Profit from operations	2,862,365	165,739	45,624	(194,276)	(168,342)	2,711,110
Net profit	2,253,096	107,306	59,094	188,996	(187,088)	2,421,405
Total assets	261,340,622	1,977,521	1,999,938	5,082,723	(2,883,612)	267,517,192
Total assets (as a percentage of total consolidated assets prior to elimination)	96.65%	0.73%	0.74%	1.88%		

(Expressed in millions of Rupiah, unless otherwise stated)

49. SEGMENT INFORMATION (continued)

Primary Segment Information for the year ended December 31, 2005

	Banking	'Syariah' Banking	Securities	Others	Elimination	Consolidated
Operating income	22,237,744	959,115	202,671	88,880	-	23,488,410
Inter-segment operating income	79,094	-	4,305	-	(83,399)	-
Operating income including inter-segment operating income	22,316,838	959,115	206,976	88,880	(83,399)	23,488,410
Operating expenses	21,242,904	821,937	155,918	80,078	-	22,300,837
Inter-segment operating expense	10,917	-	-	-	(10,917)	-
Operating income including inter-segment operating expenses	21,253,821	821,937	155,918	80,078	(10,917)	22,300,837
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 year ended December 31, 2005

	Indonesia (Domestic)	Asia	West Europe	Pacific (Cayman)	Elimination	Consolidated
Operating income	22,812,829	357,059	123,432	195,090	-	23,488,410
Inter-segment operating Income	83,399	-	-	-	(83,399)	-
Operating income including inter-segment operating income	22,896,228	357,059	123,432	195,090	(83,399)	23,488,410
Operating expenses	21,257,987	231,216	169,481	642,153	-	22,300,837
Inter-segment operating expenses	10,917	-	-	-	(10,917)	-
Operating income including inter-segment operating expense	21,268,904	231,216	169,481	642,153	(10,917)	22,300,837
Profit from operations	1,627,324	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. 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, 2006 and 2005 was 25.30% and 23.65% for CAR with credit risk, and 24.62% and 23.21% for CAR with credit risk and market risk, respectively and calculated as follows:

	2006	2005
Capital:		
Tier I *)	22,011,986	20,858,866
Tier II	8,564,284	8,575,390
Total Tier I and Tier II	30,576,270	29,434,256
Less: Investments in subsidiaries	(2,210,393)	(2,046,481)
Total capital for credit risk	28,365,877	27,387,775
Tier III	-	-
Total capital for credit risk and market risk	28,365,877	27,387,775
Credit RWA	112,138,825	115,806,894
Market RWA	3,057,992	2,204,133
Total Risk-Weighted Assets	115,196,817	118,011,027
CAR for credit risk	25.30%	23.65%
CAR for credit risk and market risk	24.62%	23.21%
Minimum CAR	8%	8%

*) Excludes the impact of deferred tax assets of Rp1,266,286 and (Rp127,845) as of December 31, 2006 and 2005, and unrealized losses on available for sale securities and Government Recapitalization Bonds of Rp327,960 and (Rp345,658) as of December 31, 2006 and 2005, respectively.

51. NET OPEN POSITION

Net Open Position calculation as of December 31, 2006 and 2005 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.

(Expressed in millions of Rupiah, unless otherwise stated)

51. NET OPEN POSITION (continued)

The NOP by currency of Bank Mandiri as of December 31, 2006 was as follows:

Currency	Assets	Liabilities	Net Open Position
AGGREGATE (ON & OFF BALANCE SHEET)			
United States Dollar	41,030,408	40,248,117	782,291
Japanese Yen	766,483	694,392	72,091
Euro	674,356	489,332	185,024
Singapore Dollar	240,952	232,290	8,662
Hong Kong Dollar	234,456	116,265	118,191
Great Britain Poundsterling	145,491	103,108	42,383
Australian Dollar	80,941	27,316	53,625
Others *)	28,129	6,951	28,084
Total			1,290,351
ON-BALANCE SHEET			
United States Dollar	39,795,789	36,153,929	3,641,860
Singapore Dollar	231,935	220,868	11,067
Euro	218,275	513,025	(294,750)
Hong Kong Dollar	200,761	116,265	84,496
Japanese Yen	191,539	413,525	(221,986)
Great Britain Poundsterling	70,622	10,623	59,999
Australian Dollar	40,013	20,198	19,815
Others	23,610	6,951	16,659
Total			3,317,160
Total Tier I and II Capital less investments in subsidiaries (Note 50)			28,365,877
NOP Ratio (On-Balance Sheet)			11.69%
NOP Ratio (Aggregate)			4.55%

NOP Ratios based on the total capital as of November 2006 (unaudited) are as follows :

Total Capital November 2006	28,276,345
NOP Ratio (On-Balance Sheet)	11.73%
NOP Ratio (Aggregate)	4.56%

*) Sum of the absolute values of difference between assets and liabilities.

(Expressed in millions of Rupiah, unless otherwise stated)

51. NET OPEN POSITION (continued)

The Net Open Position by currency of Bank Mandiri as of December 31, 2005 is as follows:

Currency	Assets	Liabilities	Net Open Position
AGGREGATE (ON & OFF BALANCE SHEET)			
United Stated Dolar	47,328,306	46,984,911	343,395
Hong Kong Dollar	248,797	123,844	124,953
Singapore Dollar	1,805,477	1,683,567	121,910
Great Britain Poundsterling	125,526	75,880	49,646
Euro	716,890	692,445	24,445
Australian Dollar	30,350	17,114	13,236
Japanese Yen	252,298	243,775	8,523
Others	20,009	6,375	20,250
Total			706,358
ON-BALANCE SHEET			
United Stated 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 50)			27,387,775
NOP Ratio (On-Balance Sheet)			10.42%
NOP Ratio (Aggregate)			2.58%

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

Non-performing earning assets to total earning assets Bank Mandiri only, was 8.25% and 12.29% as of December 31, 2006 and 2005, respectively. The Non-Performing Loan (NPL) ratio (Bank Mandiri only) before being deducted by the allowance for possible losses (gross basis) was 17.08% and 26.58% as of December 31, 2006 and 2005, respectively (Note 11A.d).

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 107.83% and 102.97% as of December 31, 2006 and 2005, respectively.

The small-scale loans to total loans ratio was 4.15% and 4.85% as of December 31, 2006 and 2005, respectively.

Legal Lending Limit (BMPK) as of December 31, 2006 and 2005 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 as revised with PBI No. 8/13/PBI/2006 regarding Changes on PBI No.7/3/PBI/2005 regarding Legal Lending Limit Commercial Bank.

53. 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
e. Generate reports and informations regarding customers' securities kept and administrated by custody.

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. Custodial for mutual fund issued and managed by investment manager;
e. As direct participant of Euroclear for customer who is conducting investment and securities transactions settlement listed in overseas market and recorded in Euroclear Operations Centre, Brussels;
f. Securities lending as services for customers who want to maximize their investment return by lending their securities to securities companies through intermediary and guarantee by PT Kliring Penjaminan Efek Indonesia.

Bank Mandiri has 337 and 329 custodial customers as of December 31, 2006 and 2005, respectively. The customers are primarily pension funds, insurance companies, institution, banks, securities companies, mutual funds and other private companies with a total portfolio value as of December 31, 2006 of Rp73,596,884 and US$395,383,869.08 (full amount) and as of December 31, 2005 of Rp60,690,045 and US$260,618,596.36 (full amount).

