# Consolidated Financial Statements
# With Independent Auditors' Report
# Years Ended December 31, 2007 and 2006

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

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS**
**WITH INDEPENDENT AUDITORS' REPORT**
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

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ERNST & YOUNG

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**Independent Auditors' Report**

Report No. RPC-8283

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

We have audited the consolidated balance sheets of PT Bank Mandiri (Persero) Tbk. (herein referred to as "Bank Mandiri") and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then 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 audits. We did not audit the financial statements of certain subsidiaries of Bank Mandiri as of and for the years ended December 31, 2007 and 2006, whose statements represent total assets of 4.07% and 3.49% of the consolidated total assets as of December 31, 2007 and 2006, respectively and total operational revenues of 4.25% and 3.10% of the consolidated operational revenue for the years then ended. Those statements were audited by other independent auditors whose reports expressed an 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 audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank Mandiri and Subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

As discussed in Note 59 to the consolidated financial statements, accounting principles generally accepted in Indonesia vary in certain significant respect from International Financial Reporting Standards or International Accounting Standards. The application of International Financial Reporting Standards or International Accounting Standards and Bank Indonesia Regulation in respect of minimum provision for unimpaired loans would have affected the consolidated shareholders' equity of Bank Mandiri and Subsidiaries as of December 31, 2007 and 2006 and the consolidated results of their operations for the years then ended to the extent summarized in Note 60 to the consolidated financial statements.

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Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary additional information is presented for the purpose of additional analyses, and is not a required part of the basic consolidated financial statements in accordance with generally accepted accounting principles in Indonesia. Such information has been subjected to auditing procedures applied in our audits of the basic consolidated financial statements, and in our opinion, based on our audits, 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 License No. 98.1.0064

March 4, 2008

# PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
## December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | 2e | 5,909,369 | 3,965,717 |
| Current Accounts with Bank Indonesia | 2e,3 | 28,161,059 | 21,579,158 |
| Current Accounts with Other Banks - net of allowance for possible losses of Rp14,387 and Rp11,149 as of December 31, 2007 and 2006 | 2d,2e,2o,4,36,47a | 1,387,595 | 537,234 |
| Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp59,200 and Rp97,981 as of December 31, 2007 and 2006 | 2f,2o,5,36 | 16,833,324 | 9,435,541 |
| Securities | 2d,2g,2o,2ac,2ad,6,36,47a | | |
| Related parties | | 28,241 | 70,960 |
| Third parties | | 28,331,785 | 18,627,220 |
| | | 28,360,026 | 18,698,180 |
| Less: Unamortized discounts, unrealized (losses)/gains from (decrease)/increase in value of securities and allowance for possible losses | | (1,043,473) | (1,151,068) |
| | | 27,316,553 | 17,547,112 |
| Government Bonds | 2d,2h,2o,2ac,2ad,7,47b | 89,466,317 | 91,461,870 |
| Other Receivables - Trade Transactions - net of allowance for possible losses of Rp839,732 and Rp812,247 as of December 31, 2007 and 2006 | 2d,2i,2o,8,36,47a | 2,028,542 | 1,958,039 |
| Securities Purchased with Agreements to Resell - net of allowance for possible losses of Rp33,600 and Rp8,600 as of December 31, 2007 and 2006 | 2j,2o,9,36 | 3,290,853 | 833,388 |
| Derivative Receivables - net of allowance for possible losses of Rp3,800 and Rp4,260 as of December 31, 2007 and 2006 | 2k,2o,2ad,10,36 | 336,651 | 410,727 |
| Loans | 2d,2l,2o,11,36,47a,54 | | |
| Related parties | | 783,078 | 750,672 |
| Third parties | | 137,770,474 | 117,006,650 |
| Total loans | | 138,553,552 | 117,757,322 |
| Less: Deferred income | | (23,472) | (86,380) |
| Total loans after deferred income | | 138,530,080 | 117,670,942 |
| Less: Allowance for possible losses | | (13,041,696) | (14,388,695) |
| Loans - net | | 125,488,384 | 103,282,247 |
| Acceptances Receivable - net of allowance for possible losses of Rp69,754 and Rp155,223 as of December 31, 2007 and 2006 | 2d,2m,2o,12,36,47a | 4,953,481 | 3,453,170 |
| Investments in Shares of Stock - net of allowance for possible losses of Rp73,943 and Rp73,625 as of December 31, 2007 and 2006 | 2n,2o,13,36 | 124,905 | 84,870 |

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS (continued)**
**December 31, 2007 and 2006**
**(Expressed in millions of Rupiah, unless otherwise stated)**

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **ASSETS (continued)** | | | |
| Premises and Equipment - net of accumulated depreciation and amortization of Rp3,971,067 and Rp3,392,670 as of December 31, 2007 and 2006 | 2p,2ad,14,40 | 4,531,577 | 4,709,243 |
| Deferred Tax Assets - net | 2u,27e | 4,096,447 | 3,295,451 |
| Other Assets - net of allowance for possible losses of Rp612,638 and Rp994,703 as of December 31, 2007 and 2006 | 2q,15 | 5,160,533 | 4,963,425 |
| **TOTAL ASSETS** | | **319,085,590** | **267,517,192** |

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS (continued)**
**December 31, 2007 and 2006**
**(Expressed in millions of Rupiah, unless otherwise stated)**

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Liabilities Immediately Payable | | 852,777 | 671,339 |
| Deposits from Customers | | | |
| Demand deposits | 2d,2r,16,47a | | |
| Related parties | | 130,522 | 333,512 |
| Third parties | | 66,880,429 | 48,479,241 |
| | | 67,010,951 | 48,812,753 |
| Savings deposits | 2d,2r,17,47a | | |
| Related parties | | 42,844 | 46,355 |
| Third parties | | 85,315,970 | 60,257,206 |
| | | 85,358,814 | 60,303,561 |
| Time deposits | 2d,2r,18,47a | | |
| Related parties | | 181,309 | 877,911 |
| Third parties | | 94,803,949 | 95,713,323 |
| | | 94,985,258 | 96,591,234 |
| Total Deposits from Customers | | 247,355,023 | 205,707,548 |
| Deposits from Other Banks | | | |
| Demand and savings deposits | 2d,2s,19,47a | 1,637,065 | 1,286,609 |
| Inter-bank call money | 2s,20 | 827,617 | 1,899,681 |
| Time deposits | 2s,21 | 2,945,659 | 5,003,010 |
| Total Deposits from Other Banks | | 5,410,341 | 8,189,300 |
| Securities Sold with Agreements to Repurchase | 2j,22 | 2,914,343 | 1,859,780 |
| Derivative Payables | 2k,10 | 34,348 | 100,823 |
| Acceptances Payable | 2d,2m,23,47a | 5,023,235 | 3,608,393 |
| Securities Issued - net of unamortized discount of Rp903 and Rp3,660 as of December 31, 2007 and 2006 | 2t,24 | 4,050,564 | 3,793,883 |
| Fund Borrowings | 2d,25,47a | 9,345,061 | 3,424,892 |
| Estimated Losses on Commitments and Contingencies | 2o,26,45 | 469,508 | 514,399 |
| Accrued Expenses | | 540,608 | 590,533 |
| Taxes Payable | 2u,27a | 1,280,398 | 1,582,800 |
| Other Liabilities | 2x,28 | 9,624,031 | 6,970,296 |
| Subordinated Loans | 29 | 2,935,275 | 4,157,360 |
| **TOTAL LIABILITIES** | | **289,835,512** | **241,171,346** |

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

## PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS (continued)
## December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY (continued)** | | | |
| Minority Interests in Net Assets of Consolidated Subsidiaries | 30 | 6,346 | 5,176 |
| **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 20,749,551,741 common shares Series B as of December 31, 2007 (1 share Dwiwarna Series A and 20,631,217,466 common shares Series B as of December 31, 2006) | 31a | 10,374,776 | 10,315,609 |
| Funds for Paid-up Capital | 1a | 127,593 | - |
| Additional Paid-in Capital/Agio | 31b | 6,570,959 | 6,433,948 |
| Differences Arising from Translation of Foreign Currency Financial Statements | 2c | 113,447 | 86,867 |
| Unrealized Gains/(Losses) on Availables-for-Sale Securities and Government Bonds - net of deferred tax | 2g,2h | (3,568) | 229,572 |
| 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 | 1,432 | 9,318 |
| Share Options | 2y,32 | 107,320 | 105,330 |
| Retained Earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio in connection with the quasi-reorganization as of April 30, 2003) | | | |
| Appropriated | 31d | 2,611,690 | 2,575,369 |
| Unappropriated | 31d | 6,293,147 | 3,537,721 |
| Total Retained Earnings | | 8,904,837 | 6,113,090 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **29,243,732** | **26,340,670** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **319,085,590** | **267,517,192** |

# PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **INCOME AND EXPENSES FROM OPERATIONS** | | | |
| Interest Income | | | |
| Interest income | 2l,2v,33 | 23,232,749 | 25,657,397 |
| Fees and commissions on loan facilities | 2w,33 | 695,800 | 603,709 |
| Total Interest Income | | 23,928,549 | 26,261,106 |
| Interest Expense | | | |
| Interest expense | 2v,34 | (11,000,194) | (15,776,751) |
| Other financing expenses | | (142,434) | (139,119) |
| Total Interest Expense | | (11,142,628) | (15,915,870) |
| **NET INTEREST INCOME** | | **12,785,921** | **10,345,236** |
| Other Operating Income | | | |
| Other fees and commissions | 2w | 2,447,476 | 1,755,027 |
| Foreign exchange gains - net | 2c | 311,461 | 379,727 |
| Others | 35 | 401,269 | 351,345 |
| Total Other Operating Income | | 3,160,206 | 2,486,099 |
| Provision for Possible Losses on Earning Assets | 2o,36 | (2,113,994) | (3,671,788) |
| Reversal of Estimated Losses on Commitments and Contingencies | 2o,26c | 61,409 | 37,670 |
| Reversal of Allowance for Possible Losses - Others | 15,28,37 | 313,015 | 128,945 |
| Gains/(Losses) from Increase/(Decrease) in Value of Securities and Government Bonds | 2g,2h,38 | (14,061) | 109,381 |
| Gains from Sale of Securities and Government Bonds | 2g,2h,39 | 228,498 | 137,542 |
| Other Operating Expenses | | | |
| Salaries and employee benefits | 2d,2x,2y,32,41,42,47 | (4,082,223) | (3,017,502) |
| General and administrative expenses | 2p,40 | (3,409,260) | (3,250,893) |
| Others - net | 43 | (716,594) | (593,580) |
| Total Other Operating Expenses | | (8,208,077) | (6,861,975) |
| **INCOME FROM OPERATIONS** | | **6,212,917** | **2,711,110** |
| Non-operating Income - net | 44 | 120,466 | 120,086 |
| **INCOME BEFORE TAX BENEFIT/ (EXPENSE) AND MINORITY INTERESTS** | | **6,333,383** | **2,831,196** |
| Tax Benefit/(Expense) | | | |
| Current | 2u,27b,27c | (2,686,154) | (1,675,010) |
| Deferred | 2u,27b,27d | 700,262 | 1,266,286 |
| Tax Expense, Net | | (1,985,892) | (408,724) |
| **INCOME BEFORE MINORITY INTERESTS** | | **4,347,491** | **2,422,472** |
| **MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES** | | **(1,267)** | **(1,067)** |
| **NET INCOME** | | **4,346,224** | **2,421,405** |

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

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME (continued)**
**Years Ended December 31, 2007 and 2006**
**(Expressed in millions of Rupiah, unless otherwise stated)**

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **EARNINGS PER SHARE** | 2z | | |
| **Basic (full amount)** | | **209.78** | **119.08** |
| **Diluted (full amount)** | | **208.32** | **117.83** |

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
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | Issued and Fully Paid-up Capital | Additional Paid-in Capital/Agio | Funds for Paid-up Capital | Differences Arising from Translation of Foreign Currency Financial Statements | Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of Deferred Tax | Premises and Equipment Revaluation Increment | Difference Arising from Transactions 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 income | 31d | - | - | - | - | - | - | - | - | 15,084 | (15,084) | - | - |
| Dividends allocated from 2005 net income | 31d | - | - | - | - | - | - | - | - | - | (301,685) | (301,685) | (301,685) |
| Community development fund program allocated from 2005 net income | | - | - | - | - | - | - | - | - | - | (12,067) | (12,067) | (12,067) |
| Execution of shares options from Management Stock Option Plan (MSOP) | 2y,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 Bonds - net of deferred tax | 2g,2h | - | - | - | - | 471,533 | - | - | - | - | - | - | 471,533 |
| Differrence 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 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 have been eliminated with additional paid-in capital/agio in connection with the quasi reorganization as of April 30, 2003

# PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | Issued and Fully Paid-up Capital | Additional Paid-in Capital/Agio | Funds for Paid-up Capital | Differences Arising from Translation of Foreign Currency Financial Statements | Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of Deferred Tax | Premises and Equipment Revaluation Increment | 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, 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** |
| General and specific reserve allocated from 2006 net income | 31d | - | - | - | - | - | - | - | - | 36,321 | (36,321) | - | - |
| Dividends allocated from 2006 net income | 31d | - | - | - | - | - | - | - | - | - | (1,452,843) | (1,452,843) | (1,452,843) |
| Tantiem, cooperative development fund program and community development fund program allocated from 2006 net income | 31d | - | - | - | - | - | - | - | - | - | (101,634) | (101,634) | (101,634) |
| Execution of shares options from Management Stock Option Plan (MSOP) | 1a,2y,31a,31b,32 | 59,167 | 137,011 | 127,593 | - | - | - | - | (85,044) | - | - | - | 238,727 |
| Differences arising from translation of foreign currency financial statements | 2b | - | - | - | 26,580 | - | - | - | - | - | - | - | 26,580 |
| Unrealized gains on available for sale Securities and Government Bonds - net of deferred tax | 2g,2h | - | - | - | - | (233,140) | - | - | - | - | - | - | (233,140) |
| Recognition of share options from Management Stock Option Plan (MSOP) | | - | - | - | - | - | - | - | 87,034 | - | - | - | 87,034 |
| Differrence arising from transactions resulting in changes in the equity of subsidiaries | | - | - | - | - | - | - | (7,886) | - | - | - | - | (7,886) |
| Net income for the year ended December 31, 2007 | | - | - | - | - | - | - | - | - | - | 4,346,224 | 4,346,224 | 4,346,224 |
| **Balance as of December 31, 2007** | | **10,374,776** | **6,570,959** | **127,593** | **113,447** | **(3,568)** | **3,046,936** | **1,432** | **107,320** | **2,611,690** | **6,293,147** | **8,904,837** | **29,243,732** |

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

## PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from interest income | 2l,2v | 23,222,510 | 25,759,601 |
| Receipts from fees and commissions | 2w | 3,143,276 | 2,358,736 |
| Payments of interest expenses | 2v | (11,047,366) | (15,880,174) |
| Payments of other financing expenses | | (142,434) | (139,119) |
| Receipts from the sale of Government Bonds - trading portfolio | 2g,2h | 25,762,599 | 3,253,360 |
| Acquisition of Government Bonds - trading portfolio | | (25,549,223) | (1,845,117) |
| Foreign exchange gains - net | 2c | 324,322 | 599,902 |
| Operating income - others | | 577,068 | 587,127 |
| Operating expenses - others | | (403,582) | (593,578) |
| Salaries and employee benefits | 2x,2y | (2,893,910) | (2,845,005) |
| General and administrative expenses | 2p | (2,825,383) | (2,642,535) |
| Non-operating income - others | | 15,675 | 246,292 |
| Income before changes in operating assets and liabilities | | 10,183,552 | 8,859,490 |
| (Increase)/decrease in operating assets: | | | |
| Placements with Bank Indonesia and other banks | 2f,2o | (7,359,001) | 14,238,403 |
| Securities and Government Bonds - trading portfolio | 2g, 2o | (10,030,596) | (292,604) |
| Other Receivables - trade transactions | 2i, 2o | (97,988) | 1,055,858 |
| Loans | 2l, 2o | (24,287,819) | (15,874,043) |
| Proceeds from collection of earning assets already written-off | | 1,375,021 | 1,086,061 |
| Other assets | 2q | (297,405) | (873,007) |
| Increase/(decrease) in operating liabilities: | | | |
| Demand deposits | 2r | 17,678,441 | 4,493,436 |
| Saving deposits | 2r | 25,304,218 | 13,150,383 |
| Time deposits | 2r | (4,345,784) | (15,496,976) |
| Inter-bank call money | 2s | (1,072,064) | 1,061,662 |
| Liabilities immediately payable | | 181,438 | (3,946) |
| Taxes payable | 2u | (2,988,556) | (364,311) |
| Other liabilities | 2x | 1,560,507 | 1,202,403 |
| Estimated losses on commitments and contingencies | 2o | - | (2,419) |
| **Net cash provided by operating activities** | | **5,803,964** | **12,240,390** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease/(increase) in securities - available for sale and held to maturity | 2g | 149,005 | (6,678,117) |
| Decrease/(increase) in Government Bonds - available for sale and held to maturity | 2h | 1,684,033 | (242,160) |
| Decrease in investments in shares of stock | 2n | 12,250 | 6,250 |
| Proceeds from sale of premises and equipment | 2p | 3,444 | 65,017 |
| Acquisition of premises and equipment | 2p | (298,367) | (263,847) |
| Increase in securities purchased with agreements to resell | 2j | (2,482,465) | (524,945) |
| **Net cash used in investing activities** | | **(932,100)** | **(7,637,802)** |

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

## PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Increase/(decrease) in securities issued | 2t | 93,815 | (189,587) |
| Increase/(decrease) in fund borrowings | | 5,908,469 | (1,522,333) |
| Decrease in subordinated loans | | (1,233,809) | (244,906) |
| Increase/(decrease) in securities purchase with agreements to resell | 2j | 1,054,563 | (186,640) |
| Payments of dividends, cooperative development fund program, community development fund program and tantiem | 31d | (1,554,477) | (313,752) |
| Execution of shares option | 2y | 238,727 | 415,091 |
| **Net cash provided by (used in) financing activities** | | **4,507,288** | **(2,042,127)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **9,379,152** | **2,560,461** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | 26,093,258 | 23,532,797 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **35,472,410** | **26,093,258** |
| Cash and cash equivalents at end of year consist of: | | | |
| Cash | 2e | 5,909,369 | 3,965,717 |
| Current accounts with Bank Indonesia | 2e,3 | 28,161,059 | 21,579,158 |
| Current accounts with other banks | 2e,4 | 1,401,982 | 548,383 |
| **Total cash and cash equivalents** | | **35,472,410** | **26,093,258** |
| Supplemantal Non-Cash Flows Information | | | |
| Activities not affecting cash flows: | | | |
| Unrealized (losses)/gains on Securities and Government Bonds available-for-sale | | (233,140) | 471,533 |
| Unrealized (losses)/gains on Securities and Government Bonds trading | | (14,061) | 109,381 |
| Recognition of shares options from Management Stock Option Plan (MSOP) | | (87,034) | (130,670) |

## 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 period January 1, through December 31, 2007 and 2006 the stock options exercised totaled 181,547,707 and 375,500,103 shares (Notes 31a, 31b and 32), respectively. The stock options exercised during 2007 and 2006 resulted in the increase of the issued and fully paid-up capital by Rp59,167 and Rp187,750, respectively, and additional paid in capital/agio of Rp137,011 and Rp427,693, 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 (Notes 31a and 31b).

From the total stock options exercised during 2007 amounting to 181,547,707 shares, amounting to 63,213,432 shares exercised during the period October 1, 2007 until December 31, 2007 that equivalent to Rp127,593 were not yet recorded as the increase of the issued and fully paid-up capital and additional paid-in-capital but as funds for paid - up capital because have not been supported with the articles of association amendment deed (Note 31a).

### *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) 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, 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, 2007 and 2006 Bank Mandiri had the following domestic and offshore structure:

| | **2007** | **2006** |
|---|---|---|
| Domestic Regional Branches | 10 | 10 |
| Domestic Branches: | | |
| Hubs | 58 | 57 |
| Community Branches | 99 | 98 |
| Spokes | 341 | 336 |
| Cash Outlets | 458 | 433 |
| | 956 | 924 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 1. GENERAL (continued)

*g. Structure and Management (continued)*

| | 2007 | 2006 |
|---|---|---|
| Offshore Branches | 4 | 4 |
| Representative Office | 1 | 1 |

As of December 31, 2007 and 2006, 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. CMO/577/2006 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 functions of existing units were divided into three major groups, 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 3 Directorate which are Risk Management, Compliance & Human Capital and Finance & Strategy.
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, 2007 in accordance with the change in the organization as mentioned above and as of December 31, 2006 are as follows:

| | | 2007 | 2006 |
|---|---|---|---|
| <u>Board of Commissioners</u> | | | |
| Chairman and Independent Commisioner | : | Edwin Gerungan | Edwin Gerungan |
| Deputy Chairman | : | Muchayat | Muchayat |
| Commissioner | : | Richard Claproth | Richard Claproth |
| Independent Commissioner | : | Soedarjono*) | Soedarjono |
| 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)*

| | | 2007 and 2006 |
|---|---|---|
| Board of Directors | | |
| President Director | : | Agus Martowardojo |
| Deputy President Director | : | Wayan Agus Mertayasa |
| Director | : | Omar Sjawaldy Anwar |
| Director | : | Zulkifli Zaini |
| Director | : | Abdul Rachman |
| Director | : | Sasmita |
| Director | : | Sentot A. Sentausa |
| Director | : | Bambang Setiawan**) |
| Director | : | Riswinandi |
| Director | : | Thomas Arifin |
| Director | : | Budi Gunadi Sadikin |

**) appointed as Independent Commissioner by General Shareholders Meeting Year 2006 dated May 28, 2007*
***) also appointed as Compliance Director*

Bank Mandiri's Audit Committee as of December 31, 2007 and 2006 is comprised of the following members:

| | | 2007 and 2006 |
|---|---|---|
| Chairman | : | Gunarni Soeworo |
| Member | : | Soedarjono |
| Member | : | Yap Tjay Soen |
| Member | : | Zulkifli Djaelani |
| Member | : | Imam Sukarno |

As of December 31, 2007 and 2006, Bank Mandiri's Risk Monitoring Committee comprised of the following members:

| | | 2007 and 2006 |
|---|---|---|
| Chairman | : | Soedarjono |
| Member | : | Edwin Gerungan |
| Member | : | Gunarni Soeworo |
| Member | : | Tama Widjaja |
| Secretary | : | Pardi Sudradjat |

As of December 31, 2007 and 2006, Bank Mandiri's Nomination and Renumeration Committee comprised of the following members:

| | | 2007 | 2006 |
|---|---|---|---|
| Chairman | : | Edwin Gerungan | Edwin Gerungan |
| Member | : | Muchayat | Muchayat |
| Member | : | Soedarjono | Yap Tjay Soen |
| Member | : | Richard Claproth | Pradjoto |
| Member | : | Gunarni Soeworo | - |
| Member | : | Yap Tjay Soen | - |
| Member | : | Pradjoto | - |
| Secretary | : | Kresno Sediarsi | Kustiawan |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 1. GENERAL (continued)

*g. Structure and Management (continued)*

As of December 31, 2007 and 2006, Bank Mandiri's Good Corporate Governance Committee comprised of the following members:

| | | 2007 and 2006 |
|---|---|---|
| Chairman | : | Muchayat |
| Member | : | Richard Claproth |
| Member | : | Yap Tjay Soen |
| Member | : | Anwar Isham |
| Secretary | : | Mustaslimah |

As of December 31, 2007 and 2006 Bank Mandiri has a total of 21,631 and 21,062 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 Bonds and derivative receivables and payables which are stated at fair value, certain investments in shares of stock which are accounted for under the equity method, and certain premises and equipment which have been revalued.

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

The financial statements of 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) issued by Bank Indonesia and Indonesian Institute of Accountants.

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. Minority Interest in net income is presented as deduction of consolidated net income in order to arrive at Bank's income. Minority in net asset is individually presented in the consolidated balance sheet between equity and liabilities.

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

b. Principles of Consolidation (continued)

Subsidiaries included in the consolidated financial statements as of December 31, 2007 and 2006 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 |

The subsidiaries' total assets as of December 31, 2007 and 2006 (before elimination) amounted to Rp18,607,409 and Rp14,189,586 or 5.83% and 5.30%, respectively, from the total consolidated assets.

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 based on notarial deed No. 104 of Abdul Latief, S.H. dated October 29, 1971. The Company's Articles of Association has been amended several times, the last change with notarial deed No. 7 of Martin Roestamy, S.H. dated November 25, 2004. 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.

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's Articles of Association has been amended several times and the last change was announced in Appendix of State Gazette of the Republic of Indonesia No. 34 dated April 27, 2001. The Company is engaged in property management and rental activities. It owns 75% of the share capital of PIM.

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

b. Principles of Consolidation (continued)

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

(1) Assets, liabilities, commitments and contingencies - using the middle rates as published by Bank Indonesia at the balance sheet date.
(2) Revenues, expenses, gains and losses - using the average middle rates during each month in the financial reporting period.
(3) Shareholders' equity accounts - using historical rates.
(4) Statements of cash flows - using the middle rates as published by Bank Indonesia at the balance sheet date, except for income 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, 2007 and 2006. The resulting gains or losses are credited or charged to the current year's consolidated statement of income.

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

| | **December 31, 2007** | **December 31, 2006** |
|---|---|---|
| Great Britain Pound Sterling 1/Rp | 18,760.64 | 17,616.19 |
| Euro 1/Rp | 13,821.80 | 11,846.25 |
| US Dollar 1/Rp | 9,393.00 | 9,003.00 |
| Japanese Yen 100/Rp | 8,384.00 | 7,563.00 |

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 the Indonesia Deposit Insurance Corporation (*LPS*), (a new institution that replaced *UP3*) 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.

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

f. Placements with Bank Indonesia and Other Banks

Placements with Bank Indonesia and other banks represent placements in the form of BI deposit facility (FASBI), 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 (SBI), Wadiah Certificates of Bank Indonesia (SWBI), *Surat Perbendaharaan Negara* (SPN), Negotiable Cerfiticates of Deposits, medium term notes, floating rate notes, promissory notes, Treasury Bills issued by other country government and Republic of Indonesia’s government (including yankee bonds), mandatory convertible bond, 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 include Syariah Mudharabah bonds.

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 consolidated income 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/income resulting from the increase/decrease in fair value are recognized in the current year’s income and loss. Upon the sale of securities in a trading portfolio, the difference between selling price and fair value per books is recognized as a realized gain or loss on sale.
(2) Available for sale securities are stated at fair value. Unrealized gains/losses resulting from the increase/decrease in fair value are not recognized in the current year’s income and loss but are presented as a separate component of shareholders’ equity. Gains/losses are recognized in income 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 income 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.

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

h. Government Bonds

Government Bonds represent bonds issued by the Government of Republik Indonesia in connection with the recapitalization of commercial banks. Government 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.

For Government Bonds, which are traded, fair value is generally determined by reference to quoted market bid prices by Bloomberg's and quoted price by broker on the balance sheet date. For Government Bonds where there are no quoted market prices, a reasonable estimate of the fair value is calculated using the yield-to-maturity approach.

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

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, net after provision for possible losses.

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 income 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 consolidated statement of income.

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

k. Derivative Receivables and Derivative Payables (continued)

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 consolidated statement of income.

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.

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 in the current year's consolidated statement of income.

l. Loans

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

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

Syndicated, direct financing and 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.

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

l. Loans (continued)

*Loans Purchased from IBRA (continued)*

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.

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. Losses on loan restructuring are presented as part of allowance for possible losses.

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.

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

n. Investments in Shares of Stock (continued)

Investments in shares of stock representing ownership interests of 20% to 50% and above 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).

