

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2009, 2008 AND 2007**

**DIRECTORS' STATEMENT  
REGARDING  
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2009  
PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**

**PT Bank Mandiri (Persero) Tbk.**  
Plaza Mandiri  
Jl. Jend. Gatot Subroto Kav. 36-38  
Jakarta 12190, Indonesia  
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We, the undersigned:

1. Name : Agus Martowardojo  
Office address : Jl. Jend. Gatot Subroto Kav 36-38  
Jakarta 12190  
Domicile address as stated in ID : Kav. Polri E/31 B RT011/RW007  
Kelurahan Ragunan, Pasar Minggu  
Jakarta Selatan  
Phone number : 021 - 5245285  
Title : President Director
  
2. Name : I Wayan Agus Mertayasa  
Office address : Jl. Jend. Gatot Subroto Kav 36-38  
Jakarta 12190  
Domicile address as stated in ID : Jl. Gereja Theresia No. 21,  
Kelurahan Gondangdia, Menteng  
Jakarta Pusat  
Phone number : 021 - 5245969  
Title : Deputy President Director

in the above positions acted as and on behalf of the Board of Directors of PT Bank Mandiri (Persero) Tbk. declare that:

1. We are responsible for the preparation and presentation of the consolidated financial statements of PT Bank Mandiri (Persero) Tbk. ("Bank") and Subsidiaries;
2. The consolidated financial statements of the Bank and Subsidiaries have been prepared and presented in accordance with accounting principles generally accepted in Indonesia;
3. a. All information in the consolidated financial statements of the Bank and Subsidiaries has been fully and correctly disclosed;  
b. The consolidated financial statements of the Bank and Subsidiaries do not contain materially false information or facts, and do not omit any material information or facts;
4. We are responsible for the Bank and Subsidiaries' internal control system.

This statement has been made truthfully.

Jakarta, 22 February 2010



**Agus Martowardojo**  
President Director

**I Wayan Agus Mertayasa**  
Deputy President Director

A100222001/DC2/HSH/II/2010.B

**Kantor Akuntan Publik  
Haryanto Sahari & Rekan**  
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**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
PT BANK MANDIRI (PERSERO) Tbk.**

We have audited the accompanying consolidated balance sheet of PT Bank Mandiri (Persero) Tbk. ("Bank") and Subsidiaries as at 31 December 2009 and the related consolidated statements of income, consolidated changes in equity and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of PT Bank Mandiri (Persero) Tbk. and Subsidiaries as at and for the years ended 31 December 2008 and 2007 were audited by another independent auditor, whose report dated 24 February 2009 expressed an unqualified opinion with an explanatory paragraph regarding the implementation of Statement of Financial Accounting Standard (SFAS) No. 16 (revised 2007) "Fixed Assets" and made reference to the financial statements of Subsidiaries audited by other independent auditors who expressed an unqualified opinion which contributed 3.98% and 2.75% to total consolidated assets and consolidated income from operations as at and for the year ended 31 December 2008 respectively, and report dated 4 March 2008 expressed an unqualified opinion with an explanatory paragraph regarding certain accounting principles generally accepted in Indonesia are significantly different from *International Financial Reporting Standards* and made reference to the financial statements of Subsidiaries audited by other independent auditors who expressed an unqualified opinion which contributed 4.07% and 4.25% to total consolidated assets and consolidated income from operations as at and for the year ended 31 December 2007 respectively. We did not audit the financial statements of PT Bank Syariah Mandiri, a Subsidiary as at and for the year ended 31 December 2009, which contributed 5.54% and 3.93% to total consolidated assets and consolidated income from operations as at and for the year ended 31 December 2009. These financial statements were audited by another independent auditor whose report dated 15 February 2010 expressed an unqualified opinion. This independent auditor's report has been provided to us and our opinion, in so far as it relates to amounts included for the subsidiary, is based solely on the report of the other independent auditor.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Certified Public 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 the Bank's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

*Kantor Akuntan Publik  
Haryanto Sahari & Rekan*

In our opinion, based on our audit and the report of another independent auditor, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Bank Mandiri (Persero) Tbk. and Subsidiaries as at 31 December 2009 and the consolidated results of their operation and consolidated cash flow for the year then ended, in conformity with accounting principles generally accepted in Indonesia.

Our audit was conducted to form an opinion on the consolidated financial statements taken as a whole. The supplementary financial information in respect of PT Bank Mandiri (Persero) Tbk., parent company only, as at and for the year ended 31 December 2009 on schedules 6/1 to 6/13 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Supplementary financial information as at and for the year ended 31 December 2009 have been subjected to auditing procedures applied in the audit of the consolidated financial statements and in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. Supplementary financial information as at and for the years ended 31 December 2008 and 2007 were audited by another independent auditor whose report dated 24 February 2009 and 4 March 2008 respectively expressed an unqualified opinion.

JAKARTA  
22 February 2010



**Drs. Haryanto Sahari CPA**  
License of Public Accountant No. 98.1.0286

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*The accompanying consolidated financial statements are not intended to present the consolidated financial positions, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying consolidated financial statements and their utilisation are not designed for those who are not informed about Indonesian accounting principles, procedures and practices.*

*The standards, procedures and practices utilised in Indonesia to audit the consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.*

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>				
Cash	2e	8,867,881	8,388,974	5,909,369
Current Accounts with Bank Indonesia	2e, 2f, 3	16,055,871	13,354,289	28,161,059
Current Accounts with Other Banks - net of allowance for possible losses of Rp86,962, Rp87,689 and Rp14,387 as at 31 December 2009, 2008 and 2007	2e, 2r, 4	7,402,647	7,406,529	1,387,595
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp347,184, Rp386,708 and Rp59,200 as at 31 December 2009, 2008 and 2007	2g, 2r, 5	41,402,410	29,404,818	16,833,324
Marketable Securities	2d, 2h, 2r, 6			
Related parties	48a	25,000	-	28,241
Third parties		<u>18,143,414</u>	<u>24,670,360</u>	<u>28,331,785</u>
		18,168,414	24,670,360	28,360,026
Less: Unamortised discounts, unrealised gains from increase in value of marketable securities and allowance for possible losses		<u>(15,022)</u>	<u>(45,513)</u>	<u>(1,043,473)</u>
		18,153,392	24,624,847	27,316,553
Government Bonds	2d, 2i, 2r, 7	89,132,940	88,259,039	89,466,317
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp844,781, Rp1,158,049 and Rp839,732 as at 31 December 2009, 2008 and 2007	2j, 2r, 8	3,146,143	3,513,133	2,028,542
Securities Purchased under Resale Agreements - net of allowance for possible losses of Rp30,488, Rp47,987 and Rp33,600 as at 31 December 2009, 2008 and 2007	2k, 2r, 9	4,905,541	619,092	3,290,853
Derivative Receivables - net of allowance for possible losses of Rp1,765, Rp6,313 and Rp3,800 as at 31 December 2009, 2008, and 2007	2l, 2r, 10	174,526	354,024	336,651
Loans	2d, 2m, 2r, 11			
Related parties	48a	638,057	641,263	783,078
Third parties		<u>196,488,172</u>	<u>173,858,171</u>	<u>137,770,474</u>
Total loans		197,126,229	174,499,434	138,553,552
Less: Deferred income		<u>-</u>	<u>(1,334)</u>	<u>(23,472)</u>
Total loans after deferred income		197,126,229	174,498,100	138,530,080
Less: Allowance for possible losses		<u>(12,435,525)</u>	<u>(11,860,312)</u>	<u>(13,041,696)</u>
Loans - net		184,690,704	162,637,788	125,488,384
Consumer Financing Receivables - net of allowance for possible losses of Rp16,343 as at 31 December 2009	2n, 2o, 2r, 12	1,404,045	-	-

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

**PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS (continued)</b>				
Acceptance Receivables - net of allowance for possible losses of Rp52,773, Rp246,008 and Rp69,754 as at 31 December 2009, 2008 and 2007	2p, 2r, 13	4,304,000	3,596,359	4,953,481
Investments in Shares - net of allowance for possible losses of Rp2,106, Rp1,656 and Rp73,943 as at 31 December 2009, 2008 and 2007	2q, 2r, 14	186,848	158,173	124,905
Fixed Assets - net of accumulated depreciation and amortisation of Rp4,869,622, Rp4,461,347 and Rp3,971,067 as at 31 December 2009, 2008 and 2007	2s, 15, 32c	4,963,306	4,603,560	4,531,577
Deferred Tax Assets - net	2aa, 28e	6,014,085	6,123,919	4,096,447
Other Assets - net of allowance for possible losses of Rp936,622, Rp639,575 and Rp612,638 as at 31 December 2009, 2008 and 2007	2t, 2r, 16	<u>3,812,265</u>	<u>5,394,134</u>	<u>5,160,533</u>
<b>TOTAL ASSETS</b>		<b><u>394,616,604</u></b>	<b><u>358,438,678</u></b>	<b><u>319,085,590</u></b>

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Obligation due Immediately	2u	573,557	619,798	852,777
Deposits from Customers				
Demand deposits	2d, 2v, 17,			
Related parties	48a	254,439	115,857	130,522
Third parties		<u>72,442,408</u>	<u>68,970,831</u>	<u>62,175,686</u>
		72,696,847	69,086,688	62,306,208
Saving deposits	2d, 2v, 18,			
Related parties	48a	96,573	43,339	42,844
Third parties		<u>113,698,438</u>	<u>94,910,673</u>	<u>90,020,713</u>
		113,795,011	94,954,012	90,063,557
Time deposits	2d, 2v, 19,			
Related parties	48a	470,237	313,909	181,309
Third parties		<u>132,588,286</u>	<u>124,757,443</u>	<u>94,803,949</u>
		<u>133,058,523</u>	<u>125,071,352</u>	<u>94,985,258</u>
Total Deposits from Customers		319,550,381	289,112,052	247,355,023
Deposits from Other Banks				
Demand and savings deposits	2d, 2w, 20, 48a	5,842,569	3,144,743	1,637,065
Inter-bank call money	2w, 21	-	7,588	827,617
Time deposits	2w, 22	<u>4,943,958</u>	<u>4,565,783</u>	<u>2,945,659</u>
Total Deposits from Other Banks		10,786,527	7,718,114	5,410,341
Securities Sold under Repurchase Agreements	2k, 23	316,356	981,893	2,914,343
Derivative Payables	2l, 10	41,611	160,678	34,348
Acceptance Payables	2p, 24	4,356,773	3,842,367	5,023,235
Marketable Securities Issued				
Related parties	2d, 2x, 25	-	-	30,000
Third parties	48a	<u>1,672,619</u>	<u>1,016,603</u>	<u>4,021,467</u>
		1,672,619	1,016,603	4,051,467
Less: Unamortised discount and issuance cost		<u>(1,605)</u>	-	<u>(903)</u>
		1,671,014	1,016,603	4,050,564
Fund Borrowings	2d, 2y, 26, 48a	3,944,356	9,371,508	9,345,061
Estimated Losses on Commitments and Contingencies	2r, 27c	329,362	316,401	469,508
Accrued Expenses		542,921	746,808	540,608
Taxes Payable	2aa, 28a	1,855,829	3,174,500	1,280,398
Other Liabilities	29	9,132,586	7,999,368	9,624,031
Subordinated Loans	2z, 30	<u>6,217,068</u>	<u>2,836,650</u>	<u>2,935,275</u>
<b>TOTAL LIABILITIES</b>		<u><b>359,318,341</b></u>	<u><b>327,896,740</b></u>	<u><b>289,835,512</b></u>
<b>Minority Interests in Net Assets of Consolidated Subsidiaries</b>	<b>2b, 31</b>	<b>189,494</b>	<b>28,069</b>	<b>6,346</b>

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>(continued)</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital - Rp500 (full amount) par value per share. Authorised capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B as at 31 December 2009, 2008 and 2007. Issued and fully paid-in capital - 1 share Dwiwarna Series A and 20,970,116,804 common shares Series B as at 31 December 2009, 1 share Dwiwarna Series A and 20,905,647,787 common shares Series B as at 31 December 2008 and 1 share Dwiwarna Series A and 20,749,551,741 common shares Series B as at 31 December 2007	32a	10,485,058	10,452,824	10,374,776
Funds for Paid-in Capital		-	-	127,593
Additional Paid-in Capital/Agio	32b	6,911,587	6,809,056	6,570,959
Differences Arising from Translation of Foreign Currency Financial Statements	2c	120,963	239,625	113,447
Unrealised Losses from Decrease in Fair Value of Available for Sale Marketable Securities and Government Bond - Net of Deferred Tax	2h, 2i	(260,756)	(170,310)	(3,568)
Fixed Assets Revaluation Reserve	2s, 15a, 32c	-	-	3,046,936
Difference in Transactions of Equity Changes in Subsidiaries	2q, 32e	(22,890)	(50,935)	1,432
Share - based Compensation Reserve	2ae, 33	16,174	54,465	107,320
Retained Earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio as a result of quasi-reorganisation as at 30 April 2003)				
- Appropriated	32b, 32d	5,706,921	5,680,357	2,611,690
- Unappropriated	32b, 32d	<u>12,151,712</u>	<u>7,498,787</u>	<u>6,293,147</u>
Total Retained Earnings		<u>17,858,633</u>	<u>13,179,144</u>	<u>8,904,837</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>35,108,769</u></b>	<b><u>30,513,869</u></b>	<b><u>29,243,732</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>394,616,604</u></b>	<b><u>358,438,678</u></b>	<b><u>319,085,590</u></b>

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>INCOME AND EXPENSES FROM OPERATIONS</b>				
Interest Income				
Interest income	2ab	31,640,259	26,496,487	23,232,749
Fees and commissions income	2ac	<u>958,705</u>	<u>839,750</u>	<u>695,800</u>
Total Interest Income	34	32,598,964	27,336,237	23,928,549
Interest Expense				
Interest expense	2ab, 35, 59, 62	(15,675,213)	(12,371,417)	(11,430,672)
Other financing expenses		<u>(146,636)</u>	<u>(165,200)</u>	<u>(142,434)</u>
Total Interest Expense		<u>(15,821,849)</u>	<u>(12,536,617)</u>	<u>(11,573,106)</u>
<b>NET INTEREST INCOME</b>		<b><u>16,777,115</u></b>	<b><u>14,799,620</u></b>	<b><u>12,355,443</u></b>
Other Operating Income				
Other fees and commissions	2ac	4,311,235	3,423,247	2,447,476
Foreign exchange gains - net	2c	637,065	789,350	313,845
Others	36	<u>536,063</u>	<u>440,410</u>	<u>401,269</u>
Total Other Operating Income		5,484,363	4,653,007	3,162,590
Allowance for Possible Losses on Earning Assets	2r, 37	(1,147,540)	(2,986,361)	(2,113,994)
(Allowance)/Reversal for Possible Losses on Commitments and Contingencies	2r, 27c	(37,782)	221,393	61,409
(Allowance)/Reversal of Possible Losses - Others	38	(810,408)	170,139	313,015
Unrealised (Losses)/Gains from Decrease/Increase in Fair Value of Marketable Securities and Government Bonds	2h, 2i, 39	(2,155)	1,486	(14,061)
Gains/(Losses) from Sale of Marketable Securities and Government Bonds	2h, 2i, 40	180,752	(54,061)	228,498
Other Operating Expenses				
Salaries and employee benefits	2d, 2ad, 2ae, 33, 41, 43, 48a	(4,853,601)	(4,563,768)	(4,028,959)
General and administrative expenses	2s, 42	(4,324,893)	(3,861,684)	(3,421,783)
Others - net	44, 62	<u>(831,373)</u>	<u>(469,329)</u>	<u>(329,241)</u>
Total Other Operating Expenses		<u>(10,009,867)</u>	<u>(8,894,781)</u>	<u>(7,779,983)</u>
<b>INCOME FROM OPERATIONS</b>		<b><u>10,434,478</u></b>	<b><u>7,910,442</u></b>	<b><u>6,212,917</u></b>
Non-operating Income - Net	45	<u>389,596</u>	<u>158,118</u>	<u>120,466</u>
<b>INCOME BEFORE TAX AND MINORITY INTERESTS</b>		<b><u>10,824,074</u></b>	<b><u>8,068,560</u></b>	<b><u>6,333,383</u></b>
Income Tax Expense				
Current	2aa, 28b, 28c	(3,479,867)	(4,711,894)	(2,686,154)
Deferred	2aa, 28b, 28d	<u>(145,719)</u>	<u>1,958,650</u>	<u>700,262</u>
Income Tax Expense - Net		<u>(3,625,586)</u>	<u>(2,753,244)</u>	<u>(1,985,892)</u>
<b>INCOME AFTER TAX BEFORE MINORITY INTERESTS</b>		<b><u>7,198,488</u></b>	<b><u>5,315,316</u></b>	<b><u>4,347,491</u></b>
<b>MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES</b>	2b	<u>(43,024)</u>	<u>(2,495)</u>	<u>(1,267)</u>
<b>NET INCOME</b>		<b><u>7,155,464</u></b>	<b><u>5,312,821</u></b>	<b><u>4,346,224</u></b>
<b>EARNINGS PER SHARE</b>				
	2af			
Basic (full amount)		341.72	254.51	209.78
Diluted (full amount)		341.37	253.84	208.32

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**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

Notes	Issued and Fully Paid-in Capital	Funds for Paid-in Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currencies Financial Statements	Unrealised Losses from Decrease in fair value of Available for Sale Marketable Securities and Bonds - net of deferred tax	Fixed Asset Revaluation Reserve	Difference in Transactions of Equity Changes in Subsidiaries	Share - based Compensation Reserve	Retained Earnings *)		Total Shareholders' Equity	
									Appropriated	Unappropriated		Total
<b>Balance as at 31 December 2008</b>	<b>10,452,824</b>	-	<b>6,809,056</b>	<b>239,625</b>	<b>(170,310)</b>	-	<b>(50,935)</b>	<b>54,465</b>	<b>5,680,357</b>	<b>7,498,787</b>	<b>13,179,144</b>	<b>30,513,869</b>
General and specific reserve allocated from 2008 net income	-	-	-	-	-	-	-	-	26,564	(26,564)	-	-
Dividends allocated from 2008 net income	-	-	-	-	-	-	-	-	-	(1,859,488)	(1,859,488)	(1,859,488)
Cooperative development fund program and community development reserve allocated from 2008 net income	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends allocated from 2009 net income	-	-	-	-	-	-	-	-	-	(212,512)	(212,512)	(212,512)
Execution of shares options from Management Stock Option Plan (MSOP)	32,234	-	102,531	-	-	-	-	(38,291)	-	(403,975)	(403,975)	(403,975)
Differences arising from translation of foreign currency financial statements	-	-	-	(118,662)	-	-	-	-	-	-	-	(118,662)
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	-	-	-	-	(90,446)	-	-	-	-	-	-	(90,446)
Difference in transactions of equity changes in subsidiaries	-	-	-	-	-	-	28,045	-	-	-	-	28,045
Net income for the year ended 31 December 2009	-	-	-	-	-	-	-	-	-	7,155,464	7,155,464	7,155,464
<b>Balance as at 31 December 2009</b>	<b>10,485,058</b>	-	<b>6,911,587</b>	<b>120,963</b>	<b>(260,756)</b>	-	<b>(22,890)</b>	<b>16,174</b>	<b>5,706,921</b>	<b>12,151,712</b>	<b>17,858,633</b>	<b>35,106,769</b>

\*) Accumulated losses of Rp1,627,901 have been eliminated with additional paid-in capital/agio due to quasi reorganisation as at 30 April 2003

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

Notes	Issued and Fully Paid-in Capital	Funds for Paid-in Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currencies Financial Statements	Unrealised Losses from Decrease in Fair Value Available for Sale	Marketable Securities and Government Bonds-net of deferred tax	Fixed Asset Revaluation Reserve	Difference in Transactions of Equity Changes in Subsidiaries	Share-based Compensation Reserve	Retained Earnings *)		Total Shareholders' Equity
										Appropriated	Unappropriated	
<b>Balance as at 31 December 2007</b>	<b>10,374,776</b>	<b>127,593</b>	<b>6,570,959</b>	<b>113,447</b>	<b>(3,568)</b>	<b>3,046,936</b>	<b>107,320</b>	<b>1,432</b>	<b>2,611,690</b>	<b>6,293,147</b>	<b>8,904,837</b>	<b>29,243,732</b>
General and specific reserve allocated from 2007 net income	-	-	-	-	-	-	-	-	21,731	(21,731)	-	-
Dividends allocated from 2007 net income	-	-	-	-	-	-	-	-	-	(3,911,601)	(3,911,601)	(3,911,601)
Cooperative development fund program and community development reserve allocated from 2007 net income	-	-	-	-	-	-	-	-	-	(173,849)	(173,849)	(173,849)
Execution of shares options from Management Stock Option Plan (MSOP)	78,048	(127,593)	238,097	-	-	-	(52,855)	-	-	-	-	135,697
Fixed Assets	-	-	-	-	-	(3,046,936)	-	-	-	-	3,046,936	-
Reclassification of revaluation increment of foreign currency financial statements	-	-	-	126,178	-	-	-	-	-	-	-	126,178
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds- net of deferred tax	-	-	-	-	(166,742)	-	-	-	-	-	-	(166,742)
Difference in transactions of equity changes in subsidiaries	-	-	-	-	-	-	(52,367)	-	-	-	-	(52,367)
Net income for the year ended 31 December 2008	-	-	-	-	-	-	-	-	-	5,312,821	5,312,821	5,312,821
<b>Balance as at 31 December 2008</b>	<b>10,452,824</b>	-	<b>6,809,056</b>	<b>239,625</b>	<b>(170,310)</b>	-	<b>54,465</b>	<b>(50,935)</b>	<b>5,680,357</b>	<b>7,498,787</b>	<b>13,179,144</b>	<b>30,513,863</b>

\*) Accumulated losses of Rp1,62,874,901 have been eliminated with additional paid-in capital/agio due to quasi reorganisation as at 30 April 2003

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

Notes	Issued and Fully Paid-in Capital	Funds for Paid-in Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currencies Financial Statements	Unrealised (Losses)/Gains From (Decrease)/ Increase in fair value of Available for Sale Marketable Securities and Government Bonds-net of deferred tax	Fixed Asset Revaluation Reserve	Difference in Transactions of Equity Changes in Subsidiaries	Share - based Compensation Reserve	Retained Earnings *)		Total Shareholders' Equity	
									Appropriated	Unappropriated		Total
<b>Balance as at 31 December 2006</b>	<b>10,315,609</b>	<b>-</b>	<b>6,433,948</b>	<b>86,867</b>	<b>229,572</b>	<b>3,046,936</b>	<b>9,318</b>	<b>105,330</b>	<b>2,575,369</b>	<b>3,537,721</b>	<b>6,113,090</b>	<b>26,340,670</b>
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)
Tantien, cooperative development fund program and community development reserve allocated from 2006 net income	-	-	-	-	-	-	-	-	-	-	-	-
Execution of shares options	-	-	-	-	-	-	-	-	-	(101,634)	(101,634)	(101,634)
1a, 2a, 32a, 32b, 33 from Management Stock Option Plan (MSOP)	59,167	127,593	137,011	-	-	-	-	(85,044)	-	-	-	238,727
2c Differences arising from translation of foreign currency financial statements	-	-	-	26,560	-	-	-	-	-	-	-	26,560
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	-	-	-	-	(233,140)	-	-	-	-	-	-	(233,140)
2h, 2i Recognition of shares options from Management Stock Option Plan (MSOP)	-	-	-	-	-	-	-	87,034	-	-	-	87,034
Differences in transactions of equity changes in subsidiaries	-	-	-	-	-	-	(7,886)	-	-	-	-	(7,886)
Net income for the year ended 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	4,346,224
<b>Balance as at 31 December 2007</b>	<b>10,374,776</b>	<b>127,593</b>	<b>6,570,959</b>	<b>113,447</b>	<b>(3,568)</b>	<b>3,046,936</b>	<b>1,432</b>	<b>107,320</b>	<b>2,611,690</b>	<b>6,293,147</b>	<b>8,904,837</b>	<b>29,243,732</b>

\*) Accumulated losses of Rp1,62,874,901 have been eliminated with additional paid-in capital/agio due to quasi reorganisation as at 30 April 2003

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interest income		32,078,031	26,117,536	23,222,510
Receipts from fees and commissions		5,269,940	4,262,997	3,143,276
Payments of interest expense	62	(15,879,101)	(12,165,217)	(11,477,844)
Payments of other financing expenses		(146,636)	(165,200)	(142,434)
Receipts from the sale of Government Bonds - trading portfolio		9,349,047	6,003,599	25,762,599
Acquisition of Government Bonds - trading portfolio		(9,722,868)	(5,184,940)	(25,549,223)
Foreign exchange (losses)/gains - net		(589,937)	(138,149)	326,706
Operating income - others		716,236	311,092	577,068
Operating expenses - others	62	(1,647,961)	(469,332)	(16,229)
Salaries and employee benefits		(4,853,601)	(3,403,043)	(2,840,646)
General and administrative expenses		(3,878,814)	(3,288,579)	(2,837,906)
Non-operating income - others		<u>197,692</u>	<u>82,339</u>	<u>15,675</u>
Cash flow from operating activities before changes in operating assets and liabilities		10,892,028	11,963,103	10,183,552
(Increase)/decrease in operating assets:				
Placements with Bank Indonesia and other banks		(11,958,068)	(12,016,854)	(7,359,001)
Marketable Securities - trading portfolio		5,808,627	2,600,153	(10,030,596)
Other receivables - trade transactions		680,259	(1,513,689)	(97,988)
Loans		(24,906,337)	(36,149,818)	(24,287,819)
Consumer financing receivable		(1,420,388)	-	-
Proceeds from collection of earning assets already written-off		2,350,123	2,343,228	1,375,021
Other assets		1,118,663	284,409	(297,405)
Increase/(decrease) in operating liabilities:				
Demand deposits		6,266,337	6,650,858	12,973,698
Saving deposits		18,882,649	4,114,274	30,008,961
Time deposits		8,365,346	28,871,129	(4,345,784)
Inter-bank call money		(7,588)	(823,257)	(1,072,064)
Obligation due immediately		(46,242)	(232,979)	181,438
Taxes payable		(4,798,538)	(2,817,792)	(2,988,556)
Other liabilities		<u>1,133,216</u>	<u>(2,751,048)</u>	<u>1,560,507</u>
<b>Net cash provided by operating activities</b>		<b><u>12,360,087</u></b>	<b><u>521,717</u></b>	<b><u>5,803,964</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease/(increase) in marketable securities - available for sale and held to maturity		524,900	(70,105)	149,005
(Increase)/decrease in Government Bonds - available for sale and held to maturity		(500,834)	286,139	1,684,033
(Increase)/decrease of investments in shares		(1,080)	41,649	12,250
Proceeds from sale of fixed assets	15	62,978	80,178	3,444
Acquisition of fixed assets		(651,467)	(613,507)	(298,367)
(Increase)/decrease in securities purchased under resale agreements		(4,268,951)	2,657,374	(2,482,465)
Increase in minority interests		118,402	19,228	-
<b>Net cash (used in)/provided by investing activities</b>		<b><u>(4,716,052)</u></b>	<b><u>2,400,956</u></b>	<b><u>(932,100)</u></b>

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(decrease) in marketables securities issued		654,411	(3,033,961)	93,815
Additional in fund borrowings		8,390,908	19,172,382	16,267,116
Repayment in fund borrowings		(13,818,060)	(19,283,446)	(10,358,647)
Increase/(decrease) in subordinated loans		3,349,626	(130,374)	(1,233,809)
(Decrease)/increase in securities sold under repurchase agreements		(665,539)	(1,932,450)	1,054,563
Payments of dividends, cooperative development fund program, community development fund program and tantiem	32d	(2,475,975)	(4,085,450)	(1,554,477)
Execution of shares option		<u>96,474</u>	<u>135,697</u>	<u>238,727</u>
<b>Net cash (used in)/provided by financing activities</b>		<b><u>(4,468,155)</u></b>	<b><u>(9,157,602)</u></b>	<b><u>4,507,288</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>3,175,880</b>	<b>(6,234,929)</b>	<b>9,379,152</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<u>29,237,481</u>	<u>35,472,410</u>	<u>26,093,258</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		<b><u>32,413,361</u></b>	<b><u>29,237,481</u></b>	<b><u>35,472,410</u></b>
Cash and cash equivalents at end of year consist of:				
Cash		8,867,881	8,388,974	5,909,369
Current accounts with Bank Indonesia	3	16,055,871	13,354,289	28,161,059
Current accounts with other banks	4	<u>7,489,609</u>	<u>7,494,218</u>	<u>1,401,982</u>
<b>Total Cash and Cash Equivalents</b>		<b><u>32,413,361</u></b>	<b><u>29,237,481</u></b>	<b><u>35,472,410</u></b>
<b>Supplemental Non-Cash Flows Information</b>				
Activities not affecting cash flows:				
Unrealised losses from decrease in fair value of available for sale marketable securities and Government Bonds - net of deferred tax		(90,446)	(166,742)	(233,140)
Unrealised (losses)/gains from (decrease)/increase in fair value of marketable securities and Government Bonds		(2,155)	1,486	(14,061)
Recognition of share options from Management Stock Option Plan (MSOP)		-	-	(87,034)
Addition of fixed asset from the Joint Operation Agreement (KSO)	15	131,640	-	-

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL**

**a. Establishment**

PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as “Bank Mandiri” or the “Bank”) was established on 2 October 1998 in the Republic of Indonesia based on notarial deed No. 10 of Sutjipto, S.H., dated 2 October 1998 under Government Regulation No. 75 of 1998 dated 1 October 1998. The deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its decision letter No. C2-16561.HT.01.01.TH.98 dated 2 October 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated 4 December 1998.

Bank Mandiri was established through the merger of PT Bank Bumi Daya (Persero) (“BBD”), PT Bank Dagang Negara (Persero) (“BDN”), PT Bank Ekspor Impor Indonesia (Persero) (“Bank Exim”) and 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 its operations on 1 August 1999.

Bank Mandiri’s Articles of Association have been amended several times. The latest amendment regarding the addition of issued and fully paid capital arising from the execution of stock option under the Management Stock Option Plan (“MSOP”) program in relation of the number of share executed up to 31 December 2009. This amendment done based on Notarial deed of Dr. A. Partomuan Pohan, S.H., LLM, No. 4 dated 7 January 2010 that has been reported to the Ministry of Law and Human Rights of the Republic of Indonesia with receipt No. AHU-AH.01.10-01385 dated 19 January 2010 and have been registered on List of Companies No. AHU-0004265.AH.01.09 year 2010 dated 19 January 2010.

**b. Merger**

At the end of February 1998, the Government of the Republic of Indonesia (hereinafter referred to as “Government”) announced its plan to restructure the Merged Banks. In connection with that restructuring plan, the Government established Bank Mandiri in October 1998 through the payment of cash and the acquisition of the Government’s shares of stock in the Merged Banks (Notes 32a and 32b). The difference between the transfer price and the book value of the shares of stock at the time of the acquisition was not calculated as it was considered as not practiced to do so. All losses incurred during the year of acquisition were taken into account in the Recapitalisation Program.

The above mentioned restructuring plan was designed for the merger of the Merged Banks into Bank Mandiri in July 1999 and the Recapitalisation of Bank Mandiri. The restructuring of the Merged Banks and Bank Mandiri also covered the following:

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

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

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**b. Merger (continued)**

Effective from the date of the merger:

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

On the effective date, the Merged Banks were legally dissolved without liquidation process and Bank Mandiri, as the surviving bank, received all the rights and obligations from the Merged Banks.

**c. Recapitalisation**

In response to the effects of the adverse economic conditions on the banking sector in Indonesia, on 31 December 1998, the Government of the Republic Indonesia issued Regulation No. 84 of 1998 regarding Recapitalisation Program for Commercial Banks, which was designed to increase the paid-in 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 Recapitalisation 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 8 February 1999 of the Ministry of Finance and the Governor of Bank Indonesia. Under the Joint Decrees, the Government, among others, shall implement the Recapitalisation Program for Commercial Banks with respect to all State-Owned Banks, Regional Development Banks, and Commercial Banks, with the status of "*Taken Over Bank*", by the Indonesian Bank Restructuring Agency ("IBRA").

On 28 May 1999 the Government issued Regulation No. 52 of 1999 (PP No. 52/1999) regarding additional capital investment by the Government of Republic of Indonesia in Bank Mandiri through issuance of Government Recapitalisation Bonds to be issued by the Ministry 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 29 July 1999 of the Ministry of Finance and the Governor of Bank Indonesia.

While the Government Recapitalisation Bonds had not yet been issued, Bank Mandiri has accounted the bonds as "Due from the Government" an amount of Rp137,800,000 in accordance with the Government's commitment through the Ministry of Finance's letter No. S-360/MK.017/1999 dated 29 September 1999 and the approval of the Ministry of State-Owned Enterprises in letter No. S-510/M-PBUMN/1999 dated 29 September 1999.

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

Based on Government Regulation No. 97 of 1999 dated 24 December 1999 concerning the increase in capital of the Government in Bank Mandiri in relation to the Recapitalisation Program, the Government increased its investment to a maximum of Rp42,200,000, so that the total maximum investment amounted to Rp180,000,000.

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**c. Recapitalisation (continued)**

In relation to the implementation of the above Government Regulations No. 52 and No. 97 of 1999, in the Temporary Recapitalisation Agreement between the Government and Bank Mandiri and its amendment, the Government issued Government Recapitalisation Bonds in 2 (two) tranches of Rp103,000,000 on 13 October 1999 and Rp75,000,000 on 28 December 1999 so that as at 31 December 1999 the total Recapitalisation Bonds issued in accordance with the aforementioned agreements amounted to Rp178,000,000.