Bank Mandiri carries insurance on custodial services against safekeeping and transit loss in accordance with Capital Market Supervisory Agency and financial institutions' regulation.

Trust Operations

Bank Mandiri had been rendering trustee services since 1983. 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) provides a full range of the following services:

a. Trustee for bonds & MTN
b. Escrow Account Agent
c. Paying Agent
d. Initial Public Offering/IPO Receiving Bank
e. Security Agent

(Expressed in millions of Rupiah, unless otherwise stated)

53. CUSTODIAL AND TRUST OPERATIONS (continued)

Bank Mandiri Wali Amanat has 30 and 31 trustee customers as of December 31, 2006 and 2005 with the total value of bonds and MTN issued amounted to Rp9,852,386 and US$100,000,000 (full amount) and Rp9,381,567 and US$100,000,000 (full amount), respectively. While the sinking fund managed and escrow account amounted to Rp50,461 on behalf of 8 customers and Rp374,582 on behalf of 6 customers as of December 31, 2006 and 2005, respectively.

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

54. CHANNELING LOANS

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

	2006	**2005**
Government:		
Electricity, gas and water	8,349,541	9,295,177
Transportation and communications	4,185,230	4,973,541
Agriculture	1,307,609	1,492,249
Manufacturing	769,286	796,800
Mining	36,266	65,995
Construction	14,084	15,558
Others	102,055	110,375
	14,764,071	**16,749,695**

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, Overseas Economic Cooperation Fund, Protocol France, International Bank for Reconstruction and Development, Asian Development Bank, The Swiss Confederation 30.09.1985, Kreditanstalt Fur Wiederaufbau, Banque Paribas, IGGI, Nederland Urban Sector Loan & De Nederlanse Inveseringsbank voor Ontwikkelingslanden NV, Swiss Government, Banque Français & Credit National, US EXPORT IMPORT BANK, RYOSIN INT'L LTD, HKG, AUSTRIA, Swiss Banks Consortium 16.12.1994, The European Investment Bank, West Merchant Bank Ltd, Sumisho, Fuyo, LTCB, Orix & Sinco, Export Finance And Insurance Corporation (EFIC) Australia, Japan Bank for International Cooperation, Calyon & BNP Paribas, BNP Paribas & CAI, BELGIA, MEESPIERSON N.V. Netherland 14.07.1994, France Government.

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.

55. RISK MANAGEMENT

The Bank's risk management is conducted 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 the implementation, the Bank has established a Basel II Compliance Committee, the purpose is to integrate all 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 with Enterprise Risk Management (ERM) Project (2005 - 2008).

To comply with the related Bank Indonesia's Regulation and Circular Letter, the Bank prepares a quarterly risk profile 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. Beside the Quarterly report submitted to Bank Indonesia, the Bank internally attempts to evaluate risk profile in shorter period such as monthly, weekly and daily, in order to detect risk performance earlier and more accurate.

In order to manage more complex risk and to meet the need of healthy and integrated bank management, the Bank has established Bank Mandiri Risk Management Policy (KMRBM).

In accordance with Bank Indonesia regulation regarding Implementation of Risk Management for Commercial Banks, the Bank has established Risk Management Committee and Risk Management Unit which are intended to support the Bank-wide, integrated, measurable and controlled risk management.

The Risk Management Committee in Bank Mandiri called Risk and Capital Committee (RCC) 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 to identify, measure and mitigate risk.

The scope of responsibility and function of the committee has undergone several changes. The latest changes which is implemented in the first half year of 2006 is to focus the RCC into three sub committees, which are: Asset & Liability Committee, Risk Management Committee and Capital & Investment Committee. With the improvement, the scope of control and responsibility over each risk has become more focused and more effective. Each committee is supported by working group whose members are consisting of groups directly related to the risk problems included in the committees scope.

The Bank has established an organizational structure that is able to support risk management in a more comprehensive, centralized, measurable and controllable way, by establishing the Risk Management Working Unit that is under Risk Management Directorate. The Risk Management Directorate is responsible for 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, including defining risk management guidance and policies.

55. RISK MANAGEMENT (continued)

The Risk Management Directorate is led by a Director who reports to the Board of Directors and also a voting member in 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.

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 has prepared preliminary steps such as enrolling their employees from Risk Management and related Business Units into the Risk Management Training and Risk Management Certification 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 ready with certified risk management human resources in accordance with BI regulation.

Aside from compliance with Bank Indonesia regulation and Basel II, the Bank also developed Enterprise Risk Management (ERM) in accordance with the Bank strategic and operational need. Through the ERM development, the Bank's risk management will be integrated and becoming embedded process in the Bank business process, especially for supporting the Strategic Business Unit (SBU) organization plan that started in 2007, so it will increase the value added for the Bank and its stakeholders. With Basel II as catalyst, ERM implementation will enable the Bank to see the end result of the Bank's risk based performance in value.

Credit Risk

The Bank's credit risk management mainly concentrated on increasing healthy loans expansion and managed existing loans in order to prevent collectibility downgrade or Non Performing Loan (NPL). At the end, controlled NPL value minimize loss and optimize capital utilization allocated for credit risk.

To support this matter, Bank has established policies and written guidelines regarding loans disbursement, which includes the Bank Mandiri Credit Policy (KPBM), Credit Manual (PPK), and various circular letters that constitute a more detailed operating manual. The purpose of those guidelines is to provide a comprehensive loan management manual related to loan application, analysis process, approval process, documentation, monitoring and restructuring processes, including risk analysis and assessment. In order to ensure prudential loan process, the Bank reviews and improves its credit policies (KPBM & PPK) periodically to fit with the current business.

In general, credit risk management is implemented on both transactional and portfolio level. On transactional level, the Bank has implemented four-eye principle whereby every loan approval will involve Business Unit And Risk Management Unit independently to obtain an objective decision. Four-eye principle process is conducted through the Credit Approval Committee and credit decisions are made by the Bank's officials from the Business Unit and Risk Management Unit that has competence, abilities and integrity. Therefore, the loan process becomes more comprehensive and more prudent.

As part of prudential banking practice, the party with authority in deciding loan disbursement beside using the Loan Analysis form and financial spread sheet also using guidance from Tools Rating (BMRS) and Scoring System (MBSS & SBSS) to be able to perform credit risk assessment more accurate and interest rate risk based pricing. The Bank has Credit Rating and Credit Scoring Model Design and Development Guidance, which is a complete guidance for the Bank to create proven and reliable credit rating and credit scoring model and the model is implemented into the Credit Risk Tools as one of the credit decision tools. To monitor the performance of credit rating and credit scoring model, the scoring and rating result performed by Business Units was reviewed periodically and the result was documented in Credit Scoring Review and Rating Outlook issued quarterly and semi annually.

55. RISK MANAGEMENT (continued)

Credit Risk (continued)

Originally the scoring system only consisted of scoring on UKM debtors and scoring on middle commercial debtors. In line with the Bank's business development, nowadays the Bank already developed special scoring model for micro loans (KUM) and special scoring model for financing loans to *Tenaga Kerja Indonesia* (TKI). The Bank will continue to improve the scoring system development for micro business loans, such as scoring system for making decision in financing oil distributor agent with households and other small industries as end users.