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 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 assets 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 by Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006 regarding Changes on PBI 7, and with Bank Indonesia Regulation No. 9/6/PBI/2007 dated March 30, 2007 regarding Second Change on Bank Indonesia Regulation No. 7/2/PBI/2005. Under PBI 9/6/PBI/2007 machinery which are attached to the land and legally bounded with *Hak Tanggungan* and warehouse receipts which are bounded with *Hak Jaminan* can be deducted from the allowance for losses on earning assets. In connection with 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.

## 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)

In accordance with PBI No. 7/2/PBI/2005 dated January 20, 2005, classification of quality for repossessed assets, abandoned properties, inter-office accounts, suspense accounts and unused loan facilities granted to customers (off balance sheet item), became effective 12 (twelve) months since the date of its enactment.

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 has been further amended by Bank Indonesia Regulation No. 9/6/PBI/2007 dated March 30, 2007, which prescribe minimum rates of allowance for possible losses on assets and commitments and contingencies with credit-related risk.

The amounts 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 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 (five) 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 loss on commitments and contingencies with credit-related risk is presented in the liabilities section of the consolidated balance sheets.

## 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 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, amortization, and losses from decline in assets value. The corresponding revaluation increments were credited to “Premises and Equipment Revaluation Increment” under the shareholders’ equity in the consolidated balance sheets.

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 charged to consolidated income and loss 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 consolidated income and loss.

In accordance with SFAS No. 47 - “Land Accounting”, all costs and expenses incurred in relation with obtaining the landright, such as licence fee, survey and measurement cost, notary fee and taxes, are deferred and presented separately from the cost of the landright. The deferred cost related with obtaining the landright was presented as part of “Deferred Expense - net” in the consolidated balance sheet, and amortized for the period of the related landright using straight-line method.

In addition, SFAS No. 47 also states that landright is not amortized unless it meet certain required conditions.

SFAS No. 48 - “Decline in Assets Value” states 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.

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

q. 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.

Repossessed assets represent assets acquired by the Bank, both from auction and outside auction based on voluntary transfer by the owner or based on power of attorney to sell outside auction from the assets owner when the debtor cannot fulfill their liabilities to the Bank.

Repossessed assets represent loan collateral that has been acquired in settlement of loans and is included in “Other Assets”. Abandoned properties represent the Bank’s premises and equipment in the forms of property not used in the usual Bank’s business activity. Repossessed assets and abandoned properties are presented at their net realizable value. Realizable value is the fair value of the repossessed assets less estimated costs of liquidating the repossessed 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 current year’s income and loss at the time of sale.

Expenses for maintaining repossessed assets are recognized in the current year’s consolidated income 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 in the current year’s consolidated statement of income.

r. Deposits from Customers

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

Savings deposits represent deposits of customers with Bank Mandiri and banking subsidiaries that may only be withdrawn over the counter and via ATMs or funds transfers by SMS Banking, 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.

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

a. *Wadiah* is a *wadiah yad-dhamanah* 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*).

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

s. 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.

t. 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.

u. 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.

v. 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.

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

v. Interest Income and Interest Expense (continued)

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.

w. 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 income and loss upon settlement. Other fees and commissions are recognized as income at the transaction date.

x. Post-Employment Benefits

The estimated provision is based on the results of an independent actuarial valuation in accordance with Labor Law No. 13/2003 and the revised SFAS No. 24 regarding “Employee Benefits”.

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

Bank Mandiri recognizes a provision for post employment benefits under the Labor Law No. 13/2003 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 independent 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.

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

### y. 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.

### z. Earnings Per Share

Earnings per share is calculated by dividing consolidated net income with the weighted average number of shares issued and fully paid-up during the year.

Net income used in calculating the basic earnings per share was Rp4,346,224 and Rp2,421,405 for the years ended December 31, 2007 and 2006, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2007 and 2006 totaled 20,717,958,049 shares and 20,334,565,065 shares, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2007 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, 2007 and 2006 totaled 20,863,423,441 shares and 20,550,301,606 shares, respectively.

| | 2007 | 2006 |
|---|---|---|
| The weighted-average number of shares - Basic | 20,717,958,049 | 20,334,565,065 |
| Adjustment on dillutive common shares: | | |
| MSOP Stage I | 17,423,024 | 43,162,893 |
| MSOP Stage II | 1,428,752 | 110,511,469 |
| MSOP Stage III | 126,613,616 | 62,062,179 |
| **The weighted-average number of outstanding shares - Dillutive** | **20,863,423,441** | **20,550,301,606** |

### aa. 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, West Europe, Pacific (Cayman) and/or others.

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

ab. 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.

ac. Reclassification of Accounts

Certain accounts in the December 31, 2006 consolidated financial statements have been reclassified to conform with the presentation of accounts in the December 31, 2007 consolidated financial statements as follows:

| Accounts Description | As Previously Reported | Reclassification | As Currently Reported |
|---|---|---|---|
| Securities | 19,500,483 | (802,303) | 18,698,180 |
| Unamortized discounts, unrealized gains/(losses) from increase/(decrease) in value of securities and allowance for possible losses | (1,139,525) | (11,543) | (1,151,068) |
| Government Bonds | 90,648,024 | 813,846 | 91,461,870 |

ad. Revised Statements of Financial Accounting Standards

The following summarizes the revised Statements of Financial Accounting Standards (PSAK) which were recently issued by the Indonesian Institute of Accountants:

a. PSAK No. 13 (Revised 2007), “Investment Property”, shall be applied in the recognition, measurement and disclosure of investment property. Among others, this standard applies to the measurement in a lessee’s financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor’s financial statements of investment property provided to a lessee under an operating lease. This standard permits the entity to choose between the cost model and fair value model to all its investment property. This revised standard supersedes PSAK No. 13 (1994), “Accounting for Investments”, and is effective for financial statements covering the periods beginning on or after January 1, 2008.

b. PSAK No. 16 (Revised 2007), “Fixed Assets”, prescribes the accounting treatment for property, plant and equipment to enable the financial statements users to discern information about an entity’s investment in its property, plant and equipment and the changes in such investment. This standard provides, among others, for the recognition of the assets, determination of their carrying amounts and related depreciation and impairment losses. Under this standard, an entity shall choose between the cost model or revaluation model as the accounting policy for its property, plant and equipment. This revised standard supersedes PSAK No. 16 (1994), “Fixed Assets and Other Assets” and PSAK No. 17 (1994), “Accounting for Depreciation”, and is effective for the preparation and presentation of financial statements beginning on or after January 1, 2008.

c. PSAK No. 30 (Revised 2007), “Leases”, prescribes for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. This standard provides for the classification of leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee, and the substance of the transaction rather than the form of the contract. This revised standard supersedes PSAK No. 30 (1990), “Accounting for Leases”, and is effective for financial statements beginning on or after January 1, 2008.

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

ad. Revised Statements of Financial Accounting Standards (continued)

d. PSAK No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosures”, contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of information about factors that affect the amount, timing and certainty of an entity’s future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, “Accounting for Certain Investments in Securities”, and is applied prospectively for the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

e. PSAK No. 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”, establishes the principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, “Accounting for Derivative Instruments and Hedging Activities”, and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

f. PSAK No. 101-106 regarding Syaria Financial Statements Presentation, Murabahah Accounting, Salam Accounting, Istishna Accounting, Mudharabah Accounting and Musyarakah Accounting, replacing PSAK No. 59 regarding Syaria Banking Accounting that was related to recognition, measurement, presentation and disclosure of the related topic. The standard is effectice for financial statements period starting and after January 1, 2008.

The Bank and Subsidiaries are still evaluating the effects of these revised PSAKs and have not yet determined the related effects on the consolidated financial statements.

## 3. CURRENT ACCOUNTS WITH BANK INDONESIA

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 26,829,332 | 20,457,558 |
| United States Dollar | 1,331,727 | 1,121,600 |
| | **28,161,059** | **21,579,158** |

The current accounts with Bank Indonesia are primarily maintained to meet the minimum reserve requirements of Bank Indonesia of 11.00% and 3.00% as of December 31, 2007 (2006: 11.00% and 3.00%) 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, 2007 and 2006, is as follows:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 14.00% | 11.73% |
| United States Dollar | 3.01% | 3.01% |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 4. CURRENT ACCOUNTS WITH OTHER BANKS

a. By Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 36,067 | 12,816 |
| Foreign Currency | 1,365,915 | 535,567 |
| Total | 1,401,982 | 548,383 |
| Less: Allowance for Possible Losses | (14,387) | (11,149) |
| | **1,387,595** | **537,234** |

b. By Collectibility:

As of December 31, 2007 and 2006, all current accounts with other banks were classified as current.

c. By Related Party and Third Party:

As of December 31, 2007 and 2006, current accounts with related party were RpNil and Rp70, respectively (Note 47a).

d. Average Interest Rate per Annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 0.25% | 0.83% |
| Foreign Currency | 3.11% | 1.92% |

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

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 11,149 | 7,725 |
| Provision during the year (Note 36) | 2,731 | 4,101 |
| Others *) | 507 | (677) |
| Balance at end of year | **14,387** | **11,149** |

*(*) 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:

**2007**

| | Maturity | Current |
|---|---|---|
| **Rupiah:** | | |
| Bank Indonesia | < 1 month | 11,199,067 |
| Call Money | < 1 month | 20,000 |
| Time Deposits | < 1 month | 175,100 |
| Total Rupiah | | 11,394,167 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

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

**2007 (continued)**

| | Maturity | Current |
|---|---|---|
| **Foreign Currency:** | | |
| Call Money | < 1 month | 3,410,630 |
| "Fixed-term" Placements | < 1 month | 2,017,616 |
| | ≥ 1 month ≤ 3 months | 453 |
| | > 6 months ≤ 12 months | 41,479 |
| Time Deposits | < 1 month | 28,179 |
| Total Foreign Currency | | 5,498,357 |
| Total | | 16,892,524 |
| Less: Allowance for Possible Losses | | (59,200) |
| | | **16,833,324** |

**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 |
| **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 Possible Losses | | (97,981) |
| | | **9,435,541** |

b. As of December 31, 2007, placement on time deposits amounted to Rp175,100 including the placement on Bank Sinar Harapan Bali amounting to Rp80,000 (Note 56g).

c. As of December 31, 2007 and 2006, Bank Mandiri has no placements with related party banks.

d. Average Interest Rate per Annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 14.45% | 12.09% |
| Foreign Currency | 4.37% | 4.33% |

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

e. As of December 31, 2007 and 2006, there was no placement pledged as cash collateral.

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

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 97,981 | 154,871 |
| Reversal during the year (Note 36) | (36,337) | (51,542) |
| Others *) | (2,444) | (5,348) |
| Balance at end of year | **59,200** | **97,981** |

*(*) 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:

| | 2007 | 2006 |
|---|---|---|
| Related parties (Note 47a): | | |
| Trading | 13,532 | 21,247 |
| Available for sale | 14,709 | 49,000 |
| Held to maturity | - | 713 |
| | 28,241 | 70,960 |
| Third parties: | | |
| Trading | 23,090,970 | 13,013,736 |
| Available for sale | 1,432,288 | 2,271,072 |
| Held to maturity | 3,808,527 | 3,342,412 |
| | 28,331,785 | 18,627,220 |
| Total | 28,360,026 | 18,698,180 |
| Less: | | |
| Unamortized premium/(discounts) | (8,833) | 1,663 |
| Unrealized gains/(losses) from increase/(decrease) in value of securities | 79,857 | (6,893) |
| Allowance for possible losses | (1,114,497) | (1,145,838) |
| | **27,316,553** | **17,547,112** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 6. SECURITIES (continued)

b. By Type, Currency and Collectibility:

**2007**

| | Cost/ Nominal *) | Unamortized Premiums/ (Discounts) | Unrealized Gains/ (Losses) | Fair Value/Book Value **) | | | |
|---|---|---|---|---|---|---|---|
| | | | | Current | Substandard | Loss | Total |
| Rupiah: | | | | | | | |
| Trading | | | | | | | |
| Certificates of Bank Indonesia | 22,780,819 | - | 73,209 | 22,854,028 | - | - | 22,854,028 |
| Bonds | 252,122 | - | 5,247 | 257,091 | - | 278 | 257,369 |
| Shares | 16,782 | - | (1,974) | 14,808 | - | - | 14,808 |
| Investments in mutual fund units | 13,532 | - | 1,152 | 14,684 | - | - | 14,684 |
| Medium Term Notes | 3,900 | - | - | 3,900 | - | - | 3,900 |
| | 23,067,155 | - | 77,634 | 23,144,511 | - | 278 | 23,144,789 |
| Available for sale | | | | | | | |
| *Wadiah* certificates of Bank Indonesia | 670,000 | - | - | 670,000 | - | - | 670,000 |
| Bonds | 439,975 | - | 1,836 | 441,811 | - | - | 441,811 |
| Investments in mutual fund units | 32,843 | - | - | 32,843 | - | - | 32,843 |
| Medium Term Notes | 30,000 | - | - | 30,000 | - | - | 30,000 |
| Syariah Mudharabah bonds | 6,000 | - | - | 6,000 | - | - | 6,000 |
| | 1,178,818 | - | 1,836 | 1,180,654 | - | - | 1,180,654 |
| Held to maturity | | | | | | | |
| Mandatory convertible bonds | 1,018,809 | - | - | - | - | 1,018,809 | 1,018,809 |
| Syariah Mudharabah bonds | 787,200 | (10,840) | - | 776,360 | - | - | 776,360 |
| Export bills | 283,934 | - | - | 283,934 | - | - | 283,934 |
| Negotiable Certificates of Deposits | 315 | - | - | 315 | - | - | 315 |
| | 2,090,258 | (10,840) | - | 1,060,609 | - | 1,018,809 | 2,079,418 |
| Total Rupiah | 26,336,231 | (10,840) | 79,470 | 25,385,774 | - | 1,019,087 | 26,404,861 |
| Foreign currency: | | | | | | | |
| Trading | | | | | | | |
| Bonds | 37,347 | - | - | 37,347 | - | - | 37,347 |
| Available for sale | | | | | | | |
| Export bills | 118,356 | - | - | 118,356 | - | - | 118,356 |
| Floating rate notes | 66,004 | - | (728) | 65,276 | - | - | 65,276 |
| Treasury bills | 39,108 | - | (5) | 39,103 | - | - | 39,103 |
| Bonds | 27,917 | - | (636) | 27,281 | - | - | 27,281 |
| Promissory notes | 16,794 | - | 1,756 | 18,550 | - | - | 18,550 |
| | 268,179 | - | 387 | 268,566 | - | - | 268,566 |
| Held to maturity | | | | | | | |
| Export bills | 1,309,000 | - | - | 1,249,385 | 7,403 | 52,212 | 1,309,000 |
| Bonds | 206,646 | 2,335 | - | 208,981 | - | - | 208,981 |
| Floating rate notes | 103,323 | (2) | - | 103,321 | - | - | 103,321 |
| Treasury bills | 99,300 | (326) | - | 98,974 | - | - | 98,974 |
| | 1,718,269 | 2,007 | - | 1,660,661 | 7,403 | 52,212 | 1,720,276 |
| Total foreign currency | 2,023,795 | 2,007 | 387 | 1,966,574 | 7,403 | 52,212 | 2,026,189 |
| Total | 28,360,026 | (8,833) | 79,857 | 27,352,348 | 7,403 | 1,071,299 | 28,431,050 |
| Less: Allowance for possible losses | | | | (42,088) | (1,110) | (1,071,299) | (1,114,497) |
| **Net** | | | | **27,310,260** | **6,293** | **-** | **27,316,553** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 6. SECURITIES (continued)

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

**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 | 198,937 | - | (6,913) | 191,718 | - | 306 | 192,024 |
| 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 |
| | 12,958,593 | - | 27,669 | 12,985,956 | - | 306 | 12,986,262 |
| Available for sale | | | | | | | |
| *Wadiah* certificates of Bank Indonesia | 780,000 | - | - | 780,000 | - | - | 780,000 |
| Bonds | 614,507 | - | (26,109) | 578,398 | - | 10,000 | 588,398 |
| Syariah Mudharabah bonds | 499,500 | - | (11,230) | 488,270 | - | - | 488,270 |
| | 1,894,007 | - | (37,339) | 1,846,668 | - | 10,000 | 1,856,668 |
| 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 | 96,454 | - | - | 96,454 | - | - | 96,454 |
| Investments in mutual fund units | 5,000 | - | - | 5,000 | - | - | 5,000 |
| Bonds | 2,000 | - | - | 2,000 | - | - | 2,000 |
| | 2,022,263 | (764) | - | 1,002,690 | - | 1,018,809 | 2,021,499 |
| Total Rupiah | 16,874,863 | (764) | (9,670) | 15,835,314 | - | 1,029,115 | 16,864,429 |
| Foreign currency: | | | | | | | |
| Trading | | | | | | | |
| Bonds | 76,390 | - | (762) | 75,628 | - | - | 75,628 |
| Available for sale | | | | | | | |
| Floating rate notes | 241,455 | - | - | 241,455 | - | - | 241,455 |
| Export bills | 137,519 | - | - | 137,519 | - | - | 137,519 |
| Promissory notes | 37,281 | - | 3,128 | 40,409 | - | - | 40,409 |
| Bonds | 9,810 | - | 411 | 10,221 | - | - | 10,221 |
| | 426,065 | - | 3,539 | 429,604 | - | - | 429,604 |
| Held to maturity | | | | | | | |
| Export bills | 1,020,247 | - | - | 985,424 | - | 34,823 | 1,020,247 |
| Bonds | 171,069 | 2,513 | - | 173,582 | - | - | 173,582 |
| Floating rate notes | 99,033 | (7) | - | 99,026 | - | - | 99,026 |
| Treasury bills | 30,513 | (79) | - | 30,434 | - | - | 30,434 |
| | 1,320,862 | 2,427 | - | 1,288,466 | - | 34,823 | 1,323,289 |
| Total foreign currency | 1,823,317 | 2,427 | 2,777 | 1,793,698 | - | 34,823 | 1,828,521 |
| Total | 18,698,180 | 1,663 | (6,893) | 17,629,012 | - | 1,063,938 | 18,692,950 |
| Less: Allowance for possible losses | | | | (41,900) | - | (1,103,938) | (1,145,838) |
| **Net** | | | | **17,587,112** | **-** | **(40,000)** | **17,547,112** |

*) 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:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| No maturity date | 69,472 | 92,315 |
| < 1 year | 25,008,786 | 14,608,626 |
| ≥ 1 < 5 years | 856,687 | 2,167,580 |
| ≥ 5 < 10 years | 401,286 | 6,156 |
| > 10 years | - | 186 |
| Total Rupiah | 26,336,231 | 16,874,863 |
| Foreign currency: | | |
| < 1 year | 1,704,920 | 1,306,415 |
| ≥ 1 < 5 years | 281,528 | 484,288 |
| ≥ 5 < 10 years | 37,347 | 22,806 |
| > 10 years | - | 9,808 |
| Total Foreign currency | 2,023,795 | 1,823,317 |
| | 28,360,026 | 18,698,180 |
| Less: | | |
| Unamortized premium/(discounts) | (8,833) | 1,663 |
| Unrealized gains/(losses) from increase/(decrease) in value of securities | 79,857 | (6,893) |
| Allowance for possible losses | (1,114,497) | (1,145,838) |
| | **27,316,553** | **17,547,112** |

d. By Type of Issuer:

| | 2007 | 2006 |
|---|---|---|
| Banks | 25,431,522 | 15,921,158 |
| Other companies | 2,696,719 | 2,711,461 |
| Government | 231,785 | 65,561 |
| Total | 28,360,026 | 18,698,180 |
| Less: | | |
| Unamortized premium/(discounts) | (8,833) | 1,663 |
| Unrealized gains/(losses) from increase/(decrease) in value of securities | 79,857 | (6,893) |
| Allowance for possible losses | (1,114,497) | (1,145,838) |
| | **27,316,553** | **17,547,112** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 6. SECURITIES (continued)

### e. Details of Bonds by Rating:

| | Rating *) | | | Fair value/Book Value **) | |
|---|---|---|---|---|---|
| | Rating Agencies | 2007 | 2006 | 2007 | 2006 |
| **Rupiah** | | | | | |
| **Trading** | | | | | |
| Bonds | Various | Various | Various | 257,369 | 192,024 |
| **Available for sale** | | | | | |
| Bonds | | | | | |
| PT Indosat | Pefindo | idAA+ | idAA+ | 180,298 | 49,968 |
| PT Indofood Sukses Makmur | Pefindo | idAA+ | idAA | 149,940 | 90,828 |
| Others | Various | Various | Various | 111,573 | 447,602 |
| Syariah Mudharabah bonds | Various | Various | Various | 6,000 | 488,270 |
| | | | | 447,811 | 1,076,668 |
| **Held to maturity** | | | | | |
| Mandatory convertible bonds | | | | | |
| PT Garuda Indonesia | - | - | - | 1,018,809 | 1,018,809 |
| Syariah Mudharabah bonds | Various | Various | Various | 776,360 | - |
| Bonds | Various | Various | Various | - | 2,000 |
| | | | | 1,795,169 | 1,020,809 |
| Total Rupiah | | | | 2,500,349 | 2,289,501 |
| **Foreign currency** | | | | | |
| **Trading** | | | | | |
| Bonds | Various | Various | Various | 37,347 | 75,628 |
| **Available for sale** | | | | | |
| Bonds | Various | Various | Various | 27,281 | 10,221 |
| **Held to maturity** | | | | | |
| Bonds | Various | Various | Various | 208,981 | 173,582 |
| Total foreign currency | | | | 273,609 | 259,431 |

*) 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:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 7.76% | 10.15% |
| Foreign currency | 8.73% | 8.40% |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 6. SECURITIES (continued)

g. Movements of Allowance for Possible Losses on Securities:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 1,145,838 | 1,209,035 |
| Reversal during the year (Note 36) | (22,773) | (30,839) |
| Others *) | (8,568) | (32,358) |
| Balance at end of year | **1,114,497** | **1,145,838** |

**) Includes effect of foreign exchange translation.*

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

## 7. GOVERNMENT BONDS

Government Bonds consist of bonds issued by the Government acquired from primary and secondary markets with details as follows:

| | 2007 | 2006 |
|---|---|---|
| Trading, fair value | 972,392 | 1,289,480 |
| Available for sale, fair value | 27,294,443 | 28,978,475 |
| Held to maturity, at cost | 61,199,482 | 61,193,915 |
| | **89,466,317** | **91,461,870** |

Based on maturities, the Government Bonds are as follows:

| | 2007 | 2006 |
|---|---|---|
| **Rupiah** | | |
| **Trading:** | | |
| Less than 1 year | 9,280 | 205 |
| 1 - 5 years | 272,954 | 158,206 |
| 5 - 10 years | 261,452 | 852,595 |
| Over 10 years | 409,943 | 268,841 |
| | 953,629 | 1,279,847 |
| **Available for sale:** | | |
| Less than 1 year | 739,520 | 20,112 |
| 1 - 5 years | 348,686 | 1,191,215 |
| 5 - 10 years | 13,366,139 | 14,946,600 |
| Over 10 years | 12,761,785 | 12,711,782 |
| | 27,216,130 | 28,869,709 |
| **Held to maturity:** | | |
| 1 - 5 years | 1,350,000 | 1,350,000 |
| 5 - 10 years | 25,810,000 | 12,388,900 |
| Over 10 years | 33,934,598 | 47,355,698 |
| | 61,094,598 | 61,094,598 |
| Total Rupiah | 89,264,357 | 91,244,154 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 7. GOVERNMENT BONDS (continued)

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

| | 2007 | 2006 |
|---|---|---|
| **Foreign Currency** | | |
| **Trading:** | | |
| 5 - 10 years | 9,792 | - |
| Over 10 years | 8,971 | 9,633 |
| | 18,763 | 9,633 |
| **Available for sale:** | | |
| 5 - 10 years | 49,321 | 59,026 |
| Over 10 years | 28,992 | 49,740 |
| | 78,313 | 108,766 |
| **Held to maturity:** | | |
| 5 - 10 years | 104,884 | 81,332 |
| Over 10 years | - | 17,985 |
| | 104,884 | 99,317 |
| Total Foreign Currency | 201,960 | 217,716 |
| | **89,466,317** | **91,461,870** |

**2007**

**Rupiah**
**Trading**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 896,832 | 9.00%-14.28% | 943,603 | 11/28/2008-09/15/2025 | 6 months |
| Variable rate bonds | 10,000 | 3-month SBI | 10,026 | 06/25/2011 | 3 months |
| | **906,832** | | **953,629** | | |

**Available for sale**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 613,617 | 9.50%-15.58% | 674,430 | 11/15/2010-02/15/2028 | 6 months |
| Variable rate bonds | 26,577,428 | 3-month SBI | 26,541,700 | 01/25/2008-07/25/2020 | 3 months |
| | **27,191,045** | | **27,216,130** | | |

**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** | | | |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 7. GOVERNMENT BONDS (continued)

The details of Government Bonds are as follows (continued):

**2007 (continued)**

**Foreign Currency**
**Trading**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 18,786 | 6.63%- 6.88% | 18,763 | 03/09/2017- 02/17/2037 | 6 months |

**Available for sale**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 75,144 | 6.63%- 8.50% | 78,313 | 04/20/2014- 02/17/2037 | 6 months |

**Held to maturity**

| | Nominal | Interest Rates per Annum | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|
| Fixed rate bonds | 104,884 | 6.75%- 6.88% | 10/03/2014- 09/03/2017 | 6 months |

**2006**

**Rupiah**
**Trading**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 1,059,072 | 9.50%- 15.58% | 1,229,848 | 06/15/2009- 09/15/2025 | 6 months |
| Variable rate bonds | 50,000 | 3-month SBI | 49,999 | 06/25/2011 | 3 months |
| | 1,109,072 | | 1,279,847 | | |

**Available for sale**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 1,798,391 | 9.50%- 15.58% | 2,166,476 | 11/15/2010- 11/15/2020 | 6 months |
| Variable rate bonds | 26,727,428 | 3-month SBI | 26,703,233 | 01/25/2008- 07/25/2020 | 3 months |
| | 28,525,819 | | 28,869,709 | | |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 7. GOVERNMENT BONDS (continued)

**2006 (continued)**

**Held to maturity**

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

**Foreign Currency**

**Trading**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 9,003 | 6.88% | 9,633 | 03/15/2010 | 6 months |

**Available for sale**

| | Nominal | Interest Rates per Annum | Fair Value | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|---|
| Fixed rate bonds | 100,877 | 6.88%-8.50% | 108,766 | 04/20/2015-03/09/2017 | 6 months |

**Held to maturity**

| | Nominal | Interest Rates per Annum | Maturity Dates | Frequency of Interest Payment |
|---|---|---|---|---|
| Fixed rate bonds | 99,317 | 6.75%-6,88% | 10/03/2014-09/03/2017 | 6 months |

Significant information relating to Government Bonds is as follows:

2007

As of December 31, 2007, Government Bonds with a total nominal amount of Rp2,914,343 had been sold to counterparties with agreements to repurchase (Note 22).

The ownership of Government Bonds with an aggregate nominal value of Rp1,926,843 have been legally 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 Bonds that have not been transferred to counterparty bank, the Bank still recognized Government Bonds on its consolidated balance sheet.

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

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 7. GOVERNMENT BONDS (continued)

Significant information relating to Government Bonds is as follows (continued):

2007 (continued)

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% |

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

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

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

Based on the agreement, counterparty bank has option right to early terminate the agreement in effect of unwind events, which is the Bank failed to pay Rupiah deposit top up as required in the agreement.

If counterparty bank exercised its option right to early terminate the agreement due to unwind events, the Bank has to pay unwind cost to counterparty bank as determined later by the counterparty bank.

In addition counterparty bank has option right to early terminate the transaction if counterparty bank assess the fund received in the form of callable zero coupon deposits has higher interest rate than the market interest rate, as the counterparty bank has executed on May 29, 2007 and June 26, 2007.