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

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

The Ministry of Finance of the Republic of Indonesia issued decrees ("KMK-RI") No. 227/KMK.02/2003 dated 23 May 2003 and KMK - RI No. 420/KMK-02/2003 dated 30 September 2003 confirmed that the final amount of the Government's participation in Bank Mandiri was amounting to Rp173,801,315 (Note 32b).

**d. Initial Public Offering, Changes in Share Capital and Subordinated Bonds of Bank Mandiri**

**Initial Public Offering of Bank Mandiri**

Bank Mandiri submitted its registration for an Initial Public Offering (IPO) to the Capital Market Supervisory Board ("Bapepam") on 2 June 2003 and became effective based on the decision letter of the Chairman of Bapepam No. S-1551/PM/2003 dated 27 June 2003.

The Bank's name was changed from PT Bank Mandiri (Persero) to PT Bank Mandiri (Persero) Tbk. based on an amendment to the Articles of Association which been held with Notarial Deed of Sutjipto S.H., No. 2 dated 1 June 2003 and approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its decision letter No. C-12783.HT.01.04.TH.2003 dated 6 June 2003 that was published in the State Gazette No. 63 dated 8 August 2003, Supplement No. 6590.

On 14 July 2003, Bank Mandiri sold its 4,000,000,000 shares through IPO, with a nominal value of Rp500 (full amount) per share with an initial selling price of Rp675 (full amount) per share. The IPO represents a divestment of 20.00% of the ownership of the Government in Bank Mandiri (Note 32a).

On 14 July 2003, 19,800,000,000 of Bank Mandiri's common shares series B 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 8 July 2003 and Surabaya Stock Exchange's Approval Letter No. JKT-028/LIST/BES/VII/2003 dated 10 July 2003.

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**d. Initial Public Offering, Changes in Share Capital and Subordinated Bonds of Bank Mandiri (continued)**

**Changes in Share Capital of Bank Mandiri**

The details of changes in Share Capital Issued and Paid-in-Capital are as follows:

	<u>Number of shares</u>
Initial capital injection by the Government in 1998	4,000,000
Increase in share capital by the Government in 1999	251,000
	4,251,000
Increase in paid-in capital by the Government in 2003	5,749,000
	10,000,000
Decrease in par value per share from Rp1,000,000 (full amount) to Rp500 (full amount) per share through stock split in 2003	20,000,000,000
Shares from Conversion of MSOP I in 2004	132,854,872
Shares from Conversion of MSOP I in 2005	122,862,492
Shares from Conversion of MSOP I in 2006	71,300,339
Shares from Conversion of MSOP II in 2006	304,199,764
Shares from Conversion of MSOP I in 2007	40,240,621
Shares from Conversion of MSOP II in 2007	343,135
Shares from Conversion of MSOP III in 2007	77,750,519
Shares from Conversion of MSOP I in 2008	8,107,633
Shares from Conversion of MSOP II in 2008	399,153
Shares from Conversion of MSOP III in 2008	147,589,260
Shares from Conversion of MSOP II in 2009	86,800
Shares from Conversion of MSOP III in 2009	64,382,217
	20,970,116,805

**Public Offering of Subordinated Bonds of Bank Mandiri**

On 3 December 2009, Bank Mandiri received effective approval from the Head of Capital Market Supervisory Board and Financial Institution with the letter No. S-10414/BL/2009 dated 3 December 2009 to execute the public offering of Bank Mandiri's Rupiah Subordinated Bond I 2009 with a nominal value of Rp3,500,000. On 14 December 2009, the aforementioned bond has been recorded in Indonesia Stock Exchange (Note 30).

**e. Quasi-Reorganisation**

In order for Bank Mandiri to eliminate the negative consequences of being burdened by accumulated losses, the Bank undertook quasi-reorganisation as approved in the Extraordinary General Shareholders' Meeting ("RUPS - LB") on 29 May 2003.

The quasi-reorganisation adjustments were booked on 30 April 2003 where the accumulated losses of Rp162,874,901 were being eliminated against additional paid-in capital/agio.

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**e. Quasi-Reorganisation (continued)**

Bank Mandiri's Articles of Association were amended to reflect the changes in additional paid-in capital as a result of quasi-reorganisation, based on notarial deed of Sutjipto, S.H., No. 130 dated 29 September 2003 which was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its decision letter No. C-25309.HT.01.04.TH.2003 dated 23 October 2003 and was published in the State Gazette No. 910, Supplement No. 93 dated 23 October 2003.

On 30 October 2003, Bank Mandiri's RUPS-LB approved the Quasi-Reorganisation as at 30 April 2003, which were notarised by Sutjipto, S.H. in notarial deed No. 165 dated 30 October 2003.

**f. Divestment of Government Share Ownership**

On 11 March 2004, the Government divested another 10.00% of its ownership in Bank Mandiri which was equivalent to 2,000,000,000 common shares B series through private placements (Note 32a).

**g. Subsidiaries and Associates**

Subsidiaries included in the consolidated financial statements as at 31 December 2009, 2008 and 2007 are as follows:

Name of Subsidiaries	Nature of Business	Domicile of Ownership	Percentage of Ownership		
			2009	2008	2007
Bank Mandiri (Europe) Limited (BMEL)	Commercial Banking	London	100.00	100.00	100.00
Mandiri International Remittance Sendirian Berhad (MIR)	Remittance	Kuala Lumpur	100.00	-	-
PT Bank Syariah Mandiri (BSM)	Sharia Banking	Jakarta	99.99	99.99	99.99
PT Usaha Gedung Bank Dagang Negara	Property Management	Jakarta	99.00	99.00	99.00
PT Mandiri Sekuritas	Securities	Jakarta	95.69	95.69	95.69
PT Bumi Daya Plaza	Property Management	Jakarta	93.33	93.33	93.33
PT Bank Sinar Harapan Bali (BSHB)	Commercial Banking	Denpasar	81.46	80.00	-
PT Mandiri Tunas Finance (MTF)	Consumer Financing	Jakarta	51.00	-	-

The subsidiaries' total assets as at 31 December 2009, 2008 and 2007 (before elimination) amounted to Rp28,693,251, Rp23,554,363 and Rp18,607,409 or 7.27%, 6.57% and 5.83% from the total consolidated assets, respectively.

**Bank Mandiri (Europe) Limited**

Bank Mandiri (Europe) Limited ("BMEL") was established in London, United Kingdom on 22 June 1999 under "The Companies Act 1985 of the United Kingdom". It was established from the conversion of Bank Exim London Branch to a subsidiary and operate effectively on 31 July 1999. BMEL was mandated to act as a commercial bank to represent the interests of Bank Mandiri and located in London, United Kingdom.

**Mandiri International Remittance Sendirian Berhad**

Mandiri International Remittance Sendirian Berhad ("MIR") is a company wholly owned by Bank Mandiri with authorised capital of USD1,800,000 was officially became a Malaysian legal entity since 17 March 2009 based on registration No. 850077-P. MIR is engaged in Remittance Service under the provisions of the Bank Negara Malaysia ("BNM"). Legally, MIR has obtained an approval from Bank Indonesia ("BI") through letter No. 10/548/DPB1 dated 14 November 2009 and approval from BNM to conduct operational activities through its letter No. KL.EC.150/1/8562 dated 18 November 2009. MIR officially commenced its operation on 29 November 2009 and located in Kuala Lumpur, Malaysia. Services provided by MIR is still limited to remittance service to Bank Mandiri's customer account.

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**1. GENERAL (continued)**

**g. Subsidiaries and Associates (continued)**

**PT Bank Syariah Mandiri**

PT Bank Syariah Mandiri ("BSM") is engaged in banking activities in accordance with Sharia banking principles. BSM was established in the Republic of Indonesia on 15 June 1955 under the name of PT Bank Industri Nasional ("PT Bina"). Then PT Bina changed its name to PT Bank Maritim Indonesia on 12 September 1968 that subsequently changed become PT Bank Susila Bhakti on 6 June 1974, a subsidiary of BDN. Then it become PT Bank Syariah Mandiri based on Notarial Deed of Sutjipto, S.H., No. 23 dated 8 September 1999.

**PT Usaha Gedung Bank Dagang Negara**

PT Usaha Gedung Bank Dagang Negara ("UGBDN") is engaged in property management and office rental activities. UGBDN was established in Jakarta based on notarial deed No. 104 of Abdul Latief, S.H. dated 29 October 1971. The company's Article of Association has been amended several times, the latest amendment was documented in notarial deed No. 7 of Martin Roestamy, S.H. dated 25 November 2004. UGBDN owns 25.00% of PT Pengelola Investama Mandiri ("PIM") share capital, a Company which was initially established to manage ex-legacy's share investment that transferred to PIM.

**PT Mandiri Sekuritas**

PT Mandiri Sekuritas was established in Jakarta on 31 July 2000 based on notarial deed of Ny. Vita Buena, S.H. replacing Sutjipto, S.H. No. 116 It was established through the merger of PT Bumi Daya Sekuritas, PT Exim Sekuritas and PT Merincorp Securindo. The merger was approved by the Ministry of Law and Legislation of the Republic of Indonesia on 25 August 2000 based on decision letter No. C-18762.HT.01.01-TH.2000. PT Mandiri Sekuritas owns 99.90% of the total share capital of PT Mandiri Manajemen Investasi, a subsidiary established on 26 October 2004 engaged in investment management and advisory activities.

**PT Bumi Daya Plaza**

PT Bumi Daya Plaza ("BDP") is engaged in property management and office rental activities. BDP was established in Jakarta, Indonesia based on notarial deed No. 33 of Ny. Subagyo Reksodipuro, S.H. dated 22 December 1978. The Company's Articles of Association has been amended several times and the latest amendment was announced in Appendix of State Gazette of the Republic of Indonesia No. 34 dated 27 April 2001. BDP owns 75.00% of the share capital of PIM.

**PT Bank Sinar Harapan Bali**

PT Bank Sinar Harapan Bali ("BSHB") was established on 3 November 1992 based on the notarial deed No. 4 of Ida Bagus Alit Sudiarmika, S.H. in Denpasar. On 3 May 2008, the signing of the acquisition deed was made between the shareholders of BSHB and Bank Mandiri as covered in the notarial deed No. 4 dated 3 May 2008 of I Wayan Sugitha, S.H. in Denpasar. The signing deed marked the beginning of the Bank's 80.00% ownership of BSHB whereby subsequently, BSHB was managed separately and independently from Bank Mandiri. BSHB is treated as a stand alone bank in order to predominantly focus on the expansion of micro business and small business.

On 22 October 2009, the Bank increased its share ownership of BSHB by 1.46% of the total shares issued and fully paid or equivalent to Rp1,460,657,000 (full amount) by purchased all shares owned by BSHB's President Director of 2,921,314 shares which has been documented in notarial deed No. 52 of notary Ni Wayan Widastri, S.H., dated 22 October 2009 in Denpasar, Bali.

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**1. GENERAL (continued)**

**g. Subsidiaries and Associates (continued)**

**PT Bank Sinar Harapan Bali (continued)**

The increase of Bank Mandiri's share ownership in BSHB was conducted in order to meet Bank Indonesia's requirements regarding Good Corporate Governance, which required the Bank's President Director to come from an independent party. Bank Mandiri has obtained approval from Bank Indonesia through its letter No. 11/103/DPB1/TPB1-1 dated 21 August 2009 for the additional capital injection in BSHB.

Through this additional capital, the Bank's ownership in BSHB increased from 80.00% to 81.46% of the total shares issued with a total share value of Rp81,461 compared to the original amount of Rp80,000.

**PT Mandiri Tunas Finance**

PT Mandiri Tunas Finance ("MTF", formerly PT Tunas Financindo Sarana ("TFS")) is a company engaged in consumer financing activities. MTF was established based on notarial deed Misahardi Wilamarta, SH, No. 262 dated 17 May 1989 and approved by the Ministry of Justice through its decision letter No. C2-4868.HT.01.01.TH.89 dated 1 June 1989 and published in State Gazette No. 57, Supplement No. 1369 dated 18 July 1989. Based on notarial deed Dr. A. Partomuan Pohan, SH, LLM, dated on 6 February 2009, the Bank entered into a sales and purchase agreement with MTF's shareholders (PT Tunas Ridean Tbk. and PT Tunas Mobilindo Parama) to acquire 51.00% ownership of MTF through its purchase of 1,275,000,000 shares of MTF (the nominal value of Rp100 (full amount)) per share amounted to Rp290,000.

The acquisition of 51.00% of MTF shares ownership by Bank Mandiri was approved in the Extraordinary General Shareholders' Meeting of MTF as stated in the Minutes of Extraordinary General Shareholders' Meeting No. 8 dated 6 February 2009 and listed in Legal Administration Ministry of Law and Human Rights as affirmed by the Ministry of Law and Human Rights through its letter No. AHU-AH.01.10-01575 dated 11 March 2009.

This acquisition has been approved by Bank Indonesia through the Decree of the Governor of Bank Indonesia No. 11/3/DPB1/TPB1-1 dated 8 January 2009.

The amendment of the TFS's name to become MTF was undertaken on 26 June 2009, in accordance with a resolution on notarial deed of PT Tunas Financindo Sarana No. 181 dated 26 June 2009, notarised by notarial Dr. Irawan Soerodjo, S.H., Msi. The Articles of Association was approved by the Ministry of Law and Human Rights Republic of Indonesia in its Decision Letter No. AHU-4056.AH.01.02.TH.09 dated 26 August 2009.

Goodwill which incurred from acquisition of MTF amounting to Rp156,807 is amortised over 5 (five) years on a straight line basis as its represents the estimate economic life of the goodwill. Goodwill amortisation expense for the year ended 31 December 2009 amounting to Rp28,748 has been charged to the consolidated statement of income for the year ended 2009.

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**1. GENERAL (continued)**

**h. Structure and Management**

Bank Mandiri's head office is located on Jl. Jend. Gatot Subroto Kav. 36-38, South Jakarta, Indonesia. As at 31 December 2009, 2008 and 2007 Bank Mandiri's domestic and overseas offices are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Domestic Regional Offices	12	10	10
Domestic Branches:			
Area	62	59	58
Community Branches	115	118	99
Branch	856	359	341
Cash Outlets	<u>62</u>	<u>491</u>	<u>458</u>
	1,095	1,027	956
Overseas Branches	4	4	4
Representative Office	1	1	1

As at 31 December 2009, 2008 and 2007, Bank Mandiri has overseas branches located in Cayman Island, Singapore, Hong Kong and Timor Leste and a representative office in Shanghai, China.

Since 9 January 2007, to support Bank Mandiri's aspiration to become the Dominant Multi-Specialist Bank, Bank Mandiri has amended its organisation structure into Strategic Business Units (SBU). In general, SBU consists of three major groups, which are:

1. Business Units, responsible as the Bank's main business development consists of 6 (six) Directorates which are Corporate Banking, Commercial Banking, Consumer Finance, Micro & Retail Banking, Treasury & International Banking and Special Asset Management;
2. Corporate Centers, responsible to manage the Bank's critical resources and support the Bank's policies consists of 3 (three) Directorates which are Risk Management, Compliance & Human Capital and Finance & Strategy;
3. Shared Services, as a supporting unit to support the Bank's overall operational activities which manages by Directorate Technology & Operations.

As at 31 December 2009, 2008 and 2007, the members of Bank Mandiri's Board of Commissioners and Directors are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Board of Commissioners</b>			
Chairman and Independent			
Commissioner	: Edwin Gerungan	Edwin Gerungan	Edwin Gerungan
Deputy Chairman	: Muchayat	Muchayat	Muchayat
Commissioner	: Mahmuddin Yasin	Mahmuddin Yasin*)	Richard Claproth**)
Independent Commissioner	: Soedarjono	Soedarjono	Soedarjono
Independent Commissioner	: Pradjoto	Pradjoto	Pradjoto
Independent Commissioner	: Gunarni Soeworo	Gunarni Soeworo	Gunarni Soeworo
Independent Commissioner	: -	-	Yap Tjay Soen***)

\*) Since closing of Annual General Shareholders' Meeting on 29 May 2008

\*\*) Until the closing of Annual General Shareholders' Meeting on 29 May 2008

\*\*\*) Effectively resigned on 15 May 2008. The release and discharge (acquit et de charge) of his role as a commissioner from 1 January 2008 up to 15 May 2008 was decided in the Annual General Shareholders' Meeting on 4 May 2009.

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
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**1. GENERAL (continued)**

**h. Structure and Management (continued)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Directors</b>			
President Director	: Agus Martowardojo	Agus Martowardojo	Agus Martowardojo
Deputy President Director	: I Wayan Agus Mertayasa	I Wayan Agus Mertayasa	I Wayan Agus Mertayasa
Director	: Zulkifli Zaini	Zulkifli Zaini	Omar Sjawaldy Anwar****)
Director	: Sasmita	Sasmita	Zulkifli Zaini
Director	: Abdul Rachman	Abdul Rachman	Abdul Rachman
Director	: Sentot A. Sentausa	Sentot A. Sentausa	Sasmita
Director	: Bambang Setiawan	Bambang Setiawan**)	Sentot A. Sentausa
Director	: Riswinandi	Riswinandi	Bambang Setiawan**)
Director	: Thomas Arifin	Thomas Arifin	Riswinandi
Director	: Budi Gunadi Sadikin	Budi Gunadi Sadikin	Thomas Arifin
Direktur	: Ogi Prastomiyono	Ogi Prastomiyono*)	Budi Gunadi Sadikin

\*) Effectively appointed since the Annual General Shareholders' Meeting on 29 May 2008. Became a Director of Compliance since 17 December 2008 (based on the Governor of Bank Indonesia Letter No. 10/188/GBI/DPIP/Rahasia dated 12 December 2008 regarding appointment decision as a Director of Compliance of PT Bank Mandiri (Persero) Tbk.)

\*\*\*) Appointed as Compliance Director until 17 December 2008

\*\*\*\*) Until the closing of Annual General Shareholders' Meeting on 29 May 2008

As at 31 December 2009, 2008 and 2007, the members of Bank Mandiri's Audit Committees are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Chairman	: Gunarni Soeworo	Gunarni Soeworo	Gunarni Soeworo
Member	: Soedarjono	Soedarjono	Soedarjono
Member	: Zulkifli Djaelani	Zulkifli Djaelani	Yap Tjay Soen*)
Member	: Imam Sukarno	Imam Sukarno	Zulkifli Djaelani
Member	: -	-	Imam Sukarno

\*) Effectively resigned on 15 May 2008. The release and discharge (acquit et de charge) of his role as a Audit Committee from 1 January 2008 up to 15 May 2008 was decided in the Annual General Shareholders' Meeting on 4 May 2009.

As at 31 December 2009, 2008 and 2007, the members of Bank Mandiri's Risk Monitoring Committees are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Chairman	: Soedarjono	Soedarjono	Soedarjono
Member	: Edwin Gerungan	Edwin Gerungan	Edwin Gerungan
Member	: Gunarni Soeworo	Gunarni Soeworo	Gunarni Soeworo
Member	: Tama Widjaja	Tama Widjaja	Tama Widjaja
Secretary (ex-officio)	: Pardi Sudradjat	Pardi Sudradjat	Pardi Sudradjat

As at 31 December 2009, 2008 and 2007, the members of Bank Mandiri's Nomination and Remuneration Committees are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Chairman	: Edwin Gerungan	Edwin Gerungan	Edwin Gerungan
Member	: Muchayat	Muchayat	Muchayat
Member	: Soedarjono	Soedarjono	Soedarjono
Member	: Pradjoto	Pradjoto	Richard Claproth**)
Member	: Gunarni Soeworo	Gunarni Soeworo	Gunarni Soeworo
Member	: Mahmuddin Yasin	Mahmuddin Yasin*)	Yap Tjay Soen***)
Member	: -	-	Pradjoto
Secretary (ex-officio)	: Kresno Sediarsi	Kresno Sediarsi	Kresno Sediarsi

\*) Since Annual General Shareholders' Meeting on 29 May 2008

\*\*\*) Until the closing of Annual General Shareholders' Meeting on 29 May 2008

\*\*\*\*) Effectively resigned on 15 May 2008. The release and discharge (acquit et de charge) of his role as a Nomination and Remuneration Committee starting from 1 January 2008 up to 15 May 2008 was decided in the Annual General Shareholders' Meeting on 4 May 2009.

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**1. GENERAL (continued)**

**h. Structure and Management (continued)**

As at 31 December 2009, 2008 and 2007, the members of Bank Mandiri's Good Corporate Governance Committees comprised of the following:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Chairman	: Muchayat	Muchayat	Muchayat
Member	: Gunarni Soeworo	Gunarni Soeworo	Richard Claproth***)
Member	: Mahmuddin Yasin	Mahmuddin Yasin**)	Yap Tjay Soen****)
Member	: -	Anwar Isham*)	Anwar Isham
Secretary (ex-officio)	: Mustaslimah	Mustaslimah	Mustaslimah

\*) Effectively resigned on 1 January 2009

\*\*\*) Since Annual General Shareholders' Meeting on 29 May 2008

\*\*\*\*) Until the closing of Annual General Shareholders' Meeting on 29 May 2008

\*\*\*\*\*) Effectively resigned on 15 May 2008. The release and discharge (acquit et de charge) of his role as a Commissioner from 1 January 2008 up to 15 May 2008 was decided in the Annual General Shareholders' Meeting on 4 May 2009.

As at 31 December 2009, 2008 and 2007 Bank Mandiri has a total of 22,909 employees, 22,408 employees and 21,631 employees, respectively (unaudited).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Directors are responsible for the preparation of the consolidated financial statements of the Bank and subsidiaries that have been completed on 22 February 2010.

The principal accounting policies adopted in preparing the consolidated financial statements of the Bank and Subsidiaries are set out below:

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

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Indonesia: Financial Accounting Standards, Regulations of Bank Indonesia, Regulation of Capital Market Supervisory Board and Financial Institution (Bapepam-LK) No VIII.G.7 regarding Financial Statements Presentation Guidelines included in the Appendix of the Decree of the Chairman of the Capital Market Supervisory Board and Financial Institution No. KEP-06/PM/2000 dated 13 March 2000 and Circular Letter No. SE/02/BL/2008 dated 31 January 2008 regarding the Guidelines on Financial Statement Presentations and Disclosures for issuers or Public Companies in General Mining, Oil and Gas and Banking Industry.

The consolidated financial statements have been prepared under the historical cost, except for marketable securities and Government Bonds classified as trading and available for sale, derivative receivables and payables which are stated at fair value, certain investments in shares of stock which are accounted under the equity method, land, building and certain fixed assets which have been revalued. The consolidated financial statements are prepared under the accrual basis of accounting, except for the recognition of interest income from loans and other earning assets classified as non-performing and the statements of cash flows.

The consolidated statements of cash flows are prepared based on the modified direct method by classifying cash flows 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, current accounts with Bank Indonesia and current accounts with other banks.

The financial statements of a subsidiary company engaged in sharia banking have been prepared in conformity with the Statement of Financial Accounting Standards (SFAS) No. 101, "Presentation of Financial Statement for Sharia Banking", SFAS No. 102, "Accounting for *Murabahah*", SFAS No. 104, "Accounting for *Istishna*", SFAS No. 105, "Accounting for *Mudharabah*", SFAS No. 106, "Accounting for *Musyarakah*", Accounting Guidelines for Indonesian Sharia Banking (PAPSI) and other accounting principles generally accepted established by the Indonesian Institute of Accountants and also accounting and reporting guidelines prescribed by the Indonesian banking regulatory authority and Bapepam-LK.

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

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

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires the use of estimates and assumptions that affects:

- the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements;
- the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on Management's best knowledge of current events and activities, actual results may differ from those estimates.

Figures in the consolidated financial statements are rounded to and stated in millions of Rupiah, unless otherwise stated.

**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 50.00% 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. In the consolidated financial statements, all significant inter-company balances and transactions have been eliminated. Minority interest in net income of subsidiaries is presented as a deduction of consolidated net income in order to present the Bank's income. Minority interest in net assets are separately presented in the consolidated balance sheet between equity and liabilities.

The consolidated financial statements are prepared based on a consistent accounting policy for transactions and events in similar circumstances. The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by the subsidiaries unless otherwise stated.

If the control on an entity is obtained or ends in the current year, the entity's net income are included in the consolidated statement of income from the date of acquisition of the control or until the date of the control is ceased.

**c. Foreign Currency Transactions and Balances**

Subsidiaries and overseas branches

Bank Mandiri maintains its accounting records in Indonesian Rupiah. 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 Reuters spot rates at the balance sheet date.
- (2) Revenues, expenses, gains and losses - using the average middle rates during each month when the transaction occurs.
- (3) Shareholders' equity accounts - using historical rates on the date of transaction.
- (4) Statements of cash flows - using the Reuters spot rates 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.

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

**c. Foreign Currency Transactions and Balances (continued)**

Transactions and balances in foreign currencies

Transactions in currencies other than Rupiah are recorded at the prevailing exchange rates 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 31 December 2009, 2008 and 2007. The resulting gains or losses are credited or charged to the current year's consolidated statements of income.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
1 Great Britain Poundsterling	15,164.94	15,755.42	18,760.64
1 Euro	13,542.43	15,356.48	13,821.80
1 United States Dollar	9,395.00	10,900.00	9,393.00
100 Japanese Yen	10,219.00	12,065.00	8,384.00

**d. Transactions with Related Parties**

The Bank and Subsidiaries enter into transactions with parties which are defined as related parties in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 regarding "Related party disclosures" and Bank Indonesia regulation No. 8/13/PBI/2006 dated 5 October 2006 regarding "Changes in Bank Indonesia Regulation No. 7/3/PBI/2005 dated 20 January 2005 regarding Legal Lending Limit for Commercial Bank". Related parties are principally defined as:

- I. entities under the control of the Bank and Subsidiaries;
- II. associated companies;
- III. investors with an interest in the voting that gives them significant influence;
- IV. entities controlled by investors under Note III above; and
- V. key employees and family members.

All significant transactions with related parties, whether or not conducted under normal terms and conditions as those with third parties, are disclosed in Note 48. Transactions of Bank Mandiri with state and regionally-owned/controlled entities including the Indonesian Bank Restructuring Agency ("IBRA"), Unit Pelaksanaan Penjaminan Pemerintah (UP3) (an institution that replaced IBRA), and 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.

Current accounts with other banks are stated at the outstanding balance less allowance for possible losses while current account with Bank Indonesia are stated at the balance of current accounts.

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

**f. The Minimum Statutory Reserve**

On 23 October 2008, Bank Indonesia issued a regulation (PBI) No. 10/25/PBI/2008 concerning amendment of PBI No. 10/19/PBI/2008 dated 15 October 2008 regarding the Minimum Statutory Reserves at Bank Indonesia for Commercial Banks in Rupiah and foreign currencies. In accordance with such regulation, the minimum ratio of Statutory Reserves which Bank shall maintain is 7.50% from Third Party Funds (TPF) in Rupiah which consist of Primary Minimum Statutory Reserves and Secondary Minimum Statutory Reserves. The Minimum Statutory Reserves in foreign currencies is 1.00% from TPF in foreign currencies. Primary Minimum Statutory Reserves is 5.00% of TPF in Rupiah which was effective on 24 October 2008 and Secondary Minimum Statutory Reserves is 2.50% of TPF in Rupiah, effective 24 October 2009.

On 6 September 2005, Bank Indonesia issued a regulation No. 7/29/PBI/2005 concerning changes of Bank Indonesia Regulation No. 6/15/PBI/2004 on Statutory Reserves of Commercial Banks with Bank Indonesia in Rupiah and foreign currency. This regulation was effective on 8 September 2005. In accordance with the regulation, regulated additional Statutory Reserves of Commercial Banks in Rupiah for Banks with Loan to Deposits Ratio 50.00% to 60.00% were previously required to maintain an additional Rupiah statutory reserves of 3.00% of the third party funds in Rupiah and commercial banks with third party funds more than Rp50,000,000 shall maintain additional Statutory Reserves of 3.00% of third party funds in Rupiah, therefore the minimum ratio of Statutory Reserves which the Bank shall maintain is 11.00% for Rupiah and 3.00% for foreign currency.

**g. Placements with Bank Indonesia and Other Banks**

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

Placements with Bank Indonesia are stated at the outstanding balances less unearned interest income. Placements with other banks are stated at the outstanding balances less any allowance for possible losses.

**h. Marketable Securities**

Marketable securities consist of securities traded in the money market such as Certificates of Bank Indonesia (SBI), Sharia Certificates of Bank Indonesia (SBIS), *Surat Perbendaharaan Negara* (SPN), Negotiable Certificates of Deposits, medium-term notes, floating rate notes, promissory notes, Treasury Bills issued by other country government and Republic of Indonesia's Government, 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 including Sharia Corporate bonds.

Investments in mutual fund units are stated at market value, in accordance with the net value of assets of the mutual funds at the balance sheet date. Any unrealised gains or losses at the balance sheet date are reflected in the current year's consolidated statement of income.

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

- (1) Marketable securities classified as trading are stated at fair value. Unrealised gains or losses resulting from changes in fair value are recognised in the current year's consolidated statement of income. Upon the sale of marketable securities in a trading portfolio, the difference between selling price and fair value is recognised as a realised gain or losses on sale.

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

**h. Marketable Securities (continued)**

- (2) Marketable securities classified as available for sale securities are stated at fair value. Unrealised gains or losses from changes in fair value are not recognised in the current year's consolidated statement of income but are presented as a separate component in equity section. Gains or losses are recognised in consolidated statement of income upon realisation.
- (3) Marketable securities classified as held to maturity securities are stated at cost adjusted for unamortised discounts or premiums.

For marketable securities which are actively traded in organised financial markets, fair value is generally determined by reference to quoted market prices by the stock exchanges at the close of business on the balance sheet date. For marketable securities with no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which substantially have the same characteristic or calculated based on the expected cash flows of the underlying net asset base of the marketable securities. Any permanent decline in the fair value of marketable securities classified as held to maturity and available for sale is charged to current year's consolidated statement of income.

Purchase and sale of marketable securities transactions both for the customer and for the Bank are recognised in the consolidated financial statements at the transaction date (trade date).

Reclassification of marketable securities to held to maturity classification from available for sale are recorded at fair value. Unrealised gains or losses are recorded in the equity section and will be amortised up to the remaining live of the marketable securities using the effective interest rate method.

Reclassification of marketable securities to held to maturity classification from trading are recorded at fair value. Unrealised gains or losses are charged to the consolidated statements of income on the date of reclassification.

Marketable securities are stated net of allowance for possible losses and any unamortised premiums or discount. Premiums and discounts are amortised using the effective interest rate method.

Marketable securities are derecognised from the consolidated balance sheet after the Bank has fully transferred all significant risk and rewards of the related marketable securities.

**i. Government Bonds**

Government Bonds represent bonds issued by the Government of the Republic of Indonesia. Government Bonds consist of Government Bonds from the recapitalisation program and Government Bonds purchased from the market. Government Bonds are stated based on the classification of the bonds, in accordance with accounting treatment of marketable securities as described in Note 2h above.

For Government Bonds, which are actively traded in financial markets, the fair value is generally determined by reference to Bloomberg's quoted market prices or broker's quoted price on the balance sheet date. For Government Bonds with no quoted market prices, a reasonable estimate of the fair value is calculated using next re-pricing method approach with deflator adjustment.

Government Bonds are derecognised from the consolidated balance sheet at the time the Bank has fully transferred all significant risk and rewards of the related Government Bonds.

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

**j. Other Receivables - Trade Transactions**

Other receivables - Trade Transactions represent receivables resulting from contracts for trade-related facilities given to customers, which will be reimbursed on maturity. They are presented at their outstanding balances, net of allowance for possible losses.

**k. Securities Purchased/Sold under Resale/Repurchase Agreements**

Securities purchased under resale agreements are presented as assets in the consolidated balance sheet at the agreed resale price less unamortised interest income and allowance for possible losses. The difference between the purchase price and the agreed selling price is treated as deferred (unamortised) interest income and amortised as income over the period, commencing from the acquisition date to the resale date.

Securities sold under repurchase agreements are presented as liabilities in the consolidated balance sheet at the agreed repurchase price less unamortised prepaid interest. The difference between the selling price and the agreed repurchase price is treated as prepaid interest and is recognised as an expense over the period, commencing from the selling date to the repurchase date.

**l. Derivative Receivables and Derivative Payables**

All derivative instruments (including foreign currency transactions for funding and trading purposes) are recognised in the consolidated balance sheet at their fair values. Fair value is determined based on market value using Reuters rate at reporting date or discounted cash flow.

Derivative receivables are presented at the amount of unrealised gain from derivative contracts, less allowance for possible losses. Derivative payables are presented at the amount of unrealised loss from derivative contracts.

Gains or losses from derivative contracts are presented in the consolidated financial statements based on its purpose designated upon acquisition, as (1) fair value hedge, (2) cash flow hedge, (3) net investment in a foreign operation hedge, and (4) trading instruments.

1. Gain or loss on a derivative contract designated and qualifying as a fair value hedging instrument and the gain or loss arising from the changes in fair value of hedged assets and liabilities is recognised as gain or loss that can be set off one another during the same accounting period. Any difference representing hedge ineffectiveness is directly recognised as gain or loss in the consolidated statement of income in current year.
2. The effective portion arising from gain or loss of derivative contracts, which are both designated and qualify as a cash flow hedge instruments is reported as other comprehensive income, a separate component under the equity section. The hedge ineffectiveness portion is recognised as a gain or loss in the current year consolidated statement of income.
3. Gain or loss arising from derivative contract that is designated, qualifies as a net investment hedge in a foreign operation and that is highly effective is reported as other comprehensive income, a separate component under the equity section.
4. Gain or loss arising from derivative contract not designated as a hedging instrument (or derivative contract that does not qualify as a hedging instrument) is recognised in the current year consolidated statement of income.