On the other hand, currently the rating system for corporate and large commercial debtors has been calibrated with financial rating model and has been modified with qualitative parameters in order to decrease subjectivity in rating activities by establishing scoring base as adjustment base to determine customer rating.

Scoring and rating tools also intended to provide more objective assessment to the debtors so that lower risk debtors will get different treatment then the higher risk debtors.

In order to decrease the existing non-performing loans, the Bank has enhanced the loan analysis form to be more risk analysis oriented and comprehensive in order to support the credit decision based on prudential banking. The Bank also developed and implemented Early Warning Analysis for performing debtors to identify debtors who have high potential to be downgraded to NPL so that the Management could decide the account strategy and action immediately to obtain optimal result.

Non-performing loans were managed by special unit (Credit Recovery Group) so that the settlements were managed comprehensively and Business Units could focus on managing the current debtors and loan expansion. In accordance with the organization needs, the Credit Recovery Group has been upgraded to Special Asset Management Directorate (managed by a Director) which supervised 2 (two) Credit Recovery Group with the intention of increasing the speed and effectiveness of non-performing loans settlement.

At the portfolio level the Bank has Portfolio Guideline directing the loan expansion to maintain optimum portfolio composition based on economic, geographical, segment and product sectors. Optimum portfolio allocation prevents the Bank from taking risk over the Bank's risk appetite and obtains optimum return. Portfolio analysis is performed periodically (monthly and semi annually) in order to monitor the changes in economic and sector (industrial) variables which influence the optimum allocation and to make the anticipative actions both tactical and strategic (portfolio rebalancing).

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

The Bank has also implemented risk based interest rate pricing and required yield as minimum rate of return in determining loans interest rate. The pricing strategy is intended to preserve the Bank's profitability rate and to produce competitive interest rate to support loans expansion by the business units.

55. RISK MANAGEMENT (continued)

Market and Liquidity Risk

a. Liquidity Risk Management

The Bank manages its liquidity risk in order to be able to meet any financial obligation as it comes due, and to maintain an optimum level of liquidity. These objectives are achieved by setting and implementing a liquidity risk management policy that designates an optimum liquidity reserve, measures and sets limits for liquidity risk, outlines scenario analyses and contingency plans, and designs a funding strategy as well as preserves access to the market.

The liquidity level of the Bank is measured through primary reserve and secondary reserve levels. The Bank maintains primary and secondary reserves to meet its daily operational funding requirements and to create a liquidity buffer to meet unexpected fund withdrawals as well as to provide funding for asset expansion.

Primary reserves, in respect of the Minimum Reserve Requirements (Giro Wajib Minimum, or GWM) are held at Bank Indonesia, and as cash in Bank's branches. In accordance with Bank Indonesia regulations, the Bank is required to maintain a daily GWM at a minimum of 11% of third party Rupiah funds (applicable to any bank with third party funds exceeding Rp50 trillion and a loan to deposit ratio between 50% and 60%) and at a minimum of 3% of third party foreign currency funds. As of December 31, 2006, Bank Mandiri maintained a GWM of 11.73% (Rupiah) and 3.01% (foreign currency).

Secondary reserves may be in the form of central bank certificates (*Sertifikat Bank Indonesia*, or SBI), Bank Indonesia deposits facility or FASBI, interbank placements and marketable securities (trading and available-for-sale portfolios). The Bank establishes internal limit for secondary reserves at a minimum of 5% of its third party funds. As of December 31, 2006, the Bank held Rp22.80 trillion in secondary reserves, or 11.23% of its Rp203.03 trillion in third party funds.

The Bank's potential liquidity risk is assessed and monitored through liquidity gap analysis, which is a projection of surplus or deficit built around the Bank's asset and liability maturity profile as well as any business expansion needs. Based on the Bank's 2007 plan (*Rencana Kerja dan Anggaran Perusahaan*, or RKAP), the Bank's liquidity is projected to be in a surplus position over the next 12 months.

Liquidity risk is monitored by setting limits on several liquidity risk indicators, known collectively as liquidity red flags. Liquidity red flags consist of primary reserves (GWM) limits, secondary reserves, loan to deposit ratio (LDR), deposits concentration, Maximum Cumulative Outflow (MCO) and overnight borrowing limits.

Bank's ability to handle of differing liquidity pressures is assessed by running a range of liquidity scenarios that covers both normal and unusual situations. These also include scenarios for extreme or crisis conditions (stress testing), which then generates contingency plans.

According to the contingency funding plan, Bank may source its funding needs through different funding channels available other than third party funding. These may include repurchase agreement, bilateral funding, collateralised facility agreement, foreign exchange swap, and selling marketable securities such as government bond. We might also utilize our leading position in the market to generate short-term funding without compromising any funding cost significantly.

55. RISK MANAGEMENT (continued)

Market and Liquidity Risk (continued)

b. Interest Rate Risk Management

Bank's assets and liabilities which are sensitive to interest rates dominated by government bonds, loans, and third party funding (demand deposits, savings deposits, and time deposits).

The Bank manages its interest rate risk through the use of repricing gap analysis and duration gap analysis. The Bank conduct simulation to assess the impact of interest rate changes on Bank's net interest income (NII Sensitivity) and equity (Economic Value of Equity, EVE). The sensitivity is assessed by assuming a gradual parallel shift (ramp) up and down in the term structure of interest rate. With 100 bps parallel increase in interest rates, over the next 12 months the Bank anticipates 1.32% change from the target Rupiah NII and 0.80% change from the target foreign currency NII, as well as 2.03% from its equity value (EVE). In addition to running a 100 bps sensitivity analysis, the Bank also uses statistical approach to assess the impact of interest rate volatility on earning (Earning at Risk, EaR) and equity (Capital at Risk, CaR). As of December 31, 2006, Bank's EaR and CaR were simulated at 0.75% and 1.81% of equity, respectively.

The Bank also regularly conducts sensitivity analyses on extreme scenarios (stress testing) to see the impact of significant changes in interest rate on the Bank's NII and equity value.

As an early warning indicator of interest rate risk, the Bank applies a set of monitoring tools called Interest Rate Risk Red Flags, which consist of Repricing Gap, NII Sensitivity and Economic Value of Equity Sensitivity, Earning at Risk and Capital at Risk.

The Bank monitors and manages its interest rate risk by establishing limits on interest rate risk indicators. Breach of the limits will be mitigated through assets-liabilities restructuring or hedging strategies. To certain degree, Bank uses derivative instruments to hedge its exposure to interest rate change, mostly in the form of interest rate swaps and forward rate agreements.

c. Pricing Management

Pricing Management is one of the strategy performed in order to support the Bank in taking control the market share revenue by maximizing Net Interest Margin (NIM) especially through third party fund and loans pricing.

In determining the third party fund pricing, the Bank considers internal and external factors. Internal factors such as: funding cost, structure and funding target. External factors such as: market liquidity, market interest rate and guarantee interest rate. By considering the internal and external factors, the Bank implemented the aggressive or defensive strategy.