On May 29, 2007, counterparty bank terminated the callable zero coupon deposits with beginning balance amounting Rp359,666 and paid cash as settlement of the transaction on settlement date June 20, 2007.

On June 26, 2007, counterparty bank terminated the callable zero coupon deposits with beginning balance amounting Rp615,000 and paid cash as settlement of the transaction on settlement date December 21, 2007.

2006

As of December 31, 2006, Government Bonds with a total nominal amount of Rp1,724,119 had been sold to counterparties with agreements to repurchase (Note 22).

The ownership of Government Bonds with an aggregate nominal value of Rp1.926.843 have been legally 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 Bonds that have not been transferred to counterparty bank, the Bank still recognized Government Bonds on its consolidated balance sheet.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 8. OTHER RECEIVABLES - TRADE TRANSACTIONS

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

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Third parties | | |
| Usance L/C payable at sight | 876,539 | 754,275 |
| Others | 189,052 | 223,273 |
| Total Rupiah | 1,065,591 | 977,548 |
| Foreign Currency: | | |
| Related parties (Note 47a) | | |
| Others | - | 56,878 |
| Third parties | | |
| Usance L/C payable at sight | 922,818 | 1,072,611 |
| Others | 879,865 | 663,249 |
| | 1,802,683 | 1,735,860 |
| Total Foreign Currency | 1,802,683 | 1,792,738 |
| Total | 2,868,274 | 2,770,286 |
| Less: Allowance for possible losses | (839,732) | (812,247) |
| | **2,028,542** | **1,958,039** |

b. By Collectibility:

| | 2007 | 2006 |
|---|---|---|
| Current | 1,617,981 | 1,546,468 |
| Special mention | 445,518 | 458,152 |
| Sub-standard | 6,283 | - |
| Doubtful | - | 1,010 |
| Loss | 798,492 | 764,656 |
| Total | 2,868,274 | 2,770,286 |
| Less: Allowance for possible losses | (839,732) | (812,247) |
| | **2,028,542** | **1,958,039** |

c. By Maturity:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Less than 1 month | 440,254 | 381,031 |
| 1 - 3 months | 416,551 | 431,971 |
| 3 - 6 months | 208,786 | 164,546 |
| Total Rupiah | 1,065,591 | 977,548 |
| Foreign Currency: | | |
| Less than 1 month | 1,047,396 | 923,331 |
| 1 - 3 months | 397,855 | 392,561 |
| 3 - 6 months | 357,432 | 476,846 |
| Total Foreign Currency | 1,802,683 | 1,792,738 |
| Total | 2,868,274 | 2,770,286 |
| Less: Allowance for possible losses | (839,732) | (812,247) |
| | **2,028,542** | **1,958,039** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 8. OTHER RECEIVABLES - TRADE TRANSACTIONS (continued)

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

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning year | 812,247 | 1,101,415 |
| Reversal during the year (Note 36) | (5,527) | (215,583) |
| Others *) | 33,012 | (73,585) |
| Balance at end of year | **839,732** | **812,247** |

*(*) Includes foreign exchange translation effect.*

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

## 9. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL

a. A summary of securities purchased with agreements to resell

**2007**

| | Securities | Commencement Date | Maturity Date | Resell Value | Unamortized Deferred Interest Income | Net Value |
|---|---|---|---|---|---|---|
| Rupiah | | | | | | |
| | Bonds FR0045 | 11/28/2007 | 01/10/2008 | 443,363 | 933 | 442,430 |
| | Bonds FR0042 | 11/28/2007 | 01/03/2008 | 373,148 | 175 | 372,973 |
| | Bonds FR0040, FR0043 and FR0047 | 12/28/2007 | 01/14/2008 | 298,006 | 151 | 297,855 |
| | Bonds FR0040 | 12/28/2007 | 01/17/2008 | 272,408 | 814 | 271,594 |
| | Bonds FR0044 | 11/28/2007 | 01/07/2008 | 269,428 | 378 | 269,050 |
| | Bonds FR0034 | 12/27/2007 | 01/17/2008 | 253,526 | 758 | 252,768 |
| | Shares | 03/26/2007 | 03/26/2008 | 171,350 | 5,017 | 166,333 |
| | Shares | 10/23/2007 | 04/21/2008 | 163,952 | 8,633 | 155,319 |
| | Shares | 10/23/2007 | 04/21/2008 | 163,952 | 8,633 | 155,319 |
| | Shares | 12/18/2007 | 03/31/2008 | 152,859 | 2,502 | 150,357 |
| | Bonds FR0043 | 11/28/2007 | 01/03/2008 | 137,431 | 64 | 137,367 |
| | Bonds FR0044 | 12/28/2007 | 01/17/2008 | 130,867 | 391 | 130,476 |
| | Bonds FR0034 | 11/28/2007 | 01/07/2008 | 122,614 | 172 | 122,442 |
| | Bonds FR0040 | 11/28/2007 | 01/07/2008 | 117,607 | 165 | 117,442 |
| | Shares | 03/27/2007 | 03/27/2008 | 114,233 | 3,383 | 110,850 |
| | Shares | 12/07/2007 | 03/27/2008 | 105,627 | 4,410 | 101,217 |
| | Bonds FR0028 | 11/28/2007 | 01/10/2008 | 62,420 | 131 | 62,289 |
| | Bonds FR0025 | 12/13/2007 | 01/14/2008 | 3,336 | 15 | 3,321 |
| | Bonds FR0026 | 12/13/2007 | 01/14/2008 | 3,040 | 14 | 3,026 |
| | Bonds FR0024 | 12/13/2007 | 01/14/2008 | 2,034 | 9 | 2,025 |
| | | | | 3,361,201 | 36,748 | 3,324,453 |
| Allowance for possible losses | | | | | | (33,600) |
| **Net** | | | | | | **3,290,853** |

**2006**

| | Securities | Commencement Date | Maturity Date | Resell Value | Unamortized Deferred Interest Income | Net Value |
|---|---|---|---|---|---|---|
| Rupiah | | | | | | |
| | Bonds VR0017 | 12/26/2006 | 01/26/2007 | 226,711 | 1,623 | 225,088 |
| | Bonds VR0017 | 12/27/2006 | 01/26/2007 | 226,648 | 1,623 | 225,025 |
| | Shares | 10/20/2006 | 04/18/2007 | 163,875 | 8,320 | 155,555 |
| | Shares | 10/20/2006 | 04/18/2007 | 54,625 | 2,773 | 51,852 |
| | Shares | 10/10/2006 | 04/10/2007 | 46,141 | 2,275 | 43,866 |
| | Shares | 11/16/2006 | 05/15/2007 | 38,410 | 2,559 | 35,851 |
| | Shares | 08/23/2006 | 02/19/2007 | 30,555 | 710 | 29,845 |
| | Shares | 12/21/2006 | 03/21/2007 | 28,283 | 1,140 | 27,143 |
| | Shares | 08/24/2006 | 02/20/2007 | 27,281 | 646 | 26,635 |
| | Shares | 10/03/2006 | 01/03/2007 | 12,555 | - | 12,555 |
| | Bonds FR0026 | 09/25/2006 | 03/14/2007 | 2,756 | 9 | 2,747 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 9. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL (continued)

a. A summary of securities purchased with agreements to resell (continued)

**2006**

| Securities | Commencement Date | Maturity Date | Resell Value | Unamortized Deferred Interest Income | Net Value |
|---|---|---|---|---|---|
| Bonds FR0025 | 09/25/2006 | 03/14/2007 | 2,739 | 12 | 2,727 |
| Bonds FR0024 | 12/22/2006 | 01/22/2007 | 2,067 | 16 | 2,051 |
| Shares | 10/03/2006 | 01/03/2007 | 598 | 20 | 578 |
| Bonds FR0025 | 12/22/2006 | 12/22/2007 | 474 | 4 | 470 |
| | | | 863,718 | 21,730 | 841,988 |
| Allowance for possible losses | | | | | (8,600) |
| **Net** | | | | | **833,388** |

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

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 8,600 | - |
| Provision during the year (Note 36) | 25,000 | 8,600 |
| Balance at end of year | **33,600** | **8,600** |

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

## 10. DERIVATIVE RECEIVABLES AND PAYABLES

As of December 31, 2007, 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 | 1,608,343 | 1,609,340 | 3,919 | 2,922 |
| Others | 10,515 | 10,612 | 97 | - |
| 2. Forward-sell | | | | |
| US Dollar | 111,639 | 111,414 | 477 | 252 |
| 3. Swap-buy | | | | |
| US Dollar | 1,185,249 | 1,185,632 | 2,548 | 2,165 |
| 4. Swap - sell | | | | |
| US Dollar | 4,001,795 | 3,681,068 | 332,162 | 11,435 |
| Others | 81,410 | 82,479 | - | 1,069 |
| 5. Option - buy | | | | |
| US Dollar | | 70 | 70 | - |
| Others | | 1,178 | 1,178 | - |
| 6. Option - sell | | | | |
| US Dollar | | 163 | - | 163 |
| Others | | 2,047 | - | 2,047 |
| *Interest Rate Related* | | | | |
| 1. Swap - interest rate | | | | |
| US Dollar | | 5,008 | - | 5,008 |
| Other | | 9,287 | - | 9,287 |
| Total | | | 340,451 | 34,348 |
| Less: Allowance for possible losses | | | (3,800) | - |
| | | | **336,651** | **34,348** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

*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 MTN 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, 2007 and 2006 losses amounting to (Rp5,008) and (Rp51,512) as a result of the hedging fair value calculation have been off set against the gain from decrease of the MTNs, a hedged item, based on the fair value calculations (Note 24).

Bank Mandiri entered into an interest rate swap agreement with nominal amount of US$125,000,000 (full amount) with counterparty bank in August 2002. The underlying transaction is the Bank's US$125,000,000 (full amount) fixed interest rate Subordinated Note issued in 2002 (Note 29). Under the transaction, the Bank receives semi-annual fixed interest at the rate of 10.625% per annum and pays semi-annual floating interest at the rate of six-month LIBOR + 6.19% per annum for a 5-year period. The six-month LIBOR interest is stated in arrears. While the transaction is for the purpose of hedging the fixed rate coupon payments of the Subordinated Note with floating coupon payments, it does not qualify as a hedging transaction for accounting purposes. This agreement expired on August 2, 2007.

*Cross Currency Swap*

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 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 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 |

(Expressed in millions of Rupiah, unless otherwise stated)

## 10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

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** |

As of December 31, 2007 and 2006, the collectibility of derivative receivables is as follows:

| | 2007 | 2006 |
|---|---|---|
| Current | 340,451 | 414,987 |
| Total | 340,451 | 414,987 |
| Less: Allowance for possible losses | (3,800) | (4,260) |
| Balance at end of year | **336,651** | **410,727** |

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

Movements of allowance for possible losses on derivative receivables:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 4,260 | 3,443 |
| (Reversal)/provision during the year (Note 36) | (467) | 874 |
| Others *) | 7 | (57) |
| Balance at end of year | **3,800** | **4,260** |

*(*) 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:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Related parties (Note 47a) | 235,021 | 121,625 |
| Third parties | 96,494,562 | 82,131,648 |
| Total Rupiah | 96,729,583 | 82,253,273 |
| Foreign Currency: | | |
| Related parties (Note 47a) | 548,057 | 629,047 |
| Third parties | 41,275,912 | 34,875,002 |
| Total Foreign Currency | 41,823,969 | 35,504,049 |
| Total | 138,553,552 | 117,757,322 |
| Less: Deferred income | (23,472) | (86,380) |
| Total | 138,530,080 | 117,670,942 |
| Less: Allowance for possible losses | (13,041,696) | (14,388,695) |
| | **125,488,384** | **103,282,247** |

b) By Type and Collectibility:

| | 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Current | Special Mention | Sub-standard | Doubtful | Loss | Total |
| Rupiah: | | | | | | |
| Working capital | 45,495,670 | 3,744,579 | 852,535 | 247,143 | 1,623,923 | 51,963,850 |
| Investment | 17,205,052 | 2,626,582 | 95,397 | 141,657 | 1,260,488 | 21,329,176 |
| Consumer | 14,259,902 | 2,008,299 | 78,619 | 80,945 | 381,814 | 16,809,579 |
| Export | 1,877,506 | 93,720 | 7,205 | - | 143,166 | 2,121,597 |
| Government Program | 1,421,302 | 254,652 | 13,476 | 1,644 | 159,015 | 1,850,089 |
| Syndicated | 87,193 | 238,070 | - | - | 975,634 | 1,300,897 |
| Employees | 1,347,111 | 3,710 | 74 | 104 | 3,396 | 1,354,395 |
| Total Rupiah | 81,693,736 | 8,969,612 | 1,047,306 | 471,493 | 4,547,436 | 96,729,583 |
| Foreign Currency: | | | | | | |
| Working capital | 13,507,875 | 3,892,009 | 132,799 | 68,225 | 1,810,956 | 19,411,864 |
| Investment | 9,749,240 | 1,972,543 | 62,664 | - | 2,910,767 | 14,695,214 |
| Syndicated | 2,931,299 | 487,036 | 49 | - | 43,075 | 3,461,459 |
| Export | 1,299,023 | 522,602 | 100,432 | - | 705,594 | 2,627,651 |
| Government Program | 130,152 | - | - | - | - | 130,152 |
| Consumer | 83,178 | 1,691 | - | 123 | - | 84,992 |
| Employees | 659 | - | - | - | - | 659 |
| Others | 1,259,031 | 85,758 | 57,044 | 7,983 | 2,162 | 1,411,978 |
| Total Foreign Currency | 28,960,457 | 6,961,639 | 352,988 | 76,331 | 5,472,554 | 41,823,969 |
| Total | 110,654,193 | 15,931,251 | 1,400,294 | 547,824 | 10,019,990 | 138,553,552 |
| Less: | | | | | | |
| Deferred income | (1,398) | (22,074) | - | - | - | (23,472) |
| Total | 110,652,795 | 15,909,177 | 1,400,294 | 547,824 | 10,019,990 | 138,530,080 |
| Less: | | | | | | |
| Allowance for possible losses | (1,239,540) | (1,866,006) | (164,798) | (240,685) | (9,530,667) | (13,041,696) |
| | **109,413,255** | **14,043,171** | **1,235,496** | **307,139** | **489,323** | **125,488,384** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 11. LOANS (continued)

A. Details of loans (continued):

b) By Type and Collectibility (continued):

| | 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** |

c) By Economic Sector and Collectibility:

| | 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Current | Special Mention | Sub-standard | Doubtful | Loss | Total |
| Rupiah: | | | | | | |
| Manufacturing | 16,548,872 | 2,032,194 | 751,380 | 171,498 | 2,003,585 | 21,507,529 |
| Trading, restaurant and hotel | 12,432,341 | 1,404,263 | 95,089 | 76,201 | 534,553 | 14,542,447 |
| Agriculture | 8,692,151 | 1,012,794 | 15,632 | 1,847 | 375,254 | 10,097,678 |
| Business services | 8,902,319 | 457,097 | 12,434 | 5,380 | 671,262 | 10,048,492 |
| Construction | 6,924,499 | 1,161,885 | 77,029 | 109,907 | 229,637 | 8,502,957 |
| Transportation, warehousing and communications | 5,997,627 | 587,222 | 12,379 | 916 | 151,920 | 6,750,064 |
| Social services | 1,460,956 | 121,956 | 2,936 | 4,775 | 13,708 | 1,604,331 |
| Mining | 433,075 | 128,163 | 81 | 18,088 | 95,566 | 674,973 |
| Electricity, gas and water | 185,356 | 1,302 | - | - | 50,657 | 237,315 |
| Others | 20,116,540 | 2,062,736 | 80,346 | 82,881 | 421,294 | 22,763,797 |
| Total Rupiah | 81,693,736 | 8,969,612 | 1,047,306 | 471,493 | 4,547,436 | 96,729,583 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 11. LOANS (continued)

A. Details of loans (continued):

c) By Economic Sector and Collectibility (continued):

| | 2007 (continued) | | | | | |
|---|---|---|---|---|---|---|
| | Current | Special Mention | Sub-standard | Doubtful | Loss | Total |
| Foreign Currency: | | | | | | |
| Manufacturing | 8,468,825 | 5,961,124 | 251,335 | 28,338 | 4,247,277 | 18,956,899 |
| Mining | 9,087,257 | 375,881 | - | 37,596 | 203,090 | 9,703,824 |
| Trading, restaurant and hotel | 2,160,438 | 228,295 | 57,044 | 9,805 | 247,215 | 2,702,797 |
| Agriculture | 2,355,570 | 38,632 | 42,063 | - | 28,829 | 2,465,094 |
| Electricity, gas and water | 1,804,566 | 87,082 | - | - | 13,135 | 1,904,783 |
| Transportation, warehousing and communications | 1,188,970 | 29,588 | 985 | - | - | 1,219,543 |
| Construction | 995,832 | 137,372 | 211 | - | - | 1,133,415 |
| Business services | 387,597 | 10,332 | 49 | - | 352,246 | 750,224 |
| Social services | 8,479 | - | - | - | - | 8,479 |
| Others | 2,502,923 | 93,333 | 1,301 | 592 | 380,762 | 2,978,911 |
| Total Foreign Currency | 28,960,457 | 6,961,639 | 352,988 | 76,331 | 5,472,554 | 41,823,969 |
| Total | 110,654,193 | 15,931,251 | 1,400,294 | 547,824 | 10,019,990 | 138,553,552 |
| Less: | | | | | | |
| Deferred income | (1,398) | (22,074) | - | - | - | (23,472) |
| Total | 110,652,795 | 15,909,177 | 1,400,294 | 547,824 | 10,019,990 | 138,530,080 |
| Less: | | | | | | |
| Allowance for possible losses | (1,239,540) | (1,866,006) | (164,798) | (240,685) | (9,530,667) | (13,041,696) |
| | **109,413,255** | **14,043,171** | **1,235,496** | **307,139** | **489,323** | **125,488,384** |

| | 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 |
| 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 |

**(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 (continued): | | | | | | |
| 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** |

d) By Period:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Less than 1 year | 15,611,781 | 13,237,128 |
| 1 - 2 years | 11,259,366 | 7,648,357 |
| 2 - 5 years | 21,726,578 | 22,146,627 |
| Over 5 years | 48,131,858 | 39,221,161 |
| Total Rupiah | 96,729,583 | 82,253,273 |
| Foreign Currency: | | |
| Less than 1 year | 10,054,544 | 8,859,082 |
| 1 - 2 years | 4,416,986 | 1,350,872 |
| 2 - 5 years | 5,292,872 | 5,245,373 |
| Over 5 years | 22,059,567 | 20,048,722 |
| Total Foreign Currency | 41,823,969 | 35,504,049 |
| Total | 138,553,552 | 117,757,322 |
| Less: Deferred income | (23,472) | (86,380) |
| Total | 138,530,080 | 117,670,942 |
| Less: Allowance for possible losses | (13,041,696) | (14,388,695) |
| | **125,488,384** | **103,282,247** |

The non-performing loans ratio Bank Mandiri and Subsidiaries (gross basis) before deducting the allowance for possible losses as of December 31, 2007 and 2006, was 7.17% and 16.34%, respectively (Bank Mandiri only 7.33% and 17.08%, as of December 31, 2007 and 2006, respectively) while the non-performing loans ratio Bank Mandiri and Subsidiaries (net basis) as of December 31, 2007 and 2006, was 1.51% and 5.92%, respectively (Bank Mandiri only 1.32% and 6.06%, as of December 31, 2007 and 2006, respectively).

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 11. LOANS (continued)

A. Details of loans (continued):

The calculation of non-performing loans ratio as of December 31, 2007 is in accordance with Bank Indonesia Circular Letter No. 7/10/DPNP dated March 30, 2005 regarding the changes in Bank Indonesia Circular Letter No. 3/30/DPNP dated December 14, 2001 regarding Quarterly and Monthly Published Report for Commercial Banks and certain reports to Bank Indonesia, and the non-performing loans ratio is calculated based on total loans excluding loans granted to Banks amounting to Rp1,612,886 and after deducting restructuring losses amounting to Rp2,615,803.

The loans as of December 31, 2007 and 2006 include the loans purchased from IBRA amounting to Rp495,599 and Rp3,050,488, respectively, with an allowance for possible losses of Rp7,299 and Rp379,446, and deferred income of Rp23,472 and Rp86,380, respectively.

B. Significant information related to loans:

a. Included in loans are *syariah* finance receivables amounting to Rp10,161,283 and Rp7,215,491, respectively, as of December 31, 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Receivables | 5,297,679 | 4,291,887 |
| *Musyarakah* finance receivables | 1,997,758 | 1,554,196 |
| Other *syariah* finance receivables | 2,865,846 | 1,369,408 |
| | 10,161,283 | 7,215,491 |
| Less: Allowance for possible losses | (334,098) | (261,133) |
| | **9,827,185** | **6,954,358** |

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

Average interest rates per annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 12.27% | 15.30% |
| Foreign Currency | 7.11% | 9.31% |

Range of profit sharing per annum:

| | 2007 | 2006 |
|---|---|---|
| Receivables | 12.06% - 14.49% | 11.56% -13.46% |
| *Musyarakah* finance receivables | 10.55% - 13.11% | 11.96% -16.45% |
| Other *syariah* finance receivables | 16.12% - 17.87% | 14.70% -17.48% |

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.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 11. LOANS (continued)

B. Significant information related to loans (continued):

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 73.40% of the total syndicated loans as of December 31, 2007 and 2006, respectively. Bank Mandiri's total participation in syndicated loans ranged from 0.07% to 73.85% and 0.07% to 95.56%, of the total syndicated loans as of December 31, 2007 and 2006, respectively.

f. Restructured Loans

Below is the type and amount of restructured loans as of December 31, 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Extension of loan maturity dates | 11,366,342 | 10,831,389 |
| Extension of loan maturity dates and reduction of interest rates | 5,176,258 | 4,483,994 |
| Long-term loans with options to convert debt to equity | 1,533,249 | 1,518,801 |
| Additional loan facilities | 31,212 | 319,187 |
| Extension of loan maturity dates and other restructuring schemes *) | 2,537,865 | 2,528,410 |
| | **20,644,926** | **19,681,781** |

**) 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, 2007 and 2006 amounted to Rp5,448,259 and Rp7,347,389, respectively.

g. Loans to Related Parties (Note 47a)

Loans to related parties amounted to Rp783,078 and Rp750,672 as of December 31, 2007 and 2006 or 0.24% and 0.28% of total consolidated assets as of December 31, 2007 and 2006, respectively.

Included in loans to related parties are loans to Bank Mandiri employees. 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, 2007 and 2006, 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 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:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 14,388,695 | 11,823,614 |
| Provision during the year (Note 36) | 2,247,854 | 4,158,551 |
| Loan recoveries | 1,546,272 | 3,422,460 |
| Write-offs | (5,336,005) | (4,492,871) |
| Others *) | 194,880 | (523,059) |
| Balance at end of year | **13,041,696** | **14,388,695** |

**) Includes effect of foreign currency translation.*

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.

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

k. A summary of non-performing loans based on economic sector before deducting by deferred income and related minimum allowances for possible losses based on Bank Indonesia regulations, is as follows:

| | 2007 | |
|---|---|---|
| | Non-performing Loans | Minimum Allowance for Possible Losses |
| Rupiah: | | |
| Manufacturing | 2,926,463 | 2,200,971 |
| Trading, restaurant and hotel | 705,843 | 499,445 |
| Business services | 689,076 | 526,069 |
| Others | 1,744,853 | 1,243,708 |
| Total Rupiah | 6,066,235 | 4,470,193 |
| Foreign Currency: | | |
| Manufacturing | 4,526,950 | 4,190,100 |
| Trading, restaurant and hotel | 314,064 | 243,216 |
| Business services | 352,295 | 326,013 |
| Others | 708,564 | 630,027 |
| Total Foreign Currency | 5,901,873 | 5,389,356 |
| | **11,968,108** | **9,859,549** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 11. LOANS (continued)

B. Significant information related to loans (continued):

| | 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** |

l. Write-offs Loans - Loss Rating

In 2007 and 2006, Bank Mandiri wrote-off loss rated loans amounting to Rp5,118,510 and Rp4,475,753 (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.

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

m. Bank Mandiri had extra-comptable loans which have been written-off by the Bank and still continue to pursue 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-comptable loans for the years ended December 31, 2007 and 2006 is as follows (Bank only):

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 24,758,452 | 22,621,706 |
| Write-offs | 5,118,510 | 4,475,753 |
| Recoveries | (1,531,342) | (3,410,734) |
| Others *) | 512,755 | 1,071,727 |
| Balance at end of year | **28,858,375** | **24,758,452** |

**) Includes effect of foreign currency translation.*

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 11. LOANS (continued)

B. Significant information related to loans (continued):

n. Purchase of Loans from IBRA

Period from January 1, 2007 to December 31, 2007

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 Rp7,299 as of December 31, 2007.

Of the total outstanding principal balance of IBRA loans, Rp495,599 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the years ended December 31, 2007 amounted to RpNil.

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, 2007 was Rp497,270.

Based on Bank Indonesia Letter to the Bank No. 9/58/DPNP/IDPnP dated February 16, 2007, the Bank can maintain the loans purchased from IBRA that has been held for five years after puchased, as long as it is classified as current based on business prospect, performance and debtor's ability to repay as stated in Bank Indonesia Regulation related to Earning Assets Quality.

Period from January 1, 2006 to December 31, 2006

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 Rp379,446 as of December 31, 2006.

Of the total outstanding principal balance of Rp3,050,488 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the year 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.

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, 2007 and 2006, which were recorded under loan account:

| | 2007 | 2006 |
|---|---|---|
| *Principal loan* | | |
| Balance at beginning of year | 3,050,488 | 4,771,405 |
| Repayments during the year | (2,086,164) | (639,663) |
| Loan write-off during the year | (578,359) | (742,816) |
| Foreign currency translation effect - net | 109,634 | (338,438) |
| **Balance at end of year** | **495,599** | **3,050,488** |
| *Allowance for possible loan losses* | | |
| Balance at beginning of year | - | - |
| Correction due to receipt over the purchase price | - | - |
| Foreign currency translation effect - net | - | - |
| **Balance at end of year** | **-** | **-** |

**(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)

| | 2007 | 2006 |
|---|---|---|
| *Deferred Income* | | |
| Balance at beginning of year | 86,380 | 159,858 |
| Correction due to receipt over the purchase price | (49,776) | (18,620) |
| Deferred income utilized for write offs | (13,601) | (50,161) |
| Foreign currency translation effect - net | 469 | (4,697) |
| **Balance at end of year** | **23,472** | **86,380** |

The collectibility of loans purchased from IBRA as of December 31, 2007 and 2006 is as follows :

| | 2007 | 2006 |
|---|---|---|
| Current | 315,158 | 470,689 |
| Special mention | 180,441 | 2,072,669 |
| Sub-standard | - | 6,584 |
| Loss | - | 500,546 |
| | **495,599** | **3,050,488** |

o. On November 28, 2005 Bank Mandiri signed a Memorandum of Understanding with *Direktorat Jenderal Piutang and Lelang Negara* ("DJPLN") No.NKB-001/PL/2005 / 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.