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

**m. Loans**

Loans represent provision of cash or cash equivalent based on agreements 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 losses.

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

Included in loans are financing by Bank Syariah Mandiri, a Subsidiary, in the form of sharia financing which provides funds or cash equivalents, such as:

- a) profit sharing transactions in the form of *mudharabah* and *musyarakah*
- b) lease transactions in the form of *ijarah* or lease purchase based on *ijarah muntahiyah bittamlik*
- c) sale and purchase transactions in the form of *murabahah* and *istishna*
- d) loan/borrowing in the form of receivables *qardh* and
- e) lease transactions in the form of *ijarah* for multiservice transaction based on agreement or approval between Bank Syariah Mandiri and other parties who have the responsibility to return the funds over a period of time with reward of *ujroh*, without reward, or profit sharing.

Brief explanation for each type of sharia financing is as follows:

*Mudharabah* is a placement of funds from lenders (*shahibul maal*) to fund managers (*mudharib*) to undertake certain business activity by using profit sharing or net revenue sharing arrangement between both parties based on the ratio (*nisbah*) which has been agreed upfront.

*Musyarakah* is a placement of funds by fund owners to jointly place these funds in certain business activity with profit sharing scheme based on previously agreed *nisbah*. Loss is borne by the fund owners according to proportion in the funds.

*Ijarah* is a leasing arrangement of goods and/or services between the owner of a leased object (lessor) and leasee including the right to use the leased object, for the purpose of obtaining return on the leased object. *Ijarah muntahiyah bittamlik* is a leasing arrangement between the lessor and the lessee to obtain profit on the leased object being leased with option to transfer ownership of the leased object through purchase/sale or giving (*hibah*) at certain time according to the lease agreement (*akad*).

*Murabahah* is a financing in the form of sale/purchase transaction at cost of the goods plus agreed profit margin. *Murabahah* receivables are stated at amount of receivables less realisable deferred margin. *Murabahah* receivables are presented net of allowance for losses.

*Istishna* is a financing in the form of sale/purchase of ordered goods with certain agreed criteria and conditions with payment terms in accordance with the agreement.

*Qardh* is a loan/borrowing funds without profit wherein the borrower return the principal of the loan at lump sum or on installment over certain period.

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

**m. Loans (continued)**

Loans Purchased from IBRA

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

The difference between the outstanding loan principal and purchase price is booked as deferred income if the Bank enters into a new 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 can only be adjusted once the Bank has recovered the original purchase price.

Income arising from the loans purchased from IBRA is recognised on a cash basis. If the Bank enters into a new credit agreement with the borrower, any receipts from a borrower are recognised 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 recognised firstly as a deduction of outstanding principal. The excess of receipts over the outstanding principal balance shall be recognised as interest income.

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

Bank Indonesia requires banks to fully recover the purchase price of the loans within five years from the date of loan booking. Any unpaid amount after five years should be written off by the banks. Based on the letter from Bank Indonesia No. 9/58/DPNP/IDPnP dated 16 February 2007, Bank Mandiri can continue to manage ex-IBRA loans which have passed a period of 5 years after purchase, if the loans at the time reach 5-years period, are classified as current based on factors of business prospects, performance and the ability of debtors to pay as stipulated in the relevant BI regulation regarding Asset Quality.

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 recognised 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 carrying amount of loans before restructuring.

For loan restructurings which involve a conversion of loans into equity or other financial instruments, a loss on loan restructuring is recognised only if the fair value of the equity or financial instruments received, deducted by estimated expenses to sell the equity or other financial instruments, is less than the carrying amount of loans.

Overdue interest, which is capitalised to loans under new restructuring agreements, is recorded as deferred interest income and is amortised proportionately based on the amount of capitalised interest relative to the loan principal upon collection. Losses on loan restructuring are presented as part of allowance for possible losses.

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

**n. Consumer Financing Receivables**

Consumer financing receivables are stated at their outstanding balance less the portion of joint financings where the credit risk is assumed by joint financing providers in accordance with the financings portion (without recourse), unearned consumer financing income and the allowance for possible losses.

Unearned consumer financing income, which is the difference between the total installment payments to be received from consumers and the principal amount of consumer financing, and is recognised as earned income over the term of the contract based on a constant rate of return on the net consumer financing receivables.

Administration income from consumers is recognised in the consolidated statement of income upon signing the financing contract.

Early termination of a contract is treated as a cancellation of an existing contract and the resulting gain or loss is credited or charged to the current year's consolidated statement of income at the date of transaction.

**o. Joint Financing**

Joint financing consists of with and without recourse joint financing to end-user consumers. The consumer financing receivables under joint financing where each party assumes the credit risk according to the risk portion (without recourse) are stated at net amount in the consolidated balance sheet. Consumer financing income and interest expense related to without recourse joint financing are stated at net amount in the consolidated statement of income. Consumer financing receivables under joint financing where the Subsidiary assume the credit risk (with recourse) are stated at gross amount in the consolidated balance sheet. The consumer financing income and interest expense related to with recourse joint financing are stated at gross amount in the consolidated statement of income.

For joint financing without recourse, Subsidiary has the right to set higher interest rates to customers than those as stated in the joint financing agreements with joint financing providers which is the Bank. The difference is recognised as revenue and disclosed as "Consumer Financing Revenue".

**p. Acceptance Receivables and Payables**

Acceptance receivables and payables are stated at the value of the letters of credit or realisable value of the letters of credit accepted by the accepting bank. Acceptance receivables are presented net of allowance for possible losses.

**q. Investments in Shares**

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

Investments in shares representing ownership interests of 20.00% to 50.00% 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 net of by allowance for possible losses.

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

**q. Investments in Shares (continue)**

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 less 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 recognised as part of the equity as "Difference in Transactions of Equity Changes in Subsidiaries". This account will be calculated in determining the parent companies' profit and loss at the disposal of the investment (Note 32e).

Goodwill is recognised, when there is a difference between the acquisition cost and the Bank's portion of the fair value of identified assets and liabilities at the exchange date. Goodwill is presented as other assets and amortised as expense over the period using the straight-line method, unless there is other method considered more appropriate in certain conditions. The Goodwill amortisation period is 5 (five) years, but a longer amortisation period may be applied (with maximum 20 years period) with appropriate basis.

**r. Allowance for Possible Losses on Earning and Non-Earning Assets**

Earning assets consist of current accounts with Bank Indonesia and other banks, placements with Bank Indonesia and other banks, marketable securities, Government Bonds, other receivables - trade transactions, securities purchased under resale agreements, derivative receivables, loans, consumer financing receivables, acceptance receivables, investments in shares and commitments and contingencies with credit risk and earning assets from sharia activities.

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

Non-earning assets are Bank Mandiri and the Subsidiaries' assets with potential loss including repossessed assets, abandoned properties, inter-office accounts and suspense accounts.

In accordance with Bank Indonesia (BI) regulations, Bank Mandiri and Subsidiaries classify earning assets into one of five categories and non earning assets into one of four categories. Performing assets are categorised as "Current" and "Special Mention", while non-performing assets are categorised into three categories: "Sub-Standard", "Doubtful" and "Loss". Non earning assets are divided into "Current", "Sub-Standard", "Doubtful" and "Loss". Marketable securities classified as "Current", "Substandard" and "Loss".

Mandiri Tunas Finance, a subsidiary, provides an allowance for doubtful accounts based on an assessment of the collectibility of outstanding receivables with reference to historical loss experience or when there is objective evidence that the outstanding receivables will probably not be collected. Doubtful accounts are written off when they are overdue for more than 180 days or determined to be not collectible. Recoveries from written off receivables are recognised as other income upon receipt.

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

**r. Allowance for Possible Losses on Earning and Non-Earning Assets (continued)**

The classification of earning assets and the minimum amount of allowance for possible losses on assets and commitments and contingencies with credit risk is calculated based on Bank Indonesia Regulation (PBI) No. 7/2/PBI/2005 dated 20 January 2005 regarding Asset Quality Rating for Commercial Banks, as last amended by PBI No. 11/2/PBI/2009 dated 29 January 2009. In connection with the implementation of PBI No. 7/2/PBI/2005, the Bank determined the classification of earning assets based on the evaluation of the management on each borrower's financial performance, business prospects and ability to repay.

For Sharia Banks, the classification of earning assets is determined based on Bank Indonesia Regulation No. 8/21/PBI/2006 dated 5 October 2006 regarding Earning Assets Quality of Commercial Banks Conducting Business Based on Sharia Principles as several articles has been amended by PBI No. 9/9/PBI/2007 dated 18 June 2007.

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

	<u>Percentage of minimum allowance</u>
Current	1%
Special Mention	5%
Substandard	15%
Doubtful	50%
Loss	100%

The above percentages are applied to earning assets and commitments and contingencies less the collateral value, except for earning assets and commitments and contingencies categories as Current, where the rates are applied directly to the outstanding balances.

No provision should be provided 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 Debenture Debt, 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 Credits, International Chamber of Commerce Publication No. 600 (UCP 600) and International Standard Banking Practices (ISBP).

For marketable securities, in accordance with Bank Indonesia Regulation No. 7/2/PBI/2005 dated 20 January 2005 on "Asset Quality Ratings for Commercial Banks", the minimum allowance are as follows:

	<u>Percentage of minimum allowance</u>
Current	1%
Substandard	15%
Loss	50%

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

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

**r. Allowance for Possible Losses on Earning and Non-Earning Assets (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 recognised as interest income.

In accordance with Bank Indonesia Regulation No. 7/2/PBI/2005 dated 20 January 2005 on "Asset Quality Ratings for Commercial Banks", starting from 20 January 2006, the Bank is also required to make a special allowance for possible losses on non-earning assets, such as repossessed assets, abandoned properties, interbranch accounts and suspense accounts.

This regulation classifies repossessed assets and abandoned properties into the following classification:

	<u>Period</u>
Current	Up to 1 year
Substandard	More than 1 year up to 3 years
Doubtful	More than 3 years up to 5 years
Loss	More than 5 years

The classification for interbranch and suspense accounts are as follows:

	<u>Period</u>
Current	Up to 180 days
Loss	More than 180 days

**s. Fixed Assets and Leased Assets**

**i. Fixed assets**

Prior to 1 January 2008, fixed assets are stated at cost (except for certain fixed assets that were revalued in 1979, 1987 and 2003 in accordance with Government regulations) less accumulated depreciation (except for land which is not depreciated). The corresponding revaluation increments were credited to "Fixed Assets Revaluation Reserve" under the shareholders' equity in the consolidated balance sheets.

Effective 1 January 2008, Bank Mandiri applied SFAS No. 16 (revised 2007), "Fixed Assets", which supersedes SFAS No. 16 (1994), "Fixed Assets and Other Assets", and SFAS No. 17 (1994), "Accounting for Depreciation". Bank Mandiri and subsidiaries chose the cost model, and therefore, the balance of fixed assets revaluation reserve at the first time SFAS No. 16 (revised 2007) was presented in shareholders' equity section in the consolidated balance sheet, were reclassified to consolidated retained earnings in 2008 (Note 32c).

Fixed assets except for land is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not have future economics benefit are recognised in the consolidated statement of income as incurred.

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

**s. Fixed Assets and Leased Assets (continued)**

i. Fixed Assets (continued)

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	20
Furniture, fixtures, office equipment and computer equipment/software and vehicles	4-5

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

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

In accordance with SFAS No. 47, "Accounting for Land", all cost and expense incurred in relation with the acquisition of the landright, such as license fee, survey and measurement cost, notary fee and taxes, are deferred and presented separately from the cost of the landright. The deferred cost related to the acquisition of the landright was presented as part of Other Asset in the consolidated balance sheet, and amortised over the period of the related landright using straight-line method.

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

SFAS No. 48, "Impairment of Assets" states that the carrying amounts of fixed assets are reviewed at each balance sheets 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.

ii. Leased assets

Effective 1 January 2008, the Statement of Financial Accounting Standard (SFAS) No. 30 (revised 2007), "Leases" supersedes SFAS No. 30 (1990) "Accounting for Leases". Based on SFAS No. 30 (revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised SFAS a lease that transfers substantially all the risk and rewards incidental to ownership of an assets is classified as finance lease. Moreover, leases which do not transfer substantially the risks and reward incidental to ownership of the leased item are classified as operating leases.

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

**s. Fixed Assets and Leased Assets (continued)**

ii. Leased assets (continued)

Based on SFAS No. 30 (revised 2007), under a finance leases, Bank and Subsidiaries recognise assets and liabilities in its consolidated balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income. Capitalised leased assets (presented under fixed assets) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Under an operating lease, the Bank recognise lease payments as an expense on a straight-line basis over the lease term.

**t. Other Assets**

Other assets include accrued income for interest, provision and commissions, receivables, prepaid taxes, prepaid expenses, repossessed assets, abandoned properties, inter-branch accounts and others.

Repossessed assets represent assets acquired by Bank Mandiri and Subsidiaries, both from auction and non auction based on voluntary transfer by the debtor or based on debtor's approval to sell the collateral where the debtor could not fulfill their obligations to Bank Mandiri and Subsidiaries. Repossessed assets represent loan collateral acquired in settlement of loans and is included in "Other Assets".

Abandoned properties represent Bank and Subsidiaries' fixed assets in form of property which was not used for Bank and Subsidiaries' business operational activity.

Repossessed assets and abandoned properties are presented at their net realisable value. Net realisable 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 realisable value and the proceeds from sale of the repossessed assets are recognised as current year's gain or loss at the time of sale.

Expenses for maintaining repossessed assets and abandoned properties are recognised in the current year's consolidated statement of income. The carrying amount of the repossessed assets is impaired to recognise a permanent decrease in value of the repossessed asset. Any impairment occurred will be charged to the current year's consolidated statement of income.

**u. Obligation due Immediately**

Obligations due immediately are recorded at the time of the obligations occurred from customer or other banks. Obligations due immediately are stated at the Bank's and Subsidiaries obligations amount.

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

**v. Deposits from Customers**

Deposits from customers are the funds placed by customers (excluding banks) with the Bank based on a fund deposit agreements. Included in this account are demand deposits, savings deposits, time deposits and other similar.

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

Savings deposits represent deposits of customers 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 customers deposits that may only be withdrawn after a certain time based on the agreement between the depositor and the Bank. These are stated at the nominal amount set forth in the certificates between the Bank and the holders of time deposits.

Included in demand deposits are *wadiah* demand and saving deposits. *Wadiah* demand deposits can be used as payment instruments and can be withdrawn any time using cheque and *bilyet giro*. *Wadiah* demand and saving deposits earn bonus based on Bank's policy. *Wadiah* saving and demand deposits are stated at the Bank's liability amount.

**w. 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 and time deposits. Deposits from other banks are stated at the amount due to the other banks.

Included in the deposits from other banks are sharia deposits in form of *wadiah* deposits, unrestricted investment which comprise *mudharabah* savings and *mudharabah* time deposits, and Certificates Mudharabah Investment Bank (SIMA). SIMA is an investment certificate issued by the BSM which adopts profit sharing practice and only traded among banks. SIMA financing period ranges from 1 – 6 months.

**x. Marketable Securities Issued**

Marketable securities issued by the Bank and its subsidiaries, 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 marketable securities issued. Premium/discount from the issuance of floating rate notes and medium term notes are recognised as deferred income/expense and amortised using the straight line method until the maturity date.

**y. Fund Borrowings**

Fund borrowings represent funds received from other banks, Bank Indonesia or other parties with the obligation of repayment in accordance with the requirements of the loan agreement.

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

**z. Subordinated Loans**

Subordinated loans are presented at nominal value less unamortised discount. Costs incurred in connection with the issuance of subordinated loans is recognised as a discount and is deducted directly from the proceeds of subordinated loans issuance and amortised on a straight-line method until the maturity date.

**aa. Income Tax**

The balance sheet liability method is applied to determine income tax expense. Under the balance sheet liability method, deferred tax assets and liabilities are recognised for all temporary differences arising between the tax base of assets and liabilities and their carrying amount in the consolidated balance sheets at each reporting date. This method also requires the recognition of future tax benefits, such as the tax losses carry-forward, to the extent that realisation of such benefits is probable.

Currently enacted or substantially enacted tax rates at the time deferred tax assets has been realised or deferred tax liabilities has been settled are used in the determination of deferred income tax. The changes to the carrying value of deferred tax assets and liabilities due to the changes of tax rates are charged in the current year, except for transactions which previously have been directly charged or credited to shareholders' equity.

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

The estimated corporate income tax of Bank Mandiri and Subsidiaries is calculated for each company as a separate legal entity. Current tax assets and current tax liabilities for different legal entities can not be set-off in the consolidated financial statements. Deferred tax assets are presented net of deferred tax liabilities in the consolidated balance sheets.

**ab. Interest Income and Expense**

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

Cash receipts from loans that are classified as doubtful or loss are applied to the loss principal first. The excess of cash receipts over the outstanding loan principal balance is recognised as interest income in the consolidated statements of income.

Interest income from restructured loan is recognised only to the extent that interest is received in cash, before the loan's quality become current as determined by Bank Indonesia Regulation No. 7/2/PBI/2005 dated 20 January 2005 regarding Asset Quality Rating for Commercial Banks, as amended by PBI No. 11/2/PBI/2009 dated 29 January 2009.

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

**ab. Interest Income and Expense (continued)**

Interest receivable on non-performing assets of Bank Mandiri and its Subsidiaries is recorded as contingent receivables in the commitment and contingency statement in the notes to the consolidated financial statements.

Included in interest income and expense are sharia income and expense. The Bank's income as a fund manager (*mudharib*) consist of income from sale and purchase on *murabahah* transaction, income from *istishna*, rent income (*ijarah*) and income from profit sharing from *mudharabah* and *musyarakah* financing as well as other main operating income.

Income from *murabahah*, which payment is made on installment or deferred, is recognised proportionally over the contract period, in accordance with generally accepted banking practice (Surat Bank Indonesia No.10/1260/DPbS dated 15 October 2008 and Surat Bank Indonesia No.9/634/DPbS dated 20 April 2007).

Considering the risk on *murabahah* receivables, the Subsidiary adopts the following policy in recognising income from *murabahah* financing:

1. *Murabahah* with a deferred payment term of one year or less, without considering the cash collection on receivables nor management fee collection risks, the income is recognised using effective interest method (annuity) over the contract period.
2. *Murabahah* with a deferred payment term above than one year, where the risk of cash collection receivables and/or management fee are relatively low risk, the income is recognised using effective interest method (annuity).

Subsidiary determine level of the risk based on internal requirement.

*Istishna* income is recognised using percentage of completion method or at the end of contract.

*Ijarah* income is recognised proportionally over the contract period.

*Musyarakah* income for active partner is recognised based on an agreed portion in accordance with the financing contract.

*Mudharabah* income is recognised in a period where the right of revenue sharing is due based on agreed portion. It is not allowable to recognise the income based on projection.

Subsidiaries' consumer financing income is presented net of with consumer financing income for other banks in relation with channeling transactions, joint financing cooperations, factoring, and the appointment as manager of accounts receivable.

**ac. Fees and Commissions Income**

Fees and commissions that are directly related to lending activities and/or involving specific time periods are deferred and amortised using the straight-line method over those periods. The unamortised fees and commissions balances relating to loans which were settled prior to maturity are recognised upon settlement of the loan. Other fees and commissions that are not directly related to lending activities or involving specific time periods are recognised as income at the transaction date.

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

**ad. Employee Benefits**

**Pension Liability**

Bank Mandiri established a defined contribution pension plan covering substantially all of its eligible employees from 1 August 1999 and also defined benefit pension plans, which were derived from each of the Merged Banks' pension plan. This program is funded through payment to pension fund management as defined in the regular actuarial calculation.

Bank Mandiri and Subsidiaries' pension liability 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 deducting accumulated 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 and Subsidiaries will have to pay such shortage.

The pension plan based on the labor law is a defined benefit plan because the labor law requires a certain formula to calculate the minimum pension benefit. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans when exceeding 10.00% of defined benefit or 10.00% of fair value program's asset are charged or credited to income or expense over the average remaining service lives of the related employees.

**Other Post-Employment Benefit Obligations**

The Bank provides benefit to employees prior to retirement age which employees are released from their active routine job and do not have to come to work, but they are still entitled to employee benefits.

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar but simplified to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

**Tantiem Distribution**

Bank Mandiri records tantiem on an accrual basis and charges it to the consolidated statements of income.

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

**ae. Share - Base Employee Compensation**

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 recognised 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 recognised as 'Share Options' in the shareholders' equity section.

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

**af. Earnings Per Share**

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

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 32a and 33).

The weighted-average number of outstanding shares used in computing the diluted earnings per share as at 31 December 2009, 2008 and 2007 are 20,961,252,565 shares, 20,929,439,763 shares and 20,863,423,441 shares, respectively.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
The weighted-average shares - Basic	20,939,650,256	20,874,991,622	20,717,958,049
Adjustment on dilutive common shares:			
MSOP - Stage I	-	4,225,205	17,423,024
MSOP - Stage II	1,673,871	784,387	1,428,752
MSOP - Stage III	19,928,438	49,438,549	126,613,616
<b>The weighted-average number of outstanding shares - Dilutive</b>	<b><u>20,961,252,565</u></b>	<b><u>20,929,439,763</u></b>	<b><u>20,863,423,441</u></b>

**ag. Segment Information**

Bank Mandiri and its Subsidiaries have presented financial information by nature of business (primary segment) and by geographical area (secondary segment). A business segment is a distinguishable component of the Bank that is engaged in providing an individual service or a group of related services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Bank and its Subsidiaries that is engaged in providing services within a particular economic environment and that is subject to risks and returns that are different from those operating in other economic environments.

The primary segments have been determined to be banking, Sharia banking, securities, financing, remittance and others, while the secondary segments are divided into Indonesia, Asia (Singapore, Malaysia, Hong Kong and Timor Leste), Western Europe (England) and Cayman Island.

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**3. CURRENT ACCOUNTS WITH BANK INDONESIA**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	15,342,428	12,770,724	26,829,332
United States Dollar	<u>713,443</u>	<u>583,565</u>	<u>1,331,727</u>
	<b><u>16,055,871</u></b>	<b><u>13,354,289</u></b>	<b><u>28,161,059</u></b>

As at 31 December 2009, the Bank's minimum statutory reserve complies with BI Regulation No. 7/29/PBI/2005 dated 6 September 2005 which has been amended with BI Regulation No. 10/19/PBI/2008 dated 14 October 2008 and the latest amendment with BI Regulation No. 10/25/PBI/2008 dated 23 October 2008 concerning Statutory Reserves of Commercial Banks with BI in Rupiah which consist of Primary Statutory Reserves and Secondary Statutory Reserves of 5.00% and 2.50%, respectively (2008: 5.00% and 0.00% and 2007: 11.00% and 0.00%) and foreign currencies of 1.00% (2008: 1.00% and 2007: 3.00%).

Primary statutory reserve is a minimum reserve that should be maintained by the Bank in the current accounts with Bank Indonesia while secondary statutory reserve is a minimum reserves that should be maintained by the Bank which comprises of Certificates of Bank Indonesia, Government Debenture Debt (SUN) and/or excess reserve of the Bank's current accounts from the primary statutory reserve that should be maintained in Bank Indonesia.

The ratio of the statutory reserve requirement for Bank Mandiri only for its Rupiah and United States Dollar accounts as at 31 December 2009, 2008 and 2007, were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah			
- Primary reserve	5.00%	5.47%	14.00%
- Secondary reserve	42.29%	-	-
United States Dollar	1.32%	1.04%	3.01%

**4. CURRENT ACCOUNTS WITH OTHER BANKS**

a. By Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	257,845	53,039	36,067
Foreign currencies	<u>7,231,764</u>	<u>7,441,179</u>	<u>1,365,915</u>
Total	7,489,609	7,494,218	1,401,982
Less: Allowance for possible losses	<u>(86,962)</u>	<u>(87,689)</u>	<u>(14,387)</u>
	<b><u>7,402,647</u></b>	<b><u>7,406,529</u></b>	<b><u>1,387,595</u></b>

b. By Collectibility:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Current	<u>257,845</u>	<u>53,039</u>	<u>36,067</u>
Total Rupiah	<u>257,845</u>	<u>53,039</u>	<u>36,067</u>
Foreign currencies			
Current	7,220,684	7,428,353	1,365,915
Loss	<u>11,080</u>	<u>12,826</u>	<u>-</u>
Total Foreign currencies	<u>7,231,764</u>	<u>7,441,179</u>	<u>1,365,915</u>
Total	7,489,609	7,494,218	1,401,982
Less: Allowance for possible losses	<u>(86,962)</u>	<u>(87,689)</u>	<u>(14,387)</u>
	<b><u>7,402,647</u></b>	<b><u>7,406,529</u></b>	<b><u>1,387,595</u></b>

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**4. CURRENT ACCOUNTS WITH OTHER BANKS (continued)**

c. By Related Party and Third Party:

As at 31 December 2009, 2008 and 2007, there were no current accounts with other banks with related party.

d. The Average Interest Rate (yield) per Annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	0.14%	0.45%	0.25%
Foreign currencies	0.17%	0.95%	3.11%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	87,689	14,387	11,149
Allowance during the year (Note 37)	12,607	71,072	2,731
Others *)	(13,334)	2,230	507
Balance at end of year	<u><u>86,962</u></u>	<u><u>87,689</u></u>	<u><u>14,387</u></u>

(\*) 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:

	<b>2009</b>			
	<u>Maturity</u>	<u>Current</u>	<u>Loss</u>	<u>Total</u>
<b>Rupiah</b>				
Bank Indonesia	< 1 month	19,098,450	-	19,098,450
Call Money	< 1 month	1,163,000	-	1,163,000
	≥ 1 month ≤ 3 months	145,000	-	145,000
	> 6 months ≤ 12 months	8,500	-	8,500
Time Deposit	< 1 month	172,486	-	172,486
	≥ 1 month ≤ 3 months	147,417	-	147,417
	No maturity	991	-	991
Total Rupiah		<u>20,735,844</u>	-	<u>20,735,844</u>
<b>Foreign currencies</b>				
Call Money	< 1 month	15,563,690	-	15,563,690
	≥ 1 month ≤ 3 months	2,457,089	-	2,457,089
	> 12 months	-	112,046	112,046
"Fixed-Term" Placement	< 1 month	2,732,132	-	2,732,132
	≥ 1 month ≤ 3 months	94,431	-	94,431
	> 12 months	-	7,387	7,387
Time Deposit	≥ 1 month ≤ 3 months	46,975	-	46,975
Total Foreign currencies		<u>20,894,317</u>	<u>119,433</u>	<u>21,013,750</u>
Total				41,749,594
Less: Allowance for Possible Losses				<u>(347,184)</u>
				<u><u>41,402,410</u></u>

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

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

<b>2008</b>				
	Maturity	Current	Loss	Total
<b>Rupiah</b>				
Bank Indonesia	< 1 month	13,650,642	-	13,650,642
Call Money	< 1 month	69,036	-	69,036
	≥ 1 month ≤ 3 months	44,063	-	44,063
Time Deposit	< 1 month	256,050	-	256,050
	≥ 1 month ≤ 3 months	36,300	-	36,300
Saving	No maturity	1,107	-	1,107
Total Rupiah		14,057,198	-	14,057,198
<b>Foreign currencies</b>				
Call Money	< 1 month	13,261,660	-	13,261,660
	> 12 months	-	217,786	217,786
“Fixed-Term” Placement	< 1 month	2,196,350	-	2,196,350
	≥ 1 month ≤ 3 months	548	-	548
	> 6 months ≤ 12 months	49,493	-	49,493
	> 12 months	-	8,491	8,491
Total Foreign currencies		15,508,051	226,277	15,734,328
Total				29,791,526
Less: Allowance for Possible Losses				(386,708)
				<b><u>29,404,818</u></b>
<b>2007</b>				
	Maturity	Current	Loss	Total
<b>Rupiah</b>				
Bank Indonesia	< 1 month	11,199,067	-	11,199,067
Call Money	< 1 month	20,000	-	20,000
Time Deposit	< 1 month	175,100	-	175,100
Total Rupiah		11,394,167	-	11,394,167
<b>Foreign currencies</b>				
Call Money	< 1 month	3,410,630	-	3,410,630
“Fixed-Term” Placement	< 1 month	2,017,616	-	2,017,616
	≥ 1 month ≤ 3 months	453	-	453
	> 6 months ≤ 12 months	41,479	-	41,479
Time Deposit	< 1 month	28,179	-	28,179
Total Foreign currencies		5,498,357	-	5,498,357
Total				16,892,524
Less: Allowance for Possible Losses				(59,200)
				<b><u>16,833,324</u></b>

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

b. As at 31 December 2009, 2008 and 2007, there were no placements with related party.

As at 31 December 2007, included in Rupiah time deposit was placement from Bank Sinar Harapan Bali (BSHB) amounting to Rp80,000, BSHB was not considered as subsidiary of Bank Mandiri in 2007 (Note 1g).

c. Average Interest Rate (yield) per Annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	6.33%	6.55%	14.45%
Foreign currencies	0.22%	1.91%	4.37%

d. As at 31 December 2009, 2008 and 2007, there were no placements pledged as cash collateral.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	386,708	59,200	97,981
Allowance/(reversal) during the year (Note 37)	18,868	323,475	(36,337)
Others*)	(58,392)	4,033	(2,444)
Balance at end of year	<u><u>347,184</u></u>	<u><u>386,708</u></u>	<u><u>59,200</u></u>

\*) Includes effect of foreign currency translation.

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

As at 31 December 2009 and 2008, Bank Mandiri has a placement with a financial institution (in liquidation) amounting to Rp209,153 and Rp242,708, respectively, which was classified as loss. On the other hand, the financial institution has demand deposit and inter-bank call money in Bank Mandiri amounting to Rp14,050 and Rp16,431 as at 31 December 2009 and 2008, respectively (Note 20a and 21a). Bank Mandiri's subsidiary also has L/C UPAS obligation that already due to this financial institution amounting to USD8,054,248.50 (full amount). Bank Mandiri's placement in this financial institution as at 31 December 2009 and 2008 has been set off against demand deposit and inter-bank call money of the financial institutions (in liquidation) in Bank Mandiri and also with L/C UPAS obligation of the Subsidiary (only for 2009). The allowance for possible losses is provided are based on the difference between placement balance with the demand deposit and inter-bank call money in the Bank Mandiri and L/C UPAS obligation of the Subsidiary (only for 2009).