To determine loans pricing, the Bank established the interest rate based on risk (risk based pricing). Loan interest rate structure consist of Cost of Funds, Overhead Cost, Cost of Allocated Capital and Risk Premium. The Bank established Required Yield which is the Bank's minimum rate of return.

55. RISK MANAGEMENT (continued)

Market and Liquidity Risk (continued)

d. Market Risk Management

In monitoring treasury trading activities, the Bank has established trading risk limits in the form of Value at Risk (VaR), dealer limits and dealer loss limit. As monitoring tools the bank generate Market Risk Profile, including Value at Risk report and position/exposure on all financial products traded by the Bank with market risk exposure. The VaR reports are intended to provide assessment on 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 abnormal market movements on a monthly basis. Every month Bank Mandiri has performed Back Testing to accurately assess the methodology and resulting VaR.

Financial products traded by the Bank were not limited to plain vanilla transactions, but already developed to derivative transactions and structured product, such as FX Digital Option and Range Accrual. To anticipate the development of product traded, the Bank is currently developing derivative system as one of the initiative target to be completed in the mid year 2007. The derivative system used Historical Simulation approach in measuring Value at Risk, whilst existing system used Variance Covariance approach, so that the risk measurement become more accurate.

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, 2006 was Rp294.16 billion, therefore the CAR which has considered market risk and credit risk is 24.62% (Note 50).

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.

e. Foreign Exchange Risk Management

The Bank's foreign exchange position is primarily US Dollar-denominated. Most of the assets are in the form of inter-bank placements, marketable securities and loans, whilst most of the liabilities are in the form of third party funds and borrowing. The Bank's operational net open position (NOP) in foreign currencies monitoring is centralized at Treasury unit, while its Market Risk unit monitors foreign exchange risk through an integrated system encompassing front office, back office and middle office.

The Bank's net open position in foreign currencies is managed with compliance to limits stipulated by Bank Indonesia and Risk and Capital Committee based on the Bank's risk appetite. Bank Indonesia requires the net open position in all foreign currencies be no more than 20% of the capital (core capital and supplementary capital). As of December 31, 2006, the Bank's NOP on-balance sheet was 11.69% of the capital and NOP aggregate was 4.55% from the capital (Note 51).

55. RISK MANAGEMENT (continued)

Operational Risk

Operational Risk Management (ORM) initiative's goals is to effectively implement Proactive Risk Management by focusing on the mitigation of prioritized risks derived from risk assessment result to prevent potential losses. Proactive risk management will enable the Bank to better achieve its targets and still take into account the prudential principles in the Bank's business activities. Since systematical operational risk management is a new discipline, the operational risk management in Bank Mandiri consists of three major components:

- Comprehensive understanding on the purpose of Operational Risk Management (ORM), especially risk awareness culture and full disclosure, as well as ORM information system implementation, and human resource training for ORM discipline competency.
- The Bank has written ORM policies and guidelines in accordance with the latest Bank Indonesia Regulation and Basel II Accord, and
- Accurate Operational Risk Profile in identifying significant risks supported by the use of ORM tools and information system implementation.

The Bank has applied the ORM process in several banking activities. To anticipate inherent risk of a new product or business activities, the Bank performs risk assessment process of New Products and Activities (PAB) as standard procedures. In developing a new product or service, the ORM unit is always involved to complete the identification and assessment process of operational risks from the related development.

Significant efforts in comprehensive operational risk identification and mitigation have been performed. The Bank has standard information system and procedures to record loss and systematically mitigate operational risk. The information system helps the Bank in minimizing the occurrence of same loss event as well as increasing the service quality to the customers. The Loss Event Database provides historical products and business units risk profile, thus it is also an important variable in performing internal capital adequacy calculation.

To further improve the Bank's operational risk management's capability to the international best practice, on June 27, 2006 the Bank entered into addendum agreement with ABN Amro Bank N.V for ORM Extension Mandate. Under the agreement, the Bank plans to increase the competency of the operational risk management unit and implement up-to-date ORM procedures in order to minimize operational loss, more efficient capital adequacy reserve calculation for operational risk as well as increasing the Bank's service image.

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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

   On July 21, 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 eMAS, 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, US$922,131.10 (full amount) on April 12, 2004 and US$40,000 (full amount) on July 4, 2005. Payment realized until December 31,2006 amounting US$65,537,944.45 (full amount) (after VAT) was recorded as construction in progress amounting to US$2,480,337.35 (full amount) and as fixed assets amounting to US$63,057,607.10 (full amount). The estimated percentage of completion of the contract as of December 31, 2006 is 96.22%.

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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

On June 18, 2004, the Bank entered into agreement to enhance the eMAS feature with Silverlake Corporation for a total contract value of 3,315 mandays (US$ 975/mandays before VAT 10%). The payments realization until December 31, 2006 amounting to US$3,544,612.50 (full amount) (after VAT 10%) was recorded as fixed assets amounting to US$3,544,612.50 (full amount). The project completion as of December 31, 2006 was 100%.

On August 1, 2006, the Bank entered into an agreement to enhance the eMAS feature with Silverlake Corporation for a total contract value of 3,705 mandays (US$720/mandays) before VAT 10%. The payments realization until December 31, 2006 amounting to US$930,893.04 (full amount) (after VAT 10%) was recorded as construction in progress amounting to US$930,893.04 (full amount). The estimated percentage of completion as of December 31, 2006 was 31.72%.

b. Agreement with PT Suprima Nusantara (SNP)

On December 16, 2004, Bank Mandiri has entered into an agreement with SNP which has then been amended with 2 (two) addendums. Based on the addendum agreement:

a. Bank Mandiri has an option to become a 20% shareholder 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 4 (four) years after the signing date of such agreement dated December 16, 2004 that is on December 16, 2008, whichever is earlier.
b. Bank Mandiri has an option for 51% SNP shares after execution of 20% shareholder option right until 16 December 2009.

The agreement was notarized under Deed No. 37 by N.M. Dipo Nusantara Pua Upa, S.H., dated December 16, 2004. Addendum 1 was reported to the notary, Harun Kamil, in Jakarta dated March 28, 2006 No. 001/WAR/N/III/06, whilst Addendum 2 was a letter of agreement between SNP and Bank Mandiri No. WADIRUT/576/2006 dated December 12, 2006.

c. Agreement on development of Operational Risk Management with ABN AMRO Bank N.V.

On February 25, 2005, Bank Mandiri and ABN AMRO Bank N.V. entered into an agreement to develop Operational Risk Management to assist the Bank in operational risk management implementation process and has been revised with an addendum. The agreement was meant as a means for transfer of knowledge to increase the Bank and the employees' capability in operational risk management, and to increase the capability to measure and calculate capital allocation in accordance with Basel II standard. Based on the agreement, ABN AMRO Bank N.V. will support the development of Bank Mandiri internal capability in operational risk management. The capability development will be conducted through nine action tracks in the form of transfer of knowledge and advisory. The agreement's value is USD 1,200,000 (full amount) and planned to be completed on June 30, 2007.

d. 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 and addendum No.CHC.LRC/PK.0044/2006 dated September 5, 2006).