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.

q. Loans channeled through direct financing system (executing) and joint financing as of December 31, 2007 and 2006 were Rp3,498,877 and Rp2,999,542, respectively.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 12. ACCEPTANCES RECEIVABLE

a) By Currency, Related Parties and Third Parties:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Receivables from other banks | | |
| Related parties (Note 47a) | - | 769 |
| Third parties | 118,195 | 20,708 |
| Receivables from debtors | | |
| Third parties | 74,688 | 290,583 |
| Total Rupiah | 192,883 | 312,060 |
| Foreign Currency: | | |
| Receivables from other banks | | |
| Third parties | 491,475 | 38,450 |
| Receivables from debtors | | |
| Third parties | 4,338,877 | 3,257,883 |
| Total Foreign Currency | 4,830,352 | 3,296,333 |
| Total | 5,023,235 | 3,608,393 |
| Less: Allowance for possible losses | (69,754) | (155,223) |
| | **4,953,481** | **3,453,170** |

b) By Maturity:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Less than 1 month | 104,358 | 88,066 |
| 1 - 3 months | 81,246 | 164,020 |
| 3 - 6 months | 7,279 | 59,974 |
| Total Rupiah | 192,883 | 312,060 |
| Foreign Currency: | | |
| Less than 1 month | 1,425,862 | 790,217 |
| 1 - 3 months | 2,000,819 | 1,448,175 |
| 3 - 6 months | 1,021,231 | 957,886 |
| 6 - 12 months | 382,440 | 93,303 |
| Over 12 months | - | 6,752 |
| Total Foreign Currency | 4,830,352 | 3,296,333 |
| Total | 5,023,235 | 3,608,393 |
| Less: Allowance for possible losses | (69,754) | (155,223) |
| | **4,953,481** | **3,453,170** |

c) By Collectibility:

| | 2007 | 2006 |
|---|---|---|
| Current | 4,557,947 | 2,968,660 |
| Special mention | 464,207 | 599,910 |
| Sub-standard | 658 | 247 |
| Loss | 423 | 39,576 |
| Total | 5,023,235 | 3,608,393 |
| Less: Allowance for possible losses | (69,754) | (155,223) |
| | **4,953,481** | **3,453,170** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 12. ACCEPTANCES RECEIVABLE (continued)

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

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning year | 155,223 | 429,092 |
| Reversal during the year (Note 36) | (96,805) | (202,701) |
| Others *) | 11,336 | (71,168) |
| Balance at end of year | **69,754** | **155,223** |

**) Includes effect of foreign currency translation.*

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

## 13. INVESTMENTS IN SHARES OF STOCK

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

| | 2007 | 2006 |
|---|---|---|
| Equity method of accounting | 119,933 | 79,505 |
| Cost method of accounting | 78,915 | 78,990 |
| Total | 198,848 | 158,495 |
| Less: Allowance for possible losses | (73,943) | (73,625) |
| | **124,905** | **84,870** |

The details of investments in shares of stock as of December 31, 2007 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 | 103,172 | 119,933 |
| PT Sarana Bersama Pembiayaan Indonesia | Holding company | 34.00% | 2,278 | (2,278) | - |
| | | | | | 119,933 |
| *Cost Method of Accounting:* | | | | | |
| PT Semen Kupang [a)] | Manufacturing | 37.39% | 45,023 | | 45,023 |
| PT Sri Thai [a)] | Manufacturing | 1.43% | 23,055 | | 23,055 |
| Others (each less than Rp3,889) | Various | | 10,837 | | 10,837 |
| | | | | | 78,915 |
| Total | | | | | 198,848 |
| Less: Allowance for possible losses | | | | | (73,943) |
| | | | | | **124,905** |

**(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, 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 | 59.70% | 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 | | | | | 158,495 |
| Less: Allowance for possible losses | | | | | (73,625) |
| | | | | | **84,870** |

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:

| | **2007** | **2006** |
|---|---|---|
| Current | 126,168 | 85,815 |
| Loss | 72,680 | 72,680 |
| Total | 198,848 | 158,495 |
| Less: Allowance for possible losses | (73,943) | (73,625) |
| | **124,905** | **84,870** |

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

| | **2007** | **2006** |
|---|---|---|
| Balance at beginning of year | 73,625 | 73,298 |
| Provision during the year (Note 36) | 318 | 327 |
| Balance at end of year | **73,943** | **73,625** |

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

The details of premises and equipment are as follows:

| Movements from January 1, 2007 to December 31, 2007 | Beginning Balance | Additions | Deductions | Reclassifications**) | Ending Balance |
|---|---|---|---|---|---|
| *Cost/Valuation* | | | | | |
| Direct ownership | | | | | |
| Land *) | 2,604,103 | - | (628) | 107,045 | 2,710,520 |
| Buildings *) | 1,540,552 | 14,926 | (3,572) | 55,929 | 1,607,835 |
| Furnitures, fixtures, office equipment and computer equipment/software | 3,717,510 | 107,876 | (3,037) | 134,012 | 3,956,361 |
| Vehicles | 73,178 | 6,957 | (2,548) | (562) | 77,025 |
| Construction in progress | 166,570 | 168,608 | (3,722) | (180,553) | 150,903 |
| | 8,101,913 | 298,367 | (13,507) | 115,871 | 8,502,644 |
| *Accumulated Depreciation and Amortization (Note 40)* | | | | | |
| Direct *ownership* | | | | | |
| Buildings | 800,243 | 86,341 | (3,381) | 4,069 | 887,272 |
| Furnitures, fixtures, office equipment and computer equipment/software | 2,550,474 | 487,802 | (3,197) | - | 3,035,079 |
| Vehicles | 41,953 | 9,734 | (2,971) | - | 48,716 |
| | 3,392,670 | 583,877 | (9,549) | 4,069 | 3,971,067 |

| | |
|---|---|
| *Net book value* | |
| Direct *ownership* | |
| Land | 2,710,520 |
| Buildings | 720,563 |
| Furniture, fixtures, office equipment and computer equipment/software | 921,282 |
| Vehicles | 28,309 |
| | 4,380,674 |
| Construction in progress | 150,903 |
| | **4,531,577** |

Construction in progress as of December 31, 2007 is comprised of:

| | |
|---|---|
| Product and license - Core Banking System | 54,013 |
| Buildings | 15,464 |
| Others | 81,426 |
| | **150,903** |

The construction in progress for Integrated Banking System agreement with PT Silverlake Informatikatama was approximately 96.24% complete whilst with Silverlake Corporation was approximately 73.77% complete as of December 31, 2007.

Certain premises and equipment of Bank Syariah Mandiri, a subsidiary, with net book value as of December 31, 2007 amounting to Rp23,882 have been pledged as collateral to Bank Indonesia in relation to BSM's proposal for the settlement of its Rp32,000 subordinated loan from BI (Note 29).

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 14. PREMISES AND EQUIPMENT (continued)

| Movements from January 1, 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 (Note 40)* | | | | | |
| 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** |

*) The premises and equipment was revalued in 1979, 1987 and 2003. 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).

**) Reclassified to abandoned property and construction in progress.

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** |

The construction in progress for integrated banking system agreement with PT Silverlake Informatikatama was approximately 96.22% complete whilst with Silverlake Corporation was approximately 31.72% complete as of December 31, 2006.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 14. PREMISES AND EQUIPMENT (continued)

a. In accordance with the Decrees of the Minister of Finance (KMK) No. 211/KMK.03/2003 dated May 14, 2003 and No. S-206/MK.01/2003 dated May 21, 2003, Bank Mandiri engaged PT Vigers Hagai Sejahtera, a registered appraisal company, to revalue the premises and equipment of the merged banks, BBD, BDN, Bank Exim and Bapindo as of July 31, 1999, in relation to the transfer to Bank Mandiri of tax losses of these taxpayers which transferred assets to Bank Mandiri.

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

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

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

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

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

   Bank Mandiri has recorded the results of the revaluation on June 18, 2003, the date of approval from the Directorate General of Taxation, 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, PT Asuransi Dharma Bangsa, PT Asuransi Takaful Umum, PT Asuransi Jasindo Takaful and PT Asuransi Jasa Indonesia for total coverage amounts of Rp1,849,743 and US$140,874,300.65 (full amount) as of December 31, 2007 and Rp3,218,254 and US$174,357,150.76 (full amount) as of December 31, 2006. Management believes that the insurance coverage is adequate to cover the possibility of losses arising in relation to premises and equipment.

## 15. OTHER ASSETS

| | 2007 | 2006 |
|---|---|---|
| Accrued income | 1,672,638 | 1,661,130 |
| Others | 3,487,895 | 3,302,295 |
| | **5,160,533** | **4,963,425** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 15. OTHER ASSETS (continued)

*Accrued Income*

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

*Others*

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Receivables from customer transactions | 1,050,521 | 713,357 |
| Abandoned properties - net of accumulated losses arising from difference in net realizable value of Rp29,248 and Rp28,762 as of December 31, 2007 and 2006 | 304,845 | 416,167 |
| Prepaid expenses | 274,418 | 303,804 |
| Repossessed assets - net of accumulated losses arising from difference in net realizable value of Rp10,451 and Rp10,451 as of December 31, 2007 and 2006 | 186,953 | 188,094 |
| Interbranch account - net | 125,141 | 201,152 |
| Prepaid taxes | 7,043 | 7,356 |
| Interest receivables from financial institutions | 1,186 | 254,004 |
| Others | 972,119 | 1,630,052 |
| Total Rupiah | 2,922,226 | 3,713,986 |
| Foreign Currency: | | |
| Prepaid expenses | 19,800 | 21,041 |
| Receivables from customer transactions | 15,152 | 16,052 |
| Interest receivables from financial institutions | - | 17,601 |
| Others | 1,143,355 | 528,318 |
| Total Foreign Currency | 1,178,307 | 583,012 |
| Total | 4,100,533 | 4,296,998 |
| Less: Allowance for possible losses | (612,638) | (994,703) |
| | **3,487,895** | **3,302,295** |

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

Prepaid expenses consist of payments made in advance mostly relating to housing rental, building maintenance and prepayment for customer guarantee program to Lembaga Penjamin Simpanan (LPS).

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

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 994,703 | 427,225 |
| Provision during the year (Note 37) | 73,424 | 53,663 |
| Reversal during the year (Note 37) | (281,496) | - |
| Reclassification during the year | (133,290) | - |
| Settlement during the year | (46,513) | - |
| Write offs during the year | (5,076) | - |
| Others *) | 10,886 | 513,815 |
| Balance at end of year | **612,638** | **994,703** |

**) Includes effect of foreign currency translation.*

Management believes that the allowance for possible losses is adequate to cover possible losses from other assets.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS

a. By Currency and Related Parties and Third Parties:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Related parties (Note 47a) | 122,420 | 83,524 |
| Third parties | 51,926,055 | 35,366,597 |
| Total Rupiah | 52,048,475 | 35,450,121 |
| Foreign Currency: | | |
| Related parties (Note 47a) | 8,102 | 249,988 |
| Third parties | 14,954,374 | 13,112,644 |
| Total Foreign Currency | 14,962,476 | 13,362,632 |
| | **67,010,951** | **48,812,753** |

Included in demand deposits are *wadiah* deposits amounting to Rp1,631,330 and Rp2,058,994 as of December 31, 2007 and 2006, respectively.

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

Average interest rates per annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 2.65% | 3.26% |
| Foreign Currency | 1.89% | 2.59% |

Range of bonuses per annum on *wadiah* deposits:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 0.91% - 1.07% | 1.09% -1.42% |
| Foreign Currency | 0.23% - 2.64% | 1.24% -1.95% |

c. As of December 31, 2007 and 2006, demand deposits pledged by borrowers as collateral for bank guarantees, loans and trade finance facilities amounted to Rp575,005 and Rp859,951, respectively.

## 17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS

a. By Type and Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Mandiri Savings | 81,074,229 | 57,283,153 |
| *Mudharabah* Savings | 3,860,425 | 2,662,402 |
| *Mandiri Haji* Savings | 424,160 | 358,006 |
| | **85,358,814** | **60,303,561** |

b. As of December 31, 2007 and 2006, Bank Mandiri had saving deposits from related party amounting to Rp42,844 and Rp46,355, respectively, or 0.05% and 0.08% from total saving deposits (Note 47a).

c. Annual average interest rates of savings deposits for the years ended December 31, 2007 and 2006 were 3.68% and 4.53%, respectively.

d. Profit sharing for *mudharabah* savings ranged from 0.29% to 6.98% and 2.73% to 7.39% for the years ended December 31, 2007 and 2006, respectively.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS

a. By Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 78,535,764 | 83,539,150 |
| Foreign Currency | 16,449,494 | 13,052,084 |
| | **94,985,258** | **96,591,234** |

b. By Contract Period:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| 1 month | 64,145,362 | 56,945,785 |
| 3 months | 9,060,496 | 12,322,070 |
| 6 months | 2,492,026 | 3,569,430 |
| 12 months | 1,797,559 | 7,063,403 |
| Over 12 months | 1,040,321 | 3,638,462 |
| Total Rupiah | 78,535,764 | 83,539,150 |
| Foreign Currency: | | |
| 1 month | 13,686,388 | 11,364,960 |
| 3 months | 1,270,383 | 834,361 |
| 6 months | 875,805 | 343,553 |
| 12 months | 553,542 | 463,257 |
| Over 12 months | 63,376 | 45,953 |
| Total Foreign Currency | 16,449,494 | 13,052,084 |
| | **94,985,258** | **96,591,234** |

c. By Remaining Period Until Maturity Date:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| 1 month | 64,145,362 | 62,419,959 |
| 3 months | 9,060,496 | 13,293,095 |
| 6 months | 2,492,026 | 2,723,278 |
| 12 months | 1,797,559 | 3,226,267 |
| Over 12 months | 1,040,321 | 1,876,551 |
| Total Rupiah | 78,535,764 | 83,539,150 |
| Foreign Currency: | | |
| 1 month | 13,686,387 | 11,612,650 |
| 3 months | 1,273,960 | 951,699 |
| 6 months | 870,950 | 275,116 |
| 12 months | 554,821 | 211,658 |
| Over 12 months | 63,376 | 961 |
| Total Foreign Currency | 16,449,494 | 13,052,084 |
| | **94,985,258** | **96,591,234** |

d. Included in time deposits are unrestricted *mudharabah* investments amounting to Rp5,171,943 and Rp3,510,184 as of December 31, 2007 and 2006, respectively.

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

Average interest rates per annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 7.39% | 11.12% |
| Foreign Currency | 3.71% | 4.03% |

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

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

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

| | 2007 | 2005 |
|---|---|---|
| Rupiah | 6.60% - 8.05% | 6.56% - 8.24% |
| Foreign Currency | 2.85% - 3.35% | 2.73% - 3.55% |

f. As of December 31, 2007 and 2006, time deposits from related parties amounted to Rp181,309 and Rp877,911, respectively, or 0.19% and 0.91% of the total time deposits, respectively (Note 47a).

g. As of December 31, 2007 and 2006, time deposits which are frozen and blocked as collateral for bank guarantees, loans and trade finance facilities amounted to Rp8,330,382 and Rp5,645,389, respectively. As of December 31, 2007 and 2006, there are no *Mudharabah* time deposit pledged for *Mudharabah* receivables extended by Bank Syariah Mandiri (BSM).

## 19. DEPOSITS FROM OTHER BANKS - DEMAND AND SAVINGS DEPOSITS

a. By Currency:

| | 2007 | 2006 |
|---|---|---|
| Demand Deposits | | |
| Rupiah | 1,307,562 | 505,965 |
| Foreign Currency | 80,538 | 196,155 |
| Total Demand Deposits | 1,388,100 | 702,120 |
| Savings Deposit | | |
| Rupiah | 248,965 | 584,489 |
| Total Savings Deposit | 248,965 | 584,489 |
| **Total Demand and Savings Deposits** | **1,637,065** | **1,286,609** |

Included in deposits from other banks - demand deposits are *wadiah* deposits amounting to Rp2,512 and RpNil as of December 31, 2007 and 2006, respectively.

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

Average interest rates per annum:

| | 2007 | 2006 |
|---|---|---|
| Demand Deposit | | |
| Rupiah | 2.65% | 3.26% |
| Foreign Currency | 1.89% | 2.59% |

| | 2007 | 2006 |
|---|---|---|
| Saving Deposit | | |
| Rupiah | 3.68% | 4.53% |

Range of bonuses per annum on *wadiah* deposits:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 0.19% - 1.07% | 1.09% - 4.26% |
| Foreign Currency | 0.23% - 2.64% | 0.22% - 1.95% |

c. As of December 31, 2007 and 2006, the Bank demand and savings deposits from related party banks amounted to RpNil and Rp138 (Note 47a).

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 19. DEPOSITS FROM OTHER BANKS - DEMAND AND SAVINGS DEPOSITS (continued)

d. As of December 31, 2007 and 2006, demand and savings deposits pledged by borrowers as bank guarantees, loan collateral and trade finance facilities amounted to Rp224,286 and Rp1,596, respectively.

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

a. By Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | - | 1,420,000 |
| Foreign Currency | 827,617 | 479,681 |
| | **827,617** | **1,899,681** |

b. By Remaining Period Until Maturity Date:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Less than 1 month | - | 1,420,000 |
| Foreign Currency: | | |
| Less than 1 month | 827,617 | 479,681 |
| | **827,617** | **1,899,681** |

c. Average Interest Rates Per Annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | - | 8.26% |
| Foreign Currency | 5.42% | 4.25% |

d. As of December 31, 2007 and 2006, the Bank had no inter-bank call money from related party banks.

## 21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS

a. By Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 1,724,286 | 4,203,055 |
| Foreign Currency | 1,221,373 | 799,955 |
| | **2,945,659** | **5,003,010** |

b. By Contract Period:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Less than 1 month | 1,703,249 | 4,152,853 |
| 3 months | 7,640 | 43,708 |
| 6 months | 2,300 | 4,269 |
| 12 months | 11,097 | 2,225 |
| Total Rupiah | 1,724,286 | 4,203,055 |
| Foreign Currency: | | |
| Less than 1 month | 1,197,890 | 799,955 |
| 6 months | 23,483 | - |
| Total Foreign Currency | 1,221,373 | 799,955 |
| | **2,945,659** | **5,003,010** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

b. By Contract Period (continued):

Included in deposits from other banks - time deposits are unrestricted investments - *mudharabah* time deposits amounting to RpNil and Rp5,433 as of December 31, 2007 and 2006, respectively.

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

Average interest rates per annum:

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 7.39% | 11.12% |
| Foreign Currency | 3.71% | 4.03% |

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

| | 2007 | 2006 |
|---|---|---|
| Rupiah | 6.60% - 8.05% | 5.58% - 8.53% |
| Foreign Currency | 2.85% - 3.35% | 1.20% - 3.55% |

d. As of December 31, 2007 and 2006, the Bank had no time deposits from related party banks.

e. As of December 31, 2007 and 2006, time deposits from other banks which are frozen and blocked as bank guarantees, loan collateral and trade finance facilities amounted to Rp42,079 and Rp11,721, 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 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.

Based on the agreement, counterparty bank has option right to early terminate the agreement in effect of unwind events, which is the Bank failed to pay Rupiah deposit top up as required in the agreement.

If counterparty bank exercised their option right to early terminate the agreement due to unwind events, the Bank has to pay unwind cost to counterparty bank as determined later by the counterparty bank.

In addition counterparty bank has option right to early terminate the transaction if counterparty bank assess the fund received in the form of callable zero coupon deposits has higher interest rate than the market interest rate, as the counterparty bank has executed on May 28, 2007 and June 25, 2007.

On May 28, 2007, counterparty bank terminated the callable zero coupon deposits with beginning balance amounting Rp634,000 and paid cash as settlement of the transaction on settlement date June 20, 2007.

On June 25, 2007, counterparty bank terminated the callable zero coupon deposits with beginning balance amounting Rp634,000 and paid cash as settlement of the transaction on settlement date December 21, 2007.

## 22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE

As of December 31, 2007, 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 |
|---|---|---|---|---|---|---|---|
| Government Bonds Rupiah | | | | | | | |
| | Bonds VR0013 | 617,500 | 06/07/2005 | 01/07/2008 | 617,500 | - | 617,500 |
| | Bonds VR0031 | 669,000 | 12/19/2007 | 01/03/2008 | 602,746 | 259 | 602,487 |
| | Bonds VR0031 | 446,000 | 12/19/2007 | 01/03/2008 | 401,829 | 172 | 401,657 |
| | Bonds VR0019 | 355,652 | 05/18/2005 | 05/18/2010 | 316,356 | - | 316,356 |
| | Bonds FR0040, FR0043 and FR0047 | 283,000 | 12/28/2007 | 01/28/2008 | 297,527 | 34 | 297,493 |
| | 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 FR0020, FR0027 and FR0033 | 100,000 | 12/28/2007 | 01/11/2008 | 110,021 | 293 | 109,728 |
| **Total** | | **2,992,039** | | | **2,915,101** | **758** | **2,914,343** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE (continued)

As of December 31, 2006, securities sold with agreements to repurchase were as follows:

| | Securities | Nominal Value | Commen-cement Date | Maturity Date | Repurchase Value | Unamortized Prepaid Interest Expense | Net Value |
|---|---|---|---|---|---|---|---|
| Governmnet Bonds Rupiah | | | | | | | |
| | Bonds VR0013 | 617,500 | 06/07/2005 | 01/07/2008 | 617,500 | - | 617,500 |
| | Bonds VR0019 | 355,652 | 05/18/2005 | 05/18/2010 | 316,356 | - | 316,356 |
| | 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 | 111,915 | 12/28/2006 | 01/25/2007 | 100,700 | 625 | 100,075 |
| | Bonds FR0040 | 6,000 | 12/22/2006 | 06/20/2007 | 6,545 | 314 | 6,231 |
| Total | | 1,611,954 | | | 1,610,223 | 939 | 1,609,284 |
| Foreign Currency | | | | | | | |
| | Bonds FR0019, FR0023, FR0034 | 50,588 | 12/15/2006 | 01/15/2007 | 50,828 | 116 | 50,712 |
| | Bonds FR00038 and FR0040 | 47,725 | 12/11/2006 | 01/27/2007 | 48,054 | 182 | 47,872 |
| | Bonds FR0034 and FR0040 | 16,226 | 12/21/2006 | 01/22/2007 | 16,305 | 54 | 16,251 |
| Total | | 114,539 | | | 115,187 | 352 | 114,835 |
| **Total** | | 1,726,493 | | | 1,725,410 | 1,291 | 1,724,119 |
| Non Government Bonds Rupiah | | | | | | | |
| | 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 |
| | 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 |
| Total | | 143,400 | | | 147,699 | 12,038 | 135,661 |
| **Total** | | **1,869,893** | | | **1,873,109** | **13,329** | **1,859,780** |

The agreements to repurchase Government 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:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Payable to other banks | | |
| Related parties (Note 47a) | - | 322 |
| Third parties | 74,688 | 290,261 |
| Payable to debtors | | |
| Third parties | 118,195 | 21,477 |
| Total Rupiah | 192,883 | 312,060 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 23. ACCEPTANCES PAYABLE (continued)

a. By Currency, Related Parties and Third Parties (continued):

| | 2007 | 2006 |
|---|---|---|
| Foreign Currency: | | |
| Payable to other banks | | |
| Third parties | 4,338,877 | 3,257,883 |
| Payable to debtors | | |
| Related parties (Note 47a) | - | 517 |
| Third parties | 491,475 | 37,933 |
| Total Foreign Currency | 4,830,352 | 3,296,333 |
| | **5,023,235** | **3,608,393** |

b. By Maturity:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Less than 1 month | 104,358 | 88,066 |
| 1 - 3 months | 81,246 | 164,020 |
| 3 - 6 months | 7,279 | 59,974 |
| Total Rupiah | 192,883 | 312,060 |
| Foreign Currency: | | |
| Less than 1 month | 1,425,862 | 790,217 |
| 1 - 3 months | 2,000,819 | 1,448,175 |
| 3 - 6 months | 1,021,231 | 957,886 |
| 6 - 12 months | 382,440 | 93,303 |
| Over 12 months | - | 6,752 |
| Total Foreign Currency | 4,830,352 | 3,296,333 |
| | **5,023,235** | **3,608,393** |

## 24. SECURITIES ISSUED

By Type and Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah : | | |
| Mandiri travelers' cheques | 957,107 | 948,267 |
| *Syariah* bonds | 375,000 | 200,000 |
| Others | 564 | 564 |
| Total Rupiah | 1,332,671 | 1,148,831 |
| Foreign Currency : | | |
| Medium Term Notes (MTN) | 2,718,796 | 2,558,682 |
| Promissory Notes | - | 90,030 |
| Total Foreign Currency | 2,718,796 | 2,648,712 |
| Total | 4,051,467 | 3,797,543 |
| Less: Unamortized discount | (903) | (3,660) |
| | **4,050,564** | **3,793,883** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 24. SECURITIES ISSUED (continued)

Details of MTN are as follows:

**2007**

| 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 | April 22, 2008 | 60 | 7.00% | 299,466,824 | 2,812,892 |
| Less: - Securities issued and held by Bank Mandiri and Subsidiaries | | | | | (10,017,641) | (94,096) |
| | | | | | 289,449,183 | 2,718,796 |
| - Unamortized discount | | | | | (96,115) | (903) |
| | | | | | **289,353,068** | **2,717,893** |

**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 | April 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** |

On October 31, 2003, Bank Syariah Mandiri, a subsidiary, issued five-year *Syariah* Mudharabah 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 while the maturity of the *Syariah* Mudharabah 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$300,000,000 (full amount) 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, 2007 and 2006 decreased by Rp5,008 or equivalent to US$533,176 (full amount) and Rp51,512 or equivalent to US$5,721,625 (full amount).

On January 25, 2007 Bank Syariah Mandiri offered and sold on a limited basis Subordinated Notes Syariah Mudharabah 2007 (Subnotes Bank) with maximum nominal value amounting to Rp200,000. The Subnotes Bank's will have term of 10 years with call option on the fifth year after the issuance date. The Subnotes Bank holder's *Nisbah* indication is 21.93% from profit sharing. The Subnotes Bank profit sharing is paid every 3 (three) months since the issuance date. On April 5, 2007 Subnotes Bank has been realized amounting to Rp200,000. The Subordinated Notes Bank will mature in year 2017.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 25. FUND BORROWINGS

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Bank Indonesia (a) | 392,150 | 599,426 |
| The Government of Republic of Indonesia (b) (Note 47a) | 280,000 | 350,000 |
| PT Permodalan Nasional Madani (Persero) (c) | 326,122 | 486,159 |
| PT Bank Ekspor Indonesia (Persero) (d) | - | 400,000 |
| Others (g) | 625,743 | 75,000 |
| Total Rupiah | 1,624,015 | 1,910,585 |
| Foreign Currency: | | |
| Trade Financing Facilities (e) | 6,875,676 | 154,854 |
| Direct Off-shore Loans (f) | 845,370 | 1,359,453 |
| Total Foreign Currency | 7,721,046 | 1,514,307 |
| **Total** | **9,345,061** | **3,424,892** |

As of December 31, 2007 and 2006, fund borrowings from related parties amounted to Rp280,000 and Rp350,000, respectively (Note 47a).

(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:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Small-Scale Working Capital Loans (KKPA) | 285,484 | 365,407 |
| Small-Scale Investment Loans (KIK) | 74,132 | 121,675 |
| Investment Loans (KI) | 32,534 | 112,344 |
| | **392,150** | **599,426** |

(b) 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 three 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. The first installment paid amounted to Rp70,000 in December 2007.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 25. FUND BORROWINGS (continued)

(c) 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.

(d) PT Bank Ekspor Indonesia (Persero)

This account represents credit facilities for export working capital obtained from Bank Ekspor Indonesia based on the facility agreement No. 064/PPF/12/2000 dated December 12, 2000 between PT Bank Ekspor Indonesia (Persero) and PT Bank Mandiri (Persero) Tbk. The agreement was for the period from December 20, 2000 until December 19, 2001, and was extended annually with the latest agreement No. 054/PPF/12/2005 to December 16, 2006. The facilities were re-loaned to direct and indirect exporter customers of Bank Mandiri and bear interest at market rates. The facilities were fully repaid on January 31, 2007.