**6. MARKETABLE SECURITIES**

a. By Purpose and Related Parties and Third Parties:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Related parties (Note 48a):			
Trading	-	-	13,532
Available for sale	-	-	14,709
Held to maturity	<u>25,000</u>	<u>-</u>	<u>-</u>
	<u>25,000</u>	<u>-</u>	<u>28,241</u>

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**6. MARKETABLE SECURITIES (continued)**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Third parties:			
Trading	13,432,182	20,328,692	23,090,970
Available for sale	327,875	475,092	1,432,288
Held to maturity	<u>4,383,357</u>	<u>3,866,576</u>	<u>3,808,527</u>
	<u>18,143,414</u>	<u>24,670,360</u>	<u>28,331,785</u>
Total	18,168,414	24,670,360	28,360,026
Less:			
Unamortised discounts	(42,211)	(41,724)	(8,833)
Unrealised gain on increase in fair value of marketable securities	80,681	40,257	79,857
Allowance for possible losses	<u>(53,492)</u>	<u>(44,046)</u>	<u>(1,114,497)</u>
	<u><u>18,153,392</u></u>	<u><u>24,624,847</u></u>	<u><u>27,316,553</u></u>

b. By Type, Currency and Collectibility:

	<b>2009</b>						
	Cost/ Nominal Value*)	Unamortised (Discounts)/ Premiums	Unrealised Gains/ (Losses)	Fair Value/Book Value **)			
				Current	Substandard	Loss	Total
Rupiah:							
Trading							
Certificates of Bank Indonesia	11,606,367	-	67,695	11,674,062	-	-	11,674,062
Bonds	1,651,777	-	13,942	1,665,453	-	266	1,665,719
Investments in mutual fund units	153,495	-	5,254	158,749	-	-	158,749
Shares	20,543	-	(6,166)	14,377	-	-	14,377
	<u>13,432,182</u>	<u>-</u>	<u>80,725</u>	<u>13,512,641</u>	<u>-</u>	<u>266</u>	<u>13,512,907</u>
Available for sale							
Sharia mutual fund	8,000	-	1,854	9,854	-	-	9,854
Investments in mutual fund units	6,675	-	(298)	6,377	-	-	6,377
	<u>14,675</u>	<u>-</u>	<u>1,556</u>	<u>16,231</u>	<u>-</u>	<u>-</u>	<u>16,231</u>
Held to maturity							
Sharia Certificates of Bank Indonesia	1,915,000	-	-	1,915,000	-	-	1,915,000
Sharia Corporate bonds	970,500	241	-	920,741	50,000	-	970,741
Bonds	571,000	(24,979)	-	460,264	85,757	-	546,021
Certificates of Bank Indonesia	62,000	(248)	-	61,752	-	-	61,752
Export bills	54,686	-	-	54,686	-	-	54,686
	<u>3,573,186</u>	<u>(24,986)</u>	<u>-</u>	<u>3,412,443</u>	<u>135,757</u>	<u>-</u>	<u>3,548,200</u>
Total Rupiah	<u>17,020,043</u>	<u>(24,986)</u>	<u>82,281</u>	<u>16,941,315</u>	<u>135,757</u>	<u>266</u>	<u>17,077,338</u>
Foreign currencies:							
Available for sale							
Export bills	211,727	-	-	211,727	-	-	211,727
Floating rate notes	54,187	-	(1,978)	52,209	-	-	52,209
Bonds	47,286	-	378	47,664	-	-	47,664
	<u>313,200</u>	<u>-</u>	<u>(1,600)</u>	<u>311,600</u>	<u>-</u>	<u>-</u>	<u>311,600</u>
Held to maturity							
Export bills	399,117	-	-	399,117	-	-	399,117
Bonds	208,014	344	-	180,179	28,179	-	208,358
Treasury bills	134,090	(28)	-	134,062	-	-	134,062
Floating rate notes	93,950	(17,541)	-	76,409	-	-	76,409
	<u>835,171</u>	<u>(17,225)</u>	<u>-</u>	<u>789,767</u>	<u>28,179</u>	<u>-</u>	<u>817,946</u>
Total foreign currencies	<u>1,148,371</u>	<u>(17,225)</u>	<u>(1,600)</u>	<u>1,101,367</u>	<u>28,179</u>	<u>-</u>	<u>1,129,546</u>
Total	18,168,414	(42,211)	80,681	18,042,682	163,936	266	18,206,884
Less: Allowance for possible losses				<u>(28,636)</u>	<u>(24,590)</u>	<u>(266)</u>	<u>(53,492)</u>
<b>Net</b>				<u><u>18,014,046</u></u>	<u><u>139,346</u></u>	<u><u>-</u></u>	<u><u>18,153,392</u></u>

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

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

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**6. MARKETABLE SECURITIES (continued)**

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

	<b>2008</b>						
	Cost/ Nominal Value*)	Unamortised (Discounts)/ Premiums	Unrealised Gains/ (Losses)	Fair Value/Book Value **)			
				Current	Substandard	Loss	Total
Rupiah:							
Trading							
Certificates of Bank Indonesia	19,903,800	-	91,640	19,995,440	-	-	19,995,440
Investments in mutual fund units	362,396	-	633	363,029	-	-	363,029
Bonds	62,280	-	(2,590)	59,391	-	299	59,690
Shares	216	-	(110)	106	-	-	106
	<u>20,328,692</u>	<u>-</u>	<u>89,573</u>	<u>20,417,966</u>	<u>-</u>	<u>299</u>	<u>20,418,265</u>
Available for sale							
Investments in mutual fund units	27,987	-	(3,270)	24,717	-	-	24,717
Sharia mutual fund	8,000	-	765	8,765	-	-	8,765
	<u>35,987</u>	<u>-</u>	<u>(2,505)</u>	<u>33,482</u>	<u>-</u>	<u>-</u>	<u>33,482</u>
Held to maturity							
Sharia Certificates of Bank Indonesia	1,305,000	-	-	1,305,000	-	-	1,305,000
Sharia Corporate bonds	994,262	(8,141)	-	986,121	-	-	986,121
Bonds	581,000	(34,788)	-	546,212	-	-	546,212
Export bills	170,015	-	-	170,015	-	-	170,015
	<u>3,050,277</u>	<u>(42,929)</u>	<u>-</u>	<u>3,007,348</u>	<u>-</u>	<u>-</u>	<u>3,007,348</u>
Total Rupiah	<u>23,414,956</u>	<u>(42,929)</u>	<u>87,068</u>	<u>23,458,796</u>	<u>-</u>	<u>299</u>	<u>23,459,095</u>
Foreign currencies:							
Available for sale							
Export bills	202,835	-	-	202,835	-	-	202,835
Floating rate notes	141,404	-	(32,274)	109,130	-	-	109,130
Bonds	94,866	-	(14,537)	80,329	-	-	80,329
	<u>439,105</u>	<u>-</u>	<u>(46,811)</u>	<u>392,294</u>	<u>-</u>	<u>-</u>	<u>392,294</u>
Held to maturity							
Export bills	361,750	-	-	356,286	-	5,464	361,750
Bonds	349,764	1,376	-	351,140	-	-	351,140
Treasury bills	72,085	(42)	-	72,043	-	-	72,043
Floating rate notes	32,700	(129)	-	32,571	-	-	32,571
	<u>816,299</u>	<u>1,205</u>	<u>-</u>	<u>812,040</u>	<u>-</u>	<u>5,464</u>	<u>817,504</u>
Total foreign currencies	<u>1,255,404</u>	<u>1,205</u>	<u>(46,811)</u>	<u>1,204,334</u>	<u>-</u>	<u>5,464</u>	<u>1,209,798</u>
Total	24,670,360	(41,724)	40,257	24,663,130	-	5,763	24,668,893
Less: Allowance for possible losses				(38,283)	-	(5,763)	(44,046)
<b>Net</b>				<u><b>24,624,847</b></u>	<u>-</u>	<u>-</u>	<u><b>24,624,847</b></u>

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

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

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**6. MARKETABLE SECURITIES (continued)**

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

	<b>2007</b>						
	Cost/ Nominal Value*)	Unamortised (Discounts)/ Premiums	Unrealised 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
	<u>23,067,155</u>	<u>-</u>	<u>77,634</u>	<u>23,144,511</u>	<u>-</u>	<u>278</u>	<u>23,144,789</u>
Available for sale							
Sharia 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
Sharia mutual fund	6,000	-	-	6,000	-	-	6,000
	<u>1,178,818</u>	<u>-</u>	<u>1,836</u>	<u>1,180,654</u>	<u>-</u>	<u>-</u>	<u>1,180,654</u>
Held to maturity							
Mandatory convertible bonds	1,018,809	-	-	-	-	1,018,809	1,018,809
Sharia Corporate bonds	787,200	(10,840)	-	776,360	-	-	776,360
Export bills	283,934	-	-	283,934	-	-	283,934
Negotiable Certificates of Deposit	315	-	-	315	-	-	315
	<u>2,090,258</u>	<u>(10,840)</u>	<u>-</u>	<u>1,060,609</u>	<u>-</u>	<u>1,018,809</u>	<u>2,079,418</u>
<b>Total Rupiah</b>	<u>26,336,231</u>	<u>(10,840)</u>	<u>79,470</u>	<u>25,385,774</u>	<u>-</u>	<u>1,019,087</u>	<u>26,404,861</u>
Foreign currencies:							
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
	<u>268,179</u>	<u>-</u>	<u>387</u>	<u>268,566</u>	<u>-</u>	<u>-</u>	<u>268,566</u>
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
	<u>1,718,269</u>	<u>2,007</u>	<u>-</u>	<u>1,660,661</u>	<u>7,403</u>	<u>52,212</u>	<u>1,720,276</u>
<b>Total Foreign currencies</b>	<u>2,023,795</u>	<u>2,007</u>	<u>387</u>	<u>1,966,574</u>	<u>7,403</u>	<u>52,212</u>	<u>2,026,189</u>
<b>Total</b>	<u>28,360,026</u>	<u>(8,833)</u>	<u>79,857</u>	<u>27,352,348</u>	<u>7,403</u>	<u>1,071,299</u>	<u>28,431,050</u>
Less: Allowance for possible losses				<u>(42,088)</u>	<u>(1,110)</u>	<u>(1,071,299)</u>	<u>(1,114,497)</u>
<b>Net</b>				<u><b>27,310,260</b></u>	<u><b>6,293</b></u>	<u><b>-</b></u>	<u><b>27,316,553</b></u>

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

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

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**6. MARKETABLE SECURITIES (continued)**

c. By Remaining Period to Maturity:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
No maturity date	188,712	398,599	69,472
< 1 year	15,311,068	21,670,357	25,008,786
≥ 1 < 5 years	1,350,050	843,722	856,687
≥ 5 ≤ 10 years	<u>170,213</u>	<u>502,278</u>	<u>401,286</u>
Total Rupiah	<u>17,020,043</u>	<u>23,414,956</u>	<u>26,336,231</u>
Foreign currencies:			
< 1 year	886,427	723,870	1,704,920
≥ 1 < 5 years	120,708	455,249	281,528
≥ 5 ≤ 10 years	<u>141,236</u>	<u>76,285</u>	<u>37,347</u>
Total Foreign currencies	<u>1,148,371</u>	<u>1,255,404</u>	<u>2,023,795</u>
Total	18,168,414	24,670,360	28,360,026
Less:			
Unamortised discounts	(42,211)	(41,724)	(8,833)
Unrealised gain on increase in fair value of securities	80,681	40,257	79,857
Allowance for possible losses	<u>(53,492)</u>	<u>(44,046)</u>	<u>(1,114,497)</u>
	<u><b>18,153,392</b></u>	<u><b>24,624,847</b></u>	<u><b>27,316,553</b></u>

d. By Issuer:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Government and Bank Indonesia	15,252,972	21,372,525	23,755,813
Corporate	2,052,685	2,439,364	2,696,719
Banks	<u>862,757</u>	<u>858,471</u>	<u>1,907,494</u>
Total	18,168,414	24,670,360	28,360,026
Less:			
Unamortised discounts	(42,211)	(41,724)	(8,833)
Unrealised gain on increase in fair value of securities	80,681	40,257	79,857
Allowance for possible losses	<u>(53,492)</u>	<u>(44,046)</u>	<u>(1,114,497)</u>
	<u><b>18,153,392</b></u>	<u><b>24,624,847</b></u>	<u><b>27,316,553</b></u>

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**6. MARKETABLE SECURITIES (continued)**

e. Details of Bonds by Rating:

	Rating Agencies	Rating*)			Fair Value/Book Value **)		
		2009	2008	2007	2009	2008	2007
<b>Rupiah</b>							
<b>Trading</b>							
Bonds	Pefindo	****)	idD – idAA+	idD – idAA+	1,615,969	59,690	257,369
PT Sarana Multigriya Finansial	Fitch Ratings Indonesia	AA(idn)	-	-	49,750	-	-
					<u>1,665,719</u>	<u>59,690</u>	<u>257,369</u>
<b>Available for sale</b>							
Sharia mutual fund	-	-	-	-	9,854	8,765	6,000
<b>Bonds</b>							
PT Indosat (Persero) Tbk.	Pefindo	-	-	idAA+	-	-	180,298
PT Indofood Sukses Makmur Tbk.	Pefindo	-	-	idAA+	-	-	149,940
				idA -			
Others	Pefindo	-	-	idAA+	-	-	111,573
					<u>9,854</u>	<u>8,765</u>	<u>447,811</u>
<b>Held to maturity</b>							
Sharia Corporate Bonds	Various	idBB – idAA+ ****)	Baa3.id – idAA+	idBBB – idAA+	970,741	986,121	776,360
<b>Bonds</b>							
PT Indosat (Persero) Tbk.	Pefindo	idAA+	idAA+	-	218,410	215,822	-
PT Indofood Sukses Makmur Tbk.	Pefindo	idAA+	idAA+	-	187,356	181,500	-
		idBB – idAA- ****)	idA -	-			
Others	Pefindo	-	idAA+	-	140,255	148,890	-
Mandatory convertible bonds	-	-	-	-	-	-	1,018,809
					<u>1,516,762</u>	<u>1,532,333</u>	<u>1,795,169</u>
Total Rupiah					<u>3,192,335</u>	<u>1,600,788</u>	<u>2,500,349</u>
<b>Foreign currencies</b>							
<b>Trading</b>							
Bonds	Various	-	-	BB-	-	-	37,347
<b>Available for sale</b>							
Bonds	Various	A-	BBB+ – A-	Baa1 – A2	47,664	80,329	27,281
<b>Held to maturity</b>							
Bonds	Various	BB- – A	Ba3 – AA-	Ba3	208,358	351,140	208,981
Total Foreign currencies					<u>256,022</u>	<u>431,469</u>	<u>273,609</u>

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

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

\*\*\*) As at 31 Desember 2009, the bonds with trading classification mainly comprise of treasury bills (Surat Perbendaharaan Negara) which has no rating.

\*\*\*\*) Including PT Arpeni Pratama Ocean Line Tbk.'s bonds which subsequently rated to idCCC by Pefindo on 14 January 2010.

f. Average Interest Rate (yield) per Annum:

	2009	2008	2007
Rupiah	7.12%	10.01%	7.76%
Foreign currencies	5.05%	10.38%	8.73%

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**6. MARKETABLE SECURITIES (continued)**

g. Movements of Allowance for Possible Losses on Marketable Securities:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	44,046	1,114,497	1,145,838
Reversal during the year (Note 37)	(39,295)	(58,416)	(22,773)
Write-off	-	(1,018,809)	-
Recoveries	50,940	-	-
Others *)	(2,199)	6,774	(8,568)
Balance at end of year	<u>53,492</u>	<u>44,046</u>	<u>1,114,497</u>

\*) Includes effect of foreign exchange translation.

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

Based on the letter of Bank Indonesia No. 10/177/DpG/DPNP dated 9 October 2008, regarding Determination of Fair Value and Reclassification of Government Debenture Debt (SUN), on 19 December 2008 the Bank has reclassified trading and available for sale marketable securities with nominal amount of Rp147,000 and Rp434,000, respectively to held to maturity marketable securities. The fair value of trading and available for sale marketable securities before reclassification amounted to Rp142,772 and Rp433,975, respectively, and the fair value of trading and available for sale marketable securities at the time of reclassification amounted to Rp138,210 and Rp407,590, respectively. The unrealised losses of the reclassified available for sale marketable securities at the time of the reclassification are recorded as part of unrealised loss from available for sale marketable securities and Government Bonds – net of deferred tax in equity section and will be amortised and charged into consolidated statements of income until the maturity of the marketable securities.

**7. GOVERNMENT BONDS**

The details of Government Bonds obtained by Bank Mandiri from primary and secondary markets as at 31 December 2009, 2008 and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Trading, at fair value	430,198	43,748	972,392
Available for sale, at fair value	25,915,611	26,244,185	27,294,443
Held to maturity, at cost	62,787,131	61,971,106	61,199,482
	<u>89,132,940</u>	<u>88,259,039</u>	<u>89,466,317</u>

a. By Maturity

By remaining period of maturity:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Rupiah</b>			
<b>Trading:</b>			
Less than 1 year	371,336	4,950	9,280
1 - 5 years	58,862	38,798	272,954
5 - 10 years	-	-	261,452
Over 10 years	-	-	409,943
	<u>430,198</u>	<u>43,748</u>	<u>953,629</u>
<b>Available for sale:</b>			
Less than 1 year	-	-	739,520
1 - 5 years	650,683	643,223	348,686
5 - 10 years	19,696,001	14,562,198	13,366,139
Over 10 years	5,537,544	10,946,419	12,761,785
	<u>25,884,228</u>	<u>26,151,840</u>	<u>27,216,130</u>

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**7. GOVERNMENT BONDS (continued)**

a. By Maturity (continued)

By remaining period of maturity (continued):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Rupiah</b>			
<b>Held to maturity:</b>			
Less than 1 year	1,366,067	5,334	-
1 - 5 years	576,453	1,515,614	1,350,000
5 - 10 years	40,520,202	36,684,355	25,810,000
Over 10 years	<u>20,152,786</u>	<u>23,642,622</u>	<u>33,934,598</u>
	<u>62,615,508</u>	<u>61,847,925</u>	<u>61,094,598</u>
Total Rupiah	<u>88,929,934</u>	<u>88,043,513</u>	<u>89,264,357</u>
<b>Foreign currency</b>			
<b>Trading:</b>			
5 - 10 years	-	-	9,792
Over 10 years	-	-	<u>8,971</u>
	-	-	<u>18,763</u>
<b>Available for sale:</b>			
5 - 10 years	31,383	47,723	49,321
Over 10 years	-	<u>44,622</u>	<u>28,992</u>
	<u>31,383</u>	<u>92,345</u>	<u>78,313</u>
<b>Held to maturity:</b>			
1 - 5 years	152,849	-	-
5 - 10 years	<u>18,774</u>	<u>123,181</u>	<u>104,884</u>
	<u>171,623</u>	<u>123,181</u>	<u>104,884</u>
Total foreign currency	<u>203,006</u>	<u>215,526</u>	<u>201,960</u>
	<u><u>89,132,940</u></u>	<u><u>88,259,039</u></u>	<u><u>89,466,317</u></u>

b. By Type

	<u>2009</u>				
	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
<b>Rupiah</b>					
<b>Trading</b>					
Fixed rate bonds	<u>432,289</u>	9.28% - 12.00%	<u>430,198</u>	20/02/2010 - 15/09/2013	1 month
<b>Available for sale</b>					
Fixed rate bonds	339,096	9.00% - 14.28%	374,099	15/03/2013 - 15/09/2018	6 months
Variable rate bonds	<u>25,831,044</u>	3-months SBI	<u>25,510,129</u>	25/06/2011 - 25/07/2020	3 months
	<u>26,170,140</u>		<u>25,884,228</u>		
<b>Held to maturity</b>					
Fixed rate bonds	2,870,910	9.00% - 15.58%		15/03/2010 - 15/05/2037	1 and 6 months
Variable rate bonds	<u>59,744,598</u>	3-months SBI		25/12/2014 - 25/07/2020	3 months
	<u>62,615,508</u>				

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**7. GOVERNMENT BONDS (continued)**

b. By Type (continued)

<b>2009 (continued)</b>					
	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
<b>Foreign currency</b>					
<b>Available for sale</b>					
Fixed rate bonds	<u>28,245</u>	6.88% - 7.50%	<u>31,383</u>	15/01/2016 - 09/03/2017	6 months
	Book Value	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment	
<b>Held to maturity</b>					
Fixed rate bonds	<u>171,623</u>	6.75% - 10.38%	04/05/2014 - 09/03/2017		6 months
<b>2008</b>					
	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
<b>Rupiah</b>					
<b>Trading</b>					
Fixed rate bonds	<u>44,130</u>	9.28% - 13.40%	<u>43,748</u>	09/08/2009 - 15/09/2013	6 months
<b>Available for sale</b>					
Fixed rate bonds	461,466	9.00% - 14.28%	460,795	12/03/2012 - 15/11/2020	6 months
Variable rate bonds	<u>25,839,044</u>	3-months SBI	<u>25,691,045</u>	25/06/2011 - 25/07/2020	3 months
	<u>26,300,510</u>		<u>26,151,840</u>		
	Book Value	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment	
<b>Held to maturity</b>					
Fixed rate bonds	2,103,327	9.00% - 15.58%	15/06/2009 - 15/05/2037		6 months
Variable rate bonds	<u>59,744,598</u>	3-months SBI	25/12/2014 - 25/07/2020		3 months
	<u>61,847,925</u>				

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**7. GOVERNMENT BONDS (continued)**

b. By Type (continued)

<b>2008 (continued)</b>				
Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
<b>Foreign currency</b>				
<b>Available for sale</b>				
Fixed rate bonds	6.63% - 8.50%	<u>92,345</u>	10/03/2014 - 17/01/2038	6 months
<u>109,000</u>				
Book Value	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment	
<b>Held to maturity</b>				
Fixed rate bonds	6.78% - 6.88%		03/10/2014 - 09/03/2017	6 months
<u>123,181</u>				
<b>2007</b>				
Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
<b>Rupiah</b>				
<b>Trading</b>				
Fixed rate bonds	9.00% - 14.28%	943,603	28/11/2008 - 15/09/2025	6 months
Variable rate bonds	3-months SBI	<u>10,026</u>	25/06/2011	3 months
<u>10,000</u>		<u>953,629</u>		
<b>Available for sale</b>				
Fixed rate bonds	9.50% - 15.58%	674,430	15/11/2010 - 15/02/2028	6 months
Variable rate bonds	3-months SBI	<u>26,541,700</u>	25/01/2008 - 25/07/2020	3 months
<u>26,577,428</u>		<u>27,216,130</u>		
Book Value	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment	
<b>Held to maturity</b>				
Fixed rate bonds	13.15%		15/03/2010	6 months
Variable rate bonds	3-months SBI		25/12/2014 - 25/07/2020	3 months
<u>59,744,598</u>				
<u>61,094,598</u>				

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**7. GOVERNMENT BONDS (continued)**

b. By Type (continued)

<b>2007 (continued)</b>					
	<u>Nominal</u>	<u>Interest Rates per Annum</u>	<u>Fair Value</u>	<u>Maturity Dates</u>	<u>Frequency of Interest Payment</u>
<b>Foreign Currency Trading</b>					
Fixed rate bonds	<u>18,786</u>	6.63% - 6.88%	<u>18,763</u>	09/03/2017 - 17/02/2037	6 months
<b>Available for sale</b>					
Fixed rate bonds	<u>75,144</u>	6.63% - 8.50%	<u>78,313</u>	20/04/2014 - 17/02/2037	6 months
<b>Held to maturity</b>					
Fixed rate bonds	<u>104,884</u>	6.75% - 6.88%		03/10/2014 - 09/03/2017	6 months

c. Other Information

As at 31 December 2009, 2008 and 2007, Government Bonds with total nominal amount of Rp355,652, Rp876,539, Rp2,992,039 had been sold to third party with agreements to repurchase (Note 23).

As at 31 December 2009 and 2008, Government Bonds with a total nominal amount of Rp3,967,500 had been pledged as collateral for fund borrowing from other bank (Note 26d).

Based on the letter of Bank Indonesia No. 10/177/DpG/DPNP dated 9 October 2008, regarding Determination of Fair Value and Reclassification of Government Debenture Debt (SUN), on 19 December 2008, Bank Mandiri has reclassified trading and available for sale Government Bonds with nominal amount of Rp116,813 and Rp402,589 respectively, to held to maturity Government Bonds. The fair value of Government Bonds for trading and available for sale before reclassification amounted to Rp100,720 and Rp425,111, respectively, and the fair value of trading and available for sale Government Bonds at the time of reclassification amounted to Rp99,648 and Rp376,737, respectively. Unrealised loss from reclassification of Government Bonds is recorded as part of unrealised loss from available for sale marketable securities and Government Bonds – net of deferred tax in equity section and will be amortised and charged into consolidated statements of income until the maturity of the above Government Bonds.

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**7. GOVERNMENT BONDS (continued)**

c. Other Information (continued)

As at 31 December 2007, the ownership of Government Bonds with an aggregate nominal value of Rp1,926,843 have been legally transferred to counterparty bank, related to Callable Parallel Deposits (Note 22) and Callable Zero Coupon Deposits transactions. As the significant risk and rewards of these Government Bonds have not been transferred to the counterparty bank, the Bank still recognised the Government Bonds on the consolidated balance sheet.

The Bank entered into two Callable Zero Coupon Deposits transactions with counterparty bank to transfer Government Bonds. This contract was started when the Bank transferred Government Bonds to counterparty bank and received the proceeds in Rupiah. A portion of the total proceeds amounting to Rp974,666 was placed back as Callable Zero Coupon Deposits to the counterparty bank.

The summary of callable zero coupon deposit contracts are as follows:

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

The funds placed as callable zero coupon deposit originated from the funds obtained by the Bank from the transfer of Government Bonds to counterparty bank.

The interest rate of the above deposits is the same as the yield of Government Bonds at the transfer date to counterparty bank.

The agreement gives an option right to counterparty bank to early terminate the agreement by early withdrawal of the Rupiah deposit at any of the redemption dates each year.

Based on the agreement, the counterparty bank can terminate the agreement at the time unwind events occur, if the Bank fails to pay additional (top-up) Rupiah deposit as required in the agreement. If the counterparty bank exercises its option right to early terminate the agreement due to unwind events, the Bank has to pay unwind cost to the counterparty bank as determined later by the counterparty bank. In addition, counterpart bank has the option to early terminate the transaction if counterparty bank considers the funds to be received in the form of callable zero coupon deposits has higher interest rate than the market interest rate.

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

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

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**8. OTHER RECEIVABLES - TRADE TRANSACTIONS**

a. By Type and Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Third parties			
Usance L/C payable at sight	1,878,785	1,887,985	876,539
Others	<u>153,764</u>	<u>175,347</u>	<u>189,052</u>
Total Rupiah	<u>2,032,549</u>	<u>2,063,332</u>	<u>1,065,591</u>
Foreign currencies:			
Third parties			
Usance L/C payable at sight	997,481	1,616,647	922,818
Others	<u>960,894</u>	<u>991,203</u>	<u>879,865</u>
Total Foreign currencies	<u>1,958,375</u>	<u>2,607,850</u>	<u>1,802,683</u>
Total	3,990,924	4,671,182	2,868,274
Less: Allowance for possible losses	<u>(844,781)</u>	<u>(1,158,049)</u>	<u>(839,732)</u>
	<u><b>3,146,143</b></u>	<u><b>3,513,133</b></u>	<u><b>2,028,542</b></u>

As at 31 December 2009, 2008 and 2007, there are no other receivables – trade transactions with related party.

b. By Collectibility:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current	2,836,699	3,080,245	1,617,981
Special mention	355,594	477,404	445,518
Sub-standard	-	12,309	6,283
Loss	<u>798,631</u>	<u>1,101,224</u>	<u>798,492</u>
Total	3,990,924	4,671,182	2,868,274
Less: Allowance for possible losses	<u>(844,781)</u>	<u>(1,158,049)</u>	<u>(839,732)</u>
	<u><b>3,146,143</b></u>	<u><b>3,513,133</b></u>	<u><b>2,028,542</b></u>

c. By Maturity:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Less than 1 month	491,755	518,571	440,254
1 - 3 months	914,964	912,041	416,551
3 - 6 months	479,886	486,776	208,786
Over 12 months	<u>145,944</u>	<u>145,944</u>	<u>-</u>
Total Rupiah	<u>2,032,549</u>	<u>2,063,332</u>	<u>1,065,591</u>
Foreign currencies:			
Less than 1 month	278,471	747,496	1,047,396
1 - 3 months	552,704	766,511	397,855
3 - 6 months	286,613	328,155	357,432
6 - 12 months	187,900	-	-
Over 12 months	<u>652,687</u>	<u>765,688</u>	<u>-</u>
Total Foreign currencies	<u>1,958,375</u>	<u>2,607,850</u>	<u>1,802,683</u>
Total	3,990,924	4,671,182	2,868,274
Less: Allowance for possible losses	<u>(844,781)</u>	<u>(1,158,049)</u>	<u>(839,732)</u>
	<u><b>3,146,143</b></u>	<u><b>3,513,133</b></u>	<u><b>2,028,542</b></u>

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning year	1,158,049	839,732	812,247
(Reversal)/allowance during the year (Note 37)	(181,181)	196,581	(5,527)
Others *)	(132,087)	121,736	33,012
Balance at end of year	<u>844,781</u>	<u>1,158,049</u>	<u>839,732</u>

\*) Includes effect of foreign exchange translation.

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

**9. SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

a. Securities purchased under resale agreements

<u>2009</u>						
	<u>Type of Securities</u>	<u>Starting Date</u>	<u>Maturity Date</u>	<u>Resale Amount</u>	<u>Unamortised Interest</u>	<u>Carrying Amount</u>
Rupiah	SPN	17/12/2009	08/01/2010	854,530	1,068	853,462
	Bonds VR0020	19/11/2009	19/02/2010	511,664	5,018	506,646
	Bonds VR0029	21/12/2009	22/03/2010	509,436	7,889	501,547
	SPN	11/12/2009	04/01/2010	487,434	261	487,173
	SPN	11/12/2009	04/01/2010	451,940	242	451,698
	Bonds VR0031	15/10/2009	15/01/2010	413,495	1,159	412,336
	Bonds VR0031	21/10/2009	21/01/2010	335,444	1,505	333,939
	Bonds VR0029	07/07/2009	21/01/2010	318,470	1,421	317,049
	Bonds VR0028	07/07/2009	21/01/2010	208,612	931	207,681
	Bonds VR0029	28/12/2009	29/03/2010	203,573	3,416	200,157
	Bonds VR0029	21/10/2009	21/01/2010	175,441	787	174,654
	Bonds VR0029	10/09/2009	10/03/2010	176,255	2,468	173,787
	Shares	16/12/2009	26/02/2010	125,000	3,714	121,286
	Bonds VR0031	15/10/2009	15/01/2010	100,066	281	99,785
	SPN	17/12/2009	08/01/2010	<u>94,948</u>	<u>119</u>	<u>94,829</u>
Total				4,966,308	30,279	4,936,029
Allowance for possible losses						<u>(30,488)</u>
<b>Net</b>						<u><b>4,905,541</b></u>

<u>2008</u>						
	<u>Type of Securities</u>	<u>Starting Date</u>	<u>Maturity Date</u>	<u>Resale Amount</u>	<u>Unamortised Interest</u>	<u>Carrying Amount</u>
Rupiah	Shares	05/09/2008	05/09/2009	178,896	19,634	159,262
	Shares	25/08/2008	25/02/2009	148,800	4,200	144,600
	Shares	25/09/2008	25/03/2009	109,553	4,433	105,120
	Shares	19/12/2008	19/01/2009	101,722	1,055	100,667
	Shares	15/07/2008	12/01/2009	54,651	308	54,343
	Shares	05/09/2008	05/09/2009	59,632	6,545	53,087
	Shares	20/11/2008	20/01/2009	25,974	974	25,000
	Shares	25/11/2008	23/01/2009	<u>25,942</u>	<u>942</u>	<u>25,000</u>
Total				705,170	38,091	667,079
Allowance for possible losses						<u>(47,987)</u>
<b>Net</b>						<u><b>619,092</b></u>

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**9. SECURITIES PURCHASED UNDER RESALE AGREEMENTS (continued)**

a. Securities purchased under resale agreements (continued)

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

b. By Collectibility:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current	4,936,029	356,949	3,324,453
Sub-standard	-	260,130	-
Loss	-	50,000	-
Total	4,936,029	667,079	3,324,453
Less: Allowance for possible losses	(30,488)	(47,987)	(33,600)
	<b>4,905,541</b>	<b>619,092</b>	<b>3,290,853</b>

c. Movements of Allowance for possible losses on Securities Purchased Under Resale Agreements:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Balance at beginning of year	47,987	33,600	8,600
(Reversal)/allowance during the year (Note 37)	(2,043)	14,387	25,000
Others *)	(15,456)	-	-
Balance at end of year	<b>30,488</b>	<b>47,987</b>	<b>33,600</b>

\*) Includes effect of foreign exchange translation.

Management believes that the allowance for possible losses on securities purchased under resale agreements is adequate.

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**10. DERIVATIVE RECEIVABLES AND PAYABLES**

As at 31 December 2009, the summary of derivative transactions is as follow:

<u>Transactions</u>	<u>Notional Amount</u>	<u>Fair Value (Note 21)</u>	<u>Derivative Receivables</u>	<u>Derivative Payables</u>
<b>Third parties</b>				
<i>Foreign Exchange Related</i>				
1. Forward - buy				
United States Dollar	1,044,763	(20,688)	509	21,197
Others	1,434	(50)	-	50
2. Forward - sell				
United States Dollar	75,673	793	793	-
Others	94,799	30	253	223
3. Swap - buy				
United States Dollar	2,021,823	(5,568)	5,447	11,015
Other	182,029	1,705	1,794	89
4. Swap - sell				
United States Dollar	3,768,249	167,494	167,495	1
Other	41,980	(609)	-	609
<i>Interest Rate Related</i>				
1. Swap - interest rate				
Other	-	(8,427)	-	8,427
Total			176,291	41,611
Less: Allowance for possible losses			(1,765)	-
			<b>174,526</b>	<b>41,611</b>

As at 31 December 2008, the summary of derivative transactions is as follow:

<u>Transactions</u>	<u>Notional Amount</u>	<u>Fair Value (Note 21)</u>	<u>Derivative Receivables</u>	<u>Derivative Payables</u>
<b>Third parties</b>				
<i>Foreign Exchange Related</i>				
1. Forward - buy				
United States Dollar	439,976	(26,092)	3,669	29,761
Others	53,415	(8,471)	-	8,471
2. Forward - sell				
United States Dollar	403,187	59,428	59,428	-
Others	5,729	(643)	-	643
3. Swap - buy				
United States Dollar	2,005,676	100,643	119,321	18,678
Other	156,206	24,703	24,703	-
4. Swap - sell				
United States Dollar	4,369,050	28,223	121,783	93,560
<i>Interest Rate Related</i>				
1. Swap - interest rate				
Other	-	21,868	31,433	9,565
Total			360,337	160,678
Less: Allowance for possible losses			(6,313)	-
			<b>354,024</b>	<b>160,678</b>

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

As at 31 December 2007, a summary of derivative transactions is as follow:

Transactions	Notional Amount	Fair Value (Note 21)	Derivative Receivables	Derivative Payables
<b>Third parties</b>				
<i>Foreign Exchange Related</i>				
1. Forward - buy				
United States Dollar	1,608,343	997	3,919	2,922
Others	10,515	97	97	-
2. Forward - sell				
United States Dollar	111,639	225	477	252
3. Swap - buy				
United States Dollar	1,185,249	383	2,548	2,165
4. Swap - sell				
United States Dollar	4,001,795	320,727	332,162	11,435
Others	81,410	(1,069)	-	1,069
5. Option - buy				
United States Dollar	-	70	70	-
Others	-	1,178	1,178	-
6. Option - sell				
United States Dollar	-	(163)	-	163
Others	-	(2,047)	-	2,047
<i>Interest Rate Related</i>				
1. Swap - Interest rate				
United States Dollar	-	(5,008)	-	5,008
Other	-	(9,287)	-	9,287
Total			340,451	34,348
Less: Allowance for possible losses			(3,800)	-
			<b>336,651</b>	<b>34,348</b>

As at 31 December 2009, 2008 and 2007, there were no derivative transactions with related party.