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

e. On January 25, 2005, Bank Mandiri has entered into an agreement with PT SCS Astragraphia Technologies for the implementation of mySAP Human Resource Solution which then known as enterprise Human Capital Management System project (eHCMS). The contract is estimated to be completed in 2006 with contract value of US$1,441,001 (full amount). Up to March 2006, Personnel Management Module, Payroll, Compensation & Benefit, Time Management, Recruitment, and Organization Management had been implemented and on the next stages Travel Management, Training & Event Management, Employee Self Services and Business Warehouse had been implemented in December 2006.

f. 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. 5/5/DGS/DPwB2 dated August 29, 2003 regarding August 25, 2003 Meeting's Main Result
- No. 5/8/DGS/DPwB2 dated November 17, 2003 regarding Progress Report of the Follow Up of August 25, 2003 Meeting's Main Result

required Bank Mandiri to meet the following conditions before expanding its corporate credit portfolio:

a. Secondary reserve (liquid assets/total assets) $\geq$ 12%
b. Cost of funds to total assets ratio $\leq$ 7.5%
c. Core earning to total assets ratio $\geq$ 1.5%

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.

With regards to Bank Mandiri's corporate banking portfolio that 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.

Based on Bank Indonesia letter No.8/2/DpG/DPBI dated September 7, 2006, Bank Indonesia agreed on the Bank request to remove the corporate loan expansion requirement as stated in letter No.5/5/DGS/DPwB2 dated August 29, 2003 and No.5/8/DGS/DPwB2 dated November 17, 2003.

g. 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.

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Legal Matters (continued)

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.

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.

On June 7, 2006, the customer filed a law suit on the Bank as First Defendant and the Minister of Finance as Second Defendant at South Jakarta High Court. The law suit was decided by the judge of south Jakarta High Court on November 21, 2006 granting several customer claims. The Bank and Minister of Finance have filed an appeal on the verdict and currently is in the Jakarta High Court appeal examination process.

- 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, 2006.

The Bank's total potential exposure arising from outstanding lawsuits as of December 31, 2006 and 2005 amounts to Rp2,331,607 and Rp2,615,232, respectively. As of December 31, 2006 and 2005, Bank Mandiri has provided a provision (included in "Other Liabilities") for a number of lawsuits involving Bank Mandiri amounting to Rp316,277 and Rp471,706, respectively (Note 28). Management believes that the provision is adequate to cover possible losses arising from pending litigation, or litigation cases currently in progress.

57. ECONOMIC CONDITIONS

The Indonesian economy has shown improvement along with macro economic stability and sustainable finance in the second half of 2006. The 6.1% economic growth in the forth quarter was supported with high government expenditure and improvement in export activities. Macro stability was maintained with decrease in inflation and stability of Rupiah exchange rate around 9,000 – 9,200 per United States dollar. With this development and considering the economic monetary prospect, Bank Indonesia continued to decrease the BI rate to 9.75%.

The hope for further improvement in Indonesian economy is supported by the banking industry. In December 2006, loan disbursements have shown improvement with increasing bank loans growth along with decreasing non-performing loans (NPL).

Monetary policy in maintaining the price stability and the government efforts in increasing the infrastructure development, driving the real sector, and improving the investment environment, will continue to encourage economic improvement. This optimism is believed to be able to drive the economic growth and Indonesian banking performance in 2007.

The consolidated financial statements included the impact of economic condition to the extent they can be determined and estimated. The economic recovery to a healthy and stable condition depends largely on fiscal and monetary policies that the government of Republic of Indonesia continue to make an effort to, actions which are beyond the control of the Bank and subsidiaries. Therefore, it is not possible to determine the future impact of the economic condition on the liquidity and earnings of Bank Mandiri and subsidiaries and realization of assets, including influence from customers, creditors, shareholders, and other stakeholders. The effect of the uncertainty on the assets and liabilities reported in the current balance sheet cannot be estimated. The effect will be reported in the consolidated financial statements when it can be identified and estimated.

58. 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 43).

58. 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 inter-bank 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.

Based on the Lembaga Penjaminan Simpanan Regulation No. 1/PLPS/2006 dated March 9, 2006 regarding the Deposit Guarantee Program, the amounts guaranteed for each of the customer in one bank are as follows:

a. Maximum of Rp5 billion, effective March 22, 2006 until September 21, 2006
b. Maximum of Rp1 billion, effective September 22, 2006 until March 21, 2007
c. Maximum of Rp100 million, effective March 22, 2007.

59. 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.

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

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”. In accordance with IAS No. 37 - “Estimated Liabilities, Contingent Liabilities and Contingent Assets” the allowances for possible losses on commitments and contingencies is recognized only (a) The company has current liabilities (both legally and constructively) resulting from past event; (b) it is probable the settlement of the liabilities resulting in the resources outflow; and (c) reliable estimate can be made on the amount of the liabilities.

c. 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.

d. 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”, company could choose cost method or revaluation method as the accounting policy for fixed assets and has to implement the policy to all fixed assets. In the cost method, after recognition of assets, an assets is carried at its cost less any accumulated depreciation and accumulated impairment, if any. In the revaluation method, after recognition of assets, a fixed assets that has a reliable fair value could be reported at the revalued amount, that is the fair value on the revaluation date less any accumulated depreciation and accumulated impairment, if any. The revaluation should be sufficient regularity to ensure book value does not materially different with the fair value on the balance sheet date.

For IFRS, the Bank has chosen to adopt cost method on all fixed assets, and therefore, presented the fixed assets at cost less any accumulated depreciation, and did not include the revaluation value, because of IAS No. 16 requirement for sufficient regularity on fixed assets revaluation.

(Expressed in millions of Rupiah, unless otherwise stated)

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

e. Land Rights

Under Indonesian GAAP, the costs of acquired land-rights (including incidental costs) are capitalized. It also provides that the main acquisition costs of land-rights are generally not subject to amortization. However, the incidental costs incurred in connection with the acquisition of the land-rights or renewal or extension of the legal titles should be deferred and presented separately from the main acquisition costs, and amortized over the period of the land-use rights or the land-rights estimated useful lives, whichever is shorter.

Under IFRS, if the title of land is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be classified as an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortized over the lease term in accordance with the pattern of benefits provided.

In 2006 for IFRS, the Bank elected to revise prior accounting policy on land rights to the method in accordance with IAS 17 "Lease". The financial statements for the year ended December 31, 2005 were not adjusted due to materiality.

f. 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.