(e) Trade Financing Facilities

Trade financing facilities represent short-term borrowings with tenors between 129 to 185 days and bear interest at LIBOR or 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:

| | 2007 | 2006 |
|---|---|---|
| JP Morgan Chase NA, Singapore | 939,300 | - |
| Bank of New York, Singapore | 751,440 | - |
| Wachovia Bank NA, USA | 704,475 | - |
| ABN AMRO, Singapore | 610,545 | - |
| ING Bank, Singapore | 563,580 | - |
| Standard Chartered Bank, Singapore | 469,650 | - |
| Credit Suisse, Singapore | 469,650 | - |
| Bank of Nova Scotia, Singapore | 469,650 | - |
| Commerzbank AG, Germany | 375,720 | - |
| DBS Bank, Ltd., Singapore | 281,790 | - |
| AMEX Bank, New York | 281,790 | - |
| Overseas Chinese, Singapore | 234,825 | - |
| National Bank of Dubai, UAE | 234,825 | - |
| Bank of America, San Fransisco | 187,860 | - |
| DZ Bank AG, Singapore | 159,681 | - |
| Dresdner Bank, AG, Frankfurt | 140,895 | 67,523 |
| Bayerische Landesbank, Munchen | - | 67,523 |
| Natexis, Singapore | - | 19,808 |
| | **6,875,676** | **154,854** |

(f) Direct Off-shore Loans

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

| | 2007 | 2006 |
|---|---|---|
| Syndicate OCBC, Natixis, Intesa San Paolo SPA, DZ Bank AG, Bank Muscat S.A.O.G | 563,580 | - |
| Sumitomo Mitsui Banking Corporation, Singapore | 281,790 | 270,090 |
| Deutsche Bank AG, Singapore | - | 675,225 |
| Bayerische Hypo-Und Vereinsbank AG, Singapore | - | 135,045 |
| Natixis, French | - | 135,045 |
| Overseas Chinese Banking Corp., Singapore | - | 135,045 |
| Bank of New York, Singapore | - | 9,003 |
| | **845,370** | **1,359,453** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 25. FUND BORROWINGS (continued)

(f) Direct Off-shore Loans (continued)

Syndication loan from OCBC, Natixis, Intesa San Paolo SPA, DZ Bank AG, Bank Muscat S.A.O.G bear interest at six-month LIBOR plus an applicable margin. Borrowing from Sumitomo Mitsui Banking Corporation, Singapore bear interest at three-month SIBOR plus an applicable margin. Borrowing from Deutsche Bank AG, Singapore bear interest at three-month LIBOR plus an applicable margin. Borrowing from Bayerische Hypo-Und Vereinsbank AG, Singapore bear interest at six-month LIBOR plus an applicable margin. Borrowing from Natixis and Overseas Chinese Banking Corp., Singapore bear interest at three-month LIBOR plus an applicable margin and borrowing from Bank of New York, Singapore bear interest at three-month SIBOR plus an applicable margin. These borrowings will be fully paid on maturity date.

(g) Others

| | 2007 | 2006 |
|---|---|---|
| Rupiah | | |
| PT Bank Permata Tbk. | 170,000 | 50,000 |
| PT Bank Lippo Tbk. | 150,000 | 25,000 |
| PT Bank Internasional Indonesia Tbk. | 150,000 | - |
| The Hongkong and Shanghai Banking Corporation Ltd. | 130,000 | - |
| PT Bank Panin Tbk. | 20,000 | - |
| Bank Indonesia | 5,743 | - |
| **Total** | **625,743** | **75,000** |

## 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:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Bank guarantees issued (Note 45) | 6,422,641 | 3,746,502 |
| Outstanding irrevocable letters of credit (Note 45) | 1,251,848 | 892,418 |
| Standby letters of Ccredit (Note 45) | 469,000 | - |
| Total Rupiah | 8,143,489 | 4,638,920 |
| Foreign Currency: | | |
| Bank guarantees issued (Note 45) | 5,571,489 | 4,535,248 |
| Outstanding irrevocable letters of credit (Note 45) | 6,174,146 | 3,024,142 |
| Standby letters of credit (Note 45) | 2,522,294 | 2,866,448 |
| Total Foreign Currency | 14,267,929 | 10,425,838 |
| | **22,411,418** | **15,064,758** |

b. By Collectibility:

| | 2007 | 2006 |
|---|---|---|
| Current | 21,606,838 | 14,456,257 |
| Special mention | 709,154 | 469,192 |
| Sub-standard | 6,783 | 911 |
| Doubtful | - | 12,425 |
| Loss | 88,643 | 125,973 |
| Total | 22,411,418 | 15,064,758 |
| Less: Estimated losses | (469,508) | (514,399) |
| Commitments and Contingencies - net | **21,941,910** | **14,550,359** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 26. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

c. Movements of estimated losses on commitments and contingencies:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 514,399 | 594,084 |
| Reversal during the year | (61,409) | (37,670) |
| Others *) | 16,518 | (42,015) |
| Balance at end of year | **469,508** | **514,399** |

**) includes effect of foreign currency translation.*

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

## 27. TAXATION

### a. Taxes payable

| | 2007 | 2006 |
|---|---|---|
| Bank Mandiri | | |
| Income Taxes: | | |
| Employee income tax - Article 21 | 43,921 | 21,824 |
| Corporate income tax - Article 25/29 | 1,022,689 | 1,345,436 |
| Withholding tax - Article 4 (2) | 145,591 | 175,985 |
| Others | 7,204 | 13,756 |
| | 1,219,405 | 1,557,001 |
| Subsidiaries | 60,993 | 25,799 |
| | **1,280,398** | **1,582,800** |

### b. Tax expense

| | 2007 | 2006 |
|---|---|---|
| Tax expense - current: | | |
| Bank Mandiri only | 2,552,750 | 1,609,549 |
| Subsidiaries | 133,404 | 65,461 |
| | **2,686,154** | **1,675,010** |
| Tax (benefit)/expense - deferred: | | |
| Bank Mandiri only | (700,116) | (1,266,454) |
| Subsidiaries | (146) | 168 |
| | **(700,262)** | **(1,266,286)** |
| | **1,985,892** | **408,724** |

As explained in Note 2u, 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).

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 27. TAXATION (continued)

### c. Tax expense - current

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

| | 2007 | 2006 |
|---|---|---|
| Consolidated income before tax benefit/(expense) and minority interests | 6,333,383 | 2,831,196 |
| Less: Income before tax expense of Subsidiaries after elimination | (134,525) | (66,696) |
| Income before tax benefit/(expense) and minority interests - Bank Mandiri only | 6,198,858 | 2,764,500 |
| Add/(deduct) permanent differences: | | |
| Non-deductible expenses | 52,436 | 332,524 |
| Losses from Dili branch | - | 4,876 |
| Others | 15,126 | 194,930 |
| Add/(deduct) temporary differences: | | |
| Over provision for loans losses | 1,933,422 | 5,160,826 |
| Over provision for personnel expenses | 506,484 | 264,876 |
| Over provision of abandoned properties | 46,110 | - |
| Over provision of repossessed assets | 23,838 | - |
| Loss/(gains) on decrease/(increase) in market value of securities and Government Bonds | 14,464 | (87,001) |
| Difference in net realizable value of abandoned properties | 486 | (2,303) |
| Under provision for losses on earning assets other than loans | (104,899) | (670,837) |
| Loan recovery and write back *) | (90,915) | (2,371,131) |
| Under provision for estimated losses on commitments and contingencies | (44,209) | (46,577) |
| Under provision for losses arising from legal cases | (22,293) | (156,026) |
| Under depreciation of fixed assets | (19,684) | (23,436) |
| Estimated taxable income | 8,509,224 | 5,365,221 |
| Estimated tax expense - current | | |
| Bank Mandiri only | 2,552,750 | 1,609,549 |
| Subsidiaries | 133,404 | 65,461 |
| Estimated tax expense - current | **2,686,154** | **1,675,010** |

*) The amount in 2007 includes the loans recovery amounting to Rp90,915 to which the deferred tax impact were not computed. 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.

Under the Indonesian taxation laws, Bank Mandiri and its Subsidiaries submit tax return on the basis of self assessment. The tax authorities may assess or amend taxes within 10 years after the date of the tax filings.

**(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 income before tax expense, and estimated income tax as reported in the statements of income for the years ended December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| Consolidated income before tax benefit/(expense) and minority interests | 6,333,383 | 2,831,196 |
| Less: Income before tax expense of Subsidiaries after elimination | (134,525) | (66,696) |
| Income before tax bebefit/(expense) and minority interests - Bank Mandiri only | 6,198,858 | 2,764,500 |
| Estimated income tax expense based on standard statutory rates | 1,859,640 | 829,333 |
| Tax effect of permanent differences: | | |
| Non-deductible expenses | 15,731 | 99,757 |
| Losses from Dili branch | - | 1,463 |
| Others | 4,537 | 58,479 |
| Loans write back and recovery | (27,274) | (711,339) |
| Provision for deferred tax assets | - | 65,402 |
| | **(7,006)** | **(486,238)** |
| Tax expense - Bank Mandiri only | 1,852,634 | 343,095 |
| Tax expense - Subsidiaries | 133,258 | 65,629 |
| Tax expense - consolidated | 1,985,892 | 408,724 |
| Less: Current tax expense - consolidated | (2,686,154) | (1,675,010) |
| **Deferred tax benefit - consolidated** | **(700,262)** | **(1,266,286)** |

### e. Deferred tax assets

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

| | 2007 | 2006 |
|---|---|---|
| **Bank Mandiri** | | |
| Deferred tax assets: | | |
| Loans write-offs | 2,276,445 | 1,611,806 |
| Allowance for possible losses on earning assets other than loans | 659,274 | 690,742 |
| Provision for personnel expenses | 599,122 | 447,177 |
| Allowance for possible loan losses | 429,374 | 513,987 |
| Estimated losses on commitments and contingencies | 140,394 | 153,657 |
| Allowance for possible losses arising from legal cases - net provision deferred tax asset Rp38,926 and Rp65,402 for the years ended December 31, 2007 and 2006 | 22,614 | 29,302 |
| Provision for abandoned properties | 13,833 | - |
| Accumulated losses arising from difference in net realizable value of abandoned properties | 8,774 | 8,627 |
| Provision for repossessed assets | 7,150 | - |
| Accumulated losses arising from difference in net realizable value of repossessed assets | 3,135 | 3,135 |
| Unrealized loss for Securities and Government Bonds (available for sale) | 1,521 | - |
| **Deferred tax assets** | **4,161,636** | **3,458,433** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 27. TAXATION (continued)

### e. Deferred tax assets (continued)

| | 2007 | 2006 |
|---|---|---|
| Deferred tax liabilities: | | |
| Net book value of premises and equipment | (81,161) | (75,256) |
| Mark to market of securities | (7) | (4,346) |
| Unrealized gain for Securities and Government Bonds (available for sale) | - | (98,387) |
| Net deferred tax assets - Bank Mandiri only | 4,080,468 | 3,280,444 |
| Net deferred tax assets - Subsidiaries | 15,979 | 15,007 |
| **Total deferred tax assets** | **4,096,447** | **3,295,451** |

## 28. OTHER LIABILITIES

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Provision for post-employment benefits (Note 42) | 784,938 | 689,654 |
| Provision for free of service period benefits (Note 42) | 655,489 | 489,650 |
| Accrued bonus, employee incentives, leave and holiday | 647,930 | 399,635 |
| Payable to customer | 557,822 | 664,689 |
| Guarantee deposits | 527,347 | 306,880 |
| Unearned income | 351,257 | 333,089 |
| Provision for possible losses on legal cases (Note 56e) | 204,611 | 301,046 |
| Others | 2,681,784 | 2,248,471 |
| Total Rupiah | 6,411,178 | 5,433,114 |
| Foreign Currency: | | |
| Guarantee deposits | 565,340 | 312,870 |
| Unearned income | 199,043 | 185,487 |
| Inter-branch accounts - net | 159,328 | 69,040 |
| Provision for possible losses on legal cases (Note 56e) | 1,131 | 15,181 |
| Others | 2,288,011 | 954,604 |
| Total Foreign Currency | 3,212,853 | 1,537,182 |
| | **9,624,031** | **6,970,296** |

Movements of provisions for possible losses on legal cases for the years ended December 31, 2007 and 2006 were as follows:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | 316,227 | 471,706 |
| Reversal during the year (Note 37) | (106,619) | (154,427) |
| Others *) | (3,866) | (1,052) |
| Balance at end of year | **205,742** | **316,227** |

**) Includes effect of foreign currency translation.*

Management believes that the provision for possible losses on legal cases is adequate.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 29. SUBORDINATED LOANS

a. By Currency:

| | 2007 | 2006 |
|---|---|---|
| Rupiah: | | |
| Two-Step Loans (TSL) | | |
| Nordic Investment Bank (NIB) (a) | 213,724 | 246,358 |
| Export-Import Bank of Japan (EBJ) (b) | - | 9,765 |
| Asian Development Bank (ADB) (c) | 688 | 1,378 |
| International Bank for Reconstruction and Development (IBRD) (d) | - | 8,674 |
| ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF) (e) | 71,506 | 84,507 |
| ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ) (f) | 1,687 | 2,812 |
| | 287,605 | 353,494 |
| Bank Indonesia | 2,423,859 | 2,448,859 |
| Total Rupiah | 2,711,464 | 2,802,353 |
| Foreign Currency: | | |
| Two-Step Loans - Asian Development Bank (ADB) (c) | 203,864 | 200,797 |
| Two-Step Loans - Kreditanstalt fur Wiederaufbau, Frankfurt (KfW) (g) | 19,947 | 34,192 |
| Others | - | 1,120,018 |
| Total Foreign Currency | 223,811 | 1,355,007 |
| | **2,935,275** | **4,157,360** |

b. By Type:

| | 2007 | 2006 |
|---|---|---|
| Two-Step Loans (TSL) | | |
| Nordic Investment Bank (NIB) (a) | 213,724 | 246,358 |
| Export-Import Bank of Japan (EBJ) (b) | - | 9,765 |
| Asian Development Bank (ADB) (c) | 204,552 | 202,175 |
| International Bank for Reconstruction and Development (IBRD) (d) | - | 8,674 |
| ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF) (e) | 71,506 | 84,507 |
| ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ) (f) | 1,687 | 2,812 |
| Kreditanstalt fur Wiederaufbau, Frankfurt (KfW) (g) | 19,947 | 34,192 |
| | 511,416 | 588,483 |
| Bank Indonesia | 2,423,859 | 2,448,859 |
| Others | - | 1,120,018 |
| | **2,935,275** | **4,157,360** |

**(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 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. |
| 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. |

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

| | 2007 | 2006 |
|---|---|---|
| (a) Nordic Investment Bank IV (NIB IV) | 202,394 | 223,698 |
| (b) Nordic Investment Bank III (NIB III) | 11,330 | 22,660 |
| | **213,724** | **246,358** |

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:

| | 2007 | 2006 |
|---|---|---|
| Export-Import Bank of Japan IV (EBJ-TSL IV) | **-** | **9,765** |

**(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. The Bank has fully repaid the credit facilities on January 15, 2007.

(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 1327-INO (SF) | To finance Micro Credit Projects. | January 15, 2005 - July 15, 2029 with 1st installment on January 15, 2005. |
| 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. |

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

| | 2007 | 2006 |
|---|---|---|
| (a) ADB Loan 1327 - INO | 203,864 | 200,797 |
| (b) ADB Perkebunan Nusantara XII and Nescoco Inti | 688 | 1,378 |
| | **204,552** | **202,175** |

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

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

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

**(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)

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 |
|---|---|---|
| Financial Sector Development Project (FSDP) | To finance Financial Sector Development Projects. | February 1, 1993 - September 15, 2007 with 1st installment on March 15, 1998. |
| 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. |

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

| | 2007 | 2006 |
|---|---|---|
| (a) Financial Sector Development Project (FSDP) | - | 8,674 |
| (b) Agricultural Financing Project (AFP) | - | - |
| | **-** | **8,674** |

The interest rate on the FSDP credit facility is 0% per annum. Installments for the FSDP credit facility are repayable on March 15 and September 15 of every year. The Bank has fully repaid the credit facility on September 15, 2007.

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 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 29. SUBORDINATED LOANS (continued)

*Two-Step Loans (TSL) (continued)*

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

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

| | 2007 | 2006 |
|---|---|---|
| (a) Pollution Abatement Equipment Program (PAE) | 69,218 | 81,803 |
| (b) Small Scale Industry (SSI) | 2,288 | 2,704 |
| | **71,506** | **84,507** |

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

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

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

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

This account represents a credit facility obtained from the AJDF-EBJ through the Government of the Republic of Indonesia, 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, 2007 and 2006 were Rp1,687 and Rp2,812, 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.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 29. SUBORDINATED LOANS (continued)

*Two-Step Loans (continued)*

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

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.

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:

**2007**

| | | | Balance | | |
|---|---|---|---|---|---|
| Loan No. | Facility (full amount) | Used Facility (full amount) | Original Currency (full amount) | Rupiah Equivalent | Repayment Period |
| F3137/1 | EUR7,859,450 | EUR7,215,734 | EUR1,443,147 | 19,947 | 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 will be 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. |
| **Total** | **EUR11,777,361** | **EUR11,133,645** | **EUR1,443,147** | **19,947** | |

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

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 29. SUBORDINATED LOANS (continued)

*Two-Step Loans (continued)*

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

**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 | EUR2,886,294 | 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 will be 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. |
| **Total** | **EUR11,777,361** | **EUR11,133,645** | **EUR2,886,294** | **34,192** | |

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.

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 (Note 14). 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, 2007 and 2006 are as follows:

| Bank | Term of Loan | 2007 Amount (Rupiah) | 2006 Amount (Rupiah) | Interest Rate |
|---|---|---|---|---|
| PT Bank Mandiri (Persero) Tbk. | November 30, 2004 - March 31, 2014 with 1st installment on November 30, 2004 | 2,391,859 | 2,416,859 | 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 |
| | | **2,423,859** | **2,448,859** | |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 29. SUBORDINATED LOANS (continued)

*Others*

*Subordinated Notes (SNs)*

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

| | | 2007 | | 2006 | |
|---|---|---|---|---|---|
| Issuer | Term of Subscription | Original Amount (full amount) | Equivalent Rupiah | Original Amount (full amount) | Equivalent Rupiah |
| Bank Mandiri | August 2, 2002 - 2012 with Call Option by August 2, 2007 | - | - | US$125,000,000 | 1,125,375 |
| Less: Unamortized discount | | - | - | (US$595,036) | (5,357) |
| | | **-** | **-** | **US$124,404,964** | **1,120,018** |

For purposes of increasing the Bank's Supplementary Capital (Tier II Capital), the Bank sourced financing for maturing subordinated debt obligations and for providing funds for new US Dollar loans. On August 2, 2002 the Bank issued US$125,000,000 (full amount) Subordinated Notes (the "Notes") through its Cayman Islands Branch. The Notes have been issued at 99.148% of their principal amount and are due on August 2, 2012. 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.

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, Societe 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.

On August 2, 2007, the Bank has fully repaid the loan Subordinated Notes (SNs).

## 30. MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES

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

| | 2007 | 2006 |
|---|---|---|
| Dana Pensiun Bank Bumi Daya | 5,126 | 4,072 |
| Yayasan Dana Pensiun Bank Dagang Negara | 1,173 | 1,058 |
| Koperasi Karyawan - PT Bank Mandiri (Persero) Tbk. | 47 | 46 |
| | **6,346** | **5,176** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 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, 2007 and 2006 are as follows:

| | 2007 | | | |
|---|---|---|---|---|
| | 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 | 67.47% |
| Public (less than 5 % each) | | | | |
| - Common Shares B Series | 6,749,551,742 | 500 | 3,374,775,871,000 | 32.53% |
| **Total Issued and Fully Paid-up Capital** | **20,749,551,742** | **500** | **10,374,775,871,000** | **100.00%** |

Shares ownership by directors were 20,500,281 shares (0.0987987%) as of December 31, 2007.

| | 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%** |
| **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 were 21,063,890 shares (0.1020972%) as of December 31, 2006.

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:

## 31. SHAREHOLDERS' EQUITY (continued)

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

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
(ii) Changes in capital structure
(iii) Changes in 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 shares to 32,000,000,000 shares, and the number of issued and fully paid-up shares increased from 10,000,000 shares with a nominal value of Rp1,000,000 (full amount) to 20,000,000,000 shares with a nominal value of Rp500 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 establishment of part of Recapitalization Fund amounting to Rp168,801,314,557,901 (full amount) as Agio.

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

The Dwiwarna A Series share represents a share owned by the Republic of Indonesia, which is not transferable. It provides the Republic of Indonesia with the following privileges:

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

## 31. SHAREHOLDERS' EQUITY (continued)

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

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) Tbk. 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) Tbk.", and Decree of the Minister of State-Owned Enterprises, as the PT Bank Mandiri (Persero) Tbk's shareholder at Jakarta, 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 PT Bank Mandiri (Persero) Tbk. in connection with the general banking recapitalization program".

Based on the Extraordinary General Shareholders' Meeting held on May 29, 2003, which was notarized on May 29, 2003 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 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).

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 placement.

## 31. SHAREHOLDERS' EQUITY (continued)

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

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 with fair value amounting to Rp69,71 (full amount) per share options. Up to December 31, 2007, MSOP - Stage 1 options exercised totaled 370,530,174 shares, thereby increasing the total issued and fully paid-up capital by Rp183,629 and agio by Rp114,662, including MSOP - Stage 1 exercised for the year ended December 31, 2007 amounting to 43,512,471 shares thereby increasing the total issued and fully paid - up capital by Rp20,120 and agio by Rp12,564 and Funds for Paid - up Capital amounting to Rp2,657. As of December 31, 2007, shares option value still recorded as equity-share option from MSOP - Stage 1 amounting to Rp561.

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 Rp1,190.50 (full amount) for exercise in the first year and Rp2,493 (full amount) for exercise in the second year and the following year. The nominal value per share is Rp500 (full amount). The Bank recorded MSOP - Stage 2 in the Equity account - Share Options with fair value amounting to Rp642.28 (full amount) per share options. Up to December 31, 2007 MSOP - Stage 2 option exercised totaled 304,886,942 shares thereby increasing the total Issued and Fully Paid - up Capital by Rp152,271 and agio by Rp406,335, including MSOP - Stage 2 exercised for the year ended December 31, 2007 amounting to 687,178 shares thereby increasing the Total Issued and Fully Paid - up Capital by Rp172 and Agio by Rp904, respectively, and Funds for Paid - up Capital amounting to Rp1,079. As of December 31, 2007, share option value still recorded as equity-share option from MSOP - Stage 2 amounting to Rp4,569.

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.

The MSOP - Stage 3 exercise price for each share is Rp1,495.08 (full amount). The Bank recorded MSOP - Stage 3 in the equity account - Share Options at fair value amounting to Rp593.89 (full amount) per share options. As of December 31, 2007 MSOP - Stage 3 option exercised totaled 137,348,058 shares thereby increasing the total issued and fully paid - up capital by Rp38,875 and agio by Rp123,543 and funds for paid - up capital amounting to Rp123,857. As of December 31, 2007, share option value still recorded as Equity-Share Options from MSOP - Stage 3 amounted to Rp102,190.

Funds for paid - up capital from MSOP-Stage 1, MSOP-Stage 2 and MSOP-Stage 3 exercised during 2007 amounting to Rp2,657, Rp1,079 and Rp123,857, respectively, represent stock option exercised during October 1 - December 31, 2007 not yet recognized as increase of total issued and fully paid-up capital amounting to Rp31,607 and agio amounting to Rp95,986 because these are not yet supported by amended deed of Articles of Association.

Share options exercised from MSOP - Stage 1, MSOP - Stage 2, MSOP - Stage 3 for the year ended December 31, 2007 were 43,512,471 shares, 687,178 shares and 137,348,058 shares, respectively, thereby increasing the total issued and fully paid - up capital by Rp59,167 (Notes 1a and 32).

## 31. SHAREHOLDERS' EQUITY (continued)

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

Share options exercised from MSOP - Stage 1, MSOP - Stage 2 for the year ended December 31, 2006 were 71,300,339 shares and 304,199,764 shares, respectively, thereby increasing the total issued and fully paid - up capital by Rp187,750 (Notes 1a and 32).

b. Additional Paid-In Capital/Agio

The additional paid-in capital/agio of Rp6,570,959 and Rp6,433,948, as of December 31, 2007 and 2006, respectively, represents additional paid-up capital arising from the Recapitalization Program (Note 1c) and share options exercise.

Share options exercised from MSOP - Stage 1, MSOP - Stage 2, MSOP - Stage 3 for the year ended December 31, 2007 were 43,512,471 shares, 687,178 shares and 137,348,058 shares, respectively, thereby increasing the additional paid in capital by Rp137,011 (Notes 1a and 32).

Share options exercised from MSOP - Stage 1 and MSOP Stage 2 for the year ended December 31, 2006 were 71,300,339 shares and 304,199,764 shares, respectively, thereby increasing the additional paid-in capital by Rp427,693 (Notes 1a and 32).

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 (Note 47b) 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 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 at the capital structure of Bank Mandiri.

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.

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 31. SHAREHOLDERS' EQUITY (continued)

c. Premises and Equipment Revaluation Increment

The premises and equipment revaluation increment amounting to Rp3,046,936 as of December 31, 2007 and 2006, 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.

d. Distribution of Net Income

Based on the resolution of the shareholders during their general meetings held on May 28, 2007 and May 22, 2006, the shareholders approved the distribution of the 2006 and 2005 net income as follows:

| | | 2006 | 2005 |
|---|---|---|---|
| Dividends | | 1,452,843 | 301,685 |
| Tantiem *) | | 4,778 | - |
| Cooperative Development fund program | | 48,428 | - |
| Community Development fund program | | 48,428 | 12,067 |
| | | 1,554,477 | 313,752 |
| Appropriated retained earnings: | General reserve | 36,321 | 15,084 |
| | Specific reserve | - | - |
| Total reserve | | 36,321 | 15,084 |
| Retained earnings | | 830,607 | 274,533 |
| | | **2,421,405** | **603,369** |
| Dividend per share | | Rp70.02 (full amount) | Rp14.85 (full amount) |

*) In accordance with the Extraordinary General Shareholders' Meeting held on May 28, 2007, tantiem is taken from 2006 net income, and was distributed only to Commissioner's of PT Bank Mandiri (Persero) Tbk.

The dividends from 2006 and 2005 net income were paid to the shareholders on June 29, 2007 and June 30, 2006, 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 income. The tantiem from 2006 amounting to Rp4,778 was paid to the Commissioners of the Bank on June 4, 2007. The allocations for Cooperative development fund program and the community development fund program from 2006 and 2005 net income were paid on June 20, 2007 and June 16, 2006, respectively.

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. Bank adjusted the unrealized loss from available for sale securities, donated capital and premises and equipment revaluation increment 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 for certain levels and criterias. 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 for each share is Rp1,190.5 (full amount) for the first year of execution and Rp2,493 (full amount) for the remaing exercised period.

The share option life of MSOP - Stage 2 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.

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. The option life MSOP - Stage 3 is 5 (five) years from the grant date with five exercise periods and was announced on the announcement of Jakarta Stock Exchange No. Peng-989/BEJ-PSJ/P/100-2006 dated October 31, 2006.

Based on letter from Human Capital Group dated October 30, 2007 MSOP - Stage 3 can be exercised on first period (May 7, 2007 and November 5, 2007) for maximum of 50% from total options granted. The remaining 50% can be exercised on the next period (the second period or the next periods).

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 stage 1, stage 2 and stage 3 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% |

Number of options exercised during the year ended December 31, 2007 totalled 181,547,707 options (Note 1a) which comprised of MSOP - Stage 1, MSOP - Stage 2 and MSOP - Stage 3 of 43,512,471 options, 687,178 options and 137,348,058 options, respectively.

Number of options exercised during the year ended December 31, 2006 totalled 375,500,103 options (Note 1a) which comprised of MSOP - Stage 1 and MSOP - Stage 2 of 71,300,339 options and 304,199,764 options, respectively.