*Interest Rate Swaps*

On 17 April 2003, Bank Mandiri entered into interest rate swap agreements with counterparty banks with notional amounts of USD125,000,000 (full amount) and USD175,000,000 (full amount), respectively. The underlying transaction is the Bank's USD300,000,000 (full amount) Medium-Term Notes (MTN) issued in April 2003 (Note 25). Under this transaction, the Bank receives semi-annual fixed interest at the rate of 7.00% per annum and pays to counterparty banks semi-annual floating interest at the rate of six-months LIBOR + 3.37% per annum until the maturity of the MTN on 22 April 2008. The six-months LIBOR interest is stated in arrears. These transactions qualify as fair value hedge for accounting purposes.

The background and purpose of entering into these hedging instruments is to manage the interest rate risk exposure, whereby the Bank's positive foreign currency interest rate gap position is exposed to downward trends in interest rates in the next five years. The Bank decided to convert its MTN's fixed interest rate into floating interest rates in order to mitigate the risks of declining net interest margin.

The MTN above and the respective swap agreements was settled on 22 April 2008.

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

*Cross Currency Swap*

Bank Mandiri entered into several cross currency swap contracts, in conjunction with the securities sold under repurchase agreements with several counterparty banks. The contracts were became effective when Bank Mandiri sold its Government Bonds to the counterparty bank and received Rupiah funds. Under the cross currency swaps contracts, the funds were used to settle the spot transaction and in return Bank Mandiri received United States Dollar funds. On the settlement dates, Bank Mandiri will receive Rupiah funds and pay United States Dollar funds to the counterparty banks. Bank Mandiri is also obliged to use the Rupiah funds to repurchase the Government Bonds previously sold to counterparty banks (Notes 7 and 23).

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

Effective Date	Maturity Date	Type of Transactions	Buy (Full Amount)	Sell (Full Amount)
3 November 2004	3 November 2009	Spot Forward	USD25 million Rp285,060 million	Rp285,060 million USD25 million
4 November 2004	4 November 2009	Spot Forward	USD25 million Rp284,062 million	Rp284,062 million USD25 million
18 May 2005	18 May 2010	Spot Forward	USD25 million Rp316,356 million	Rp316,356 million USD25 million

On 3 November 2009 and 4 November 2009, Bank Mandiri has settled the cross currency swap contracts and related securities sold under repurchase agreements with counterparty banks.

As at 31 December 2009, 2008 and 2007, the collectibility of derivative receivables are as follows:

	2009	2008	2007
Current	176,235	360,337	340,451
Special mention	56	-	-
	176,291	360,337	340,451
Less: Allowance for possible losses	(1,765)	(6,313)	(3,800)
Balance at end of year	<b>174,526</b>	<b>354,024</b>	<b>336,651</b>

Movements of allowance for possible losses on derivative receivables are as follows:

	2009	2008	2007
Balance at beginning of year	6,313	3,800	4,260
(Reversal)/allowance during the year (Note 37)	(4,696)	2,501	(467)
Others *)	148	12	7
Balance at end of year	<b>1,765</b>	<b>6,313</b>	<b>3,800</b>

(\*) Includes effect of foreign exchange translation.

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

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**11. LOANS**

A. Details of loans:

a. By Currency, Related Parties and Third Parties:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Related parties (Note 48a)	153,940	119,324	235,021
Third parties	<u>165,538,201</u>	<u>135,117,712</u>	<u>96,494,562</u>
Total Rupiah	<u>165,692,141</u>	<u>135,237,036</u>	<u>96,729,583</u>
Foreign currencies:			
Related parties (Note 48a)	484,117	521,939	548,057
Third parties	<u>30,949,971</u>	<u>38,740,459</u>	<u>41,275,912</u>
Total Foreign currencies	<u>31,434,088</u>	<u>39,262,398</u>	<u>41,823,969</u>
Total	197,126,229	174,499,434	138,553,552
Less: Deferred income	-	(1,334)	(23,472)
Total	197,126,229	174,498,100	138,530,080
Less: Allowance for possible losses	<u>(12,435,525)</u>	<u>(11,860,312)</u>	<u>(13,041,696)</u>
	<b><u>184,690,704</u></b>	<b><u>162,637,788</u></b>	<b><u>125,488,384</u></b>

b. By Type and Collectibility:

	<b>2009</b>					
	<u>Current</u>	<u>Special Mention</u>	<u>Sub- standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Rupiah:						
Working capital	69,901,816	5,279,011	565,643	223,668	1,504,759	77,474,897
Investment	48,660,672	2,420,311	149,859	162,450	441,128	51,834,420
Consumer	28,555,612	2,736,674	90,717	125,337	421,167	31,929,507
Syndicated	1,463,417	1,167,611	-	-	-	2,631,028
Employees	1,253,940	2,837	98	52	4,794	1,261,721
Government program	377,774	13,389	1,373	159	4,856	397,551
Export	163,017	-	-	-	-	163,017
Total Rupiah	<u>150,376,248</u>	<u>11,619,833</u>	<u>807,690</u>	<u>511,666</u>	<u>2,376,704</u>	<u>165,692,141</u>
Foreign currencies:						
Working capital	9,125,168	4,432,179	37,378	370,524	1,109,818	15,075,067
Investment	7,919,492	2,385,037	-	-	648,474	10,953,003
Syndicated	3,774,569	164,404	-	32,847	271,219	4,243,039
Government program	107,542	-	-	-	-	107,542
Consumer	49,097	3,428	-	-	-	52,525
Export	29,694	-	-	-	-	29,694
Employees	238	-	-	-	-	238
Others	769,498	169,119	27,730	-	6,633	972,980
Total Foreign currencies	<u>21,775,298</u>	<u>7,154,167</u>	<u>65,108</u>	<u>403,371</u>	<u>2,036,144</u>	<u>31,434,088</u>
Total	172,151,546	18,774,000	872,798	915,037	4,412,848	197,126,229
Less:						
Allowance for possible losses	(1,941,564)	(5,107,798)	(345,314)	(641,536)	(4,399,313)	(12,435,525)
	<b><u>170,209,982</u></b>	<b><u>13,666,202</u></b>	<b><u>527,484</u></b>	<b><u>273,501</u></b>	<b><u>13,535</u></b>	<b><u>184,690,704</u></b>

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**11. LOANS**

A. Details of loans (continued):

b. By Type and Collectibility (continued):

	<b>2008</b>					
	Current	Special Mention	Sub- standard	Doubtful	Loss	Total
Rupiah:						
Working capital	68,830,786	3,815,028	629,107	274,538	2,199,727	75,749,186
Investment	31,963,712	3,090,153	35,046	122,145	898,835	36,109,891
Consumer	16,785,205	2,080,749	61,528	55,344	326,703	19,309,529
Government program	2,007,093	181,286	14,548	23,227	8,522	2,234,676
Employees	1,349,970	4,236	23	103	4,976	1,359,308
Syndicated	349,827	-	-	-	-	349,827
Export	124,619	-	-	-	-	124,619
<b>Total Rupiah</b>	<b>121,411,212</b>	<b>9,171,452</b>	<b>740,252</b>	<b>475,357</b>	<b>3,438,763</b>	<b>135,237,036</b>
Foreign currencies:						
Working capital	10,919,472	4,647,422	280,537	60,780	2,402,336	18,310,547
Investment	11,909,409	2,073,859	81,620	-	1,487,120	15,552,008
Syndicated	2,827,106	18,893	-	42,193	272,500	3,160,692
Employees	1,987,782	6,463	46,641	-	512	2,041,398
Government program	168,735	-	-	-	-	168,735
Consumer	27,207	1,275	-	-	-	28,482
Export	536	-	-	-	-	536
<b>Total Foreign currencies</b>	<b>27,840,247</b>	<b>6,747,912</b>	<b>408,798</b>	<b>102,973</b>	<b>4,162,468</b>	<b>39,262,398</b>
<b>Total</b>	<b>149,251,459</b>	<b>15,919,364</b>	<b>1,149,050</b>	<b>578,330</b>	<b>7,601,231</b>	<b>174,499,434</b>
Less:						
Deferred income	-	(1,334)	-	-	-	(1,334)
<b>Total</b>	<b>149,251,459</b>	<b>15,918,030</b>	<b>1,149,050</b>	<b>578,330</b>	<b>7,601,231</b>	<b>174,498,100</b>
Less:						
Allowance for possible losses	(1,593,604)	(2,796,702)	(307,510)	(448,414)	(6,714,082)	(11,860,312)
	<b>147,657,855</b>	<b>13,121,328</b>	<b>841,540</b>	<b>129,916</b>	<b>887,149</b>	<b>162,637,788</b>

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**11. LOANS**

A. Details of loans (continued):

b. By Type and Collectibility (continued):

	<b>2007</b>					
	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
Employees	1,347,111	3,710	74	104	3,396	1,354,395
Syndicated	<u>87,193</u>	<u>238,070</u>	<u>-</u>	<u>-</u>	<u>975,634</u>	<u>1,300,897</u>
Total Rupiah	<u>81,693,736</u>	<u>8,969,612</u>	<u>1,047,306</u>	<u>471,493</u>	<u>4,547,436</u>	<u>96,729,583</u>
Foreign currencies:						
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	<u>1,259,031</u>	<u>85,758</u>	<u>57,044</u>	<u>7,983</u>	<u>2,162</u>	<u>1,411,978</u>
Total Foreign currencies	<u>28,960,457</u>	<u>6,961,639</u>	<u>352,988</u>	<u>76,331</u>	<u>5,472,554</u>	<u>41,823,969</u>
Total	110,654,193	15,931,251	1,400,294	547,824	10,019,990	138,553,552
Less:						
Deferred income	<u>(1,398)</u>	<u>(22,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,472)</u>
Total	110,652,795	15,909,177	1,400,294	547,824	10,019,990	138,530,080
Less:						
Allowance for possible losses	<u>(1,239,540)</u>	<u>(1,866,006)</u>	<u>(164,798)</u>	<u>(240,685)</u>	<u>(9,530,667)</u>	<u>(13,041,696)</u>
	<b><u>109,413,255</u></b>	<b><u>14,043,171</u></b>	<b><u>1,235,496</u></b>	<b><u>307,139</u></b>	<b><u>489,323</u></b>	<b><u>125,488,384</u></b>

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**11. LOANS**

A. Details of loans (continued):

c. By Economic Sector and Collectibility:

	<b>2009</b>					Total
	Current	Special Mention	Sub- standard	Doubtful	Loss	
Rupiah:						
Manufacturing	36,674,433	4,087,495	56,672	50,712	552,381	41,421,693
Trading, restaurant and hotel	19,804,061	1,603,084	73,104	192,075	501,058	22,173,382
Business services	18,781,041	699,922	50,221	31,979	271,020	19,834,183
Agriculture	18,084,023	758,992	25,840	28,306	163,445	19,060,606
Transportation, warehousing and communications	13,618,203	253,226	255,089	1,511	26,387	14,154,416
Construction	9,666,208	1,058,602	22,667	50,132	356,502	11,154,111
Mining	2,571,705	179,917	389	291	26,319	2,778,621
Social services	2,171,574	113,797	27,340	21,670	41,411	2,375,792
Electricity, gas and water	2,219,063	3,702	1,028	21	2,799	2,226,613
Others	26,785,937	2,861,096	295,340	134,969	435,382	30,512,724
<b>Total Rupiah</b>	<b>150,376,248</b>	<b>11,619,833</b>	<b>807,690</b>	<b>511,666</b>	<b>2,376,704</b>	<b>165,692,141</b>
Foreign currencies:						
Manufacturing	5,188,556	5,670,204	-	368,959	1,366,282	12,594,001
Mining	7,123,498	326,786	-	-	17,702	7,467,986
Trading, restaurant and hotel	2,406,982	444,837	27,730	1,565	379,452	3,260,566
Construction	1,588,972	185,024	7,734	-	-	1,781,730
Transportation, warehousing and communications	1,062,115	329,533	29,595	-	774	1,422,017
Business services	1,099,899	-	49	-	235,451	1,335,399
Agriculture	1,113,229	73,460	-	-	-	1,186,689
Electricity, gas and water	872,675	80,496	-	-	-	953,171
Social services	65,787	-	-	-	-	65,787
Others	1,253,585	43,827	-	32,847	36,483	1,366,742
<b>Total Foreign currencies</b>	<b>21,775,298</b>	<b>7,154,167</b>	<b>65,108</b>	<b>403,371</b>	<b>2,036,144</b>	<b>31,434,088</b>
<b>Total</b>	<b>172,151,546</b>	<b>18,774,000</b>	<b>872,798</b>	<b>915,037</b>	<b>4,412,848</b>	<b>197,126,229</b>
Less:						
Allowance for possible losses	(1,941,564)	(5,107,798)	(345,314)	(641,536)	(4,399,313)	(12,435,525)
	<b>170,209,982</b>	<b>13,666,202</b>	<b>527,484</b>	<b>273,501</b>	<b>13,535</b>	<b>184,690,704</b>

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**11. LOANS (continued)**

A. Details of loans (continued):

c. By Economic Sector and Collectibility (continued):

	<b>2008</b>					
	Current	Special Mention	Sub- standard	Doubtful	Loss	Total
Rupiah:						
Manufacturing	30,588,663	2,401,266	444,528	78,447	1,528,097	35,041,001
Trading, restaurant and hotel	15,664,496	1,414,353	62,762	112,773	661,534	17,915,918
Business services	16,573,954	637,061	61,643	18,756	186,557	17,477,971
Agriculture	12,700,062	786,569	17,242	3,045	125,410	13,632,328
Construction	9,612,533	1,237,896	19,703	12,690	367,310	11,250,132
Transportation, warehousing and communications	10,426,185	196,731	46,016	162,609	121,871	10,953,412
Social services	2,026,496	128,282	8,386	4,889	9,161	2,177,214
Electricity, gas and water	1,640,298	4,427	27	8	1,110	1,645,870
Mining	920,805	15,515	2,479	402	75,291	1,014,492
Others	21,257,720	2,349,352	77,466	81,738	362,422	24,128,698
<b>Total Rupiah</b>	<b>121,411,212</b>	<b>9,171,452</b>	<b>740,252</b>	<b>475,357</b>	<b>3,438,763</b>	<b>135,237,036</b>
Foreign currencies:						
Manufacturing	8,229,682	5,884,483	259,431	47,540	3,213,561	17,634,697
Mining	7,511,119	147,023	-	-	213,054	7,871,196
Trading, restaurant and hotel	4,440,697	269,659	75,183	21,097	438,825	5,245,461
Construction	1,374,750	97,052	69,896	-	20,647	1,562,345
Agriculture	1,460,770	89,752	-	-	-	1,550,522
Electricity, gas and water	1,231,524	157,316	-	-	-	1,388,840
Business services	1,075,660	5,712	57	-	273,168	1,354,597
Transportation, warehousing and communications	1,167,296	25,740	-	34,336	-	1,227,372
Social services	1,828	-	-	-	-	1,828
Others	1,346,921	71,175	4,231	-	3,213	1,425,540
<b>Total Foreign currencies</b>	<b>27,840,247</b>	<b>6,747,912</b>	<b>408,798</b>	<b>102,973</b>	<b>4,162,468</b>	<b>39,262,398</b>
<b>Total</b>	<b>149,251,459</b>	<b>15,919,364</b>	<b>1,149,050</b>	<b>578,330</b>	<b>7,601,231</b>	<b>174,499,434</b>
Less:						
Deferred income	-	(1,334)	-	-	-	(1,334)
<b>Total</b>	<b>149,251,459</b>	<b>15,918,030</b>	<b>1,149,050</b>	<b>578,330</b>	<b>7,601,231</b>	<b>174,498,100</b>
Less:						
Allowance for possible losses	(1,593,604)	(2,796,702)	(307,510)	(448,414)	(6,714,082)	(11,860,312)
	<b>147,657,855</b>	<b>13,121,328</b>	<b>841,540</b>	<b>129,916</b>	<b>887,149</b>	<b>162,637,788</b>

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**11. LOANS (continued)**

A. Details of loans (continued):

c. By Economic Sector and Collectibility (continued):

	<b>2007</b>					
	<u>Current</u>	<u>Special Mention</u>	<u>Sub- standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
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
<b>Total Rupiah</b>	<u>81,693,736</u>	<u>8,969,612</u>	<u>1,047,306</u>	<u>471,493</u>	<u>4,547,436</u>	<u>96,729,583</u>
Foreign currencies:						
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
<b>Total Foreign currencies</b>	<u>28,960,457</u>	<u>6,961,639</u>	<u>352,988</u>	<u>76,331</u>	<u>5,472,554</u>	<u>41,823,969</u>
<b>Total</b>	<u>110,654,193</u>	<u>15,931,251</u>	<u>1,400,294</u>	<u>547,824</u>	<u>10,019,990</u>	<u>138,553,552</u>
Less:						
Deferred income	(1,398)	(22,074)	-	-	-	(23,472)
<b>Total</b>	<u>110,652,795</u>	<u>15,909,177</u>	<u>1,400,294</u>	<u>547,824</u>	<u>10,019,990</u>	<u>138,530,080</u>
Less:						
Allowance for possible losses	(1,239,540)	(1,866,006)	(164,798)	(240,685)	(9,530,667)	(13,041,696)
<b>Total</b>	<u>109,413,255</u>	<u>14,043,171</u>	<u>1,235,496</u>	<u>307,139</u>	<u>489,323</u>	<u>125,488,384</u>

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**11. LOANS (continued)**

A. Details of loans (continued):

d. By Period:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Less than 1 year	17,721,663	22,104,912	15,611,781
1 - 2 years	14,721,410	13,519,412	11,259,366
2 - 5 years	68,759,914	46,282,191	21,726,578
Over 5 years	<u>64,489,154</u>	<u>53,330,521</u>	<u>48,131,858</u>
Total Rupiah	<u>165,692,141</u>	<u>135,237,036</u>	<u>96,729,583</u>
Foreign currencies:			
Less than 1 year	12,062,156	8,752,766	10,054,544
1 - 2 years	938,894	2,552,266	4,416,986
2 - 5 years	8,381,264	12,384,576	5,292,872
Over 5 years	<u>10,051,774</u>	<u>15,572,790</u>	<u>22,059,567</u>
Total Foreign currencies	<u>31,434,088</u>	<u>39,262,398</u>	<u>41,823,969</u>
Total	197,126,229	174,499,434	138,553,552
Less: Deferred income	<u>-</u>	<u>(1,334)</u>	<u>(23,472)</u>
Total	197,126,229	174,498,100	138,530,080
Less: Allowance for possible losses	<u>(12,435,525)</u>	<u>(11,860,312)</u>	<u>(13,041,696)</u>
	<u><b>184,690,704</b></u>	<u><b>162,637,788</b></u>	<u><b>125,488,384</b></u>

The non-performing loans ratio of Bank Mandiri and Subsidiaries on a gross basis, (before deducting the allowance for possible losses), as at 31 December 2009, 2008 and 2007, was 2.79%, 4.73% and 7.17%, respectively (Bank Mandiri only 2.62%, 4.69% and 7.33%, as at 31 December 2009, 2008 and 2007, respectively) while the non-performing loans ratio of Bank Mandiri and Subsidiaries on a net basis as at 31 December 2009, 2008 and 2007 was 0.42%, 1.09% and 1.51%, respectively (Bank Mandiri only 0.32%, 0.97% and 1.32% as at 31 December 2009, 2008 and 2007, respectively).

The calculation of non-performing loans ratio as at 31 December 2009, 2008 and 2007 is in accordance with Bank Indonesia Circular Letter No. 3/30/DPNP dated 14 December 2001 regarding Quarterly and Monthly Published Report for Commercial Banks and certain reports to Bank Indonesia as amended in Bank Indonesia Circular Letter No. 7/10/DPNP dated 30 March 2005, and the non-performing loans ratio of Bank Mandiri and Subsidiaries is calculated based on total loans excluding loans granted to other banks amounting to Rp1,629,064, Rp2,199,299 and Rp1,612,886, respectively, and after deducted with restructuring losses amounting Rp849,611, Rp1,270,261 and Rp2,615,803, respectively.

Loans balance as at 31 December 2009, 2008 and 2007 included loans purchased from IBRA amounting to Rp157,088, Rp289,292 and Rp495,599, respectively, with an allowance for possible losses of Rp1,571, Rp2,702 and Rp7,299, respectively, and deferred income of RpNil, Rp1,334 and Rp23,472, respectively.

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**11. LOANS (continued)**

B. Other significant information related to loans:

- a. Included in loans are sharia financing receivables granted by Subsidiary amounting to Rp15,952,728, Rp13,132,920 and Rp10,161,283, respectively, as at 31 December 2009, 2008 and 2007 which consisted of:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receivables from <i>Murabahah</i> and <i>Istishna</i>	8,290,462	6,936,699	5,297,679
<i>Musarakah</i> finance receivables	3,256,613	3,582,492	1,997,758
Other sharia finance receivables	<u>4,405,653</u>	<u>2,613,729</u>	<u>2,865,846</u>
	15,952,728	13,132,920	10,161,283
Less: Allowance for possible losses	<u>(806,573)</u>	<u>(573,255)</u>	<u>(334,098)</u>
	<u><b>15,146,155</b></u>	<u><b>12,559,665</b></u>	<u><b>9,827,185</b></u>

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

Average interest rates (yield) per annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	12.80%	11.91%	12.27%
Foreign currencies	6.33%	6.26%	7.11%

Range of profit sharing per annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receivables from <i>Murabahah</i> and <i>Istishna</i>	12.91% - 14.77%	11.68% - 15.79%	12.06% - 14.49%
<i>Musarakah</i> financing receivables	9.28% - 14.62%	5.01% - 22.27%	10.55% - 13.11%
Other sharia financing receivables	13.53% - 15.74%	10.18% - 12.24%	16.12% - 17.87%

- c. Collaterals for Loans

Loans are generally secured by pledged collateral, bind with powers of attorney with the rights to sell, time deposits or other collateral accepted by Bank Mandiri and Subsidiaries.

- d. Government Program Loans

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

- e. Syndicated Loans

Syndicated loans represent loans provided to customers under syndication agreements with other banks. Bank Mandiri's share as the facility agent in syndicated loans ranged from 19.43% up to 80.29%, 4.00% up to 64.99% and 4.50% up to 73.40% of the total syndicated loans as at 31 December 2009, 2008 and 2007, respectively. Bank Mandiri's share as a member in syndicated loans ranged from 0.36% up to 38.54%, 0.40% up to 56.29% and 0.07% up to 73.85%, of the total syndicated loans as at 31 December 2009, 2008 and 2007, respectively.

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**11. LOANS (continued)**

B. Other significant information related to loans (continued):

f. Restructured Loans

Below is the type and amount of restructured loans as at 31 December 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Extension of loan maturity dates	6,763,903	8,019,030	11,366,342
Extension of loan maturity dates and reduction of interest rates	309,581	4,486,039	5,176,258
Long-term loans with options to convert debt to equity	189,291	380,232	1,533,249
Additional loan facilities	294,560	1,321,951	31,212
Extension of loan maturity dates and other restructuring schemes *)	<u>9,546,260</u>	<u>2,353,136</u>	<u>2,537,865</u>
	<b><u>17,103,595</u></b>	<b><u>16,560,388</u></b>	<b><u>20,644,926</u></b>

\*) Other restructuring schemes mainly involve 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 at 31 December 2009, 2008 and 2007 amounted to Rp1,222,696, Rp2,958,551 and Rp5,448,259, respectively.

g. Loans to Related Parties (Note 48a)

Loans to related parties as at 31 December 2009, 2008 and 2007 amounted to Rp638,057, Rp641,263 and Rp783,078 or 0.16%, 0.18% and 0.24% of total consolidated assets, respectively.

Loans to related parties include loans to Bank Mandiri employees. The loans to Bank Mandiri employees consist of interest-bearing loans at 4.00% per annum which are intended for the acquisition of vehicles and/or houses, and are repayable within 1 (one) to 15 (fifteen) years through monthly payroll deductions.

h. Legal Lending Limit (LLL)

As at 31 December 2009, 2008 and 2007, there are no breach and violation of Legal Lending Limit to related parties and third parties as required by Bank Indonesia Regulations.

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

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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	11,860,312	13,041,696	14,388,695
Allowance during the year (Note 37)	1,539,817	2,299,377	2,247,854
Loan recoveries	2,299,144	2,343,228	1,546,272
Write-offs	(2,279,542)	(5,609,911)	(5,336,005)
Others *)	<u>(984,206)</u>	<u>(214,078)</u>	<u>194,880</u>
Balance at end of year	<b><u>12,435,525</u></b>	<b><u>11,860,312</u></b>	<b><u>13,041,696</u></b>

\*) Includes effect of foreign currency translation.

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**11. LOANS (continued)**

B. Other significant information related to loans (continued):

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

As explained in Note 2r, an allowance for possible loan losses is provided based on the review and evaluation of the collectibility and realisable value of the respective loan balances at the balance sheet date. In determining the amount of allowance for possible losses, Bank Mandiri follows Bank Indonesia regulations on Allowances for Possible Losses on Earning Assets.

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

k. Summary of non-performing loans based on economic sector before deducted by deferred income and related allowances for possible losses is as follows:

	<b>Non-performing Loans</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Rupiah:			
Manufacturing	659,765	2,051,072	2,926,463
Trading, restaurant and hotel	766,237	837,069	705,843
Business services	353,220	266,956	689,076
Others	1,916,838	1,499,275	1,744,853
Total Rupiah	<u>3,696,060</u>	<u>4,654,372</u>	<u>6,066,235</u>
Foreign currencies:			
Manufacturing	1,735,241	3,520,532	4,526,950
Trading, restaurant and hotel	408,747	535,105	314,064
Business services	235,500	273,225	352,295
Others	125,135	345,377	708,564
Total Foreign currencies	<u>2,504,623</u>	<u>4,674,239</u>	<u>5,901,873</u>
	<u><b>6,200,683</b></u>	<u><b>9,328,611</b></u>	<u><b>11,968,108</b></u>

Total minimum allowance for possible losses based on Bank Indonesia's Regulation is as follows:

	<b>Minimum Allowance for Possible Losses</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Rupiah:			
Manufacturing	596,439	1,508,295	2,200,971
Trading, restaurant and hotel	617,966	605,974	499,445
Business services	295,735	170,280	526,069
Others	1,350,480	1,096,683	1,243,708
Total Rupiah	<u>2,860,620</u>	<u>3,381,232</u>	<u>4,470,193</u>
Foreign currencies:			
Manufacturing	1,550,762	2,790,245	4,190,100
Trading, restaurant and hotel	384,394	394,241	243,216
Business services	235,499	216,639	326,013
Others	102,096	273,733	630,027
Total Foreign currencies	<u>2,272,751</u>	<u>3,674,858</u>	<u>5,389,356</u>
	<u><b>5,133,371</b></u>	<u><b>7,056,090</b></u>	<u><b>9,859,549</b></u>

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**11. LOANS (continued)**

B. Other significant information related to loans (continued):

I. Write-off of "Loss" category Loans

For the year ended 31 December 2009, 2008 and 2007, Bank Mandiri write-off loans in the "loss" category of Rp2,223,520, Rp5,507,168 and Rp5,118,510 (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 100.00% provision from the loan principal;
- c. Collection and recovery efforts have been performed, but the results are unsuccessful;
- d. The debtors' business has no prospect or performance is bad or they do not have the ability to repay the loan; and
- e. The write-offs are performed for all loan obligations, including non cash loan facilities, and the write-offs shall not be written-off partially.

The write-off of loans in the "loss" category does not eliminate the right to collect and, hence are still to be pursued for collection continuously.

- m. Written-off loans are recorded in extra-comtable. The Bank still continues pursuing for collection for the written off loans. These loans are not reflected in the balance sheet of the Bank. A summary of movements of extra-comtable loans for the years ended 31 December 2009, 2008 and 2007 are as follows (Bank only):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	34,510,621	28,858,375	24,758,452
Write-offs	2,223,520	5,507,168	5,118,510
Recoveries	(2,263,728)	(2,308,856)	(1,531,342)
Others *)	(1,860,496)	2,453,934	512,755
Balance at end of year	<u>32,609,917</u>	<u>34,510,621</u>	<u>28,858,375</u>

\*) Includes effect of foreign currency translation.

n. Loans Purchased from IBRA

Based on Bank Indonesia Letter No. 9/58/DPN/IDPnP dated 16 February 2007 to the Bank, the Bank can maintain the loans purchased from IBRA that have been held for five years after purchased, as long as it is classified as current based on business prospect, performance and debtor's ability to repay in accordance with Bank Indonesia Regulation related to Earning Assets Quality. Based on Bank Indonesia Letter No. 10/28/DPB1 dated 24 January 2008, the performing loans consist of loan with collectibility 1 (current) and 2 (special mention).

Period from 1 January to 31 December 2009, 2008 and 2007

In addition to the allowance for possible loan losses and deferred income, the Bank provided an additional allowance for possible losses on IBRA loans amounted to Rp1,571, Rp2,702 and Rp7,299 as at 31 December 2009, 2008 and 2007, respectively.

All of the outstanding principal balance of IBRA loans amounting to Rp157,088, Rp289,292 and Rp495,599 as at 31 December 2009, 2008 and 2007, respectively, was covered by new credit agreements.

No additional facilities to debtors of loans purchased from IBRA for the year ended 31 December 2009, 2008 and 2007.

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**11. LOANS (continued)**

B. Other significant information related to loans (continued):

n. Loans Purchase from IBRA (continued)

Period from 1 January to 31 December 2009, 2008 and 2007 (continued)

Total interest and other income (up-front fees, restructuring and provision fees) received related to loans purchased from IBRA for the year ended 31 December 2009, 2008 and 2007 was RpNil, Rp35,840 and Rp 497,270, respectively.

Below are the movements of principal, allowance for possible loan losses and deferred income on loans purchased from IBRA for the years ended 31 December 2009, 2008 and 2007, which were recorded under loan account:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i>Principal loan</i>			
Balance at beginning of year	289,292	495,599	3,050,488
Repayments during the year	(132,204)	(243,439)	(2,086,164)
Loans written-off during the year	-	-	(578,359)
Foreign currency translation effect - net	-	37,132	109,634
<b>Balance at end of year</b>	<b>157,088</b>	<b>289,292</b>	<b>495,599</b>
<i>Deferred income</i>			
Balance at beginning of year	1,334	23,472	86,380
Correction due to receipt over the purchase price	(1,334)	(22,322)	(49,776)
Deferred income utilised for written-offs	-	-	(13,601)
Foreign currency translation effect - net	-	184	469
<b>Balance at end of year</b>	<b>-</b>	<b>1,334</b>	<b>23,472</b>

The collectibility of loans purchased from IBRA as at 31 December 2009, 2008 and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current	157,088	267,062	315,158
Special mention	-	1,972	180,441
Loss	-	20,258	-
	<b>157,088</b>	<b>289,292</b>	<b>495,599</b>

- o. Loans channelled through direct financing (executing) and joint financing mechanism as at 31 December 2009, 2008 and 2007 were Rp4,372,268, Rp4,289,729 and Rp3,498,877, respectively.

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**12. CONSUMER FINANCING RECEIVABLES**

- a. On 6 February 2009, Bank Mandiri signed a joint financing facility agreement with its subsidiary, PT Mandiri Tunas Finance (a subsidiary since 6 February 2009). The total joint financing facility is Rp2,000,000 with a maturity period until 31 December 2009. The total joint financing facility has increased to Rp3,000,000 and extended until 28 February 2011 based on the amendment of agreement signed on 30 December 2009.