60. RECONCILIATION OF NET INCOME AND SHAREHOLDERS' EQUITY TO THE AMOUNTS DETERMINED UNDER IFRS

The following is a summary of the adjustments to consolidated shareholders' equity as of December 31, 2006 and 2005 and consolidated net income 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, 2006	Dec 31, 2005
Shareholders' equity as reported in the consolidated financial statements prepared under Indonesian GAAP	**26,340,670**	**23,214,398**
IFRS adjustments - increase/(decrease) due to:		
Allowance for possible losses on earning assets	427,432	(1,170,791)
Allowance for possible losses on commitments and contingencies	382,076	338,407
Accretion of deferred income arising from the purchase of loans from IBRA	60,554	56,097
De-recognition of revaluation of premises and equipment	(2,716,844)	(2,747,181)
Amortization of land rights	(136,937)	-
Deferred income taxes	554,035	1,057,040
Net decrease in reported shareholders' equity	(1,429,684)	(2,466,428)
Shareholders' equity in accordance with IFRS	**24,910,986**	**20,747,970**

(Expressed in millions of Rupiah, unless otherwise stated)

60. RECONCILIATION OF NET INCOME AND SHAREHOLDERS' EQUITY TO THE AMOUNTS DETERMINED UNDER IFRS (continued)

	For the year ended Dec 31, 2006	For the year ended Dec 31, 2005
Net profit as reported in the consolidated financial statements prepared under Indonesian GAAP	**2,421,405**	**603,369**
IFRS adjustments - increase/(decrease) due to:		
Allowance for possible losses on earning assets	1,598,223	(2,680,552)
Allowance for possible losses on commitments and contingencies	43,669	(222,875)
Accretion of deferred income arising from the purchase of loans from IBRA	4,457	9,046
De-recognition of revaluation of premises and equipment	30,337	25,428
Amortization of land rights	(136,937)	-
Deferred income taxes	(503,006)	860,686
Net increase/(decrease) in reported net profit	1,036,743	(2,008,267)
Net (loss)/profit in accordance with IFRS	**3,458,148**	**(1,404,898)**
Net (loss)/earnings per share		
Basic (full amount)	170.06	(69.61)
Diluted (full amount)	168.28	(69.12)

61. 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 2, 2007.

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
INDEX TO ADDITIONAL INFORMATION
December 31, 2006
With Comparative Figures For 2005

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
ASSETS		
Cash	3,828,154	2,428,499
Current Accounts with Bank Indonesia	21,119,659	19,988,680
Current Accounts with Other Banks - net of allowance for possible losses of Rp11,146 and Rp6,790 as of December 31, 2006 and 2005, respectively	478,291	626,384
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp96,559 and Rp154,108 as of December 31, 2006 and 2005, respectively	9,291,949	23,365,073
Securities		
Related parties	718,946	485,983
Third parties	16,462,590	8,385,932
	17,181,536	8,871,915
Less: Unamortized discounts, unrealized (losses)/gains from decrease/increase in value of securities and allowance for possible losses	(1,128,076)	(1,305,496)
	16,053,460	7,566,419
Government Recapitalization Bonds	90,636,049	91,884,307
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp812,112 and Rp1,101,415 as of December 31, 2006 and 2005, respectively	1,944,675	2,724,729
Securities Purchased with Agreements to Resell - net of allowance for possible losses of Rp8,600 and RpNil as of December 31, 2006 and 2005, respectively	441,512	-
Derivative Receivables - net of allowance for possible losses of Rp4,260 and Rp3,443 as of December 31, 2006 and 2005, respectively	405,973	314,298
Loans		
Related parties	648,335	1,128,972
Third parties	108,817,768	99,196,779
	109,466,103	100,325,751
Less: Deferred income	(86,380)	(159,858)
	109,379,723	100,165,893
Less: Allowance for possible losses	(14,084,689)	(11,649,804)
Loans - Net	95,295,034	88,516,089
Acceptances Receivable - net of allowance for possible losses of Rp155,223 and Rp429,092 as of December 31, 2006 and 2005, respectively	3,450,924	3,886,864
Investments in Shares of Stock - net of allowance for possible losses of Rp73,625 and Rp73,298 as of December 31, 2006 and 2005, respectively	2,209,393	2,045,808

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
ASSETS (continued)		
Premises and Equipment - net of accumulated depreciation and amortization of Rp3,116,028 and Rp2,602,712 as of December 31, 2006 and 2005, respectively	4,541,005	5,129,702
Deferred Tax Assets – net	3,280,444	2,216,075
Other Assets - net of allowance for possible losses of Rp994,703 and Rp427,225 as of December 31, 2006 and 2005, respectively	3,234,695	3,605,816
TOTAL ASSETS	**256,211,217**	**254,298,743**

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities Immediately Payable	571,484	548,340
Deposits from Customers		
Demand deposits		
Related parties	376,148	322,613
Third parties	46,420,248	44,693,519
	46,796,396	45,016,132
Savings deposits		
Related parties	44,131	19,504
Third parties	57,569,471	45,145,198
	57,613,602	45,164,702
Time deposits		
Related parties	1,019,937	1,275,705
Third parties	92,008,326	107,580,558
	93,028,263	108,856,263
Total Deposits from Customers	197,438,261	199,037,097
Deposits from Other Banks		
Demand and Saving deposits	1,340,674	426,513
Inter-bank call money	1,899,681	838,019
Time deposits	4,251,380	4,900,078
Total Deposits from Other Banks	7,491,735	6,164,610
Securities Sold with Agreements to Repurchase	1,603,053	1,910,277
Derivative Payables	100,246	188,883
Acceptances Payable	3,606,147	4,315,956
Securities Issued - net of unamortized discount of Rp3,660 and Rp2,754 as of December 31, 2006 and 2005, respectively	3,594,560	3,809,222
Fund Borrowings	3,361,447	3,974,631
Estimated Losses on Commitments and Contingencies	512,189	558,766
Accrued Expenses	516,201	676,241
Taxes Payable	1,557,001	251,371
Other Liabilities	5,392,863	5,278,685
Subordinated Loans	4,125,360	4,370,266
TOTAL LIABILITIES	**229,870,547**	**231,084,345**

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
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 20,631,217,467 common shares Series B as of December 31, 2006 (1 share Dwiwarna Series A and 20,255,717,364 common shares Series B as of December 31, 2005)	10,315,609	10,127,859
Additional Paid-in Capital/Agio	6,433,948	6,006,255
Differences Arising from Translation of Foreign Currency Financial Statements	86,867	108,923
Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Recapitalization Bonds - net of deferred tax	229,572	(241,961)
Premises and Equipment Revaluation Increment	3,046,936	3,046,936
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	9,318	(14,063)
Share Options	105,330	175,012
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)		
Appropriated	2,575,369	2,560,285
Unappropriated	3,537,721	1,445,152
Total Retained Earnings	6,113,090	4,005,437
TOTAL SHAREHOLDERS' EQUITY	**26,340,670**	**23,214,398**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**256,211,217**	**254,298,743**

APPENDIX 2

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF PROFIT AND LOSS - PARENT COMPANY ONLY
Year Ended December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
INCOME AND EXPENSES FROM OPERATIONS		
Interest Income		
Interest income	24,495,146	19,281,769
Fees and commissions on loan facilities	593,407	602,290
Total Interest Income	25,088,553	19,884,059
Interest Expense		
Interest expense	(15,214,295)	(11,257,166)
Other financing expenses	(139,119)	(296,821)
Total Interest Expense	(15,353,414)	(11,553,987)
NET INTEREST INCOME	**9,735,139**	**8,330,072**
Other Operating Income		
Other fees and commissions	1,546,280	1,441,757
Foreign exchange gains – net	378,147	61,918
Others	511,661	628,967
Total Other Operating Income	2,436,088	2,132,642
Provision for Possible Losses on Earning Assets	(3,535,647)	(4,337,583)
Reversal of Estimated Losses on Commitments and Contingencies	20,203	30,850
Reversal of Allowance for Possible Losses - Others	128,945	1,056,645
Gains/(Losses) from Increase/(decrease) in Value of Securities and Government Recapitalization Bonds	89,995	(66,214)
Gains from Sale of Securities and Government Recapitalization Bonds	105,031	242,916
Other Operating Expenses		
General and administrative expenses	(2,948,611)	(2,800,771)
Salaries and employee benefits	(2,739,083)	(2,914,602)
Others - net	(555,760)	(564,893)
Total Other Operating Expenses	(6,243,454)	(6,280,266)
PROFIT FROM OPERATIONS	**2,736,300**	**1,109,062**
Non-operating Income - Net	28,200	33,774
PROFIT BEFORE TAX	**2,764,500**	**1,142,836**
Tax Benefit (Expense)		
Current	(1,609,549)	(403,244)
Deferred	1,266,454	(136,223)
	(343,095)	(539,467)
NET PROFIT	**2,421,405**	**603,369**
EARNINGS PER SHARE		
Basic (full amount)	**119.08**	**29.90**
Diluted (full amount)	**117.83**	**29.68**