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

| | 2007 | | | |
|---|---|---|---|---|
| | Number of options | Weighted average fair value of options (full amount) | Weighted average excercise price of options (full amount) | Value of Options |
| Option outstanding at begining of year | 368,782,533 | 521.62 | 1,383.41 | 105,330 |
| Option granted during the year | - | - | - | 87,034 |
| Option excercised during the year | (181,547,707) | 468.44 | 1,318.48 | (85,044 ) |
| Options that can be excercised at the end of the year | 187,234,826 | 573.18 | 1,500.62 | 107,320 |

| | 2006 | | | |
|---|---|---|---|---|
| | Number of options | Weighted 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 | 130,670 |
| Option excercised during the year | (375,500,103) | 533.56 | 1,105.43 | (200,352 ) |
| Options that can be excercised at the end of the year | 368,782,533 | 521.62 | 1,383.41 | 105,330 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 33. INTEREST INCOME

Interest income was derived from the following:

| | 2007 | 2006 |
|---|---|---|
| Loans | 12,629,787 | 11,319,184 |
| Government Bonds | 7,418,237 | 10,840,987 |
| Securities | 1,759,699 | 1,646,826 |
| Placements with Bank Indonesia and other banks | 755,716 | 1,067,532 |
| Fees and commissions | 695,800 | 603,709 |
| Others | 669,310 | 782,868 |
| | **23,928,549** | **26,261,106** |

Included in interest income from loans and others is *syariah* income for the years ended December 31, 2007 and 2006 amounting to Rp1,051,145 and Rp825,107, respectively, with details as follows:

| | 2007 | 2006 |
|---|---|---|
| *Murabahah* income | 553,286 | 492,689 |
| *Musyarakah* income | 200,090 | 189,779 |
| Others | 297,769 | 142,639 |
| | **1,051,145** | **825,107** |

## 34. INTEREST EXPENSE

Interest expense was incurred on the following:

| | 2007 | 2006 |
|---|---|---|
| Time deposits | 6,466,082 | 11,459,892 |
| Savings deposits | 2,310,034 | 2,059,386 |
| Demand deposits | 1,251,732 | 1,325,764 |
| Fund borrowings | 332,657 | 331,809 |
| Securities issued | 269,636 | 251,972 |
| Subordinated loans | 162,473 | 129,704 |
| Others | 207,580 | 218,224 |
| | **11,000,194** | **15,776,751** |

Included in interest expense from time and savings deposits is *syariah* expense for the years ended December 31, 2007 and 2006 amounting to Rp307,424 and Rp314,493, respectively.

## 35. OTHER OPERATING INCOME - OTHERS

| | 2007 | 2005 |
|---|---|---|
| Penalty | 90,911 | 3,444 |
| Stamp duty income | 42,823 | 40,643 |
| Safe Deposit Box | 18,801 | 17,201 |
| Others | 248,734 | 290,057 |
| | **401,269** | **351,345** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 36. PROVISION FOR POSSIBLE LOSSES ON EARNING ASSETS

| | 2007 | 2006 |
|---|---|---|
| Provision/(reversal of allowance) for possible losses on: | | |
| Current accounts with other banks (Note 4e) | 2,731 | 4,101 |
| Placements with other banks (Note 5f) | (36,337) | (51,542) |
| Securities (Note 6g) | (22,773) | (30,839) |
| Other receivables - trade transactions (Note 8d) | (5,527) | (215,583) |
| Securities purchased with agreements to resell (Note 9b) | 25,000 | 8,600 |
| Derivative receivables (Note 10) | (467) | 874 |
| Loans (Note 11B.j) | 2,247,854 | 4,158,551 |
| Acceptances receivable (Note 12d) | (96,805) | (202,701) |
| Investments in shares of stock (Note 13c) | 318 | 327 |
| | **2,113,994** | **3,671,788** |

## 37. REVERSAL OF ALLOWANCE FOR POSSIBLE LOSSES - OTHERS

| | 2007 | 2006 |
|---|---|---|
| Reversal/(provision) of allowance for: | | |
| Possible losses on legal cases (Note 28) | 106,619 | 154,427 |
| Possible losses on fraud cases | 107 | 51,018 |
| Others assets (Note 15) | 208,072 | (53,663) |
| Others | (1,783) | (22,837) |
| | **313,015** | **128,945** |

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

| | 2007 | 2006 |
|---|---|---|
| Securities | 15,129 | 8,318 |
| Government Bonds | (29,190) | 101,063 |
| | **(14,061)** | **109,381** |

## 39. GAINS FROM SALE OF SECURITIES AND GOVERNMENT BONDS

| | 2007 | 2006 |
|---|---|---|
| Securities | 43,504 | 94,286 |
| Government Bonds | 184,994 | 43,256 |
| | **228,498** | **137,542** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 40. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2007 | 2006 |
|---|---|---|
| Depreciation and amortization of premises and equipment (Note 14) | 583,877 | 608,358 |
| Rent | 466,808 | 452,025 |
| Promotions | 419,835 | 406,826 |
| Communications | 364,257 | 342,519 |
| Professional fees *) | 338,147 | 281,925 |
| Repairs and maintenance | 297,788 | 312,698 |
| Electricity, water and gas | 208,762 | 191,234 |
| Office supplies | 179,641 | 159,897 |
| Transportations | 96,192 | 82,023 |
| Research and development | 6,056 | 7,114 |
| Others | 447,897 | 406,274 |
| | **3,409,260** | **3,250,893** |

*) Professional fees included audit services amounting to Rp14,817 and Rp15,775 for the years ended December 31, 2007 and 2006, respectively.

## 41. SALARIES AND EMPLOYEE BENEFITS

| | 2007 | 2006 |
|---|---|---|
| Salaries, wages, pension and tax allowances | 2,155,020 | 1,727,159 |
| Holidays (THR), leave and related entitlements | 378,625 | 324,168 |
| Provision for post-employment benefit expenses | 300,177 | 303,691 |
| Training and development | 250,494 | 133,087 |
| Employee benefits in kind | 216,950 | 213,459 |
| Compensation expense on stock options (Note 32) | 87,034 | 130,670 |
| Provision for tantiem | 50,000 | - |
| Bonuses and others | 643,923 | 185,268 |
| | **4,082,223** | **3,017,502** |

Total gross salaries, allowances and bonuses of the Boards of Directors and Commissioners, and Executive Officers amounted to Rp84,240 and Rp61,242 for the years ended December 31, 2007 and 2006, respectively, are as follows:

| | 2007 | | | | |
|---|---|---|---|---|---|
| | Number of Members/ Officers | Salaries | Allowances | Bonuses | Total |
| Board of Commissioners | 7 | 5,257 | 3,605 | 4,515 | 13,377 |
| Board of Directors | 11 | 21,343 | 10,429 | - | 31,772 |
| Audit Committee | 2 | 755 | 145 | 185 | 1,085 |
| Executive Vice Presidents and Senior Vice Presidents | 47 | 18,668 | 10,668 | 8,670 | 38,006 |
| | **67** | **46,023** | **24,847** | **13,370** | **84,240** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 41. SALARIES AND EMPLOYEE BENEFITS (continued)

| | 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 |
| Executive Vice Presidents and Senior Vice President | 45 | 15,668 | 4,670 | 3,935 | 24,273 |
| | **65** | **37,588** | **19,719** | **3,935** | **61,242** |

## 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, 2007 and 2006 were Rp10,000 and Rp30,000, respectively. The interest rates on these time deposits are at arms-length.

   The Bank paid pension contributions totaling Rp129,470 and Rp107,566, respectively, for the years ended December 31, 2007 and 2006, 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.

Based on the decision of General Shareholders meeting dated May 28, 2007, Bank Mandiri increased the pension benefit from each Pension Plans. The decision was stated in each Pension Plan Regulation and has been approved by the Ministry of Finance with decision letter No. KEP-144/KM.10/2007 (DPBM I); No.KEP-145/KM.10/2007 (DPBM II); No. KEP-146/KM.10/2007 (DPBM III) and No. KEP-147/KM.10/2007 (DPBM IV) all dated July 20, 2007.

As of December 31, 2007 and 2006, 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 January 31, 2008 and February 23, 2007 for the years ended December 31, 2007 and 2006, respectively. In its calculation, the actuary used the following assumptions:

| | DPBM I | DPBM II | DPBM III | DPBM IV |
|---|---|---|---|---|
| Discount rate | 9.5% per annum (2006: 9.5%) | 9.5% per annum (2006: 9.5%) | 9.5% per annum (2006: 9.5%) | 9.5% per annum (2006: 9.5%) |
| Expected rate of return on plan assets | 9.5% per annum (2006: 9.5%) | 9.5% per annum (2006: 9.5%) | 9.5% per annum (2006: 9.5%) | 9.5% per annum (2006: 9.5%) |
| 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 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 42. PENSION AND SEVERANCE (continued)

*Pension Plan (continued)*

| | DPBM I | DPBM II | DPBM III | DPBM IV |
|---|---|---|---|---|
| Turnover rate | 5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter | 5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter | 5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter | 5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter |
| Disability rate | 10% of mortality rate | 10% of mortality rate | 10% of mortality rate | 10% of mortality rate |
| Actuarial method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Normal pension age | 56 years for all grades | 56 years for all grades | 56 years for all grades | 56 years for all grades |
| Maximum defined benefit amount | 80% of latest gross pensionable salary (PhDP) | 80% of latest gross pensionable salary (PhDP) | 62.50% 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, 2007 are as follows:

| | DPBM I | DPBM II | DPBM III | DPBM IV |
|---|---|---|---|---|
| Projected Benefit Obligations | 1,033,826 | 1,004,599 | 542,654 | 317,468 |
| Fair Value of Plan Assets | 1,500,073 | 1,573,220 | 709,311 | 483,169 |
| Funded Status | 466,247 | 568,621 | 166,657 | 165,701 |
| Unrecognized Past Service Cost | - | - | - | - |
| Unrecognized Actuarial Gains | (406,468) | (357,302) | (165,814) | (87,767) |
| Surplus Based on PSAK No. 24 (Revised) | 59,779 | 211,319 | 843 | 77,934 |
| Asset Ceilling *) | - | - | - | - |
| **Pension Plan Program Assets recognized in balance sheet **)** | **-** | **-** | **-** | **-** |

**(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, 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.

*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, 2007 and 2006, the Bank recognized a provision for employee service entitlements in accordance with Labor Law No. 13/2003 amounting to Rp784,938 and Rp689,654, respectively, based on independent actuarial reports (Note 28).

Provision for employee service entitlements as of December 31, 2007 and 2006 is based on independent actuarial reports of PT Dayamandiri Dharmakonsilindo dated January 31, 2008 and February 14, 2007 for the years ended December 31, 2007 and 2006, respectively. The assumptions used by the actuary were as follows:

a. Discount rate is 10% per annum.
b. Expected rate of annual salary increase is 10%.
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):

| | 2007 | 2006 |
|---|---|---|
| Present value of obligations | 700,946 | 636,267 |
| Unrecognized past service cost | 44,227 | 31,544 |
| Unrecognized actuarial gains | 25,484 | 10,317 |
| **Provision for Post Employee Benefits Presented in balance sheet** | **770,657** | **678,128** |

| | 2007 | 2006 |
|---|---|---|
| Current service cost | 45,033 | 26,060 |
| Interest cost | 62,432 | 61,302 |
| Amortization of unrecognized past service cost | (870) | (644) |
| Amortization of unrecognized actuarial gains | - | (67) |
| Adjustment from last year tax calculation effect | - | 67,697 |
| Recognition of past service cost *) | - | 25,015 |
| **Cost of Pension benefits** | **106,595** | **179,363** |

*) Represent 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 (Bank Mandiri only):

| | 2007 | 2006 |
|---|---|---|
| Beginning Balance of Provision for Post Employee Benefits | 678,128 | 508,477 |
| Expenses during the year | 106,595 | 179,363 |
| Payments of benefits | (14,066) | (9,712) |
| **Provision for Post Employee Benefits (Note 28)** | **770,657** | **678,128** |

As of December 31, 2007 and 2006, the provision for post employee benefits in the Subsidiaries amounted to Rp14,281 and 11,526, 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), 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.
b. Expected rate of annual salary increase is 10%.
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 ended December 31, 2007 and 2006 amounted to Rp655,489 and Rp489,650, respectively (Note 28).

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

| | 2007 | 2006 |
|---|---|---|
| Current Service Cost | 80,551 | 67,637 |
| Interest Cost | 48,045 | 52,397 |
| Adjustment from last year tax calculation effect | - | 30,178 |
| Recognition of actuarial gains/(loss) | 60,113 | (25,884) |
| **Cost of free of service period** | **188,709** | **124,328** |

| | 2007 | 2006 |
|---|---|---|
| Beginning balance of provision of free of service period facilities | 489,650 | 376,340 |
| Expenses during the year | 188,709 | 124,328 |
| Payment of benefits | (22,870) | (11,018) |
| **Provision for free of service period** | **655,489** | **489,650** |

## 43. OTHER OPERATING EXPENSES - OTHERS - NET

| | 2007 | 2006 |
|---|---|---|
| Insurance premiums on customer guarantees (Note 58) | 430,478 | 401,219 |
| Others | 286,116 | 192,361 |
| | **716,594** | **593,580** |

## 44. NON-OPERATING INCOME - NET

| | 2007 | 2006 |
|---|---|---|
| Rental revenue | 84,073 | 74,571 |
| Gain on sale of premises and equipment | 3,444 | 16,217 |
| Penalties | (2,448) | (16,417) |
| Others - net | 35,397 | 45,715 |
| | **120,466** | **120,086** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 45. COMMITMENTS AND CONTINGENCIES

| | 2007 | 2006 |
|---|---|---|
| **COMMITMENTS** | | |
| Commitment Payables: | | |
| Unused loan facilities granted | | |
| Third Parties | 25,396,389 | 20,128,250 |
| | 25,396,389 | 20,128,250 |
| Outstanding irrevocable letters of credit (Note 26): | | |
| Third Parties | 7,425,994 | 3,916,516 |
| Related Parties | - | 44 |
| | 7,425,994 | 3,916,560 |
| Commitment Payables | (32,822,383) | (24,044,810) |
| **CONTINGENCIES** | | |
| Contingent Receivables: | | |
| Interest receivable on non-performing assets | 6,259,377 | 6,913,744 |
| Guarantees received from other banks | 2,131,530 | 2,479,215 |
| Others | 32,728 | 32,741 |
| Total Contingent Receivables | 8,423,635 | 9,425,700 |
| Contingent Payables: | | |
| Guarantees issued in the form of: | | |
| Bank guarantees issued (Note 26): | | |
| Third Parties | 11,988,327 | 8,277,171 |
| Related Parties | 5,803 | 4,579 |
| | 11,994,130 | 8,281,750 |
| Standby letters of credit (Note 26) | 2,991,294 | 2,866,448 |
| Others | 30,873 | 37,645 |
| Total Contingent Payables | 15,016,297 | 11,185,843 |
| Contingent Payables - Net | (6,592,662) | (1,760,143) |
| **COMMITMENTS AND CONTINGENCIES PAYABLE - NET** | **(39,415,045)** | **(25,804,953)** |

## 46. FOREIGN CURRENCY TRANSACTIONS

Forward and cross currency swap transactions are presented as derivative receivables/payables in the consolidated balance sheet (Note 10).

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2007 are as follows:

| | Spot-Bought | | Spot-Sold | |
|---|---|---|---|---|
| Original Currency | Original Currency (full amount) | Equivalent Rupiah | Original Currency (full amount) | Equivalent Rupiah |
| United States Dollars | 394,566,530 | 3,706,163 | 256,664,930 | 2,410,854 |
| Others | | 2,419,971 | - | 3,717,870 |
| | | **6,126,134** | | **6,128,724** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 46. FOREIGN CURRENCY TRANSACTIONS (continued)

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** |

## 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 Financial Services, PT Koexim Mandiri Finance, PT Kustodian Sentral Efek Indonesia, PT Mandiri Management Investasi, PT Sarana Bersama Pembiayaan Indonesia, PT Asuransi Dharma Bangsa, PT Gelora Karya Jasatama, PT Pengelola Investama Mandiri, PT Gelora Karya Jasatama Putera, PT Asuransi Staco Jasapratama, PT Stacomitra Graha, PT Staco Estika Sedaya Finance, 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 Wana Rimba Kencana and PT Great River International.

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

  Details of significant transactions with related parties as of December 31, 2007 and 2006 are as follows:

| | **2007** | **2006** |
|---|---|---|
| **Assets** | | |
| Current Accounts with Other Banks (Note 4c) | - | 70 |
| Securities (Note 6a) | 28,241 | 70,960 |
| Other Receivables - Trade transaction (Note 8a) | - | 56,878 |
| Loans (Notes 11A.a and 11B.g) | 783,078 | 750,672 |
| Acceptance receivables (Note 12a) | - | 769 |
| Total assets involving related parties | 811,319 | 879,349 |
| Total consolidated assets | 319,085,590 | 267,517,192 |
| **Percentage of assets involving related parties to total consolidated assets** | **0.26%** | **0.32%** |

The percentages of Current Accounts with Others Banks, Securities, Other Receivables - Trade Transactions, Loans and Acceptance Receivables compared to the total consolidated assets are as follows:

**(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):**

| | 2007 | 2006 |
|---|---|---|
| Current Accounts with Other Banks | - | - |
| Securities | 0.01% | 0.02% |
| Other Receivables - Trade transaction | - | 0.02% |
| Loans | 0.25% | 0.28% |
| Acceptance Receivables | - | - |
| Total | **0.26%** | **0.32%** |

| | 2007 | 2006 |
|---|---|---|
| **Liabilities** | | |
| Demand deposits (Note 16a) | 130,522 | 333,512 |
| Savings deposits (Note 17b) | 42,844 | 46,355 |
| Time deposits (Note 18f) | 181,309 | 877,911 |
| Deposits from other banks - demand and savings deposits (Note 19c) | - | 138 |
| Acceptance payables (Note 23) | - | 839 |
| Fund borrowings (Note 25) | 280,000 | 350,000 |
| Total liabilities involving related parties | 634,675 | 1,608,755 |
| Total consolidated liabilities | 289,835,512 | 241,171,346 |
| **Percentage of liabilities involving related parties to total consolidated liabilities** | **0.22%** | **0.67%** |

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

| | 2007 | 2006 |
|---|---|---|
| Demand deposit | 0.05% | 0.14% |
| Savings deposits | 0.01% | 0.02% |
| Time deposits | 0.06% | 0.36% |
| Deposits from other banks - demand and savings deposits | - | - |
| Acceptance Payables | - | - |
| Fund Borrowings | 0.10% | 0.15% |
| **Total** | **0.22%** | **0.67%** |

Salary, allowances and bonuses of the Boards of Commissioners and Directors and Executive Officers (Note 41) for the years ended December 31, 2007 and 2006 amounted to Rp84,240 and Rp61,242, 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 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).

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 47. RELATED PARTY TRANSACTIONS (continued)

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

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 year 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, 2007 and 2006 is based on the remaining maturity period since those dates. Historically, a significant proportion of deposits are rolled-over on maturity. Also, Government Bonds (trading and available for sale) could be liquidated through sale or used as collateral in the 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 and Subsidiaries ability to obtain immediate liquidity.

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

| | | | 2007 | | | | |
|---|---|---|---|---|---|---|---|
| **Description** | **Total** | **No Maturity Contract** | **< 1 mth** | **1 mth - 3 mth** | **>3 mth < 6 mth** | **>6 mth < 12 mth** | **>12 mth** |
| **Assets** | | | | | | | |
| Cash | 5,909,369 | - | 5,909,369 | - | - | - | - |
| Current accounts with Bank Indonesia | 28,161,059 | - | 28,161,059 | - | - | - | - |
| Current accounts with other banks - net | 1,387,595 | - | 1,387,595 | - | - | - | - |
| Placements with Bank Indonesia and other banks - net | 16,833,324 | - | 16,791,810 | 449 | - | 41,065 | - |
| Securities - net | 27,316,553 | 68,650 | 24,630,935 | 504,134 | 448,488 | 113,768 | 1,550,578 |
| Government Bonds | 89,466,317 | - | 739,520 | - | - | 9,279 | 88,717,518 |
| Other receivables-trade transactions - net | 2,028,542 | - | 675,144 | 799,038 | 554,360 | - | - |
| Securities purchased with agreements to resell - net | 3,290,853 | - | 2,459,851 | 374,616 | 456,386 | - | - |
| Derivative receivables - net | 336,651 | - | 153,427 | 3,415 | 563 | - | 179,246 |
| Loans - net | 125,488,384 | - | 8,887,611 | 12,601,250 | 10,539,535 | 23,100,480 | 70,359,508 |
| Acceptances receivable - net | 4,953,481 | - | 1,508,123 | 2,055,124 | 1,012,096 | 378,138 | - |
| Investments in shares of stock - net | 124,905 | 124,905 | - | - | - | - | - |
| Premises and equipment - net | 4,531,577 | 4,531,577 | - | - | - | - | - |
| Deferred tax assets - net | 4,096,447 | 4,096,447 | - | - | - | - | - |
| Accrued income | 1,672,638 | - | - | 1,672,638 | - | - | - |
| Others - net | 3,487,895 | 2,120,961 | 1,065,673 | - | - | 301,261 | - |
| **Total Assets** | **319,085,590** | **10,942,540** | **92,370,117** | **18,010,664** | **13,011,428** | **23,943,991** | **160,806,850** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 48. MATURITY PROFILE (continued)

**2007 (continued)**

| Description | Total | No Maturity Contract | < 1 mth | 1 mth - 3 mth | >3 mth < 6 mth | >6 mth < 12 mth | >12 mth |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Liabilities immediately payable | 852,777 | - | 852,777 | - | - | - | - |
| Demand deposits | 67,010,951 | - | 67,010,951 | - | - | - | - |
| Savings deposits | 85,358,814 | - | 85,358,814 | - | - | - | - |
| Time deposits | 94,985,258 | - | 81,161,887 | 10,323,002 | 1,769,144 | 1,582,590 | 148,635 |
| Deposits from other banks | | | | | | | |
| - Demand and saving deposits | 1,637,065 | - | 1,637,065 | - | - | - | - |
| - Inter-bank call money | 827,617 | - | 827,617 | - | - | - | - |
| - Time deposits | 2,945,659 | - | 2,890,864 | 18,270 | 27,625 | 8,900 | - |
| Securities sold with agreements to repurchase | 2,914,343 | - | 2,028,864 | - | - | - | 885,479 |
| Derivative payables | 34,348 | - | 14,811 | 5,092 | 6,262 | - | 8,183 |
| Acceptances payables | 5,023,235 | - | 1,530,220 | 2,082,065 | 1,028,510 | 382,440 | - |
| Securities issued | 4,050,564 | - | 957,107 | - | 2,717,893 | 200,000 | 175,564 |
| Fund borrowings | 9,345,061 | - | 99,673 | 3,799,987 | 1,790,562 | 2,746,398 | 908,441 |
| Estimated losses on commitments and contingencies | 469,508 | 469,508 | - | - | - | - | - |
| Accrued expenses | 540,608 | - | 540,608 | - | - | - | - |
| Taxes payable | 1,280,398 | - | - | 1,280,398 | - | - | - |
| Other liabilities | 9,624,031 | 8,982,152 | 641,879 | - | - | - | - |
| Subordinated loans | 2,935,275 | - | 2,852 | 23,162 | 10,536 | 93,550 | 2,805,175 |
| **Total liabilities** | **289,835,512** | **9,451,660** | **245,555,989** | **17,531,976** | **7,350,532** | **5,013,878** | **4,931,477** |
| **Net assets (liabilities)** | **29,250,078** | **1,490,880** | **(153,185,872)** | **478,688** | **5,660,896** | **18,930,113** | **155,875,373** |

**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 | 17,547,112 | 92,262 | 15,286,420 | 259,586 | 182,750 | 128,910 | 1,597,184 |
| Government Bonds | 91,461,870 | - | - | - | 168,869 | - | 91,293,001 |
| Other receivables-trade transactions - net | 1,958,039 | - | 526,842 | 802,434 | 628,763 | - | - |
| Securities purchased with 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** | **10,372,246** | **19,414,900** | **149,678,810** |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 48. MATURITY PROFILE (continued)

| | | | 2006 (continued) | | | | |
|---|---|---|---|---|---|---|---|
| **Description** | **Total** | **No Maturity Contract** | **< 1 mth** | **1 mth - 3 mth** | **>3 mth < 6 mth** | **>6 mth < 12 mth** | **>12 mth** |
| **Liabilities** | | | | | | | |
| Liabilities immediately payable | 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 and 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)** | **6,207,794** | **15,813,706** | **133,368,284** |

## 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:

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

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 49. SEGMENT INFORMATION (continued)

Primary Segment Information for the year ended December 31, 2007

| | Banking | 'Syariah' Banking | Securities | Others | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Operating income | 25,447,880 | 1,407,193 | 426,058 | 22,061 | - | 27,303,192 |
| Inter-segment operating income | 310,755 | - | 9,953 | - | (320,708) | - |
| Operating income including inter-segment operating income | 25,758,635 | 1,407,193 | 436,011 | 22,061 | (320,708) | 27,303,192 |
| Operating expenses | 19,499,195 | 1,239,725 | 271,858 | 79,497 | - | 21,090,275 |
| Inter-segment operating expenses | 21,428 | - | - | - | (21,428) | - |
| Operating expenses including inter-segment operating expenses | 19,520,623 | 1,239,725 | 271,858 | 79,497 | (21,428) | 21,090,275 |
| Income from operations | 6,238,012 | 167,468 | 164,153 | (57,436) | (299,280) | 6,212,917 |
| Net income | 4,389,064 | 115,455 | 108,391 | 34,339 | (301,025) | 4,346,224 |
| Total assets | 306,090,346 | 12,885,378 | 2,721,589 | 345,967 | (2,957,690) | 319,085,590 |
| Total assets (as a percentage of total consolidated assets prior to elimination) | 95.05% | 4.00% | 0.85% | 0.11% | | |

Secondary Segment Information for the year ended December 31, 2007

| | Indonesia | Asia | West Europe | Pacific (Cayman) | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Operating income | 26,587,334 | 298,933 | 206,341 | 210,584 | - | 27,303,192 |
| Inter-segment operating income | 320,708 | - | - | - | (320,708) | - |
| Operating income including inter-segment operating income | 26,908,042 | 298,933 | 206,341 | 210,584 | (320,708) | 27,303,192 |
| Operating expenses | 20,349,520 | 184,005 | 144,040 | 412,710 | - | 21,090,275 |
| Inter-segment operating expenses | 21,428 | - | - | - | (21,428) | - |
| Operating expenses including inter-segment operating expenses | 20,370,948 | 184,005 | 144,040 | 412,710 | (21,428) | 21,090,275 |
| Income from operations | 6,537,094 | 114,928 | 62,301 | (202,126) | (299,280) | 6,212,917 |
| Net income | 4,299,212 | 102,884 | 44,107 | 201,046 | (301,025) | 4,346,224 |
| Total assets | 306,354,573 | 3,658,886 | 2,654,475 | 9,375,346 | (2,957,690) | 319,085,590 |
| Total assets (as a percentage of total consolidated assets prior to elimination) | 95.13% | 1.14% | 0.82% | 2.91% | | |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 49. SEGMENT INFORMATION (continued)

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 |
| Income from operations | 2,795,417 | 100,832 | 61,321 | (78,118) | (168,342) | 2,711,110 |
| Net income | 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 | 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 |
| Income from operations | 2,862,365 | 165,739 | 45,624 | (194,276) | (168,342) | 2,711,110 |
| Net income | 2,253,097 | 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% | | |

## 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 only as of December 31, 2007 and 2006 was 21.11% and 25.30% for CAR with credit risk and 20.75% and 24.62% for CAR with credit risk and market risk, respectively, and calculated as follows:

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 50. CAPITAL ADEQUACY RATIO (continued)

| | 2007 | 2006 |
|---|---|---|
| Capital: | | |
| Tier I *) | 23,194,122 | 22,011,986 |
| Tier II | 7,624,716 | 8,564,284 |
| Total Tier I and Tier II | 30,818,838 | 30,576,270 |
| Less: Investments in subsidiaries | (2,535,000) | (2,210,393) |
| Total capital for credit risk (Note 51) | 28,283,838 | 28,365,877 |
| Tier III | - | - |
| Total capital for credit risk and market risk | 28,283,838 | 28,365,877 |
| Credit RWA | 133,960,413 | 112,138,825 |
| Market RWA | 2,355,524 | 3,057,992 |
| Total Risk-Weighted Assets for credit and market risk | 136,315,937 | 115,196,817 |

*) Excludes the impact of deferred tax assets of Rp700,262 and Rp1,266,286 as of December 31, 2007 and 2006 and unrealized gains/(losses) of Securities and Government Bonds available for sale of (Rp5,097) and Rp327,960 as of December 31, 2007 and 2006. On April 30, 2003, Bank Mandiri undertook a quasi-reorganization which resulted in the accumulated losses of Rp162,874,901 being eliminated against additional paid-in capital.

| | 2007 | 2006 |
|---|---|---|
| CAR for credit risk | 21.11% | 25.30% |
| CAR for credit risk and market risk | 20.75% | 24.62% |
| Minimum CAR | 8% | 8% |

## 51. NET OPEN POSITION

Net Open Position calculation as of December 31, 2007 and 2006 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 which are stated in Rupiah 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.