Details of Subsidiaries' consumer financing receivables are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Consumer financing - gross</b>			
Direct financing			
Rupiah	2,914,809	-	-
<b>Less:</b>			
Joint financing (without recourse)			
Rupiah			
Third parties	(39,632)	-	-
Related parties	(1,092,547)	-	-
	<u>(1,132,179)</u>	<u>-</u>	<u>-</u>
<b>Total consumer financing - gross</b>	1,782,630	-	-
<b>Unearned income on consumer financing</b>			
Direct financing			
Rupiah			
Third parties	(540,081)	-	-
<b>Less:</b>			
Joint financing (without recourse)			
Rupiah			
Third parties	3,409	-	-
Related parties	174,430	-	-
	<u>177,839</u>	<u>-</u>	<u>-</u>
<b>Total unearned income on consumer financing</b>	(362,242)	-	-
<b>Total consumer financing receivables</b>	1,420,388	-	-
<b>Allowance for possible losses</b>	(16,343)	-	-
<b>Net</b>	<u>1,404,045</u>	<u>-</u>	<u>-</u>

- b. Details of Subsidiaries' consumer financing receivables by collectibility as at 31 December 2009, 2008 and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current	1,345,457	-	-
Special mention	64,282	-	-
Sub-standard	4,311	-	-
Doubtful	5,524	-	-
Loss	814	-	-
Total	1,420,388	-	-
Less: Allowance for possible losses	(16,343)	-	-
	<u>1,404,045</u>	<u>-</u>	<u>-</u>

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**12. CONSUMER FINANCING RECEIVABLES (continued)**

c. Movements of allowance for possible losses on consumer financing receivables are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning year	13,802	-	-
Allowance during the year (Note 37)	22,525	-	-
Recoveries	5,457	-	-
Write-off	<u>(25,441)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u><b>16,343</b></u>	<u>-</u>	<u>-</u>

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

**13. ACCEPTANCE RECEIVABLES**

a. By Currency, Related Parties and Third Parties:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Receivables from other banks			
Third parties	121,364	8,783	118,195
Receivables from debtors			
Third parties	<u>187,478</u>	<u>85,168</u>	<u>74,688</u>
Total Rupiah	<u>308,842</u>	<u>93,951</u>	<u>192,883</u>
Foreign currencies:			
Receivables from other banks			
Third parties	120,792	78,323	491,475
Receivables from debtors			
Third parties	<u>3,927,139</u>	<u>3,670,093</u>	<u>4,338,877</u>
Total Foreign currencies	<u>4,047,931</u>	<u>3,748,416</u>	<u>4,830,352</u>
Total	4,356,773	3,842,367	5,023,235
Less: Allowance for possible losses	<u>(52,773)</u>	<u>(246,008)</u>	<u>(69,754)</u>
	<u><b>4,304,000</b></u>	<u><b>3,596,359</b></u>	<u><b>4,953,481</b></u>

As at 31 December 2009, 2008 and 2007, there were no acceptance receivables with related party.

b. By Maturity:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Less than 1 month	165,954	89,063	104,358
1 - 3 months	124,895	411	81,246
3 - 6 months	<u>17,993</u>	<u>4,477</u>	<u>7,279</u>
Total Rupiah	<u>308,842</u>	<u>93,951</u>	<u>192,883</u>
Foreign currencies:			
Less than 1 month	1,090,792	3,721,136	1,425,862
1 - 3 months	1,705,214	16,996	2,000,819
3 - 6 months	1,240,472	5,638	1,021,231
6 - 12 months	<u>11,453</u>	<u>4,646</u>	<u>382,440</u>
Total Foreign currencies	<u>4,047,931</u>	<u>3,748,416</u>	<u>4,830,352</u>
Total	4,356,773	3,842,367	5,023,235
Less: Allowance for possible losses	<u>(52,773)</u>	<u>(246,008)</u>	<u>(69,754)</u>
	<u><b>4,304,000</b></u>	<u><b>3,596,359</b></u>	<u><b>4,953,481</b></u>

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**13. ACCEPTANCE RECEIVABLES (continued)**

c. By Collectibility:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current	4,126,632	3,422,193	4,557,947
Special mention	230,141	204,136	464,207
Sub-standard	-	17,474	658
Loss	-	<u>198,564</u>	<u>423</u>
Total	4,356,773	3,842,367	5,023,235
Less: Allowance for possible losses	<u>(52,773)</u>	<u>(246,008)</u>	<u>(69,754)</u>
	<b><u>4,304,000</u></b>	<b><u>3,596,359</u></b>	<b><u>4,953,481</u></b>

d. Movements of Allowance for Possible Losses on Acceptance Receivables:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning year	246,008	69,754	155,223
(Reversal)/allowance during the year (Note 37)	(219,512)	137,045	(96,805)
Others *)	<u>26,277</u>	<u>39,209</u>	<u>11,336</u>
Balance at end of year	<b><u>52,773</u></b>	<b><u>246,008</u></b>	<b><u>69,754</u></b>

\*) Includes effect of foreign currency translation.

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

**14. INVESTMENTS IN SHARES**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Equity method	182,665	153,540	119,933
Cost method	<u>6,289</u>	<u>6,289</u>	<u>78,915</u>
Total	188,954	159,829	198,848
Less: Allowance for possible losses	<u>(2,106)</u>	<u>(1,656)</u>	<u>(73,943)</u>
	<b><u>186,848</u></b>	<b><u>158,173</u></b>	<b><u>124,905</u></b>

The details of investments in shares as at 31 December 2009 were as follows:

<u>Investee Companies</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>	<u>Cost</u>	<u>Accumulated Equity on Net Income</u>	<u>Carrying Amount</u>
<i>Equity Method:</i>					
PT AXA Mandiri Financial Services	Insurance	49.00%	16,761	165,904	182,665
<i>Cost Method:</i>					
Others (each less than Rp3,000)	Various	3.99% -10.00 %	6,289	-	<u>6,289</u>
Total					188,954
Less: Allowance for possible losses					<u>(2,106)</u>
					<b><u>186,848</u></b>

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**14. INVESTMENTS IN SHARES (continued)**

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

The details of investments in shares as at 31 December 2008 were as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity on Net Income	Carrying Amount
<i>Equity Method:</i>					
PT AXA Mandiri Financial Services	Insurance	49.00%	16,761	136,779	153,540
<i>Cost Method:</i>					
Others (each less than Rp3,000)	Various	3.99% - 10.00%	6,289	-	6,289
Total					159,829
Less: Allowance for possible losses					(1,656)
					<b><u>158,173</u></b>

In 2008, temporary investments resulted from loan restructuring through debt to equity conversion (Debt Equity Swap) had been written-off because the Bank has owned the investments for more than 5 (five) years. This is to comply with Bank Indonesia Regulations - PBI No. 7/2/PBI/2005 dated 20 January 2005 regarding Asset Quality Rating for Commercial Banks which has been amended by Bank Indonesia Regulation - PBI No. 11/2/PBI/2009 dated 29 January 2009.

The details of investments in shares as at 31 December 2007 were as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity on Net Income/(Loss)	Carrying Amount
<i>Equity Method:</i>					
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)	-
					<u>119,933</u>
<i>Cost Method:</i>					
Others	Various	3.99% - 59.70%*)	78,915	-	78,915
Total					198,848
Less: Allowance for possible losses					(73,943)
					<b><u>124,905</u></b>

\*) Include temporary investment obtained from Debt to Equity Swap.

b. Investments in shares by collectibility:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current	188,898	159,773	126,168
Loss	56	56	72,680
Total	188,954	159,829	198,848
Less: Allowance for possible losses	(2,106)	(1,656)	(73,943)
	<b><u>186,848</u></b>	<b><u>158,173</u></b>	<b><u>124,905</u></b>

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**14. INVESTMENTS IN SHARES (continued)**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	1,656	73,943	73,625
Allowance during the year (Note 37)	450	339	318
Written-offs	-	(72,626)	-
Balance at end of year	<u>2,106</u>	<u>1,656</u>	<u>73,943</u>

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

**15. FIXED ASSETS**

The details of fixed assets were as follows:

<u>Movements from 1 January 2009 to 31 December 2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications**)</u>	<u>Ending Balance</u>
<i>Cost/Revalued Amount</i>					
<i>Direct ownership</i>					
Land *)	2,761,131	92	(192)	28,487	2,789,518
Buildings *)	1,637,465	148,140	(422)	46,843	1,832,026
Furnitures, fixtures, office equipment and computer equipment/software	4,167,285	168,031	(3,779)	365,154	4,696,691
Vehicles	79,069	12,013	(5,812)	3,678	88,948
Construction in progress	416,690	454,833	-	(449,045)	422,478
Leased assets	3,267	-	-	-	3,267
	<u>9,064,907</u>	<u>783,109</u>	<u>(10,205)</u>	<u>(4,883)</u>	<u>9,832,928</u>
<i>Accumulated Depreciation and Amortisation (Note 42)</i>					
<i>Direct ownership</i>					
Buildings	925,316	82,793	(403)	4,843	1,012,549
Furnitures, fixtures, office equipment and computer equipment/software	3,478,309	355,936	(1,305)	(34,849)	3,798,091
Vehicles	57,069	6,697	(5,781)	(309)	57,676
Leased assets	653	653	-	-	1,306
	<u>4,461,347</u>	<u>446,079</u>	<u>(7,489)</u>	<u>(30,315)</u>	<u>4,869,622</u>
<i>Net book value</i>					
<i>Direct ownership</i>					
Land					2,789,518
Buildings					819,477
Furniture, fixtures, office equipment and computer equipment/software					898,600
Vehicles					31,272
					<u>4,538,867</u>
Construction in progress					422,478
Leased assets					1,961
					<u>4,963,306</u>

\*) The fixed assets were 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 at 31 July 1999. The revaluation increment was recorded prospectively on 18 June 2003 (Note 15a).

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

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**15. FIXED ASSETS (continued)**

Construction in progress as at 31 December 2009 was comprised of:

	<b>Balance</b>
Computers and other hardware that have not been installed	161,017
Product and license – Integrated Banking System	106,049
Office equipment and inventory	102,105
Buildings	49,287
Others	4,020
	<b>422,478</b>

The estimated percentage of completion of construction in progress as at 31 December 2009 for Integrated Banking System agreement was ranging between 97.22% - 98.98%.

Included in the addition of fixed assets during 2009 is a building which was transferred by the Subsidiary (PT Usaha Gedung BDN or UG BDN) in accordance with the Joint Operation agreement (KSO), which states that at the end of KSO agreement, UG BDN will transfer the building to Bank Mandiri. Bank Mandiri recorded the building at fair value of Rp131,640 (Note 45) and depreciate it for 20 years.

<b>Movements from 1 January 2008 to 31 December 2008</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Reclassifications**)</b>	<b>Ending Balance</b>
<i>Cost/Revalued Amount</i>					
<i>Direct ownership</i>					
Land *)	2,710,520	20,817	-	29,794	2,761,131
Buildings *)	1,607,835	14,477	(45,577)	60,730	1,637,465
Furnitures, fixtures, office equipment and computer equipment/software	3,956,361	136,129	(35,697)	110,492	4,167,285
Vehicles	77,025	4,407	(2,363)	-	79,069
Construction in progress	150,903	434,410	-	(168,623)	416,690
Leased assets	-	3,267	-	-	3,267
	8,502,644	613,507	(83,637)	32,393	9,064,907
<i>Accumulated Depreciation and Amortisation (Note 42)</i>					
<i>Direct ownership</i>					
Buildings	887,272	83,297	(45,295)	42	925,316
Furnitures, fixtures, office equipment and computer equipment/software	3,035,079	478,530	(35,300)	-	3,478,309
Vehicles	48,716	10,625	(2,272)	-	57,069
Leased assets	-	653	-	-	653
	3,971,067	573,105	(82,867)	42	4,461,347
<i>Net book value</i>					
<i>Direct ownership</i>					
Land					2,761,131
Buildings					712,149
Furniture, fixtures, office equipment and computer equipment/software					688,976
Vehicles					22,000
					4,184,256
Construction in progress					416,690
Leased assets					2,614
					<b>4,603,560</b>

\*) The fixed assets were 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 at 31 July 1999. The revaluation increment was recorded prospectively on 18 June 2003 (Note 15a).

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

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**15. FIXED ASSETS (continued)**

Construction in progress as at 31 December 2008 was comprised of:

	<b>Balance</b>
Computers and other hardware that has not been installed	297,136
Product and license – Integrated Banking System	78,567
Office equipment and inventory	24,175
Buildings	10,864
Others	5,948
	<b>416,690</b>

The estimated percentage of completion of construction in progress as at 31 December 2008 for Integrated Banking System agreement was ranging between 74.95% - 96.24%.

Certain fixed assets of Bank Syariah Mandiri, a Subsidiary, with net book value of Rp23,576 as at 30 November 2008 are no longer pledged to Bank Indonesia in accordance with the approval from Bank Indonesia on the settlement of subordinated loans with Bank Indonesia amounting to Rp32,000 (Note 30).

<b>Movements from 1 January 2007 to 31 December 2007</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Reclassifications**)</b>	<b>Ending Balance</b>
<i>Cost/Revalued Amount</i>					
<i>Direct ownership</i>					
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
<i>Accumulated Depreciation and Amortisation (Note 42)</i>					
<i>Direct ownership</i>					
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
<i>Net book value</i>					
<i>Direct ownership</i>					
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
					<b>4,531,577</b>

\*) The fixed assets were 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 at 31 July 1999. The revaluation increment was recorded prospectively on 18 June 2003 (Note 15a).

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

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**15. FIXED ASSETS (continued)**

Construction in progress as at 31 December 2007 was comprised of:

	<b>Balance</b>
Computers and other hardware that has not been installed	71,829
Product and license – Integrated Banking System	54,013
Buildings	15,464
Office equipment and inventory	2,602
Others	6,995
	<b>150,903</b>

The estimated percentage of completion of construction in progress as at 31 December 2007 for Integrated Banking System agreement was ranging between 73.77% - 96.24%.

The above deduction of fixed assets include sale of assets with detail as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Book value	(2,716)	(770)	(3,958)
Selling Price	62,978	2,195	7,402
Gain on sale of fixed assets (Note 45)	<b>60,262</b>	<b>1,425</b>	<b>3,444</b>

- a. Based on Ministry of Finance Decree (KMK) No. 211/KMK.03/2003 dated 14 May 2003 and No. S-206/MK.01/2003 dated 21 May 2003, Bank Mandiri has appointed PT Vigers Hagai Sejahtera, a registered appraisal company, to revalue fixed assets of the merged banks (BBD, BDN, Bank Exim and Bapindo) as at 31 July 1999, in relation to the transfer of tax losses and its compensations from taxpayers who transferred their assets to Bank Mandiri.

Based on PT Vigers Hagai Sejahtera's Valuation Report No. Ref-020-IVHS/V/03 dated 26 May 2003, the value of the Bank's fixed assets and the increase in value as at 31 July 1999 were as follows:

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

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

To determine the market value of the revalued fixed assets, the valuation methodology used by PT Vigers Hagai Sejahtera were market data and cost approach.

The results of the revaluation have been approved by the Directorate General of Taxation (Head of Tax Service Office) through its Decision Letter No. Kep-01/WPJ.07/KP.0105/2003 dated 18 June 2003.

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**15. FIXED ASSETS (continued)**

For tax purpose, Bank Mandiri has accounted the results of the revaluation on 18 June 2003 (the approval date from the Directorate General of Taxation), after deducting the fixed assets with the relevant accumulated depreciation for the period of 1 August 1999 until 18 June 2003. The net increment of fixed assets was amounting to Rp3,046,936, which include land, buildings, vehicles, and office equipment. As explained in Note 2s, the Bank adopted the cost model for measurement of fixed assets in accordance with SFAS No. 16 (revised 2007), "Fixed Assets" and reclassified the balance of revaluation increment of fixed assets amounted to Rp3,046,936 as presented in the shareholders' equity in the 2007 consolidated balance sheets to consolidated retained earnings in 2008 (Note 32c).

The recognition of the fixed assets revaluation increment did not have any impact on the Bank's deferred tax balance, as the tax losses used to compensate the fixed assets revaluation increment had never been recognised as deferred tax assets by the Bank.

- b. On 22 February 1990, the Bank signed a Joint Operation agreement (KSO) with PT Pakuwon Jati, where PT Pakuwon Jati will build a shopping center and office tower with 17 storeys and other supporting facilities on land owned by Bank Mandiri, which is located on Jalan Basuki Rachmat No. 2, 4, 6 Surabaya. PT Pakuwon Jati is entitled to use the building for 22 years and at the end of the KSO agreement on 22 March 2012, the ownership of building will be handed over to Bank Mandiri.

On 14 June 1991, the Bank signed a Joint Operation Agreement (KSO) with PT Duta Anggada Realty, in which PT Duta Anggada Realty will build 2 office towers with 32 storeys on the land owned by Bank Mandiri which located at Jalan Jenderal Sudirman lot 53-56, Jakarta. The agreement became effective from 14 June 1991 up to 20 years from the date of the construction was completed, but not longer than 23 years since the construction was completed (the office building will be handed over in June 2014 for the first tower and in June 2016 for the second tower). On the maturity date, PT Duta Anggada Realty will hand over the ownership of the building to Bank Mandiri.

- c. Bank Mandiri and Subsidiaries have insured their fixed assets (excluding land rights, construction in progress and leased assets) to cover potential losses from risk of fire, theft and natural disaster to PT Staco Jasapratama, PT Asuransi Raya, PT Asuransi Dharma Bangsa, PT Asuransi Takaful Umum, PT Asuransi Jasindo Takaful, PT Asuransi Jasa Indonesia, PT Asuransi Tri Pakarta, PT Asuransi Ramayana, PT Asuransi Parolamas, PT Asuransi Wahana Tata, PT Asuransi Purna Arthanugraha, PT Asuransi Bumida Bumiputera, PT Asuransi Raksa Pratikara, PT Asuransi Sinarmas, PT Asuransi Jasatania, PT Asuransi Central Asia, PT Asuransi Bosowa, PT Asuransi Bina Dana Arta, PT Asuransi Dayin Mitra, PT Asuransi Puri Asih, MSIG Insurance (S'pore) Pte. Ltd., British Caymanian Insurance Co. Ltd., Tugu Insurance Co. Ltd., Bank of China Group Insurance Co. Ltd. and HSBC Insurance (Asia) Ltd. with total sum insured of Rp3,448,575 and USD3,727,274.25 (full amount) as at 31 December 2009, Rp1,997,281, USD84,249,506.46 (full amount), SGD2,206,235 (full amount) and HKD3,745,000 (full amount) as at 31 December 2008 and Rp1,849,743 and USD140,874,300.65 (full amount) as at 31 December 2007. Management believes that the above insurance coverage is adequate to cover possible losses that may arise on the assets insured.

Management also believes that there is no impairment as at 31 December 2009, 2008 and 2007.

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**16. OTHER ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Accrued income	1,615,086	2,052,859	1,672,638
Others - net	<u>2,197,179</u>	<u>3,341,275</u>	<u>3,487,895</u>
	<b><u>3,812,265</u></b>	<b><u>5,394,134</u></b>	<b><u>5,160,533</u></b>

*Accrued Income*

Accrued income mainly consist of accrued interest receivables from placements, marketable securities, Government Bonds, loans, accrued fees and commissions.

*Others - net*

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Prepaid expenses	472,973	354,908	274,418
Abandoned properties - net of allowance arising from difference in net realisable value of Rp13,226, Rp21,295 and Rp29,248 as at 31 December 2009, 2008 and 2007	188,628	253,603	304,845
Receivables from customer transactions	459,829	702,656	1,051,707
Repossessed assets - net of allowance arising from difference in net realisable value of Rp10,163, Rp10,451 and Rp10,451 as at 31 December 2009, 2008 and 2007	151,660	186,175	186,953
Prepaid taxes	29,079	9,843	7,043
Others	<u>1,495,436</u>	<u>1,417,213</u>	<u>1,097,260</u>
Total Rupiah	<u>2,797,605</u>	<u>2,924,398</u>	<u>2,922,226</u>
Foreign currencies:			
Prepaid expenses	33,344	22,509	19,800
Receivables from customer transactions	19,585	17,274	15,152
Others	<u>283,267</u>	<u>1,016,669</u>	<u>1,143,355</u>
Total Foreign currencies	<u>336,196</u>	<u>1,056,452</u>	<u>1,178,307</u>
Total	3,133,801	3,980,850	4,100,533
Less: Allowance for possible losses	<u>(936,622)</u>	<u>(639,575)</u>	<u>(612,638)</u>
	<b><u>2,197,179</u></b>	<b><u>3,341,275</u></b>	<b><u>3,487,895</u></b>

Prepaid expenses mostly consist of advance payments relating to housing rental and building maintenance.

Receivables from customer transactions mainly consist of receivable arising from PT Mandiri Sekuritas (Subsidiary) securities transactions.

Others mainly consist of various receivables from transaction with third parties, including clearing transactions, receivable from sale of marketable securities and others.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	639,575	612,638	994,703
Allowance/(reversal) during the year (Note 38)	541,981	(151,530)	(208,072)
Settlement during the year	(33,689)	-	(46,513)
Reclassification during the year	(192,343)	166,521	(133,290)
Written-offs during the year	-	-	(5,076)
Others *)	<u>(18,902)</u>	<u>11,946</u>	<u>10,886</u>
Balance at end of year	<b><u>936,622</u></b>	<b><u>639,575</u></b>	<b><u>612,638</u></b>

\*) Includes effect of foreign currency translation.

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

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**17. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS**

a. By Currency, Related Parties and Third Parties:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Related parties (Note 48a)	205,442	110,273	122,420
Third parties	<u>53,677,015</u>	<u>53,155,575</u>	<u>51,926,055</u>
Total Rupiah	<u>53,882,457</u>	<u>53,265,848</u>	<u>52,048,475</u>
Foreign currencies:			
Related parties (Note 48a)	48,997	5,584	8,102
Third parties	<u>18,765,393</u>	<u>15,815,256</u>	<u>10,249,631</u>
Total foreign currencies	<u>18,814,390</u>	<u>15,820,840</u>	<u>10,257,733</u>
	<u><b>72,696,847</b></u>	<u><b>69,086,688</b></u>	<u><b>62,306,208</b></u>

Included in demand deposits were *wadiah* deposits amounting to Rp2,685,509, Rp1,454,837 and Rp1,631,330 as at 31 December 2009, 2008 and 2007, respectively.

b. Average Interest Rates (Cost of Funds) and Range of Profit Sharing per Annum:

Average interest rates (cost of funds) per annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	3.61%	2.85%	2.65%
Foreign currencies	0.87%	1.35%	1.89%

Range of profit sharing per annum on *wadiah* deposits:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	0.93% - 1.09%	0.94% - 1.04%	0.91% - 1.07%
Foreign currencies	0.23% - 0.99%	0.24% - 1.05%	0.23% - 2.64%

c. As at 31 December 2009, 2008 and 2007, demand deposits pledged as collateral for bank guarantees, loans and trade finance facilities were amounting to Rp1,053,844, Rp813,755 and Rp575,005, respectively.

d. As at 31 December 2009, 2008 and 2007, total demand deposits from related parties were amounting to Rp254,439, Rp115,857 and Rp130,522, respectively or 0.35%, 0.17% and 0.21%, from total demand deposits (Note 48a).

**18. DEPOSITS FROM CUSTOMERS - SAVING DEPOSITS**

a. By Type and Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Mandiri Savings	96,790,186	81,813,970	81,074,229
<i>Mudharabah</i> Savings	7,166,717	5,175,318	3,860,425
Mandiri Haji Savings	<u>178,435</u>	<u>580,367</u>	<u>424,160</u>
	104,135,338	87,569,655	85,358,814
Foreign currencies:			
Mandiri Savings	<u>9,659,673</u>	<u>7,384,357</u>	<u>4,704,743</u>
	<u><b>113,795,011</b></u>	<u><b>94,954,012</b></u>	<u><b>90,063,557</b></u>

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

b. As at 31 December 2009, 2008 and 2007, saving deposits from related parties were amounted to Rp96,573, Rp43,339 and Rp42,844, respectively, or 0.08%, 0.05% and 0.05% from total saving deposits (Note 48a).

c. Average Interest Rates (Cost of Funds) and Profit Sharing per Annum:

Average interest rates (cost of funds) per annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	2.78%	3.12%	3.68%
Foreign currencies	1.69%	2.26%	3.08%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	0.29% - 7.08%	0.29% - 6.83%	0.29% - 6.98%

**19. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS**

a. By Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	117,658,029	103,233,269	78,535,764
Foreign currencies	15,400,494	21,838,083	16,449,494
	<u>133,058,523</u>	<u>125,071,352</u>	<u>94,985,258</u>

b. By Contract Period:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
1 month	80,091,901	77,620,722	64,145,362
3 months	20,982,619	13,114,836	9,060,496
6 months	9,506,384	8,183,506	2,492,026
12 months	6,762,659	4,160,570	1,797,559
Over 12 months	314,466	153,635	1,040,321
Total Rupiah	<u>117,658,029</u>	<u>103,233,269</u>	<u>78,535,764</u>
Foreign currencies:			
1 month	12,955,322	16,803,485	13,686,388
3 months	1,148,967	3,288,342	1,270,383
6 months	1,031,910	1,133,297	875,805
12 months	261,607	609,872	553,542
Over 12 months	2,688	3,087	63,376
Total foreign currencies	<u>15,400,494</u>	<u>21,838,083</u>	<u>16,449,494</u>
	<u>133,058,523</u>	<u>125,071,352</u>	<u>94,985,258</u>

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

c. By Maturity:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Less than 1 month	86,982,523	81,691,067	64,145,362
1 - 3 months	20,885,172	14,266,681	9,060,496
3 - 6 months	5,951,479	2,953,132	2,492,026
6 - 12 months	3,578,552	4,253,649	1,797,559
Over 12 months	<u>260,303</u>	<u>68,740</u>	<u>1,040,321</u>
Total Rupiah	<u>117,658,029</u>	<u>103,233,269</u>	<u>78,535,764</u>
Foreign currencies:			
Less than 1 month	13,357,392	17,658,707	13,686,387
1 - 3 months	1,589,204	2,717,373	1,273,960
3 - 6 months	349,443	1,139,914	870,950
6 - 12 months	102,729	320,635	554,821
Over 12 months	<u>1,726</u>	<u>1,454</u>	<u>63,376</u>
Total foreign currencies	<u>15,400,494</u>	<u>21,838,083</u>	<u>16,449,494</u>
	<u><b>133,058,523</b></u>	<u><b>125,071,352</b></u>	<u><b>94,985,258</b></u>

d. Included in time deposits were unrestricted *mudharabah* investments amounting to Rp9,583,762, Rp7,718,558 and Rp5,171,943 as at 31 December 2009, 2008 and 2007, respectively.

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

Average interest rates (cost of funds) per annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	8.36%	7.56%	7.39%
Foreign currencies	3.06%	3.29%	3.71%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	6.08% - 8.85%	6.09% - 8.54%	6.60% - 8.05%
Foreign currencies	1.91% - 3.00%	2.36% - 3.28%	2.85% - 3.35%

f. As at 31 December 2009, 2008 and 2007, time deposits from related parties were amounting to Rp470,237, Rp313,909 and Rp181,309, respectively, or 0.35%, 0.25% and 0.19% of the total time deposits, respectively (Note 48a).

g. As at 31 December 2009, 2008 and 2007, total time deposits which were pledged as collateral for bank guarantees, loans and trade finance facilities were amounting to Rp7,395,445, Rp6,632,688 and Rp8,330,382, respectively. As at 31 December 2009, 2008 and 2007, the *Mudharabah* time deposit pledged on *Mudharabah* receivables extended by Bank Syariah Mandiri (BSM), a subsidiary were amounting to RpNil, Rp289,996 and RpNil, respectively.

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**20. DEPOSITS FROM OTHER BANKS - DEMAND AND SAVING DEPOSITS**

a. By Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Demand Deposits			
Rupiah	476,584	528,490	1,307,562
Foreign currencies	<u>5,096,728</u>	<u>2,388,645</u>	<u>80,538</u>
Total Demand Deposits	5,573,312	2,917,135	1,388,100
Saving Deposits			
Rupiah	<u>269,257</u>	<u>227,608</u>	<u>248,965</u>
<b>Total Demand and Saving Deposits</b>	<b><u>5,842,569</u></b>	<b><u>3,144,743</u></b>	<b><u>1,637,065</u></b>

Deposits from other banks - demand and saving deposits as at 31 December 2009 and 2008 amounting to Rp5,842,569 and Rp3,144,743 already accounts for the set-off of demand deposit of a financial institution (in liquidation) placed in Bank Mandiri amounting to Rp184 and Rp214 as at 31 December 2009 and 2008, respectively. The demand deposit balance was net-off with Bank Mandiri's placement balance in that financial institution (in liquidation) which classified as loss amounting to Rp209,153 and Rp242,708 as at 31 December 2009 and 2008, respectively (Note 5e).

Included in deposits from other banks - demand deposits are *wadiah* deposits and SIMA amounting to Rp55,664, Rp11,696 and Rp2,512 as at 31 December 2009, 2008 and 2007, respectively.

b. Average Interest Rates (Cost of Funds) and Profit Sharing per Annum:

Average interest rates (cost of funds) per annum:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Demand Deposits			
Rupiah	3.61%	2.85%	2.65%
Foreign currencies	0.87%	1.35%	1.89%
Savings Deposits			
Rupiah	2.78%	3.12%	3.68%

Range of profit sharing per annum on *wadiah* demand deposits:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah	0.93% - 1.09%	0.94% - 1.04%	0.19% - 1.07%
Foreign currencies	0.23% - 0.99%	0.24% - 1.05%	0.23% - 2.64%

c. As at 31 December 2009, 2008 and 2007, deposits from other banks - demand and saving deposits from related parties were amounted to RpNil, Rp1,075 and RpNil, respectively, or Nil, 0.03% and Nil of the total deposits from other banks - demand and saving deposits, respectively (Note 48a).

d. As at 31 December 2009, 2008 and 2007, total demand and saving deposits pledged as collateral for bank guarantees, loan and trade finance facilities amounted to Rp22,749, Rp33,634 and Rp224,286, respectively.

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

a. By Currency:

	2009	2008	2007
Foreign currencies	-	7,588	827,617

Deposits from other banks - inter-bank call money as at 31 December 2009 and 2008 amounting to RpNil and Rp7,588 is presented after set-off of with inter-bank call money of a financial institution (in liquidation) placed in Bank Mandiri amounting to Rp13,866 and Rp16,217 as at 31 December 2009 and 2008, respectively. The inter-bank call money was net-off with Bank Mandiri's placement balance in that financial institution (in liquidation) which classified as loss amounting to Rp209,153 and Rp242,708 as at 31 December 2009 and 2008, respectively (Note 5e).

b. By Remaining Period Until Maturity Date:

	2009	2008	2007
Foreign currencies:			
Less than 1 month	-	7,588	827,617

c. Average Interest Rates (Cost of Funds) per Annum:

	2009	2008	2007
Foreign currencies	-	3.29%	5.42%

d. As at 31 December 2009, 2008 and 2007, there were no inter-bank call money transaction with related party.

**22. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS**

a. By Currency:

	2009	2008	2007
Rupiah	3,890,457	2,763,817	1,724,286
Foreign currencies	1,053,501	1,801,966	1,221,373
	<b>4,943,958</b>	<b>4,565,783</b>	<b>2,945,659</b>

b. By Contract Period:

	2009	2008	2007
Rupiah:			
1 month	3,785,798	2,684,933	1,703,249
3 months	56,022	44,421	7,640
6 months	35,857	12,971	2,300
12 months	12,480	21,192	11,097
Over 12 months	300	300	-
Total Rupiah	3,890,457	2,763,817	1,724,286
Foreign currencies:			
1 month	1,053,501	166,917	1,197,890
6 months	-	1,635,049	23,483
Total foreign currencies	1,053,501	1,801,966	1,221,373
	<b>4,943,958</b>	<b>4,565,783</b>	<b>2,945,659</b>

Included in deposits from other banks - time deposits were unrestricted investment - *mudharabah* investments time deposits amounting to Rp207,640, Rp218,380 and RpNil as at 31 December 2009, 2008 and 2007, respectively.

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**22. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS (continued)**

c. Average Interest Rates (Cost of Funds) and Range of Profit Sharing per Annum:

Average interest rates (cost of funds) per annum:

	2009	2008	2007
Rupiah	8.36%	7.56%	7.39%
Foreign currencies	3.06%	3.29%	3.71%

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

	2009	2008	2007
Rupiah	6.08% - 8.85%	6.09% - 8.54%	6.60% - 8.05%
Foreign currencies	1.91% - 3.00%	2.36% - 3.28%	2.85% - 3.35%

- d. As at 31 December 2009, 2008 and 2007, the Bank had no time deposits from related party banks.
- e. As at 31 December 2009, 2008 and 2007, time deposits from other banks which are frozen and blocked as collateral for bank guarantees, loan and trade finance facilities were amounting to Rp149,906, Rp772,530 and Rp42,079, respectively.
- f. In the second quarter of 2005, the Bank entered into two Callable Parallel Deposit transactions with the Bank's counterpart in relation to sales of Government Bonds. The contract started when the Bank transferred the Government Bonds to counterparty bank and received the proceeds in Rupiah. A portion of the total proceeds amounting to Rp1,268,000 was placed back as deposit to the counterparty bank and subsequently the Bank received US Dollar loan amounting to USD100,000,000 (full amount).

The details of Callable Parallel Deposits contracts are as follows:

Deposit	Effective Date	Maturity Date	Beginning Balance	Ending Balance	Interest Rate
Rupiah	16 May 2005	20 June 2013	634,000	1,493,110 *)	11.17%
United States Dollar	17 May 2005	15 June 2013	USD50 million (full amount)	USD50 million (full amount)	3 months LIBOR + spread
Rupiah	3 June 2005	20 December 2013	634,000	1,540,310 *)	11.00%
United States Dollar	8 June 2005	15 December 2013	USD50 million (full amount)	USD50 million (full amount)	3 months LIBOR + spread

\*) Zero Coupon Deposits

Funds placed as deposit above are resulted from the proceeds of Government Bonds selling to the counterparty bank.

The agreement gave an option to the counterparty bank to early-terminate the transaction by terminating/withdrawing the Rupiah and US Dollar deposits in every redemption date each year. The agreement also required the Bank to provide additional (top-up) Rupiah deposit placement to counterparty bank during the transaction period based on the movement of Rupiah against United States Dollar spot rate.

On 15 June 2006, the Bank exercised the right to early terminate the facility of USD50,000,000 (full amount) with effective date 17 May 2005. On 15 December 2006, the Bank also exercised the right to early terminate the facility of USD50,000,000 (full amount) with effective date 8 June 2005. If the Bank exercised the option, the outstanding placement in Callable Zero Coupon Deposit will not be automatically terminated.

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**22. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS (continued)**

Based on the agreement, the counterparty bank has the right to early terminate the agreement should the unwind events occur, or where Bank fails to top up the Rupiah deposit as required in the agreement.