APPENDIX 3

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY
Year Ended December 31, 2006
With Comparative Figures For 2005
(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 *)			Total Shareholders' Equity
								Appropriated	Unappropriated	Total	
Balance as of December 31, 2004	**10,066,427**	**5,967,897**	**72,554**	**(404,001)**	**3,046,936**	**9,788**	**13,831**	**747,000**	**5,414,275**	**6,161,275**	**24,934,707**
Execution of shares options from Management Stock Option Plan (MSOP)	61,432	38,358	-	-	-	-	(8,565)	-	-	-	91,225
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 Commissioners Tantiem from 2004 net profit	-	-	-	-	-	-	-	-	(26,278)	(26,278)	(26,278)
Differences Arising from Translation of Foreign Currency Financial Statements	-	-	36,369	-	-	-	-	-	-	-	36,369
Unrealized gains from the increase in value on available for sale securities and government recapitalization bonds – net of deferred tax	-	-	-	162,040	-	-	-	-	-	-	162,040
Recognition of shares options from Management Stock Option Plan (MSOP)	-	-	-	-	-	-	169,746	-	-	-	169,746
Differrence Arising from Transactions Resulting In Changes in the Equity of subsidiaries	-	-	-	-	-	(23,851)	-	-	-	-	(23,851)
Net income for the year ended 31 December, 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**	**(14,063)**	**175,012**	**2,560,285**	**1,445,152**	**4,005,437**	**23,214,398**

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

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
Year Ended December 31, 2006
With Comparative Figures For 2005
(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 *)			Total Shareholders' Equity
								Appropriated	Unappropriated	Total	
Balance as of December 31, 2005	**10,127,859**	**6,006,255**	**108,923**	**(241,961)**	**3,046,936**	**(14,063)**	**175,012**	**2,560,285**	**1,445,152**	**4,005,437**	**23,214,398**
General and specific reserve allocated from 2005 net profit	-	-	-	-	-	-	-	15,084	(15,084)	-	-
Dividends allocated from 2005 net profit	-	-	-	-	-	-	-	-	(301,685)	(301,685)	(301,685)
Cooperative development fund program and community development reserve allocated from 2005 net profit	-	-	-	-	-	-	-	-	(12,067)	(12,067)	(12,067)
Execution of shares options from Management Stock Option Plan (MSOP)	187,750	427,693	-	-	-	-	(200,352)	-	-	-	415,091
Differences arising from translation of foreign currency financial statements	-	-	(22,056)	-	-		-	-	-	-	(22,056)
Unrealized gains from the increase in value on available-for-sale securities and government recapitalization bonds – net of deferred tax	-	-	-	471,533	-	-	-	-	-	-	471,533
Differrences arising from transaction resulting in changes in the equity of subsidiaries	-	-	-	-	-	23,381	-	-	-	-	23,381
Recognition of share options from Management Stock Option Plan	-	-	-	-	-	-	130,670	-	-	-	130,670
Net income for the year ended December 31, 2006	-	-	-	-	-	-	-	-	2,421,405	2,421,405	2,421,405
Balance as of December 31, 2006	**10,315,609**	**6,433,948**	**86,867**	**229,572**	**3,046,936**	**9,318**	**105,330**	**2,575,369**	**3,537,721**	**6,113,090**	26,340,670

*) 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
Year Ended December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Receipts from interest income	24,615,371	18,449,440
Receipts from fees and commissions	2,139,687	2,044,047
Payments of interest expense	(15,374,335)	(11,262,867)
Payments of other financing expenses	(139,119)	(296,821)
Receipts from the sale of securities and Government recapitalization bonds	3,253,360	7,798,577
Acquisition of Government recapitalization bonds – trading portfolio	(1,845,117)	(8,173,726)
Foreign exchange gains/(losses) - net	559,203	(932,967)
Operating income - others	641,454	603,094
Operating expenses - others	(555,758)	(564,895)
Salaries and employee benefits	(2,566,586)	(2,380,049)
General and administrative expenses	(2,384,911)	(2,284,160)
Non-operating income/(expenses) - others	155,117	(117,879)
Profit before changes in operating assets and liabilities	8,498,366	2,881,794
(Increase)/decrease in operating assets:		
Placements with Bank Indonesia and other banks	14,130,673	(9,718,014)
Securities and Government Recapitalization Bonds - trading portfolio	(294,163)	22,632
Other receivables - trade transactions	1,069,357	(1,035,095)
Loans	(13,914,012)	(11,468,977)
Proceeds from collection of earning assets already written-off	1,074,335	823,067
Other assets	483,996	4,399,773
Increase/(decrease) in operating liabilities:		
Demand deposits	3,891,292	3,741,010
Saving deposits	12,448,900	(6,832,423)
Time deposits	(15,322,896)	26,489,678
Inter-bank call money	1,061,662	(1,126,341)
Liabilities immediately payable	23,144	31,632
Taxes payable	(303,918)	(590,029)
Other liabilities	(33,971)	717,514
Estimated losses on commitments and contingencies	-	288
Net cash provided by operating activities	**12,812,765**	**8,336,509**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in securities - available for sale and held-to-maturity portfolio	(7,325,280)	3,113,790
(Increase)/decrease in Government Recapitalization Bonds - available for sale and held-to-maturity portfolio	(401,841)	2,107,132
Redemption of matured Government Recapitalization Bonds	-	2,865,356
Replacement of Government Recapitalization Bonds	-	(2,865,356)
Proceeds from sale of premises and equipment	64,189	19,492
Acquisition of premises and equipment	(226,060)	(358,223)
Increase in investment in shares of stock	(140,531)	-
Increase/(decrease) in securities purchased with agreement to resell	(450,112)	480,000
Net cash provided by/(used in) investing activities	**(8,479,635)**	**5,362,191**

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY (continued)
Year Ended December 31, 2006
With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in securities issued	(214,662)	(6,032)
Decrease in fund borrowings	(1,280,778)	(3,103,821)
Decrease in subordinated loans	(244,906)	(2,413,940)
Decrease in securities sold with agreements to repurchase	(307,224)	(1,001,345)
Dividends payment	(313,752)	(2,759,207)
Execution of shares option	415,090	91,225
Net cash used in financing activities	**(1,946,232)**	**(9,193,120)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,386,898**	**4,505,580**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,050,352	18,544,773
CASH AND CASH EQUIVALENTS AT END OF YEAR	**25,437,250**	**23,050,353**
Cash and cash equivalents at end of year consist of:		
Cash	3,828,154	2,428,499
Current accounts with Bank Indonesia	21,119,659	19,988,680
Current accounts with other banks	489,437	633,174
Total Cash and Cash Equivalents	**25,437,250**	**23,050,353**