The NOP by currency of Bank Mandiri as of December 31, 2007 was as follows:

| Currency | Assets | Liabilities | Net Open Position |
|---|---|---|---|
| AGGREGATE (ON & OFF BALANCE SHEET) | | | |
| United States Dollar | 54,175,402 | 55,037,509 | 862,107 |
| Euro | 1,003,792 | 929,991 | 73,801 |
| Hong Kong Dollar | 350,233 | 102,891 | 247,342 |
| Singapore Dollar | 295,974 | 221,501 | 74,473 |
| Japanese Yen | 227,332 | 177,165 | 50,167 |
| Great Britain Poundsterling | 161,183 | (19,435) | 180,618 |
| Australian Dollar | 118,508 | 65,045 | 53,463 |
| Others | 46,460 | 22,229 | 31,179*) |
| Total | | | 1,573,150 |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 51. NET OPEN POSITION (continued)

The NOP by currency of Bank Mandiri as of December 31, 2007 was as follows (continued):

| Currency | Assets | Liabilities | Net Open Position |
|---|---|---|---|
| ON-BALANCE SHEET | | | |
| United States Dollar | 48,996,492 | 49,949,573 | (953,081) |
| Euro | 997,020 | 904,992 | 92,028 |
| Singapore Dollar | 289,937 | 201,024 | 88,913 |
| Hong Kong Dollar | 239,622 | 102,891 | 136,731 |
| Japanese Yen | 171,041 | 134,694 | 36,347 |
| Great Britain Poundsterling | 123,005 | 12,983 | 110,022 |
| Australian Dollar | 110,137 | 29,792 | 80,345 |
| Others | 41,713 | 7,885 | 33,828 |
| Total | | | 374,867 |
| Total Tier I and II Capital less investments in subsidiaries (Note 50) | | | 28,283,838 |
| NOP Ratio (On-Balance Sheet) | | | 1.33% |
| NOP Ratio (Aggregate) | | | 5.56% |

NOP Ratios based on the total capital as of November 2007 (unaudited) are as follows :

| | |
|---|---|
| Total Capital November 2007 | 28,204,492 |
| NOP Ratio (On-Balance Sheet) | 1.33% |
| NOP Ratio (Aggregate) | 5.58% |

*) Sum of the absolute values of difference between assets and liabilities from other foreign currency

The Net Open Position by currency of Bank Mandiri as of December 31, 2006 is as follows:

| Currency | Assets | Liabilities | Net Open Position |
|---|---|---|---|
| AGGREGATE (ON & OFF BALANCE SHEET) | | | |
| United Stated Dolar | 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 Stated 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% |

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 51. NET OPEN POSITION (continued)

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 from other foreign currecy.

## 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 4.52% and 8.25% as of December 31, 2007 and 2006, respectively. The Non-Performing Loan (NPL) ratio (Bank Mandiri only) before being deducted by the allowance for possible losses (gross basis) was 7.33% and 17.08% as of December 31, 2007 and 2006, 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 104.22% and 107.83% as of December 31, 2007 and 2006, respectively.

The small-scale loans to total loans ratio was 3.31% and 4.15% as of December 31, 2007 and 2006, respectively.

Legal Lending Limit (BMPK) as of December 31, 2007 and 2006 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/multi listing);
c. Sub-registry services for settlement of government bonds (SUN) and SBIs transactions;
d. Custodial for mutual fund issued and managed by investment manager;

**(Expressed in millions of Rupiah, unless otherwise stated)**

## 53. CUSTODIAL AND TRUST OPERATIONS (continued)

*Custodial Operations (continued)*

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 370 and 337 custodial customers as of December 31, 2007 and 2006, respectively. The customers are primarily pension funds, insurance companies, banks, institution, securities companies, mutual funds and other private companies with a total portfolio value as of December 31, 2007 of Rp90,072,761, JPY672,222,222 (full amount) and US$439,473,200 (full amount) and as of December 31, 2006 of Rp73,596,884 and US$395,383,869.08 (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

Bank Mandiri as Trustee has 37 and 30 trustee customers as of December 31, 2007 and 2006 with the total value of bonds and MTN issued amounted to Rp13,686,607 and US$100,000,000 (full amount) and Rp9,852,386 and US$100,000,000 (full amount), respectively. While the sinking fund, escrow account and third party fund managed amounted to Rp448,816 on behalf of 17 customers and Rp50,461 on behalf of 8 customers as of December 31, 2007 and 2006, respectively.

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

## 54. CHANNELING LOANS

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

| | 2007 | 2006 |
|---|---|---|
| Government: | | |
| Electricity, gas and water | 7,602,067 | 8,349,541 |
| Transportation and communications | 3,915,733 | 4,185,230 |
| Agriculture | 1,249,057 | 1,307,609 |
| Manufacturing | 742,653 | 769,286 |
| Mining | 12,612 | 36,266 |
| Construction | 11,394 | 14,084 |
| Others | 95,338 | 102,055 |
| | **13,628,854** | **14,764,071** |

## 54. CHANNELING LOANS (continued)

Bank Mandiri has been appointed to administer channeling loans in various foreign currencies received by the Government of Indonesia from various bilateral and multilateral financing institutions for financing government projects through BUMN, BUMD and Pemda, such as, 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, French 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 risk management is designed for the Bank to be able to take corrective actions and adjust the risk appetite. Risk management involves portfolio composition management with balanced risk and return that is performed to cope the rapid banking industry development showed by the increasing banking business activities risk complexity.

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.

The Bank Indonesia's regulation is intended for the Basel II Accord implementation requirement so that banks in Indonesia are able to implement Basel II requirement in 2011. The Bank is implementing Basel II and related regulations in stages, starting with basic approach till complex approach implemented comprehensively on three major banking risk: credit risk, market risk and operational risk. The implementation of Basel II - Pillar 1 regarding minimum capital including market risk, credit risk and operational risk with basic approach is estimated to be implemented in the end of 2008. Whilst Pillar 2, for the other risks, is planned to be implemented in the early 2009 and Pillar 3 in the mid 2011.

The ideal risk management implementation including risk management activities (identification - measurement - mitigation - monitoring) on all levels till transactions level is in align with Basel II which is also require internal risk management development on each transactions. Referring to the Basel II, the Bank finally performed risk management frame work systematically and repetitively so that risks managed by the Bank were well monitored, thus risk management should also contributed as business enabler so that the business grows within the prudential banking corridor.

Both Basel II and Bank Indonesia's regulation require active supervisory review from Bank management on risk management activities. In compliance with the requirement, the Bank has established Risk Management Committee and Risk Management Unit which is intended to support integrated, measurable and controlled risk management.

**55. RISK MANAGEMENT (continued)**

The committee is included in Risk and Capital Committee (RCC) that 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 were implemented in the first half year of 2006 were to focus the RCC into three sub committees, which are: Asset & Liability Committee, Risk Management Committee and Capital & Investment Committee. With the improvements, 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 committee's 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.

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.

Risk management implementation frame work is stated in the Bank Mandiri Risk Management Policy (KMRBM) which is the guidance for specific risk management such as Bank Mandiri Loan Policy, Trading Policy and Asset & Liability Management Policy.

One of the risk management implementation is producing quarterly Bank's risk profile that is reported to Bank Indonesia in accordance with Bank Indonesia schedule. The risk profile describes Bank's business activities inherent risk including risk control system for each risk type. Other than quarterly report to Bank Indonesia, the Bank internally produced risk profile (especially monitoring of action plan implementation) with shorter period such as monthly basis in order to detect risk earlier and more accurate.

For the risk management system integratation; Bank Indonesia's regulation and Basel II compliance and action plan of Basel II Compliance Committee establishment, the Bank is developing Enterprise Risk Management (ERM) in alignment with the Bank's strategic and operasional need.

ERM is a comprehensive and bank-wide integrated risk management system, so that the risk management become an embedded process in the Bank's business process and contribute a value added to the Bank and stakeholders especially related to the implementation of Strategic Business Unit (SBU) organization and Risk Based Performance.

The ERM inisiative that was started since 2004 as the early stage of comprehensive risk management has arrived to producing the datamart and procurement ERM system stage. With ERM, it is estimated that the market, credit and operational risk management can be performed better, not only as compliance with regulation and reporting to Bank Indonesia, but becoming an integrated part of Bank's daily business decision making.

## 55. RISK MANAGEMENT (continued)

*Credit Risk*

The Bank's credit risk management mainly concentrated on balancing the performing loans expansion and prudential loans management in order to prevent collectibility downgrade or Non Performing Loan (NPL) 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 Temporary Memorandum Credit Policy and Procedures that has not been accommodated in the KPBM and PPK. The purpose of those guidelines are 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 periodically to fit with the current business. In alignment with the Strategic Business Unit (SBU) implementation, the Bank produced Policies and Standard Loans Procedures (SPK) for each business segment in order to have better focus on capturing the business need by each business segment. Currently the completed SPK are SPK of Corporate segment, SPK for Commercial segment, SPK for Small segment, SPK for Micro and Consumer segment.

In principles, 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 Committee within the authority limit and credit decision process are made through Credit Committee. The holder of credit decision authorization as credit committee member 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, the Loan Analysis form (NAK) also using Tools Rating (BMRS) and Scoring Tools (MBSS & SMESS) 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 credit rating and credit scoring model. Those models are 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. Performance of rating model validation provides current performance model condition. As monitoring, rating & scoring managed in the database, the Bank produced Credit Scoring Review and Rating Outlook issued quarterly and semi annually. Those reports also stated information regarding attribute/parameter scoring established by economic sectors. It is valuable for Business Unit especially as guidance in setting targeted customer with performing classification in order to support prudential loan expansion.

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.

To increase the Turn Around Time of loan disbursement, the Bank performed initiatives such as enhancement of Credit Memo for Corporate, Commercial, Small Business, Financial Institution and Overseas Office that are more oriented with comprehensive risk analysis in order to support quick and accurate prudential banking based credit decision. Other than that, in order to prevent non-performing loans, the Bank has developed and implemented Loan Monitoring System process and Early Warning Analysis for performing debtors to identify debtors who have high potential to be downgraded to NPL so that the Management could immediately decide the account strategy and early action to obtain optimal result in order to minimize the Bank's NPL growth.

## 55. RISK MANAGEMENT (continued)

*Credit Risk (continued)*

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.

At the portfolio level the Bank has Portfolio Guideline (PG) directing the loan expansion to maintain optimum portfolio composition based on economic, industry, business segment and product sectors. Optimum portfolio allocation prevents the Bank from taking risk over the Bank's risk appetite. PG including various variables (lagging, coincidence & leading) that basically assess three major items such as attractiveness of an economic/industry/business segment sector (supply & demand, industry structure, profitability and regulation), the Bank's expertise in the related sector and diversification factor.

In order to test the accuracy level of PG, the Bank performed back testing periodically so that the predictive value of PG stays at the acceptable level. Besides back testing, PG also equip with Risk Acceptance Criteria (RAC) by industry currently developed. RAC provides financial and non-financial description at the industry level, that become benchmark for Business Unit in determining the target customer in each industry sectors in order to get better credit decision.

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).

At the portfolio level, stress testing is performed routine and ad hoc in order to test the portfolio quality elasticity (NPL and profit and loss) over economic variable changes both individually by debtors or portfolio. With stress testing, the Bank could anticipate early portfolio management actions and optimal solution determination. Stress testing also provides description regarding long term strategy most suitable for the Bank's portfolio condition and the economic environment.

In accordance with the implementation of risk assessment tools and as supporting analysis in business 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.

*Market and Liquidity Risk*

a. Liquidity Risk Management

Liquidity represents the Bank ability to meet all financial liabilities as they come due in normal condition. Bank's liquidity is influenced by the funding structure, asset liquidity, liabilities to the counterparty and loans commitment to the debtors. Liquidity risk is caused by the inability of the Bank to provide liquidity at normal price that effects the profitability and Bank's capital. To mitigate potential liquidity risk, 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 plan, and designs a funding strategy as well as preserves access to the market. The liquidity risk management policy is aligned with the business activities performed by business unit.

**(Expressed in millions of Rupiah, unless otherwise stated)**

**55. RISK MANAGEMENT (continued)**

*Market and Liquidity Risk (continued)*

a. Liquidity Risk Management (continued)

The liquidity level of the Bank is measured through primary reserve and secondary reserve levels. The Bank maintains primary reserve and secondary reserve 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%-60%) and at a minimum of 3% of third party foreign currency funds. As of December 31, 2007, Bank Mandiri maintained a GWM of 14.00% (Rupiah) and 3.01% (foreign currency). During 2007, average GWM were 11.24% (Rupiah) and 3.01% (foreign currency), that showed primary reserve has been efficiently managed by the Treasury.

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, 2007, the Bank held Rp39,163,369 in secondary reserves, or 16.38% of its Rp239,092,880 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 2008 plan (*Rencana Kerja and Anggaran Perusahaan*, or RKAP), the Bank's liquidity is projected to be in a surplus position over the next 12 months. Each funding deficit projection is monitored through Maximum Cumulative Outflow (MCO) limit.

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.

Funding cost and the Bank's funding ability is directly influenced by its credit rating. Bank Mandiri current ratings are is as follow:

| | Long Term Domestic Currency | Long Term Foreign Currency |
|---|---|---|
| Standard & Poor's | BB- | BB- |
| Fitch, Inc. | BB- | BB- |
| Moody's | Baa2 | B1/Ba2 |

## 55. RISK MANAGEMENT (continued)

*Market and Liquidity Risk (continued)*

b. Interest Rate Risk Management

Interest Rate Risk represents risk that influences financial value (increase/decrease) of Bank's assets and liabilities because of change in interest rate that will effect on Bank's profit and capital. Interest rate risk is mostly due to difference in time pricing between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL). Bank's Assets sensitive to interest rate are dominated with government bond and loans, and Liability sensitive to interest rate are dominated with Third Party Fund (demand deposits, savings deposits and time deposits).

The Bank manages its interest rate risk through the use of repricing gap analysis, duration gap analysis and simulation. To describe the amount of the interest rate risk exposure, the Bank used re-pricing gap approach, whilst to measure the revenue sensitivity (NII Sensitivity) and Economic Value of Equity, EVE) in effect of interest rate change, the Bank performed simulation with interest rate shock (increase/decrease) scenario.

The Bank measured NII (Net Interest Income) and economic value of equity by assuming a gradual parallel shift (ramp) up and down in the term structure of interest rate amounting to 100 bps. The sensitivity analysis result showed that a gradual parallel shift in the term structure of interest rate by 100 bps Rupiah and Foreign Currency will potentially decreased the 12 months targeted NII amounting to 0.75% (unaudited) and decreased the EVE by 1.18% (unaudited) from Equity. In addition to 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, 2007, Bank's EaR and CaR were simulated at 0.45% (unaudited) and 2.12% (unaudited) 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 strategies 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 consists 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

Bank performed market risk management by monitoring the trading activities performed by Treasury. As guidelines, the Bank has established trading risk limits in the form of Value at Risk (VaR), dealer nominal limits and dealer loss limit. The results were stated in the Trading Risk Profile report for periods such as daily, weekly and monthly basis. Different with other reports, the Monthly Report describes comprehensively the market risk management including Stress Testing/Scenario Analysis calculation to quantify the abnormal market movement. In addition, the reports also states back testing result to assess the VaR measurement's effectiveness and the methodology's accuracy.

The development of financial products was utilized by the Treasury Group to increase the fee based income through derivative and Structured Product transactions, such as FX Digital Option, Single Range Accrual and other products. To accommodate the risk management on the complex derivative and structured product transactions, the Bank developed the derivative system that is estimated to be completed in the beginning of Semester II – 2008.

In accordance with Bank Indonesia regulations, the Bank has considered market risk using Standard Model in allocating its capital. The minimum capital adequacy required which has considered market risk as of December 31, 2007 was Rp221,039.39, therefore the CAR which has considered market risk and credit risk is 20.75%.

The Bank reviews and improves the implementation of market risk management with the regulation requirements, up to date condition and best practice.

e. Foreign Exchange Risk Management

The Bank measured and managed the structural foreign exchange risk to know the impact of the exchange rate movement on the Bank's revenue and capital. 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.

In order to manage and mitigate the foreign exchange risk, foreign currency loans and placements were funded mostly with the same currency and to hedge significant foreign exchange open position, the Bank used derivative instruments such as FX forward, swap and option.

Bank Mandiri complied with Bank Indonesia's regulation that requires the net open position in all foreign currencies for on balance sheet and aggregate to be no more than 20% of the capital (core capital and supplementary capital). For prudential principles, the Bank has established internal limit to be no more than 10% of the capital. As of December 31, 2007, the Bank's NOP aggregate (absolute) was 5.56% from the capital (Note 51).

*Operational Risk*

Proactive operational risk management will help the Bank in achieving its targets and increasing the Bank's image whilst still take into account the prudential principles in the Bank's business activities. Through operational risk management implementation:

- Every Business Unit has a frame work and identifies potential operational risk, the cause and how to mitigate the related risk.
- Bank periodically evaluates action plans as mitigation actions to decrease potential operational risk loss.

## 55. RISK MANAGEMENT (continued)

*Operational Risk (continued)*

The Bank performed operational risk management proactively to achieve the business target and increase the Bank's image whilst still in the prudential principles in every Bank's business activities. The Bank has several tools in implementing the operational risk management:

- Mandiri Loss Event Database (MLED) is the tools used in documenting previous losses from operational risk. MLED is useful in providing the Bank's operational loss (including cause factors) and supporting the operational risk identification process (as one of the supporting data in RCSA tools)
- Key Risk Indicator (KRI) is the tools for monitoring changes in operational risk parameter changes. Through KRI monitoring, Business Units can identify process with potential losses (as early warning signal).
- Risk & Control Self Assessment (RCSA) and Key Opertional Risk Control (KORC) is the tools used in assesing risk potential and control quality in the future. By using RCSA and KORC, business unit could identify and assess existing risk and plan to mitigate the risk.
- New Product & Activity is the process in anticipating and managing the risk inherent with a new product or business activity.
- Business Continuity Planning (BCP) is the tools that require the Bank to generate/has comprehensive plan containing actions to be taken before, during and after a documented emergency event, tested to ensure the Bank's operational going concern in the form of Business Continuity Plan (BCP) Policy. As implementation of BCP, each Business Unit is required to have Disaster Recovery Plan (DRP) so that in the extreme events such as earth quake, in a short time the Bank can operate to serve the customer. BCP plays a bigger role considering more natural disaster happening in Indonesia.

Currently the Bank is in the operational risk management implementation stage at all Business Units in Head Office and Regional Office. For the implementation, the Bank conducted socialization as awareness and implementation technical explanation tools for the Business Units in the Regional and Head Office. As required by Bank Indonesia, the Bank enhanced the policy and tools that will be used by the Business Units as guidelines in operational risk management process. To anticipate the issuance of Bank Indonesia's regulation regarding capital requirement for operational risk, internally the Bank has performed simulation to calculate the capital requirement based on Basic Indicator Approach, that will be followed by consolidation with the subsidiaries.

To support the Bank's target in becoming the Regional Champion Bank and to further improve the Bank's operational risk management's capability to the international best practice, the Bank entered into agreement with ABN AMRO Bank for Risk Advisory Service. Under the agreement, the Bank plans to increase the competency of the operational risk management unit and implement up-to-date operational risk management procedures in order to minimize operational loss, efficient capital adequacy reserve calculation for operational risk as well as increasing the Bank's service image.

To increase the Bank's competency in operational risk management, the Bank has enrolled their personnel in the risk management certification as required by Bank Indonesia. Bank also sent their personnel to enhance their operational risk management knowledge and practice through training both local and overseas, and performed comparison study with regional banks and with overseas correspondent banks.

## 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 (Enterprise Mandiri Advanced System), 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, US$40,000 (full amount) on July 4, 2005 and US$40,000 (full amount) on March 30, 2007. Payment realized until December 31, 2007 amounting US$65,882,961.68 (full amount) (after VAT) was recorded as construction in progress amounting to US$2,480,337.35 (full amount) and as premises and equipment amounting to US$63,402,624.32 (full amount). The estimated percentage of completion of the contract as of December 31, 2007 is 96.24%.

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, 2007 amounting to US$1,575,893.20 (full amount) (after VAT 10%) was recorded as construction in progress amounting to US$377,017.74 (full amount) and as fixed assets amounting to US$1,162,458.02 (full amount). The estimated percentage of completion as of December 31, 2007 was 73.77%.

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:

1. 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.
2. Bank Mandiri has an option for 51% SNP shares after execution of 20% shareholder option right until December 16, 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 - Deed No. 3 by N.M. Dipo Nusantara PUA UPA, S.H., dated April 11, 2007.

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's 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. The agreement expiry date was extended until mid 2008.

## 56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Additional BI's regulation related with Prudential Supervision Principles

Based on Bank Indonesia letter No. 9/561/DPB1 dated September 4, 2007 regarding Monitoring Status of Bank Mandiri, Bank Indonesia stated that with regards of improvement in Bank Mandiri's performance and Non Performing Loan ratio under 5% from total loans portfolio, Bank Mandiri was taken out of Intensive Monitoring Criteria since September 4, 2007.

e. Legal Matters

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

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

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

Minister of Finance as the Chief of Clearance Team of IBRA in his letter dated November 15, 2005 instructed the Coordinator of Execution Clearance Team of IBRA to ask Bank Mandiri to set off the customer's demand deposit and time deposit, and follow up the letter of the Minister of Finance, Coordinator of Execution Clearance Team of IBRA in its letter dated November 25, 2005 informing 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 lawsuit against the Bank as First Defendant and the Minister of Finance as Second Defendant at South Jakarta High Court. The lawsuit 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. The Jakarta High Court has examined the appeal and the decision No. 123/PDT/2007/PT DKI dated June 14, 2007 has declined all the customer lawsuit.

The Jakarta High Court's decision has no final legal binding power because the customer as the lost party has filed an appeal to the Republic of Indonesia Supreme Court on January 3, 2008. Bank Mandiri has submitted counter's appeal and is still waiting for the Supreme Court decision.

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 in its account the amount of 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.

**56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

e. Legal Matters (continued)

In this matter, Bank Mandiri has an opinion 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 has an opinion 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, 2007.

The Bank's total potential exposure arising from outstanding lawsuits as of December 31, 2007 and 2006 amounts to Rp2,529,424 and Rp2,331,607, respectively. As of December 31, 2007 and 2006, Bank Mandiri has provided a provision (included in "Other Liabilities") for a number of lawsuits involving Bank Mandiri amounting to Rp205,742 and Rp316,277, respectively (Note 28). Management believes that the provision is adequate to cover possible losses arising from pending litigation, or litigation cases currently in progress.

f. Value Added Tax (VAT) on Bank Syariah Mandiri Murabahah Transaction

There is a different way of looking at Tax on murabahah transaction between Directorate General Taxes (DGT) Tax Audit Team with Bank Syariah Mandiri (BSM).

The DGT Tax Audit Team conclude that murabahah transaction is an object of VAT according to Law No. 8, 1983 regarding Value Added Tax on Goods and Services and Sales Tax on Luxury Goods and the latest revision No. 18 year 2000 article 1A paragraph (1). In connection with this, the tax office issued an under payment tax assessment letter (SKPKB) No. 00032/207/02/073/04 on December 13, 2004 of Rp25,542 from the VAT tax year 2003 pertaining to murabahah transaction conducted by BSM.

BSM conclude that murabahah is a banking transaction which is excluded from VAT, according to Law No. 8, 1983 regarding Value Added Tax on Goods and Services and Sales Tax on Luxury Goods and the latest revision No. 18 year 2000 article 4A paragraph (3) point (d), stated that banking transaction is not a VAT object and this is also in accordance with Government Regulation No. 144 year 2000 article 5 point (d).

On January 10, 2005, BSM submitted an objection for such SKPKB. Referring to the objection, on December 1, 2005 DGT issued a refusal decision letter No. Kep-277/PJ.54/2005.

The Association of Bank Syariah Indonesia (ASBISINDO) agree with BSM and on August 3, 2005 ASBISINDO submitted a letter No. 58/KU-DPP/08.05 to DGT and requested that VAT should not be imposed on financing with murabahah scheme by syariah banking.

In an attempt to solve the problem regarding the difference of VAT on murabahah transaction, BSM has arranged a meeting with ASBISINDO, Bank Indonesia and other related institute, but until now it still being discussed and no decision yet. Therefore, BSM has not made any provision for the under payment of VAT as stated in under payment tax assessment letter (SKPKB) No. 00032/207/02/073/04 from the 2003 VAT of Rp25,542 or any obligation related to the Value Added Tax (VAT) on Murabahah Transaction.

## 56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Conditional Sale and Purchase Agreement (CSPA) Bank Sinar Harapan Bali

On December 3, 2007, the Bank and Bank Sinar Harapan Bali's (BSHB) shareholders entered into Conditional Sale and Purchase Agreement (CSPA) which will be the basis of 80% (eighty percent) BSHB shares ownership by the Bank. For the CSPA to become effective, there are several requirements to be completed as agreed by both parties among others, obtaining necessary approval in accordance with the regulations in the Republic of Indonesia.

In accordance with CSPA, it is agreed that before the Bank acquire BSHB, the previous shareholders should increase BSHB paid in capital from Rp19,387,876,000 (full amount) to Rp20,000,000,000 (full amount). Then the Bank will perform the acquisition of BSHB by:

1. Acquiring 50% shares issued by BSHB or amounting to 20,000,000 shares with par value amounting to Rp500 (full amount) per share.
2. Increasing BSHB paid in capital through additional capital injection so that BSHB total paid in capital will increase from Rp20,000,000,000 (full amount) to Rp100,000,000,000 (full amount).

On December 5, 2007, the Bank placed to BSHB the amount of Rp80,000 (Note 5b) to fulfill the acquisition plan requirement.

## 57. ECONOMIC CONDITIONS

During 2007, several macro economic indicators have shown better performance compared to prior year. Economic practitioners' expectation on various macro economic indicators seems to be realized. Inflation rate at the end of 2007 of around 6.6% showed that the inflation target from the monetary authority amounting to 6.0% plus minus 1.0% could be achieved. These conditions opened the possibility for SBI interest rate to decrease at 8.0% level at the end of 2007.

On the other hand, foreign exchange rate has shown depreciation indication at the end of year that was driven by global sentiment. The rupiah against dollar exchange rate at the end of 2007 was closed around IDR/USD 9,400. Economic practitioners still expected the Indonesian economy to grow around 6.2% - 6.3% in the 2007. The high economic growth was supported by low inflation and decreasing interest rate that in the end drove the general buying power of the people. Thus, fiscal driver through government consumption was still one of the economic growth factor.

The improvements in the condition of macro economy were estimated to support the banking business performance. The recovery of people buying power could support the business sector, especially in funding and loans disbursement both from and into the people.