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

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

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

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

**23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

<b>2009</b>						
<b>Securities</b>	<b>Nominal Value</b>	<b>Commencement Date</b>	<b>Maturity Date</b>	<b>Repurchase Value</b>	<b>Unamortised Interest Expense</b>	<b>Net Value</b>
Government Bonds Rupiah						
Bonds VR0019	355,652	18/05/2005	18/05/2010	316,356	-	316,356
<b>Total</b>	<b>355,652</b>			<b>316,356</b>	<b>-</b>	<b>316,356</b>
<b>2008</b>						
<b>Securities</b>	<b>Nominal Value</b>	<b>Commencement Date</b>	<b>Maturity Date</b>	<b>Repurchase Value</b>	<b>Unamortised Interest Expense</b>	<b>Net Value</b>
Government Bonds Rupiah						
Bonds VR0019	355,652	18/05/2005	18/05/2010	316,356	-	316,356
Bonds VR0017	289,859	04/11/2004	04/11/2009	284,062	-	284,062
Bonds FR0019	231,028	03/11/2004	03/11/2009	285,060	-	285,060
<b>Total</b>	<b>876,539</b>			<b>885,478</b>	<b>-</b>	<b>885,478</b>
Non Government Bonds Rupiah						
Bonds	50,000	05/09/2008	04/03/2009	50,997	350	50,647
ORI 004	26,000	22/09/2008	22/01/2009	24,076	189	23,887
ORI 004	11,000	23/09/2008	23/01/2009	10,602	83	10,519
Bonds	7,000	09/12/2008	02/02/2009	6,335	9	6,326
Bonds	5,000	09/12/2008	02/02/2009	5,102	66	5,036
<b>Total</b>	<b>99,000</b>			<b>97,112</b>	<b>697</b>	<b>96,415</b>
<b>Total</b>	<b>975,539</b>			<b>982,590</b>	<b>697</b>	<b>981,893</b>

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**23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (continued)**

2007						
Securities	Nominal Value	Commencement Date	Maturity Date	Repurchase Value	Unamortised Interest Expense	Net Value
Government Bonds Rupiah						
Bonds VR0013	617,500	07/06/2005	07/01/2008	617,500	-	617,500
Bonds VR0031	669,000	19/12/2007	03/01/2008	602,746	259	602,487
Bonds VR0031	446,000	19/12/2007	03/01/2008	401,829	172	401,657
Bonds VR0019	355,652	18/05/2005	18/05/2010	316,356	-	316,356
Bonds VR0017	289,859	04/11/2004	04/11/2009	284,062	-	284,062
Bonds FR0040, FR0043 and FR0047	283,000	28/12/2007	28/01/2008	297,527	34	297,493
Bonds FR0019	231,028	03/11/2004	03/11/2009	285,060	-	285,060
Bonds FR0020, FR0027 and FR0033	100,000	28/12/2007	11/01/2008	110,021	293	109,728
<b>Total</b>	<b><u>2,992,039</u></b>			<b><u>2,915,101</u></b>	<b><u>758</u></b>	<b><u>2,914,343</u></b>

The Government Bonds sold under repurchase agreement with counterparty banks (serial numbers VR0013, VR0017, FR0019 and VR0019) represents contracts associated with foreign currency funding through cross currency swap transactions with the above counterparties (Note 10). There were no premium or discount recognised from the above contracts.

**24. ACCEPTANCE PAYABLES**

a. By Currency, Related Parties and Third Parties:

	2009	2008	2007
Rupiah:			
Payable to other banks			
Third parties	187,478	85,168	74,688
Payable to debtors			
Third parties	121,364	8,783	118,195
Total Rupiah	308,842	93,951	192,883
Foreign currencies:			
Payable to other banks			
Third parties	3,927,139	3,670,093	4,338,877
Payable to debtors			
Third parties	120,792	78,323	491,475
Total Foreign currencies	4,047,931	3,748,416	4,830,352
	<b><u>4,356,773</u></b>	<b><u>3,842,367</u></b>	<b><u>5,023,235</u></b>

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**24. ACCEPTANCE PAYABLES (continued)**

b. By Maturity:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Less than 1 month	165,954	89,063	104,358
1 - 3 months	124,895	411	81,246
3 - 6 months	<u>17,993</u>	<u>4,477</u>	<u>7,279</u>
Total Rupiah	<u>308,842</u>	<u>93,951</u>	<u>192,883</u>
Foreign currencies:			
Less than 1 month	1,090,792	3,721,136	1,425,862
1 - 3 months	1,705,214	16,996	2,000,819
3 - 6 months	1,240,472	5,638	1,021,231
6 - 12 months	<u>11,453</u>	<u>4,646</u>	<u>382,440</u>
Total Foreign currencies	<u>4,047,931</u>	<u>3,748,416</u>	<u>4,830,352</u>
	<u><b>4,356,773</b></u>	<u><b>3,842,367</b></u>	<u><b>5,023,235</b></u>

**25. MARKETABLE SECURITIES ISSUED**

By Type and Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Mandiri travelers' cheques	622,055	778,639	957,107
Bonds	600,000	-	-
Medium-Term Notes (MTN)	250,000	-	-
<i>Sharia</i> bonds	200,000	200,000	375,000
Short term marketable securities	-	37,400	-
Others	<u>564</u>	<u>564</u>	<u>564</u>
Total Rupiah	<u>1,672,619</u>	<u>1,016,603</u>	<u>1,332,671</u>
Foreign currencies:			
Medium-Term Notes (MTN)	-	-	2,718,796
Total Foreign currencies	<u>-</u>	<u>-</u>	<u>2,718,796</u>
Total	1,672,619	1,016,603	4,051,467
Less:			
Unamortised discount	-	-	(903)
Unamortised issuance cost	<u>(1,605)</u>	<u>-</u>	<u>-</u>
	<u><b>1,671,014</b></u>	<u><b>1,016,603</b></u>	<u><b>4,050,564</b></u>

As at 31 December 2009, 2008 and 2007, the marketable securities issued held by related parties are amounting to RpNil, RpNil and Rp30,000, respectively (Note 48a).

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**25. MARKETABLE SECURITIES ISSUED (continued)**

**Bonds**

On 8 February 2008, PT Tunas Financindo Sarana (since 20 August 2009, changed its name to PT Mandiri Tunas Finance), a subsidiary since 6 February 2009, issued Tunas Financindo Sarana Bonds V Year 2008 with a nominal value of Rp600,000, where the principal will be paid in installments at the maturity date on these following series:

<b>Bonds</b>	<b>Nominal Value</b>	<b>Fixed Interest Rate per Annum</b>	<b>Maturity Date</b>
Series A	350,000	10.00%	27 February 2009
Series B	25,000	10.50%	20 February 2010
Series C	50,000	11.00%	20 February 2011
Series D	175,000	11.25%	20 February 2012

The Tunas Financindo Sarana Bonds V Year 2008 of Series A amounting to Rp350,000 has been fully paid at the maturity date.

On 13 February 2007, PT Tunas Financindo Sarana issued Tunas Financindo Sarana Bonds IV Year 2007 with a nominal value of Rp600,000. The bond's principal installments will be paid at the maturity date on these following series:

<b>Bonds</b>	<b>Nominal Value</b>	<b>Fixed Interest Rate per Annum</b>	<b>Maturity Date</b>
Series A	150,000	10.00%	27 February 2008
Series B	100,000	10.40%	22 February 2009
Series C	350,000	11.00%	22 February 2010

The Tunas Financindo Sarana Bonds IV Year 2007 of Series A amounting to Rp150,000 and Series B amounting to Rp100,000 have been fully paid at their maturity dates.

**Medium Term Notes (MTN)**

Details of MTN are as follows:

Rupiah

**2009**

Type	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount
Medium Term Notes	PT Mandiri Manajemen Investasi	18 November 2011	48	11.60%	<u>250,000</u>
					<b><u>250,000</u></b>

In order to support its consumer financing expansion, on 18 November 2009 PT Mandiri Tunas Finance, a Subsidiary, issued MTN amounting to Rp250,000 to PT Mandiri Manajemen Investasi with a fixed rate interest of 11.60% per annum. This MTN has 2 years period, effective since 18 November 2009 to 18 November 2011.

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**25. MARKETABLE SECURITIES ISSUED (continued)**

Foreign currency

**2007**

Type/ ISIN No	Arranger	Maturity Date	Tenor (months)	Interest Rate Per Annum	Nominal Amount	
					USD (full amount)	Rupiah equivalent
MTN (XS0167272375)	Credit Suisse First Boston (Europe) Ltd., London, UBS Hong Kong and PT Mandiri Sekuritas	22 April 2008	60	7.00%	299,466,824	2,812,892
Less: - Marketable securities issued and held by Bank Mandiri and Subsidiaries					(10,017,641)	(94,096)
- Unamortised discount					289,449,183	2,718,796
					(96,115)	(903)
					<b><u>289,353,068</u></b>	<b><u>2,717,893</u></b>

Bank Mandiri has issued MTN amounting to USD300,000,000 (full amount) with interest of 7.00% per annum at price of 99.482% and with a maturity date of 22 April 2008. The MTN with nominal value of USD300,000,000 (full amount) has been hedged with an interest rate swap instrument. The MTN is presented at fair value as a result of adjustment from the hedging transaction. This MTN matured in April 2008 and has been fully paid amounting to USD300,000,000 (full amount) by the Bank.

**Sharia Bonds**

On 31 October 2003, Bank Syariah Mandiri, a Subsidiary, issued Sharia Bonds *Mudharabah* that has 5 (five) years period, with nominal value Rp200,000 and profit sharing that is paid every 3 (three) months, first profit sharing payment was on 30 January 2004 and matured on 31 October 2008. Quarterly profit sharing paid was taken from margin income of Bank Syariah Mandiri that came from *murabahah* portfolio earned from 1 (one) quarter. The bonds have been fully paid at the maturity.

On 31 January 2007, Bank Syariah Mandiri conducted a limited offering and selling of Subordinated Notes Sharia *Mudharabah* 2007 (Subnotes Bank) with maximum nominal value of Rp200,000. The Subnotes Bank has 10 years tenor with a call option on the fifth year after the issuance date. The indicated *Nisbah* for Subnotes Bank holder is equivalent with 21.93% per annum from profit sharing. The Subnotes Bank's profit sharing is paid quarterly since the issuance date. On 5 April 2007, the Subnotes Bank has been realised for Rp200,000 and will be matured in 2017.

**Short-Term Marketable Securities**

On 6 November 2008 PT Mandiri Sekuritas, a Subsidiary, issued short-term marketable securities with a fixed interest rate of 16.00% per annum, payable monthly commencing since 30 November 2008. The short term marketable securities have nominal value Rp37,400 and issued at par. The short-term marketable securities already matured on 28 February 2009 and has been fully paid.

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**26. FUND BORROWINGS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
(a) The Government of the Republic of Indonesia (Note 48a)	200,000	240,000	280,000
(b) PT Permodalan Nasional Madani (Persero)	180,031	241,974	326,122
(c) Bank Indonesia	135,822	214,337	392,150
(f) Others	<u>610,003</u>	<u>710,000</u>	<u>625,743</u>
	<u>1,125,856</u>	<u>1,406,311</u>	<u>1,624,015</u>
Foreign currencies:			
(d) Direct Off - shore Loans	2,818,500	4,065,700	845,370
(e) Trade financing facilities	<u>-</u>	<u>3,899,497</u>	<u>6,875,676</u>
	<u>2,818,500</u>	<u>7,965,197</u>	<u>7,721,046</u>
	<b><u>3,944,356</u></b>	<b><u>9,371,508</u></b>	<b><u>9,345,061</u></b>

As at 31 December 2009, 2008 and 2007, fund borrowings from related parties amounted to Rp200,000, Rp240,000 and Rp280,000, respectively (Note 48a).

(a) The Government of the Republic of Indonesia

This account represents fund borrowings obtained from The Government of the Republic of Indonesia based on agreement No. KP-022/DP3/2004 dated 14 May 2004 which was amended with agreement No. AMA-7/KP-022/DP3/2004 dated 15 December 2004 and letter No. 5-662/PB.7/2005 dated 13 May 2005 and amendment No. AMA-30/KP-022/DP3/2006 dated 24 August 2006, each of them is regarding amendment of loan agreement between The Government of Republic of Indonesia and PT Bank Mandiri (Persero) Tbk. No. KP-022/DP3/2004 dated 14 May 2004 and the Approval of Amendment of Loan Agreement between The Government of the Republic of Indonesia and Bank Mandiri in relation to the Credit Financing for Small and Micro Businesses. This borrowing is re-lent by Bank Mandiri to the small and micro businesses which procedures, arrangements and requirements of the re-lending program are outlined in the Decision Letter of Ministry of Finance No. 40/KMK.06/2003 dated 29 January 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 20 February 2004. This facility bears interest at 3-months SBI rate which will be determined every three months at 10 March, 10 June, 10 September and 10 December based on the latest SBI auction rate. The repayment of the borrowing will be made in five (5) semi-annual installments and the first installment will be due on 10 December 2007. This facility will mature in December 2019.

(b) PT Permodalan Nasional Madani (Persero)

This account represents fund borrowing obtained from PT Permodalan Nasional Madani (Persero) to Bank Mandiri and Bank Sinar Harapan Bali (BSHB). The outstanding loan balance as at 31 December 2009, 2008 and 2007 for Bank Mandiri are Rp153,507, Rp219,050 and Rp326,122 and for BSHB are Rp26,524, Rp22,924 and RpNil, respectively. These facilities are subjected to interest at 7.00% per annum. The loan terms and installment reflect the terms of the individual loan agreement, that will mature in December 2013. Bank Mandiri re-lent the proceeds to the Members of Primary Cooperation (Kredit Koperasi Primer kepada Anggotanya [KKPA]).

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**26. FUND BORROWINGS (continued)**

(c) Bank Indonesia

This account represents credit liquidity facility obtained from Bank Indonesia (BI), which was re-lent to Bank Mandiri's debtors under the Government Credit Program. The administration 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 17 May 1999 regarding BI, BI Regulation No. 2/3/PBI/2000 dated 1 February 2000 and BI Regulation No. 5/20/PBI/2003 dated 17 September 2003 regarding the Hand-over of Management of Credit Liquidity of Bank Indonesia Under Credit Program. This facility is subject to interest at rates ranging from 3.00% to 9.00% per annum and will mature on various dates up to 2017. The details of this account are as follows:

	2009	2008	2007
Rupiah:			
Loans to the Members of Primary Cooperation (KKPA)	79,701	135,971	285,484
Small-Scale Investment Loans (KIK)	35,968	52,889	74,132
Investment Loans (KI)	20,153	25,477	32,534
	<b>135,822</b>	<b>214,337</b>	<b>392,150</b>

(d) Direct Off-shore Loans

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

	2009	2008	2007
Deutsche Bank International (Asia) Ltd, Singapore	2,818,500	3,270,000	-
Syndication of Oversea - Chinese Banking Corp. Limited, United Overseas Bank Limited, Intesa San Paolo S.P.A., DZ Bank AG Deutsche Zentral - Genossenschaftsbank, Bank Muscat S..A.O.G.	-	599,500	563,580
Sumitomo Mitsui Banking Corporation, Singapore	-	196,200	281,790
	<b>2,818,500</b>	<b>4,065,700</b>	<b>845,370</b>

**Deutsche Bank International (Asia) Limited (DBI), Singapore**

On 27 February 2008, the Bank obtained a loan from the DBI of USD300,000,000 (full amount) (equivalent to Rp2,818,500) with interest rate at a 3-months LIBOR plus a certain margin for the first year. If the loan is extended, the interest rate at the second and third year will be subject to fixed interest rate. This loan has been extended and will mature on 1 February 2011. This loan facility is secured by Government Bonds series VR0019 with a nominal value of Rp3,967,500 (Note 7).

**Oversea - Chinese Banking Corporation Limited, United Overseas Bank Limited, Intesa San Paolo S.P.A., DZ Bank AG Deutsche Zentral - Genossenschaftsbank and Bank Muscat S.A.O.G.**

Based on the amendment of the syndicated credit agreement dated 3 September 2008, the Bank obtained a loan of USD55,000,000 (full amount) with an interest rate of 12-months SIBOR plus a certain margin. This loan had a one-year term and was fully repaid on 10 September 2009.

**Sumitomo Mitsui Banking Corporation, Singapore (Sumitomo)**

On 23 September 1999, the Bank obtained a loan from Sumitomo amounted to USD30,000,000 (full amount). The first and second payments with total amount of USD12,000,000 (full amount) have been made in 2008. This loan has term of ten years and fully repaid on 28 September 2009. This loan is subject to interest rate of 3-months SIBOR plus a certain margin.

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**26. FUND BORROWINGS (continued)**

(e) Trade Financing Facilities

Trade financing facilities represent short-term borrowings with tenors between 180 to 365 days and bear interest at LIBOR or SIBOR plus a certain margin. These borrowings are guaranteed by letters of credit issued by Bank Mandiri. On 31 December 2009, the loans have been fully repaid (Nil balance), while the details of the balance on 31 December 2008 and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Wachovia Bank NA, United States of America	-	708,500	704,475
Bank of New York Mellon, Singapore (formerly Bank of New York)	-	654,000	751,440
ABN AMRO Bank NV, Singapore	-	574,997	610,545
JP Morgan Chase NA, Singapore	-	545,000	939,300
Bank of Nova Scotia, Hong Kong	-	490,500	-
Dresdner Bank, AG, Frankfurt	-	272,500	140,895
Credit Suisse, Zurich	-	218,000	-
Bank of Nova Scotia, Singapore	-	218,000	469,650
Oversea-Chinese Banking Corporation Limited, Singapore	-	218,000	234,825
ING Bank, Singapore	-	-	563,580
Credit Suisse, Singapore	-	-	469,650
Standard Chartered Bank, Singapore	-	-	469,650
Commerzbank AG, Frankfurt	-	-	375,720
DBS Bank, Ltd., Singapore	-	-	281,790
American Express Bank, New York	-	-	281,790
National Bank of Dubai	-	-	234,825
Bank of America, San Francisco	-	-	187,860
DZ Bank AG Deutsche Zentral – Genossenschaftsbank, Singapore	-	-	159,681
	<u>-</u>	<u>3,899,497</u>	<u>6,875,676</u>

(f) Others

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah			
PT Bank Central Asia Tbk.	274,248	-	-
PT Bank Negara Indonesia (Persero) Tbk.	161,469	-	-
PT Bank CIMB Niaga Tbk. (formerly PT Bank Lippo Tbk.)	94,286	150,000	150,000
PT Bank Permata Tbk.	25,000	130,000	170,000
The Hong Kong and Shanghai Banking Corporation Ltd.	25,000	150,000	130,000
PT Bank DBS Indonesia	20,000	90,000	-
PT ANZ Panin Bank	10,000	-	-
PT Panin Bank Tbk.	-	75,000	20,000
Standard Chartered Bank	-	65,000	-
PT Bank International Indonesia Tbk.	-	50,000	150,000
Bank Indonesia	-	-	5,743
	<u>610,003</u>	<u>710,000</u>	<u>625,743</u>

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**26. FUND BORROWINGS (continued)**

(f) Others (continued)

**PT Bank Central Asia Tbk.**

On 7 March 2001, Subsidiary and PT Bank Central Asia Tbk. (BCA) signed a credit agreement where BCA provides a working capital facility. Based on the amended agreement No. 5 dated 24 June 2008, BCA provides installment loan facility amounting to Rp650,000 with an interest rate of 10.75% per annum. The facility will mature in March 2012.

**PT Bank Negara Indonesia (Persero) Tbk.**

On 26 July 2004, Subsidiary and PT Bank Negara Indonesia (Persero) Tbk. (BNI) signed a credit agreement where BNI provides a working capital facility. Based on amended agreement No. 10 dated 2 October 2007, BNI provides several facilities that can be extended with the amount of Rp400,000. On 2 October 2007, the period of this facility was extended until 31 December 2011. The interest rate is determined with fixed interest rate of 11.00% - 13.00% fixed per annum.

**PT Bank CIMB Niaga Tbk. (formerly PT Bank Lippo Tbk.)**

On 13 December 2001, Subsidiary and PT Bank CIMB Niaga Tbk. (formerly PT Bank Lippo Tbk.) (CIMB) signed a credit agreement and based on amended agreement No. 18 dated 12 December 2007, CIMB provides facilities with a limit of Rp100,000. The interest rate is determined based on the applicable interest rate and can vary at any time (on a regular basis or floating). This agreement will mature on 12 December 2010.

**PT Bank Permata Tbk.**

On 19 October 2007, Subsidiary and PT Bank Permata Tbk. (Bank Permata) signed a credit agreement where Bank Permata provides a working capital and foreign exchange line facilities with limits of Rp170,000 and Rp20,000, respectively. The credit agreement has been extended twice, the latest was on 7 October 2009, in which the agreement was extended until 7 October 2010 with decrement in working capital facility to Rp150,000 in total. Based on the agreement, the interest of working capital facilities is at market rate.

**The Hong Kong and Shanghai Banking Corporation Ltd.**

On 22 May 2007, Subsidiary and The Hong Kong and Shanghai Banking Corporation Ltd. (HSBC) signed a credit agreement where HSBC provides a short-term funding facility and exposure risk limit/option facility with limits of Rp175,000 and USD1,000,000 (full amount), respectively. On 18 February 2008, the credit agreement between Subsidiary and HSBC was extended to a short-term funding, revolving loan and exposure risk limit/option transactions facilities with limits of Rp175,000, USD5,000,000 (full amount) and USD1,000,000 (full amount), respectively. In February 2009, this agreement was extended until February 2010. The annual interest rate is 2.50% below interest on bank loan.

**PT Bank DBS Indonesia**

On 20 June 2008, Subsidiary and PT Bank DBS Indonesia (DBS) signed a credit agreement where DBS provides working capital facility (revolving Rupiah facility advances) of Rp150,000 and foreign exchange transactions facilities (uncommitted US Dollar facility) for a maximum of USD20,000,000 (full amount). In June 2009, this facility was extended and valid until June 2010. Based on the agreement, the annual interest rate of the working capital facility is 0.875% above the bank's prime lending rate or interest rate determined at the date of facility drawdown.

As at 31 December 2009, 2008 and 2007, Bank Mandiri and its Subsidiaries have fulfilled all covenants stipulated in the above borrowing agreements.

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Bank guarantees issued (Note 46)	9,806,981	8,129,571	6,422,641
Outstanding irrevocable letters of credit (Note 46)	1,355,911	1,637,447	1,251,848
Standby letters of credit (Note 46)	<u>1,031,113</u>	<u>620,382</u>	<u>469,000</u>
Total Rupiah	<u>12,194,005</u>	<u>10,387,400</u>	<u>8,143,489</u>
Foreign currencies:			
Bank guarantees issued (Note 46)	7,518,273	7,111,788	5,571,489
Outstanding irrevocable letters of credit (Note 46)	6,380,657	3,813,155	6,174,146
Standby letters of credit (Note 46)	<u>3,207,040</u>	<u>3,683,719</u>	<u>2,522,294</u>
Total Foreign currencies	<u>17,105,970</u>	<u>14,608,662</u>	<u>14,267,929</u>
	<u><b>29,299,975</b></u>	<u><b>24,996,062</b></u>	<u><b>22,411,418</b></u>

- b. By Collectibility:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current	28,707,984	24,562,424	21,606,838
Special mention	551,374	370,863	709,154
Sub-standard	29,781	-	6,783
Doubtful	-	25,033	-
Loss	<u>10,836</u>	<u>37,742</u>	<u>88,643</u>
Total	29,299,975	24,996,062	22,411,418
Less: Estimated losses	<u>(329,362)</u>	<u>(316,401)</u>	<u>(469,508)</u>
Commitments and Contingencies - net	<u><b>28,970,613</b></u>	<u><b>24,679,661</b></u>	<u><b>21,941,910</b></u>

- c. Movements of Estimated Losses on Commitments and Contingencies:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	316,401	469,508	514,399
Allowance/(reversal) during the year	37,782	(221,393)	(61,409)
Others *)	<u>(24,821)</u>	<u>68,286</u>	<u>16,518</u>
Balance at end of year	<u><b>329,362</b></u>	<u><b>316,401</b></u>	<u><b>469,508</b></u>

\*) Includes effect of foreign currencies translation.

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

**28. TAXATION**

- a. Taxes payable

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Bank Mandiri			
Income taxes:			
Employee income tax - Article 21	25,084	56,412	43,921
Corporate income tax - Article 25/29	1,540,850	2,865,154	1,022,689
Withholding tax - Article 4 (2)	172,427	208,366	145,591
Others	<u>11,430</u>	<u>10,864</u>	<u>7,204</u>
	1,749,791	3,140,796	1,219,405
Subsidiaries	<u>106,038</u>	<u>33,704</u>	<u>60,993</u>
	<u><b>1,855,829</b></u>	<u><b>3,174,500</b></u>	<u><b>1,280,398</b></u>

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**28. TAXATION (continued)**

**b. Tax expense**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax expense - current year:			
Bank Mandiri	3,271,570	4,551,185	2,552,750
Subsidiaries	<u>208,297</u>	<u>160,709</u>	<u>133,404</u>
	<b><u>3,479,867</u></b>	<b><u>4,711,894</u></b>	<b><u>2,686,154</u></b>
Tax expense/(benefit) - deferred:			
Bank Mandiri	162,544	(1,936,690)	(700,116)
Subsidiaries	<u>(16,825)</u>	<u>(21,960)</u>	<u>(146)</u>
	<b><u>145,719</u></b>	<b><u>(1,958,650)</u></b>	<b><u>(700,262)</u></b>
	<b><u>3,625,586</u></b>	<b><u>2,753,244</u></b>	<b><u>1,985,892</u></b>

As explained in Note 2aa, income tax for Bank Mandiri and its subsidiaries is calculated as a separate legal entity (as for annual tax return purpose, the consolidated income tax calculation is not permitted).

**c. Tax expense - Current year**

The reconciliation between income before tax benefit/(expense) as shown in the consolidated statements of income and income tax calculations and the related current year tax expense for Bank Mandiri and its Subsidiaries are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Consolidated income before tax expense and minority interests	10,824,074	8,068,560	6,333,383
Less: Income before tax expense of Subsidiaries - after elimination	<u>(234,496)</u>	<u>(141,244)</u>	<u>(134,525)</u>
Income before tax expense and minority interests - Bank Mandiri only	10,589,578	7,927,316	6,198,858
Add/(deduct) permanent differences:			
(Non-deductible income)/Non-taxable expenses	(149,385)	189,537	52,436
Losses from Hong Kong branch	2,651	62,367	-
Others	<u>(159,499)</u>	<u>35,465</u>	<u>15,126</u>
Add/(deduct) temporary differences:			
Over provision for personnel expenses	702,782	378,487	506,484
Over provision for losses on loans and write offs	371,164	5,897,248	1,933,422
Over provision of other assets	400,000	-	-
Over/(under) provision for losses arising from legal cases	330,677	14,166	(22,293)
Over/(under) provision for estimated losses on commitments and contingencies	12,676	(154,090)	(44,209)
Over/(under) provision of abandoned properties	150,376	(8,105)	46,110
Over/(under) depreciation of fixed assets	56,012	111,736	(19,684)
Over provision of repossessed assets	92,983	-	-
(Gain)/losses on increase/decrease in market value of marketable securities and Government Bonds	(15,596)	23	14,464
Difference in net realisable value of repossessed assets	(288)	-	23,838
Difference in net realisable value of abandoned properties	(8,069)	(7,952)	486
(Under)/over provision for losses on earning assets other than loans	(600,229)	840,628	(104,899)
Recovery of loans	<u>(91,654)</u>	<u>(116,151)</u>	<u>(90,915)</u>
Estimated taxable income	<b><u>11,684,179</u></b>	<b><u>15,170,675</u></b>	<b><u>8,509,224</u></b>
Estimated tax expense - current year			
Bank Mandiri only	3,271,570	4,551,185	2,552,750
Subsidiaries	<u>208,297</u>	<u>160,709</u>	<u>133,404</u>
<b>Estimated tax expense - current year</b>	<b><u>3,479,867</u></b>	<b><u>4,711,894</u></b>	<b><u>2,686,154</u></b>

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**28. TAXATION (continued)**

**c. Tax expense - Current year (continued)**

The calculation of corporate income tax for the years ended 31 December 2008 and 2007 conforms with Bank Mandiri's annual tax return.

The corporate income tax calculation for the year ended 31 December 2009 is an estimated income tax payable. The Bank has not yet filed its 2009 annual tax returns.

Under the taxation laws of Indonesia, Bank Mandiri and Subsidiaries submit tax returns on the basis of self assessment. The Directorate General of Taxation may assess or amend taxes within 5 (five) years as the time to the tax becomes due.

On 2 September 2008, the Government has enacted amendment to the income tax law with effect from 1 January 2009, that the income tax for Corporation will be set to a fix rate as 28.00% starting in 2009 and further reduced to 25.00% starting 2010. The change in tax rate has resulted to the adjustment in the calculation of deferred tax.

Starting 2009, Bank Mandiri has been recognising written-off loans in the current year as deduction of gross profit by fulfilling three requirements stipulated in the recognition of written-off receivables as deduction of gross income according to UU No. 36 Year 2008.

**d. Tax expense - deferred**

The reconciliation between estimated income tax expense, which calculated using applicable tax rates based on commercial income before tax expense, with estimated income tax as reported in the statements of income for the years ended 31 December 2009, 2008 and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Consolidated income before tax expense and minority interests	10,824,074	8,068,560	6,333,383
Less: Income before tax expense of Subsidiaries after elimination	<u>(234,496)</u>	<u>(141,244)</u>	<u>(134,525)</u>
Income before tax expense and minority interests - Bank Mandiri only	<u>10,589,578</u>	<u>7,927,316</u>	<u>6,198,858</u>
Estimated income tax expense based on applicable tax rates	2,965,081	2,378,177	1,859,640
Increase of deferred tax from changes of tax rates and recognition of temporary differences not yet recognised in prior years	580,442	184,952	-
Tax effect permanent differences:			
Losses from Hong Kong branch	742	18,710	-
(Non-deductible income)/non taxable expenses	(41,828)	56,861	15,731
Others	(44,660)	10,640	4,537
Recovery of loans	<u>(25,663)</u>	<u>(34,845)</u>	<u>(27,274)</u>
	<b><u>469,033</u></b>	<b><u>236,318</u></b>	<b><u>(7,006)</u></b>
Tax expense - Bank Mandiri only	3,434,114	2,614,495	1,852,634
Tax expense - Subsidiaries	<u>191,472</u>	<u>138,749</u>	<u>133,258</u>
Tax expense - consolidated	3,625,586	2,753,244	1,985,892
Less: Current tax expense - consolidated	<u>(3,479,867)</u>	<u>(4,711,894)</u>	<u>(2,686,154)</u>
<b>Deferred tax expenses/(benefit) - consolidated</b>	<b><u>145,719</u></b>	<b><u>(1,958,650)</u></b>	<b><u>(700,262)</u></b>

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**28. TAXATION (continued)**

**e. Deferred tax assets**

Deferred tax arises from temporary differences between book value based on commercial and tax calculation are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Bank Mandiri</b>			
<b>Deferred tax assets:</b>			
Loans write-off	2,894,873	3,605,776	2,276,445
Allowance for possible on loan losses	1,239,895	777,476	429,374
Allowance for personnel expenses	769,586	665,157	599,122
Allowance for possible losses on earning assets other than loans	609,493	872,525	659,274
Estimated losses on commitments and contingencies	81,641	87,889	140,394
Allowance for other assets	100,000	-	-
Allowance for possible losses arising from legal cases- net of provision for deferred tax asset of Rp24,253 and Rp38,926 for the years ended 31 December 2008 and 2007	105,056	25,073	22,614
Unrealised losses for marketable securities and Government Bonds (available for sale)	86,947	66,233	1,521
Allowance for abandoned properties	47,095	10,641	13,833
Allowance for repossessed assets	29,205	6,675	7,150
Accumulated losses arising from difference in net realisable value of abandoned properties	3,306	5,963	8,774
Accumulated losses arising from difference in net realisable value of repossessed assets	<u>2,541</u>	<u>2,926</u>	<u>3,135</u>
Deferred tax assets	5,969,638	6,126,334	4,161,636
<b>Deferred tax liabilities:</b>			
Net book value of fixed assets	(25,697)	(44,464)	(81,161)
Mark to market of marketable securities	<u>(3,899)</u>	<u>-</u>	<u>(7)</u>
Net deferred tax assets - Bank Mandiri only	5,940,042	6,081,870	4,080,468
Net deferred tax assets - Subsidiaries	<u>74,043</u>	<u>42,049</u>	<u>15,979</u>
<b>Total consolidated deferred tax assets - net</b>	<b><u>6,014,085</u></b>	<b><u>6,123,919</u></b>	<b><u>4,096,447</u></b>

Deferred tax assets are calculated using applicable tax rate or substantially enacted tax rate at balance sheet dates.

Management believes that it is possible that future taxable income will be available against the temporary difference, which results in deferred tax assets, can be utilised.

**29. OTHER LIABILITIES**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Accrued bonus, employee incentives, leave and yearly allowance (THR)	1,066,838	775,927	647,930
Provision for post employment benefits (Note 43)	1,044,505	925,002	784,938
Provision for free of service period facilities (Note 43)	973,347	794,159	655,489
Payable to customer	516,897	483,824	557,822
Allowance for possible losses on legal cases (Note 57c)	494,200	157,560	204,611
Guarantee deposits	493,899	466,130	527,347
Deferred income	377,442	368,933	351,257
Others	<u>2,566,160</u>	<u>1,897,308</u>	<u>2,681,784</u>
Total Rupiah	<u>7,533,288</u>	<u>5,868,843</u>	<u>6,411,178</u>

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**29. OTHER LIABILITIES (continued)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Foreign currencies:			
Guarantee deposits	537,120	440,451	565,340
Deferred income	148,856	198,791	199,043
Allowance for possible losses on legal cases (Note 57c)	20,166	18,756	1,131
Obligation under capital lease	1,008	2,248	-
Others	<u>892,148</u>	<u>1,470,279</u>	<u>2,447,339</u>
Total foreign currencies	<u>1,599,298</u>	<u>2,130,525</u>	<u>3,212,853</u>
	<b><u>9,132,586</u></b>	<b><u>7,999,368</u></b>	<b><u>9,624,031</u></b>

As at 31 December 2009, others mainly consist of accruals in relation to Bank's operational cost amounted to Rp702,402 (2008: Rp458,480 and 2007: Rp428,770) and payment related to ATM and credit card transaction amounted to Rp288,998 (2008: Rp595,089 and 2007: Rp966,750).