SUPPLEMENTAL NON-CASH FLOW INFORMATION

	2006	2005
Activities not affecting cash flows:		
Unrealized gains on securities and government recapitalization bonds available for sale	471,533	162,040
Unreliazed (losses)/gains on securities and Government recapitalization bonds trading	89,995	(66,214)
Recognition of shares options from Management Stock Option Plan (MSOP)	(130,670)	(169,746)

PT BANK MANDIRI (PERSERO) TBK. - PARENT COMPANY
QUALITY OF EARNING ASSETS *)
As of December 31, 2006 With Comparative Figures For 2005
(Expressed in millions of Rupiah, unless otherwise stated)

No	ASSETS	BANK											
		December 31, 2006 (Audited)						December 31, 2005 (Audited)					
		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	126,042	-	-	-	-	126,042	206,761	-	-	-	-	206,761
2	Securities **)	91,313,857	-	-	-	10,163	91,324,020	92,320,016	-	-	-	-	92,320,016
3	Loan to related parties	447,436	-	-	-	200,899	648,335	913,194	31	6,000	-	209,747	1,128,972
	a. Small scale business credit (KUK)	-	-	-	-	-	-	-	-	-	-	-	-
	b. Property Loans	736	-	-	-	-	736	11,014	-	-	-	-	11,014
	i. Restructured	-	-	-	-	-	-	10,500	-	-	-	-	10,500
	ii. Unrestructured	736	-	-	-	-	736	514	-	-	-	-	514
	c. Other restructured loans	-	-	-	-	-	-	110,992	-	-	-	-	110,992
	d. Others	446,700	-	-	-	200,899	647,599	791,188	31	6,000	-	209,747	1,006,966
4	Investment in shares of stock to related parties	2,210,393	-	-	-	-	2,210,393	2,046,481	-	-	-	-	2,046,481
	a. In bank financial institutions	1,248,906	-	-	-	-	1,248,906	1,167,731	-	-	-	-	1,167,731
	b. In non bank financial institutions	799,839	-	-	-	-	799,839	728,581	-	-	-	-	728,581
	c. Due to loan restructuring	-	-	-	-	-	-	-	-	-	-	-	-
	d. Others	161,648	-	-	-	-	161,648	150,169	-	-	-	-	150,169
5	Other receivables to related parties	57,400	-	247	-	-	57,647	54,531	552	-	-	-	55,083
6	Commitments and contingencies to related parties	4,623	-	-	-	-	4,623	18,172	-	-	-	-	18,172
B	**NON EARNING ASSETS**												
1	Abandoned properties	-	-	-	-	-	-	-	-	-	-	-	-
2	Repossessed Assets	-	-	-	-	-	-	-	-	-	-	-	-
3	Interbranch and suspense account	-	-	-	-	-	-	-	-	-	-	-	-
II	**Third Parties**												
A	**EARNING ASSETS**												
1	Placement with other banks	9,751,903	-	-	-	-	9,751,903	23,945,594	-	-	-	-	23,945,594
2	Securities (issued by Bank Indonesia and third parties)	15,452,971	-	-	-	1,053,469	16,506,440	7,040,858	-	205,272	-	1,089,746	8,335,876
3	Loan to third parties	73,288,577	16,966,301	1,991,380	523,607	15,961,523	108,731,388	59,733,197	12,892,862	5,602,749	5,299,083	15,509,030	99,036,921
	a. Small scale business credit (KUK)	3,274,521	757,820	35,438	72,519	396,755	4,537,053	3,751,797	581,821	91,285	79,328	361,136	4,865,367
	b. Property Loans	6,826,187	2,452,173	116,167	81,185	1,238,788	10,714,500	1,958,965	959,964	1,025,980	197,637	315,613	4,458,159
	i. Restructured	4,533	855,600	56,081	5,450	171,386	1,093,050	81,369	240,125	76,413	189,258	-	587,165
	ii. Unrestructured	6,821,654	1,596,573	60,086	75,735	1,067,402	9,621,450	1,877,596	719,839	949,567	8,379	315,613	3,870,994
	c. Other restructured loans	5,525,657	6,614,874	1,500,232	60,700	5,566,706	19,268,169	5,542,379	3,487,042	1,300,257	2,276,535	5,485,675	18,091,888
	d. Others	57,662,212	7,141,434	339,543	309,203	8,759,274	74,211,666	48,480,056	7,864,035	3,185,227	2,745,583	9,346,606	71,621,507
4	Investment in shares of stock of third parties	-	-	-	-	72,625	72,625	-	-	-	-	72,625	72,625
	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	-	-	-	-	-	-	-	-	-	-	-	-
5	Other receivables from third parties	5,302,328	1,058,062	-	1,010	804,232	7,165,632	4,617,799	1,563,224	803,685	260,224	1,159,826	8,404,758
6	Commitments and contingencies to third parties	14,135,867	469,119	911	12,425	107,582	14,725,904	13,939,899	831,260	329,674	68,243	180,790	15,349,866
B	**NON EARNING ASSETS**												
1	Abandoned properties	416,167	-	-	-	-	416,167	-	-	-	-	-	238,236
2	Repossessed Assets	158,922	-	-	-	-	158,922	-	-	-	-	-	158,922
3	Interbranch and suspense account	811,418	-	-	-	778,967	1,590,385	-	-	-	-	-	1,205,839
	TOTAL	213,477,904	18,493,482	1,992,538	537,042	18,989,460	253,490,426	204,836,502	15,287,929	6,947,380	5,627,550	18,221,764	252,524,122
	Minimum requiredallowance for possible losses on earning assets ***)	1,084,717	1,341,922	500,255	208,977	12,536,244	15,672,115	986,557	718,556	953,740	1,899,210	10,185,262	14,743,325
	Required allowance for possible losses on non earning assets	-	-	-	-	778,967	778,967	-	-	-	-	-	-
	Total required allowance for possible losses on assets	1,084,717	1,341,922	500,255	208,977	13,315,211	16,451,082	986,557	718,556	953,740	1,899,210	10,185,262	14,743,325
	Established allowance for possible losses on earning assets	1,391,988	1,341,922	500,255	208,977	13,456,212	16,899,354	1,158,188	718,556	953,740	1,899,210	10,452,189	15,181,883
	Established allowance for possible losses on non earning assets	-	-	-	-	994,703	994,703	-	-	-	-	-	2,030,018
	Total established allowance for possible losses on assets	1,391,988	1,341,922	500,255	208,977	14,450,915	17,894,057	1,158,188	718,556	953,740	1,899,210	10,452,189	17,211,901

*) This information has been based on:
a) Bank Indonesia Regulation No. 7/50/PBI/2005 dated November 29, 2005 regarding Transparency of Bank's Financial Condition
b) Bank Indonesia's Circular Letter No. 7/10/DPNP dated March 31, 2005 regarding amendment to Bank Indonesia's Circular Letter No. 3/30/DNP 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 Bank 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 government recapitalization bond.