In addition, the policy of monetary authority to create strong Indonesian Banking Architecture has become a driver for banks to improve their performance and condition. This is reflected by some banks' actions to increase the banking capital in accordance with the regulation. This matter gave a positive image of banking institution to the people.

General banking performance during 2007 has shown several improvement indicators. Outstanding loans as of December 2007 showed high growth. From (December 2006 - December 2007), the loans could grow to 26.4 percent. This condition was also supported by improvement at the loan to deposit ratio that showed increase to 66.32% in December 2007 compared to 60.55 percent at the beginning of 2007. In addition, several banking issues indicator also improved which could be seen in decreasing non performing loan of general banks in December 2007 at 4.07 percent compared to 6.19% at the beginning of 2007. These conditions will be a start for better banking performance in the future.

## 57. ECONOMIC CONDITIONS (continued)

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 continues 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 can not 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 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).

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 year 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.

## 58. GOVERNMENT GUARANTEE OF OBLIGATIONS OF LOCALLY INCORPORATED BANKS (continued)

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 is a maximum of Rp100 million.

## 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.

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 BI.

Under IFRS, the Bank recognizes 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.

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

c. Loans Purchased from IBRA (continued)

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.

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 16 requirement for sufficient regularity on fixed assets revaluation.

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.

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.

**(Expressed in millions of Rupiah, unless otherwise stated)**

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

The following is a summary of the adjustments to consolidated shareholders' equity as of December 31, 2007 and 2006 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.

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| **Shareholders' equity as reported in the consolidated financial statements prepared under Indonesian GAAP** | **29,243,732** | **26,340,670** |
| IFRS adjustments - increase/(decrease) due to: | | |
| Allowance for possible losses on earning assets | 2,362,038 | 427,432 |
| Allowance for possible losses on commitments and contingencies | 379,847 | 382,076 |
| Accretion of deferred income arising from the purchase of loans from IBRA | 20,760 | 60,554 |
| De-recognition of revaluation of premises and equipment | (2,689,914) | (2,716,844) |
| Amortization of land rights | (123,654) | (136,937) |
| Deferred income taxes | (21,820) | 554,035 |
| Net decrease in reported shareholders' equity | (72,743) | (1,429,684) |
| **Shareholders' equity in accordance with IFRS** | **29,170,989** | **24,910,986** |

| | For the year ended December 31, 2007 | For the year ended December 31, 2006 |
|---|---|---|
| **Net income as reported in the consolidated financial statements prepared under Indonesian GAAP** | **4,346,224** | **2,421,405** |
| IFRS adjustments - increase/(decrease) due to: | | |
| Allowance for possible losses on earning assets | 1,934,607 | 1,598,223 |
| Allowance for possible losses on commitments and contingencies | (2,229) | 43,669 |
| Accretion of deferred income arising from the purchase of loans from IBRA | (17,599) | 4,457 |
| De-recognition of revaluation of premises and equipment | 26,930 | 30,337 |
| Amortization of land rights | (7,851) | (136,937) |
| Deferred income taxes | (582,513) | (503,006) |
| Net increase in reported net income | 1,351,345 | 1,036,743 |
| **Net income in accordance with IFRS** | **5,697,569** | **3,458,148** |
| **Net earnings per share** | | |
| Basic (full amount) | 275.01 | 170.06 |
| Diluted (full amount) | 273.09 | 168.28 |

## 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 4, 2008.

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**
**INDEX TO ADDITIONAL INFORMATION**
**December 31, 2007 and 2006**

**APPENDIX 1**

**PT BANK MANDIRI (PERSERO) TBK.**
**BALANCE SHEETS - PARENT COMPANY ONLY**
**December 31, 2007 and 2006**
**(Expressed in millions of Rupiah, unless otherwise stated)**

| | 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| Cash | 5,707,807 | 3,828,154 |
| Current Accounts with Bank Indonesia | 27,449,153 | 21,119,659 |
| Current Accounts with Other Banks - net of allowance for possible losses of Rp14,383 and Rp11,146 as of December 31, 2007 and 2006 | 1,341,924 | 478,291 |
| Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp55,903 and Rp96,559 as of December 31, 2007 and 2006 | 16,207,791 | 9,291,949 |
| Securities | | |
| Related parties | - | 49,713 |
| Third parties | 26,225,476 | 16,462,753 |
| | 26,225,476 | 16,512,466 |
| Less: Unamortized discounts, unrealized (losses)/gains from (decrease)/increase in value of securities and allowance for possible losses | (1,027,628) | (1,136,101) |
| | 25,197,848 | 15,376,365 |
| Government Bonds | 89,329,712 | 91,313,144 |
| Other Receivables - Trade Transactions - net of allowance for possible losses of Rp839,732 and Rp812,112 as of December 31, 2007 and 2006 | 2,011,516 | 1,944,675 |
| Securities Purchased with Agreements to Resell - net of allowance for possible losses of Rp33,600 and Rp8,600 as of December 31, 2007 and 2006 | 2,145,230 | 441,512 |
| Derivative Receivables - net of allowance for possible losses of Rp3,800 and Rp4,260 as of December 31, 2007 and 2006 | 336,651 | 405,973 |
| Loans | | |
| Related parties | 651,079 | 648,335 |
| Third parties | 126,198,838 | 108,817,768 |
| Total loans | 126,849,917 | 109,466,103 |
| Less: Deferred income | (23,472) | (86,380) |
| Total loans after deferred income | 126,826,445 | 109,379,723 |
| Less: Allowance for possible losses | (12,694,900) | (14,084,689) |
| Loans - net | 114,131,545 | 95,295,034 |
| Acceptances Receivable - net of allowance for possible losses of Rp69,754 and Rp155,223 as of December 31, 2007 and 2006 | 4,953,481 | 3,450,924 |
| Investments in Shares of Stock - net of allowance for possible losses of Rp73,943 and Rp73,625 as of December 31, 2007 and 2006 | 2,533,683 | 2,209,393 |

**APPENDIX 1**

## PT BANK MANDIRI (PERSERO) TBK.
## BALANCE SHEETS - PARENT COMPANY ONLY (continued)
## December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | 2007 | 2006 |
|---|---|---|
| **ASSETS (continued)** | | |
| Premises and Equipment - net of accumulated depreciation and amortization of Rp3,651,045 and Rp3,116,028 as of December 31, 2007 and 2006 | 4,361,764 | 4,541,005 |
| Deferred Tax Assets - net | 4,080,468 | 3,280,444 |
| Other Assets - net of allowance for possible losses of Rp612,638 and Rp994,703 as of December 31, 2007 and 2006 | 3,647,297 | 3,234,695 |
| **TOTAL ASSETS** | **303,435,870** | **256,211,217** |

**APPENDIX 1**

## PT BANK MANDIRI (PERSERO) TBK.
## BALANCE SHEETS - PARENT COMPANY ONLY (continued)
## December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | 2007 | 2006 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **LIABILITIES** | | |
| Liabilities Immediately Payable | 806,874 | 571,484 |
| Deposits from Customers | | |
| Demand deposits | | |
| Related parties | 142,439 | 376,148 |
| Third parties | 64,767,067 | 46,420,248 |
| | 64,909,506 | 46,796,396 |
| Savings deposits | | |
| Related parties | 76,480 | 44,131 |
| Third parties | 81,458,220 | 57,569,471 |
| | 81,534,700 | 57,613,602 |
| Time deposits | | |
| Related parties | 258,078 | 1,019,937 |
| Third parties | 89,100,109 | 92,008,326 |
| | 89,358,187 | 93,028,263 |
| Total Deposits from Customers | 235,802,393 | 197,438,261 |
| Deposits from Other Banks | | |
| Demand and Saving deposits | 1,648,377 | 1,340,674 |
| Inter-bank call money | 827,617 | 1,899,681 |
| Time deposits | 1,642,110 | 4,251,380 |
| Total Deposits from Other Banks | 4,118,104 | 7,491,735 |
| Securities Sold with Agreements to Repurchase | 2,507,123 | 1,603,053 |
| Derivative Payables | 33,279 | 100,246 |
| Acceptances Payable | 5,023,235 | 3,606,147 |
| Securities Issued - net of unamortized discount of Rp903 and Rp3,660 as of December 31, 2007 and 2006 | 3,769,660 | 3,594,560 |
| Fund Borrowings | 8,725,061 | 3,361,447 |
| Estimated Losses on Commitments and Contingencies | 467,979 | 512,189 |
| Accrued Expenses | 460,206 | 516,201 |
| Taxes Payable | 1,219,405 | 1,557,001 |
| Other Liabilities | 8,355,544 | 5,392,863 |
| Subordinated Loans | 2,903,275 | 4,125,360 |
| **TOTAL LIABILITIES** | **274,192,138** | **229,870,547** |

**APPENDIX 1**

## PT BANK MANDIRI (PERSERO) TBK.
## BALANCE SHEETS - PARENT COMPANY ONLY (continued)
## December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | 2007 | 2006 |
|---|---|---|
| **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 20,749,551,741 common shares Series B as of December 31, 2007 (1 share Dwiwarna Series A and 20,631,217,466 common shares Series B as of December 31, 2006) | 10,374,776 | 10,315,609 |
| Funds for Paid - up Capital | 127,593 | - |
| Additional Paid-in Capital/Agio | 6,570,959 | 6,433,948 |
| Differences Arising from Translation of Foreign Currency Financial Statements | 113,447 | 86,867 |
| Unrealized Gains/(Losses) on Availables-for-Sale Securities and Government Bonds - net of deferred tax | (3,568) | 229,572 |
| Premises and Equipment Revaluation Increment | 3,046,936 | 3,046,936 |
| Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries | 1,432 | 9,318 |
| Share Options | 107,320 | 105,330 |
| Retained Earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio in connection with the quasi-reorganization as of April 30, 2003) | | |
| Appropriated | 2,611,690 | 2,575,369 |
| Unappropriated | 6,293,147 | 3,537,721 |
| Total Retained Earnings | 8,904,837 | 6,113,090 |
| **TOTAL SHAREHOLDERS' EQUITY** | **29,243,732** | **26,340,670** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **303,435,870** | **256,211,217** |

**APPENDIX 2**

# PT BANK MANDIRI (PERSERO) TBK.
## STATEMENTS OF INCOME - PARENT COMPANY ONLY
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | 2007 | 2006 |
|---|---|---|
| **INCOME AND EXPENSES FROM OPERATIONS** | | |
| Interest Income | | |
| Interest income | 21,678,821 | 24,495,146 |
| Fees and commissions on loan facilities | 654,290 | 593,407 |
| Total Interest Income | 22,333,111 | 25,088,553 |
| Interest Expense | | |
| Interest expense | (10,303,692) | (15,214,295) |
| Other financing expenses | (142,434) | (139,119) |
| Total Interest Expense | (10,446,126) | (15,353,414) |
| **NET INTEREST INCOME** | **11,886,985** | **9,735,139** |
| Other Operating Income | | |
| Other fees and commissions | 2,093,160 | 1,546,280 |
| Foreign exchange gains - net | 298,529 | 378,147 |
| Others | 688,921 | 511,661 |
| Total Other Operating Income | 3,080,610 | 2,436,088 |
| Provision for Possible Losses on Earning Assets | (1,867,235) | (3,535,647) |
| Reversal of Estimated Losses on Commitments and Contingencies | 61,307 | 20,203 |
| Reversal of Allowance for Possible Losses - Others | 313,015 | 128,945 |
| Gains/(losses) from Increase/(decrease) in Value of Securities and Government Bonds | (12,848) | 89,995 |
| Gains from Sale of Securities and Government Bonds | 157,474 | 105,031 |
| Other Operating Expenses | | |
| Salaries and employee benefits | (3,711,714) | (2,739,083) |
| General and administrative expenses | (3,060,982) | (2,948,611) |
| Others - net | (670,901) | (555,760) |
| Total Other Operating Expenses | (7,443,597) | (6,243,454) |
| **INCOME FROM OPERATIONS** | **6,175,711** | **2,736,300** |
| Non-operating Income - Net | 23,147 | 28,200 |
| **INCOME BEFORE TAX BENEFIT (EXPENSE)** | **6,198,858** | **2,764,500** |
| Tax Benefit (Expense) | | |
| Current | (2,552,750) | (1,609,549) |
| Deferred | 700,116 | 1,266,454 |
| Tax Expense, Net | (1,852,634) | (343,095) |
| **NET INCOME** | **4,346,224** | **2,421,405** |

**APPENDIX 3**

# PT BANK MANDIRI (PERSERO) TBK.
## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Issued and Fully Paid-up Capital | Additional Paid-in Capital/Agio | Funds for Paid - up Capital | Differences Arising from Translation of Foreign Currency Financial Statements | Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of Deferred Tax | Premises and Equipment Revaluation Increment | 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 income | - | - | - | - | - | - | - | - | 15,084 | (15,084) | - | - |
| Dividends allocated from 2005 net income | - | - | - | - | - | - | - | - | - | (301,685) | (301,685) | (301,685) |
| Community development fund program allocated from 2005 net income | - | - | - | - | - | - | - | - | - | (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 on available for sale Securities and Government Bonds - net of deferred tax | - | - | - | - | 471,533 | - | - | - | - | - | - | 471,533 |
| Differrence 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 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 have been eliminated with additional paid-in capital/agio in connection with the quasi reorganization as of April 30, 2003

**APPENDIX 3**

# PT BANK MANDIRI (PERSERO) TBK.
## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY (continued)
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | Issued and Fully Paid-up Capital | Additional Paid-in Capital/Agio | Funds for Paid - up Capital | Differences Arising from Translation of Foreign Currency Financial Statements | Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of Deferred Tax | Premises and Equipment Revaluation Increment | Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries | Share Options | Retained Earnings *) | | | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Appropriated | Unappropriated | Total | |
| **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** |
| General and specific reserve allocated from 2006 net income | - | - | - | - | - | - | - | - | 36,321 | (36,321) | - | - |
| Dividends allocated from 2006 net income | - | - | - | - | - | - | - | - | - | (1,452,843) | (1,452,843) | (1,452,843) |
| Tantiem, Cooperative development fund program and community development fund program allocated from 2006 net income | - | - | - | - | - | - | - | - | - | (101,634) | (101,634) | (101,634) |
| Execution of shares options from Management Stock Option Plan (MSOP) | 59,167 | 137,011 | 127,593 | - | - | - | - | (85,044) | - | - | - | 238,727 |
| Differences arising from translation of foreign currency financial statements | - | - | - | 26,580 | - | - | - | - | - | - | - | 26,580 |
| Unrealized losses on avalable for sale Securities and Government Bonds - net of deferred tax | - | - | - | - | (233,140) | - | - | - | - | - | - | (233,140) |
| Recognition of share options from Management Stock Option Plan (MSOP) | - | - | - | - | - | - | - | 87,034 | - | - | - | 87,034 |
| Differrence arising from transactions resulting in changes in the equity of subsidiaries | - | - | - | - | - | - | (7,886) | - | - | - | - | (7,886) |
| Net income for the year ended December 31, 2007 | - | - | - | - | - | - | - | - | - | 4,346,224 | 4,346,224 | 4,346,224 |
| **Balance as of December 31, 2007** | **10,374,776** | **6,570,959** | **127,593** | **113,447** | **(3,568)** | **3,046,936** | **1,432** | **107,320** | **2,611,690** | **6,293,147** | **8,904,837** | **29,243,732** |

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

**APPENDIX 4**

# PT BANK MANDIRI (PERSERO) TBK.
## STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | 2007 | 2006 |
|---|---|---|
| **CASH FLOWS FROM OPERATIONAL ACTIVITIES** | | |
| Receipts from interest income | 21,694,274 | 24,615,371 |
| Receipts from fees and commissions | 2,747,445 | 2,139,687 |
| Payments of interest expense | (10,356,933) | (15,374,335) |
| Payments of other financing expenses | (142,434) | (139,119) |
| Receipts from the sale of securities and Government bonds | 25,762,599 | 3,253,360 |
| Acquisition of Government bonds - trading portfolio | (25,549,223) | (1,845,117) |
| Foreign exchange gains - net | 324,975 | 559,203 |
| Operating income - others | 433,539 | 641,454 |
| Operating expenses - others | (409,695) | (555,758) |
| Salaries and employee benefits | (2,523,401) | (2,566,586) |
| General and administrative expenses | (2,523,757) | (2,384,911) |
| Non-operating (expenses)/income - others | (86,529) | 155,117 |
| Income before changes in operating assets and liabilities | 9,370,860 | 8,498,366 |
| (Increase)/decrease in operating assets: | | |
| Placements with Bank Indonesia and other banks | (6,875,186) | 14,130,673 |
| Securities and Government Bonds - trading portfolio | (10,161,195) | (294,163) |
| Other receivables - trade transactions | (94,461) | 1,069,357 |
| Loans | (20,671,839) | (13,914,012) |
| Proceeds from collection of earning assets already written-off | 1,360,091 | 1,074,335 |
| Other assets | (536,985) | 483,996 |
| Increase/(decrease) in operating liabilities: | | |
| Demand deposits | 17,611,093 | 3,891,292 |
| Saving deposits | 24,129,446 | 12,448,900 |
| Time deposits | (6,940,878) | (15,322,896) |
| Inter-bank call money | (1,072,064) | 1,061,662 |
| Liabilities immediately payable | 235,391 | 23,144 |
| Taxes payable | (2,890,345) | (303,918) |
| Other liabilities | 1,921,265 | (33,971) |
| **Net cash provided by operating activities** | **5,385,193** | **12,812,765** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Derease/(increase) in securities - available for sale and held-to-maturity portfolio | 277,996 | (7,325,280) |
| Decrease/(increase) in Government Bonds - available for sale and held-to-maturity portfolio | 1,625,841 | (401,841) |
| Decrease/(increase) in investment in shares of stock | 44,034 | (140,531) |
| Proceeds from sale of premises and equipment | 3,444 | 64,189 |
| Acquisition of premises and equipment | (247,041) | (226,060) |
| Increase in securities purchased with agreement to resell | (1,728,718) | (450,112) |
| **Net cash used in investing activities** | **(24,444)** | **(8,479,635)** |

**APPENDIX 4**

## PT BANK MANDIRI (PERSERO) TBK.
## STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY (continued)
## Years Ended December 31, 2007 and 2006
## (Expressed in millions of Rupiah, unless otherwise stated)

| | 2007 | 2006 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase/(decrease) in securities issued | 8,843 | (214,663) |
| Increase/(decrease) in fund borrowings | 5,351,914 | (1,280,778) |
| Decrease in subordinated loans | (1,233,809) | (244,906) |
| Increase/(decrease) in securities sold with agreements to repurchase | 904,070 | (307,224) |
| Payment of dividends, cooperative development fund program, community development fund program and tantiem | (1,554,477) | (313,752) |
| Execution of shares option | 238,727 | 415,091 |
| **Net cash provided by (used in) financing activities** | **3,715,268** | **(1,946,232)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **9,076,017** | **2,386,898** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 25,437,250 | 23,050,352 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **34,513,267** | **25,437,250** |
| Cash and cash equivalents at end of year consist of: | | |
| Cash | 5,707,807 | 3,828,154 |
| Current accounts with Bank Indonesia | 27,449,153 | 21,119,659 |
| Current accounts with other banks | 1,356,307 | 489,437 |
| **Total cash and cash equivalents** | **34,513,267** | **25,437,250** |
| Supplemantal Non-Cash Flows Information | | |
| Activities not affecting cash flows: | | |
| Unrealized (losses)/gains on Securities and Government Bonds available for sale | (233,140) | 471,533 |
| Unrealized (losses)/gains on Securities and Government Bonds trading | (12,848) | 89,995 |
| Recognition of shares options from Management Stock Option Plan (MSOP) | (87,034) | (130,670) |

**PT BANK MANDIRI (PERSERO) TBK. - PARENT COMPANY**
**QUALITY OF EARNING ASSETS *)**
**As of December 31, 2007 and 2006**
**(Expressed in millions of Rupiah, unless otherwise stated)**

| No. | ACCOUNT | BANK | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | December 31, 2007 | | | | | | December 31, 2006 | | | | | |
| | | CURRENT | SPECIAL MENTION | SUB STANDARD | DOUBTFUL | LOSS | TOTAL | CURRENT | SPECIAL MENTION | SUB STANDARD | DOUBTFUL | LOSS | TOTAL |
| I | **Related Parties** | | | | | | | | | | | | |
| A | **Earning Assets** | | | | | | | | | | | | |
| 1 | Placements with Other Banks | **167,092** | **-** | **-** | **-** | **-** | **167,092** | **188,850** | **-** | **-** | **-** | **-** | **188,850** |
| 2 | Securities | **-** | **-** | **-** | **-** | **-** | **-** | **713** | **-** | **-** | **-** | **10,163** | **10,876** |
| 3 | Loans to third parties | **651,079** | **-** | **-** | **-** | **-** | **651,079** | **447,436** | **-** | **-** | **-** | **200,899** | **648,335** |
| | a. Small scale business credit (Kredit Usaha Kecil ("KUK")) | - | - | - | - | - | - | - | - | - | - | - | - |
| | b. Property Loans | 677 | - | - | - | - | 677 | 736 | - | - | - | - | 736 |
| | i. Restructured | - | - | - | - | - | - | - | - | - | - | - | - |
| | ii. Unrestructured | 677 | - | - | - | - | 677 | 736 | - | - | - | - | 736 |
| | c. Other restructured loans | 219,515 | - | - | - | - | 219,515 | | - | - | - | - | - |
| | d. Others | 430,887 | - | - | - | - | 430,887 | 446,700 | - | - | - | 200,899 | 647,599 |
| 4 | Investments in Shares of Stock to third parties | **2,535,001** | **-** | **-** | **-** | **-** | **2,535,001** | **2,210,393** | **-** | **-** | **-** | **-** | **2,210,393** |
| | a. In bank financial institutions | 1,436,733 | - | - | - | - | 1,436,733 | 1,248,906 | - | - | - | - | 1,248,906 |
| | b. In non-bank financial institutions | 910,346 | - | - | - | - | 910,346 | 799,839 | - | - | - | - | 799,839 |
| | c. Due to loan restructuring | - | - | - | - | - | - | - | - | - | - | - | - |
| | d. Others | 187,922 | - | - | - | - | 187,922 | 161,648 | - | - | - | - | 161,648 |
| 5 | Other Receivables to third parties | **-** | **-** | **-** | **-** | **-** | **-** | **57,400** | **-** | **247** | **-** | **-** | **57,647** |
| 6 | Commitments and Contigencies to third parties | **5,803** | **-** | **-** | **-** | **-** | **5,803** | **4,623** | **-** | **-** | **-** | **-** | **4,623** |
| B | **NON EARNING ASSETS** | | | | | | | | | | | | |
| 1 | Abandoned properties | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2 | Repossessed Assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 3 | Interbranch and suspense account | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| II | **Third Parties** | | | | | | | | | | | | |
| A | **EARNING ASSETS** | | | | | | | | | | | | |
| 1 | Placements with Other Banks | **17,452,909** | **-** | **-** | **-** | **-** | **17,452,909** | **9,689,095** | **-** | **-** | **-** | **-** | **9,689,095** |
| 2 | Securities (issued by Bank Indonesia and third parties) **) | **114,555,599** | **-** | **7,403** | **-** | **1,071,020** | **115,634,022** | **106,766,115** | **-** | **-** | **-** | **1,053,469** | **107,819,584** |
| 3 | Loans to third parties | **99,702,900** | **15,148,227** | **1,252,029** | **285,999** | **9,786,211** | **126,175,366** | **73,288,577** | **16,966,301** | **1,991,380** | **523,607** | **15,961,523** | **108,731,388** |
| | a. Small scale business credit (Kredit Usaha Kecil ("KUK")) | 3,078,985 | 809,429 | 43,782 | 38,322 | 231,158 | 4,201,676 | 3,274,521 | 757,820 | 35,438 | 72,519 | 396,755 | 4,537,053 |
| | b. Property Loans | 7,792,653 | 1,948,004 | 44,345 | 47,003 | 1,071,531 | 10,903,536 | 6,826,187 | 2,452,173 | 116,167 | 81,185 | 1,238,788 | 10,714,500 |
| | i. Restructured | 247,889 | 663,963 | 5,089 | - | 28,162 | 945,103 | 4,533 | 855,600 | 56,081 | 5,450 | 171,386 | 1,093,050 |
| | ii. Unrestructured | 7,544,764 | 1,284,041 | 39,256 | 47,003 | 1,043,369 | 9,958,433 | 6,821,654 | 1,596,573 | 60,086 | 75,735 | 1,067,402 | 9,621,450 |
| | c. Other restructured loans | 5,001,201 | 8,550,533 | 979,789 | 102,728 | 4,311,721 | 18,945,972 | 4,308,342 | 6,614,874 | 1,500,232 | 60,700 | 5,551,551 | 18,035,699 |
| | d. Others | 83,830,061 | 3,840,261 | 184,113 | 97,946 | 4,171,801 | 92,124,182 | 58,879,527 | 7,141,434 | 339,543 | 309,203 | 8,774,429 | 75,444,136 |
| 4 | Investments in Shares of Stock to 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 to third parties | **8,678,182** | **909,725** | **6,941** | **-** | **798,916** | **10,393,764** | **5,302,328** | **1,058,062** | **-** | **1,010** | **804,232** | **7,165,632** |
| 6 | Commitments and Contigencies to third parties | **21,258,626** | **709,154** | **6,783** | **-** | **64,007** | **22,038,570** | **14,135,867** | **469,119** | **911** | **12,425** | **107,582** | **14,725,904** |
| B | **NON EARNING ASSETS** | | | | | | | | | | | | |
| 1 | Abandoned properties | **-** | **-** | **304,845** | **-** | **-** | **304,845** | **416,167** | **-** | **-** | **-** | **-** | **416,167** |
| 2 | Repossessed Assets | **-** | **-** | **158,922** | **-** | **-** | **158,922** | **158,922** | **-** | **-** | **-** | **-** | **158,922** |
| 3 | Interbranch and suspense account | **1,314,006** | **-** | **-** | **-** | **326,972** | **1,640,978** | **811,418** | **-** | **-** | **-** | **778,967** | **1,590,385** |
| | **TOTAL** | **266,321,197** | **16,767,106** | **1,736,923** | **285,999** | **12,119,751** | **297,230,976** | **213,477,904** | **18,493,482** | **1,992,538** | **537,042** | **18,989,460** | **253,490,426** |
| 7 | Minimum required allowance for possible losses on earning assets ***) | 1,510,029 | 1,612,656 | 152,675 | 145,423 | 11,318,044 | 14,738,827 | 1,084,717 | 1,341,922 | 500,255 | 208,977 | 12,536,244 | 15,672,115 |
| | Required allowance for possible losses on non earning assets | - | - | 69,565 | - | 326,972 | 396,537 | - | - | - | - | 778,967 | 778,967 |
| | **Total required allowance for possible losses on assets** | **1,510,029** | **1,612,656** | **222,240** | **145,423** | **11,645,016** | **15,135,364** | **1,084,717** | **1,341,922** | **500,255** | **208,977** | **13,315,211** | **16,451,082** |
| | Established allowance for possible losses on earning assets | 1,698,359 | 1,928,961 | 156,460 | 147,505 | 11,429,171 | 15,360,456 | 1,391,988 | 1,341,922 | 500,255 | 208,977 | 13,456,212 | 16,899,354 |
| | Established allowance for possible losses on non earning assets | - | - | 69,948 | - | 542,690 | 612,638 | - | - | - | - | 994,703 | 994,703 |
| | **Total established allowance for possible losses on assets** | **1,698,359** | **1,928,961** | **226,408** | **147,505** | **11,971,861** | **15,973,094** | **1,391,988** | **1,341,922** | **500,255** | **208,977** | **14,450,915** | **17,894,057** |

*) The above financial information is presented in accordance with the following stipulations :
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 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 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, Intervention BI and goverment bond.