Movements of allowance for possible losses on legal cases for the years ended 31 December 2009, 2008 and 2007 were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	176,316	205,742	316,227
Allowance/(reversal) during the year (Note 38)	340,707	(31,133)	(106,619)
Others *)	<u>(2,657)</u>	<u>1,707</u>	<u>(3,866)</u>
Balance at end of year	<b><u>514,366</u></b>	<b><u>176,316</u></b>	<b><u>205,742</u></b>

\*) Includes effect of foreign currency translation.

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

**30. SUBORDINATED LOANS**

By Type and Currency:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rupiah:			
Two-Step Loans (TSL)			
(a) Nordic Investment Bank (NIB)	159,784	181,089	213,724
(b) ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF)	45,504	58,505	71,506
(c) ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ)	-	562	1,687
(d) Asian Development Bank (ADB)	<u>-</u>	<u>-</u>	<u>688</u>
	205,288	240,156	287,605
Bank Indonesia	2,319,559	2,366,859	2,423,859
Subordinated Bond Rupiah Bank Mandiri I	<u>3,500,000</u>	<u>-</u>	<u>-</u>
Total Rupiah	<u>6,024,847</u>	<u>2,607,015</u>	<u>2,711,464</u>
Foreign currencies:			
(d) Two-Step Loans - Asian Development Bank (ADB)	192,221	229,635	203,864
(e) Two-Step Loans - Kreditanstalt fur Wiederaufbau, Frankfurt (KfW)	<u>-</u>	<u>-</u>	<u>19,947</u>
Total Foreign currencies	<u>192,221</u>	<u>229,635</u>	<u>223,811</u>
	<b><u>6,217,068</u></b>	<b><u>2,836,650</u></b>	<b><u>2,935,275</u></b>

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**30. SUBORDINATED LOANS (continued)**

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

(a) Nordic Investment Bank (NIB)

This account represents a credit facility obtained from NIB to 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:

<u>Credit Facility</u>	<u>Purpose</u>	<u>Repayment Period</u>
Nordic Investment Bank IV	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	15 April 1997 – 28 February 2017 with the 1 <sup>st</sup> installment on 31 August 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.	4 August 1993 – 15 August 2008 with the 1 <sup>st</sup> installment on 15 February 1999.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
(a) Nordic Investment Bank IV (NIB IV)	159,784	181,089	202,394
(b) Nordic Investment Bank III (NIB III)	-	-	11,330
	<u>159,784</u>	<u>181,089</u>	<u>213,724</u>

The interest rates 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 of three months Certificate of Bank Indonesia for the past six months.

The Bank has settled NIB III loan facility on 15 August 2008.

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

This account represents a credit facility obtained from AJDF-OECF to 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 several projects in Indonesia. The details of these facilities are as follows:

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

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**30. SUBORDINATED LOANS (continued)**

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

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
(a) Pollution Abatement Equipment Program (PAE)	44,048	56,633	69,218
(b) Small Scale Industry (SSI)	1,456	1,872	2,288
	<u>45,504</u>	<u>58,505</u>	<u>71,506</u>

The drawdown on the above AJDF-OECF facilities are repayable within twenty years after the first drawdown (inclusive of a 5 year grace period), repay in 30 (thirty) semi-annual installments starting on 15 August 1998 to 15 February 2013.

The PAE facility is subject to a variable interest rate determined every 6 (six) months based on the prevailing average interest rate for the past six months of the three months Certificates of Bank Indonesia, less 5.00% per annum.

The SSI facility is subject to a variable interest rate determined every six months based on the prevailing average interest rate of three-months Certificates of Bank Indonesia for the past six months, less 2.50% per annum.

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

This account represents a credit facility obtained from the AJDF-EBJ to 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 amounted to Rp9,560 are repayable within 15 years after the first drawdown (inclusive of three years grace period), with the first installment starting on 15 December 1997.

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

The Bank has fully repaid the AJDF – EBJ loan facility on 15 June 2009.

(d) Asian Development Bank (ADB)

This account represents credit facilities from the ADB to 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 several projects in Indonesia. The details of these facilities are as follows:

<u>Credit Facility</u>	<u>Purpose</u>	<u>Repayment Period</u>
ADB 1327-INO (SF)	To finance Micro Credit Project.	15 January 2005 - 15 July 2029 with 1 <sup>st</sup> installment on 15 January 2005
ADB Perkebunan Nusantara XII and Nescoco Inti	To finance Government projects in plantation industry.	15 February 1989 - 15 September 2008 with 1 <sup>st</sup> installment on 15 March 1995

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**30. SUBORDINATED LOANS (continued)**

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

(d) Asian Development Bank (ADB) (continued)

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
(a) ADB Loan 1327 - INO	192,221	229,635	203,864
(b) ADB Perkebunan Nusantara XII and Nescoco Inti	-	-	688
	<u>192,221</u>	<u>229,635</u>	<u>204,552</u>

The Ministry of Finance of the Republic of Indonesia through its letter No. S-596/MK.6/2004 dated 12 July 2004, has approved the transfer of Micro Credit Project of ADB loans No. 1327-INO (SF) from Bank Indonesia to Bank Mandiri. With that approval, an amendment was made on the channeling loan No. SLA-805/DP3/1995 dated 27 April 1995, which was revised by amendment No. AMA-287/SLA-805/DP3/2003 dated 22 April 2003, between 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 16 July 2004.

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

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

The Bank has settled the loan facility of ADB for Perkebunan Nusantara XII and Nescoco Inti on 15 September 2008.

(e) 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 between buyers domiciled in Indonesia and exporters domiciled in the Federal Republic of Germany.

Prior to importing supplies from Germany, the buyer shall sign an Individual Loan Agreement (ILA) with approval from BI, KfW and the Government of the Republic of Indonesia. The financing shall be limited to an amount of up to 85.00% 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 credit element would be DM300,000 (full amount).

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**30. SUBORDINATED LOANS (continued)**

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

(e) Kreditanstalt fur Wiederaufbau (KfW) (continued)

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

- The loan tenor shall be five years, exclusive of a six-months grace period, since the signing date of ILA, which can be extended for up to eight or ten years depending upon each ILA.
- The loan principal repayment shall be made in ten installments on every 15 June and 15 December 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 loans withdrawal of ILA, including Bank Indonesia's fees of 0.15%, net of tax, which shall be paid semi-annually every 15 June and 15 December.
- 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 2.00% per annum above the interest rate as explained in point three above will be changed in the event of late payment.

Credit facility granted by KfW to the Government of the Republic of Indonesia through BI and pass through to Bank Mandiri in the 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 relation with the import of equipment for the modernisation of a Hot Strip Mill, Roughing Mill Motor and Stand F4 Rear Motor Drivers System and related services from Siemens AG, Erlangen, Germany, to PT Krakatau Steel (Persero) which has entered into two ILAs with BI and KfW, as follows:

Loan No.	Facility (full amount)	Used Facility (full amount)	2007		Repayment Period
			Balance		
			Original Currency (full amount)	Rupiah Equivalent	
F3137/1	EUR7,859,450	EUR7,215,734	EUR1,443,147	19,947	13 January 2000 – 15 December 2008 with 1 <sup>st</sup> installment on 30 August 2002, which was extended to 31 May 2004. Repayments are due in ten equal installments. Last installment is on 15 December 2008.
F3137/2	EUR3,917,911	EUR3,917,911	-	-	3 March 2000 – 15 June 2006 with 1 <sup>st</sup> installment on 31 December 2001. Repayments are due in ten equal installments.
<b>Total</b>	<b>EUR11,777,361</b>	<b>EUR11,133,645</b>	<b>EUR1,443,147</b>	<b>19,947</b>	

In accordance with the agreement, loan number F3137/2 and F3137/1 were settled on 15 June 2006 and 15 December 2008, respectively.

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**30. SUBORDINATED LOANS (continued)**

**Bank Indonesia**

This account represents loans arising from the conversion of Bank Indonesia's credit liquidity which is used to enhance the capital structure of PT Bank Dagang Negara (BDN), PT Bank Pembangunan Indonesia (Persero) (Bapindo) and PT Bank Syariah Mandiri (BSM) (a subsidiary). BDN and Bapindo are the ex-legacy of the Bank.

The details of this facility as at 31 December 2009, 2008 and 2007 are as follows:

<b>Bank</b>	<b>Term of Loan</b>	<b>2009 Amount</b>	<b>2008 Amount</b>	<b>2007 Amount</b>	<b>Interest Rate</b>
PT Bank Mandiri (Persero) Tbk.	30 November 2004 - 31 March 2014 with 1 <sup>st</sup> installment on 30 November 2004.	2,319,559	2,366,859	2,391,859	0.20% per annum
PT Bank Syariah Mandiri (BSM)	31 January 1994 - 30 November 2008.	-	-	32,000	Paid quarterly at 6.00% per annum
		<u>2,319,559</u>	<u>2,366,859</u>	<u>2,423,859</u>	

Bank Indonesia agreed to restructure the subordinated loans of BDN amounting to Rp736,859 and from Bapindo (previously recorded as Loan Capital) amounting to Rp1,755,000 as stated in Bank Indonesia Letter No. 6/360/BKR dated 23 November 2004 regarding the Restructuring of Subordinated Loans. Under the restructuring, the subordinated loans of both ex-legacies are combined in the amount of Rp2,491,859, with a repayment period of eleven years from 2004 to 2014. The restructured loan bears interest at the rate of 0.20% per annum which is calculated on the remaining balance. The restructuring of the subordinated loans was legalised in the notarial deed of Restructuring Agreement of Subordinated Loan No. 4 dated 7 December 2004 by Notary Ratih Gondokusumo Siswono, S.H. in Jakarta.

As stated in the letter from Bank Indonesia No. 6/130i/DPbS dated 26 November 2004 regarding the settlement of the subordinated loan to BSM, Bank Indonesia agreed to the proposal from BSM to fully repay the subordinated loan amounting to Rp32,000 on 30 November 2008. For this purpose, BSM pledged fixed assets as a collateral (Note 15). Subordinated loan to BSM bears interest of 6.00% per annum and is repaid in quarterly installment. The subordinated loans have been fully repaid on 30 November 2008.

**Subordinated Bond Rupiah Bank Mandiri I 2009**

In order to strengthen the capital structure and support loan expansion, on 14 December 2009 Bank Mandiri has issued Subordinated Bond Rupiah Bank Mandiri I 2009 amounting to Rp3,500,000. The proceeds from the issuance of Subordinated bond is treated as lower tier 2 capital in accordance with regulation of Bank Indonesia.

The Bond has obtained an approval from Bank Indonesia through the letter No. 11/III/DPB1/TPB1-1 dated 14 December 2009 and has been declared effective through the letter of Chairman of the Capital Market & Financial Institutions Supervisory Agency (Bapepam-LK) No. S-10414/BL/2009 dated 3 December 2009.

The bond is listed on the Indonesia Stock Exchange on 14 December 2009, in accordance with the announcement of listing from Bursa Efek Indonesia on 11 December 2009. The bond has tenor of seven years and will mature on 11 December 2016, with a fixed coupon rate of 11.85% per annum and issued as scripless trading. As at 31 December 2009, the rating of the bonds based on Pefindo was idAA+ (double A plus).

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

This account represents minority interests in net assets of subsidiaries:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Mandiri Tunas Finance	160,108	-	-
Bank Sinar Harapan Bali	22,565	21,725	-
Bumi Daya Plaza	5,717	5,236	5,126
Usaha Gedung Bank Dagang Negara	1,048	1,058	1,173
Mandiri Sekuritas	56	50	47
	<u>189,494</u>	<u>28,069</u>	<u>6,346</u>

**32. SHARE CAPITAL**

**a. Authorised, Issued and Fully Paid-in Capital**

The Bank's authorised, issued and fully paid-in capital as at 31 December 2009, 2008 and 2007 was as follows:

	<b>2009</b>			
	Number of Shares	Nominal Value Per Share (full amount)	Share Value (full amount)	Percentage of Ownership
<b>Authorised Capital</b>				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	31,999,999,999	500	15,999,999,999,500	100.00%
<b>Total Authorised Capital</b>	<u>32,000,000,000</u>	<u>500</u>	<u>16,000,000,000,000</u>	<u>100.00%</u>
<b>Issued and Fully Paid-in Capital</b>				
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	66.76%
Public (less than 5 % each)				
- Common Shares B Series	6,970,116,805	500	3,485,058,402,500	33.24%
<b>Total Issued and Fully Paid-in Capital</b>	<u>20,970,116,805</u>	<u>500</u>	<u>10,485,058,402,500</u>	<u>100.00%</u>
	<b>2008</b>			
	Number of Shares	Nominal Value Per Share (full amount)	Share Value (full amount)	Percentage of Ownership
<b>Authorised Capital</b>				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	31,999,999,999	500	15,999,999,999,500	100.00%
<b>Total Authorised Capital</b>	<u>32,000,000,000</u>	<u>500</u>	<u>16,000,000,000,000</u>	<u>100.00%</u>
<b>Issued and Fully Paid-in Capital</b>				
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	66.97%
Public (less than 5 % each)				
- Common Shares B Series	6,905,647,788	500	3,452,823,894,000	33.03%
<b>Total Issued and Fully Paid-in Capital</b>	<u>20,905,647,788</u>	<u>500</u>	<u>10,452,823,894,000</u>	<u>100.00%</u>

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**32. SHARE CAPITAL (continued)**

**a. Authorised, Issued and Fully Paid-in Capital (continued)**

	<b>2007</b>			Percentage of Ownership
	Number of Shares	Nominal Value Per Share (full amount)	Share Value (full amount)	
<b>Authorised Capital</b>				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	31,999,999,999	500	15,999,999,999,500	100.00%
<b>Total Authorised Capital</b>	<b>32,000,000,000</b>	<b>500</b>	<b>16,000,000,000,000</b>	<b>100.00%</b>
<b>Issued and Fully Paid-in Capital</b>				
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%
<b>Total Issued and Fully Paid-in Capital</b>	<b>20,749,551,742</b>	<b>500</b>	<b>10,374,775,871,000</b>	<b>100.00%</b>

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

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

1. Cash payment through Bank Indonesia amounting to Rp1,600,004.
2. Placements in shares 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 Shareholders' Meetings of the Merged Banks. Based on the agreement ("*inbreng*") notarised by Deed No. 9 of Sutjipto, S.H. dated 2 October 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 by virtue of Notarial Deed No. 98 of Sutjipto, S.H. dated 24 July 1999, the shareholders resolved to increase the paid-in capital (share capital) of Bank Mandiri from Rp4,000,000 to Rp4,251,000 to be entirely paid by the Government of the Republic of Indonesia. The increase of Rp251,000 was a conversion from additional paid-in capital to share capital as a result from the excess of recapitalisation bonds under the 1<sup>st</sup> Recapitalisation Program as per Government Regulation No. 52/1999.

Based on the Extraordinary General Shareholders' Meeting resolution dated 29 May 2003, which was documented in Notarial Deed No. 142 of Sutjipto, S.H., dated 29 May 2003, the shareholders approved these following matters:

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

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**32. SHARE CAPITAL (continued)**

**a. Authorised, Issued and Fully Paid-in Capital (continued)**

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

In relation to the change in capital structure Bank Mandiri, the Extraordinary Shareholders' Meeting also approved the allocation on part of Recapitalisation Fund amounting to Rp168,801,315 as Agio.

The above changes in capital structure became effective since 23 May 2003, with the conditional requirement that the Bank should conduct a quasi-reorganisation before the end of 2003 as required the General Shareholders Meeting.

The Dwiwarna share A Series represents a share owned by the Republic of Indonesia, which is not transferrable. It provides the Republic of Indonesia with the privileges where General Shareholders' Meeting can make decision only if the Dwiwarna A Series Shareholders attend and approve certain agendas.

Several General Shareholders' Meeting agendas are mandatory attended and approved by the Dwiwarna A Series Shareholders to be decided General Shareholders' Meeting agendas regarding:

1. Increases in capital.
2. Appointment of the Boards of Directors and Commissioners.
3. Amendment in the Articles of Association.
4. Mergers, acquisitions and takeovers.
5. Dissolution and liquidation.

The changes in the capital structure were based on the Minutes of Meeting regarding the amendment of the Articles of Association (Pernyataan Keputusan Rapat Perubahan Anggaran Dasar) of PT Bank Mandiri (Persero) as notarised by Sutjipto, S.H. No. 2 dated 1 June 2003. The amendment was approved by the Ministry of Justice and Human Rights through decree No. C-12783 HT.01.04.TH.2003 dated 6 June 2003 and announced in Appendix No. 6590 of State Gazette of the Republic of Indonesia No. 63 dated 8 August 2003.

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

1. Partial return of fully paid-in capital of Rp251,000 to the Government as a part of the return of excess recapitalisation fund of Rp1,412,000 which was retained by Bank Mandiri, and an increase in paid-in capital amounting to Rp1,000,000 from the capitalisation of reserves, based on Government Regulation (PP) No. 26/2003 dated 29 May 2003, regarding the "Conversion of the Investment of the Republic of Indonesia into the Paid-in Capital of PT Bank Mandiri (Persero)", and Decree of the Ministry of State-Owned Enterprises, as the Bank's shareholders', No. KEP-154/M-MBU/2002 dated 29 October 2002.

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**32. SHARE CAPITAL (continued)**

**a. Authorised, Issued and Fully Paid-in Capital (continued)**

2. Increase in fully paid-in capital of Rp5,000,000 from the additional paid-in capital based on the Decree of the Ministry of Finance of the Republic of Indonesia (“KMK RI”) No. 227/202.02/2003 dated 23 May 2003 regarding “The final amount and implementation of the Government’s rights arising from the additional share of the Government of the Republic of Indonesia in PT Bank Mandiri (Persero) in relation to the general banking recapitalisation program”.

Based on the Extraordinary General Shareholders’ Meeting held on 29 May 2003, which was notarised on 29 May 2003 by Notary Sutjipto, S.H., in notarial deed No. 142 dated 29 May 2003, the shareholders’ agreed 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 designated for directors and senior management at certain levels and based on certain criteria. All costs and discounts related to the ESA program are recognised by the 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 33).

On 14 July 2003, the Government of the Republic of Indonesia divested 4,000,000,000 shares representing 20.00% of its ownership in Bank Mandiri through an Initial Public Offering (IPO).

As a follow up action on the Regulation of the Government of the Republic of Indonesia No. 27/2003 dated 2 June 2003, which approved the divestment of the Government ownership in Bank Mandiri of up to 30.00%, and based on a decision of *Tim Kebijakan Privatisasi Badan Usaha Milik Negara* No. Kep-05/TKP/01/2004 dated 19 January 2004, the Government of the Republic of Indonesia divested an additional 10.00% ownership interest in Bank Mandiri or 2,000,000,000 shares of Common Shares of B Series on 11 March 2004 through private placements.

On 14 July 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 Shareholders’ Equity account - Share Options at fair value amounting to Rp69.71 (full amount) per share options. Up to 31 December 2009, MSOP Stage 1 has been exercised totaled 375,365,957 shares, thereby increasing the total issued and fully paid-in capital by Rp187,683, agio by Rp117,193. MSOP stage 1 could be exercised up to 13 July 2008 based on Announcement of Indonesia Stock Exchange (previously Jakarta Stock Exchange) No. Peng-262/BEJ.PJS/P/07-2004 dated 14 July 2004, therefore as at 31 December 2009 no shares option still recorded in shareholders’ equity-share option from MSOP Stage 1.

The Annual General Shareholders’ Meeting on 16 May 2005 approved MSOP Stage 2 amounting to Rp312,000,000 share options. The exercise price for each share is Rp1,190.50 (full amount) to be exercised in the first year and Rp2,493 (full amount) to be exercised 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 shareholders’ equity account - Share Options with fair value amounting to Rp642.28 (full amount) per share options. Up to 31 December 2009, MSOP Stage 2 has been exercised totaled 305,028,852 shares thereby increasing the total issued and fully paid-up capital by Rp152,514, agio by Rp407,616, including MSOP Stage 2 which has been exercised for the year ended 31 December 2009 amounting to 86,800 shares. This has resulted to an increase in the total issued and fully paid-up capital to Rp43. As at 31 December 2009, the share option balance still recorded in shareholders’ equity-share option from MSOP Stage 2 amounted to Rp4,478.

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**32. SHARE CAPITAL (continued)**

**a. Authorised, Issued and Fully Paid-in Capital (continued)**

The Annual General Shareholders' Meeting on 22 May 2006 approved MSOP Stage 3 amounting to 309,416,215 share options. The General Shareholders' Meeting also delegated an authority to the Board of Commissioners to determine the execution and monitoring policy of MSOP Stage 3 including the options implementation and report it in the next annual general shareholders' meeting.

The exercise price for each share in the MSOP Stage 3 is Rp1,495.08 (full amount) with nominal value of Rp500 (full amount) per share. The Bank recorded MSOP Stage 3 as part of the shareholders' equity account at fair value amounting to Rp593.89 (full amount) per share options. Up to 31 December 2009, the total option that has been exercised in MSOP Stage 3 was 289,721,996 shares thereby increasing the total issued and fully paid-up capital by Rp144,861 and agio by Rp460,360, including the MSOP Stage 3 that exercised for the year ended 31 December 2009 amounted to 64,382,217 shares where this resulted in increasing the total issued and fully paid-up capital by Rp32,191. As at 31 December 2009, the share option balance still recorded in shareholders' equity-share option from MSOP Stage 3 amounted to Rp11,696.

The total share options which have been exercised from MSOP Stage 2 and MSOP Stage 3 during the year ended 31 December 2009 were 86,800 shares and 64,382,217 shares, respectively, which resulted in increasing the total issued and fully paid-in capital by Rp32,234 (Notes 32b and 33).

The total share options which have been exercised from MSOP Stage 1, MSOP Stage 2, MSOP Stage 3 during the year ended 31 December 2008 were 4,835,783 shares, 55,110 shares and 87,991,721 shares, respectively, which resulted in increasing the total issued and fully paid-up capital by Rp78,048 including addition to issued and fully paid-in capital arising from the execution from period 1 October 2007 up to 31 December 2007 amounting to Rp31,606 (Notes 32b and 33).

The total share option which has been exercised from MSOP Stage 1, MSOP Stage 2, MSOP Stage 3 for the year ended 31 December 2007 were 43,512,471 shares, 687,178 shares and 137,348,058 shares, respectively, which resulted in increasing the total issued and fully paid-up capital by Rp59,167 (Notes 32b and 33).

**b. Additional Paid-In Capital/Agio**

The additional paid-in capital/agio of Rp6,911,587, Rp6,809,056 and Rp6,570,959, as at 31 December 2009, 2008 and 2007, respectively, represents additional paid-in capital arising from the Recapitalisation Program (Note 1c) and execution of share options.

Total share options which have been exercised from MSOP Stage 2 and MSOP Stage 3 during the year ended 31 December 2009 were 86,800 shares and 64,382,217 shares, respectively, thereby increasing the total paid-in capital/agio by Rp102,531 (Notes 32a and 33).

Share options which have been exercised from MSOP Stage 1, MSOP Stage 2, MSOP Stage 3 for the year ended 31 December 2008 were 4,835,783 shares, 55,110 shares and 87,991,721 shares, respectively, which resulted in increasing the total paid-in capital by Rp238,097 including addition in the total paid-in capital/agio arising from the execution of share options from period 1 October 2007 up to 31 December 2007 amounting to Rp96,626 (Notes 32a and 33).

Share options which have been exercised from MSOP Stage 1, MSOP Stage 2, MSOP Stage 3 for the year ended 31 December 2007 were 43,512,471 shares, 687,178 shares and 137,348,058 shares, respectively, thereby increasing the total paid-in capital/agio by Rp137,011 (Notes 32a and 33).

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**32. SHARE CAPITAL (continued)**

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

Based on the results of a due diligence review conducted on behalf of the Government dated 31 December 1999 and Management Contract (IMPA) dated 8 April 2000, it was decided that there was an excess on recapitalisation amounting to Rp4,069,000. The Bank has returned Rp2,657,000 of Government Recapitalisation Bonds to the Government on 7 July 2000 pursuant to the Management Contract. The remaining balance of Rp1,412,000 was returned to the Government on 25 April 2003 based on approval from the shareholders during its meeting on 29 October 2002 and the Ministry of State-Owned Enterprises Decision Letter No. KEP-154/M-MBU/2002 dated 29 October 2002.

The return of the above excess recapitalisation amounting to Rp1,412,000 includes a portion of issued and fully paid-in capital of Rp251,000.

On 23 May 2003, the Ministry of Finance of the Republic of Indonesia issued Decree (“KMK-RI”) No. 227/KMK.02/2003 dated 23 May 2003, which was amended by KMK No. 420/KMK.02/2003 dated 30 September 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.

The following are the matters decided under the KMK RI:

- a. The final Bank Mandiri recapitalisation amount is Rp173,801,315;
- b. The recapitalisation fund of Rp5,000,000 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 recapitalisation fund amount of Rp168,801,315 is recorded as agio within the capital structure of Bank Mandiri.

Through quasi-reorganisation, the Bank’s accumulated losses as at 30 April 2003 amounting to Rp162,874,901 were eliminated against additional paid-in capital/agio.

**c. Fixed Assets Revaluation Reserve**

The revaluation increase in fixed assets amounting to Rp3,046,936 represents the revaluation increment of fixed assets of the Merged Banks based on an appraisal value as at 31 July 1999. This was based on the Decision Letter of the Ministry of Finance No. 211/KMK.03/2003 dated 14 May 2003, Letter of the Ministry of Finance No. S-206/MK.01/2003 dated 21 May 2003 which have been approved by 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 18 June 2003.

As explained in Note 2s, Bank has adopted the cost model as its accounting policy for measurement of fixed assets in accordance with SFAS No. 16 (revised 2007), “Fixed Assets” and therefore reclassified the balance of fixed assets revaluation reserve of Rp3,046,936 in the shareholders’ equity in the 2007 consolidated balance sheet to the consolidated retained earnings in 2008 (Note 15a).



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### **33. MANAGEMENT STOCK OPTION PLAN**

Based on the Extraordinary General Shareholders' Meeting held on 29 May 2003, which was notarised on the same date by notary 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 an MSOP program to attract, retain and motivate senior management and other key employees at certain levels and criteria. In accordance with Jakarta Stock Exchange Regulation No. 1A, the Bank issued MSOP shares through additional common shares B Series (issued without the Pre Emptive Right), up to the maximum of 5.00% from the total issued and fully paid-in capital or equivalent to 1 (one) billion of common shares B Series with par value of Rp500 (full amount) per share.

#### **MSOP Stage 1**

The share option period 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 of vesting period/recognition of compensation right is 50.00% of the total options granted, and the remaining 50.00% can be exercised at the end of the second year of the vesting period up to the end of the fifth year.

On 14 July 2003, with the approval of Extraordinary General Shareholders' Meeting held on 29 May 2003, the Bank granted MSOP Stage 1 amounting to 378,583,785 share options with an exercise price of Rp742.50 (full amount) per share or 110.00% of the offering price per share with a vesting period of two years.

The fair value of MSOP Stage 1 stock options granted on 14 July 2003 was Rp69.71 (full amount) based on a valuation report issued by PT Watson Wyatt Indonesia dated 4 March 2004.

#### **MSOP Stage 2**

The Annual General Shareholders' Meeting held on 16 May 2005 approved the MSOP Stage 2 amounting to 312,000,000 share options. Exercise price for each share is Rp1,190.50 (full amount) for the first year of execution and Rp2,493 (full amount) for the remaining exercised period up to the end of the option life time.

The share option period of MSOP Stage 2 is five years from the grant date, since eligibility date on 21 June 2005. After 4 December 2006, all share options in MSOP in Stage 2 could be 100.00% exercised from the total option granted.

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

#### **MSOP Stage 3**

The Annual General Shareholders' Meeting held on 22 May 2006 approved the MSOP Stage 3 amounting to 309,416,215 share options. Exercise price per 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 determined by the Board of Commissioners on 28 July 2006. The option period of MSOP Stage 3 is 5 (five) years from the grant date with five exercise periods executed maximum twice a year which was announced in the announcement of Jakarta Stock Exchange No. Peng-989/BEJ-PSJ/P/10-2006 dated 31 October 2006.

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**33. MANAGEMENT STOCK OPTION PLAN (continued)**

Based on the policy of the Board of Commissioners, on 30 October 2007, the Bank stated that MSOP Stage 3 can be exercised on the first period (7 May 2007 and 5 November 2007) for maximum of 50.00% from total options granted. The remaining 50.00% can be exercised on the next period (the second period or the next periods).

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

The fair value of MSOP Stage 1, MSOP Stage 2 and MSOP Stage 3 were estimated using the Black Scholes option pricing model with the following assumptions:

	<u>MSOP Stage 1</u>	<u>MSOP Stage 2</u>	<u>MSOP Stage 3</u>
Risk free interest rate	8.46%	9.50%	11.65%
Expected option period	5 years	5 years	5 years
Expected volatility of stock price	24.53%	50.00%	50.00%
Expected dividend yield	7.63%	7.63%	7.75%
Employee turnover rate	1.00%	1.00%	1.00%

Number of options exercised during the year ended 31 December 2009 totaled 64,469,017 options (Notes 32a and 32b) which consist of MSOP Stage 2 and MSOP Stage 3 of 86,800 options and 64,382,217 options, respectively.

Number of options exercised during the year ended 31 December 2008 totaled 92,882,614 options (Notes 32a and 32b) which consist of MSOP Stage 1, MSOP Stage 2 and MSOP Stage 3 of 4,835,783 options, 55,110 options and 87,991,721 options, respectively.

Number of option exercised during the year ended 31 December 2007 totaled 181,547,707 options (Notes 32a and 32b) 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.

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

	<b>2009</b>			
	<u>Number of options</u>	<u>Weighted average fair value of options (full amount)</u>	<u>Weighted average exercise price of options (full amount)</u>	<u>Value of Options</u>
Option outstanding at beginning of the year	91,134,384	597.64	1,572.36	54,465
Option exercised during the year	<u>(64,469,017)</u>	593.96	1,496.42	<u>(38,291)</u>
Options that can be exercised at the end of the year	<u>26,665,367</u>	606.54	1,755.97	<u>16,174</u>
	<b>2008</b>			
	<u>Number of options</u>	<u>Weighted average fair value of options (full amount)</u>	<u>Weighted average exercise price of options (full amount)</u>	<u>Value of Options</u>
Option outstanding at beginning of the year	187,234,826	573.18	1,500.62	107,320
Option exercised during the year	(92,882,614)	566.63	1,456.49	(52,630)
Options have been expired	<u>(3,217,828)</u>	69.71	742.50	<u>(225)</u>
Options that can be exercised at the end of the year	<u>91,134,384</u>	597.64	1,572.36	<u>54,465</u>

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**33. MANAGEMENT STOCK OPTION PLAN (continued)**

	<b>2007</b>			
	Number of options	Weighted average fair value of options (full amount)	Weighted average exercise price of options (full amount)	Value of Options
Option outstanding at beginning of the year	368,782,533	521.62	1,383.41	105,330
Option granted during the year (Note 41)	-	-	-	87,034
Option exercised during the year	<u>(181,547,707)</u>	468.44	1,318.48	<u>(85,044)</u>
Options that can be exercised at the end of the year	<u>187,234,826</u>	573.18	1,500.62	<u>107,320</u>

**34. INTEREST INCOME**

Interest income was derived from the following:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Loans	21,063,743	15,958,332	12,629,787
Government Bonds	7,437,326	7,798,646	7,418,237
Marketable securities	2,198,833	1,624,862	1,759,699
Fees and commissions	958,705	839,750	695,800
Placements with Bank Indonesia and other banks	474,577	662,042	755,716
Consumer financing income	255,617	-	-
Others	<u>210,163</u>	<u>452,605</u>	<u>669,310</u>
	<b><u>32,598,964</u></b>	<b><u>27,336,237</u></b>	<b><u>23,928,549</u></b>

Included in interest income from loans and others is income based on sharia principle for the years ended 31 December 2009, 2008 and 2007 amounting to Rp1,770,270, Rp1,555,619 and Rp1,051,145, respectively, with these following details:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>Murabahah</i> income	940,223	824,275	553,286
<i>Musyarakah</i> income	336,320	260,521	200,090
Others	<u>493,727</u>	<u>470,823</u>	<u>297,769</u>
	<b><u>1,770,270</u></b>	<b><u>1,555,619</u></b>	<b><u>1,051,145</u></b>

**35. INTEREST EXPENSE**

Interest expense was incurred on the following:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Time deposits	9,861,521	7,021,740	6,466,082
Savings deposits	2,538,889	2,578,878	2,310,034
Demand deposits	1,852,012	1,385,656	1,251,732
Insurance premiums on third party funds guarantee program (Note 59)	580,972	484,980	430,478
Fund borrowings	457,632	569,958	332,657
Marketable securities issued	60,563	178,442	269,636
Subordinated loans	48,752	70,012	162,473
Others	<u>274,872</u>	<u>81,751</u>	<u>207,580</u>
	<b><u>15,675,213</u></b>	<b><u>12,371,417</u></b>	<b><u>11,430,672</u></b>

Included in interest expense from time and savings deposits is expense based on sharia principle for the years ended 31 December 2009, 2008 and 2007 amounting to Rp897,436, Rp745,667 and Rp307,424, respectively.

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**36. OTHER OPERATING INCOME - OTHERS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income from loan written-off	131,658	133,992	90,900
Income from penalty	80,872	64,036	90,911
Stamp duty income	44,198	45,362	42,823
Safety deposit box	20,888	20,461	18,801
Others	<u>258,447</u>	<u>176,559</u>	<u>157,834</u>
	<b><u>536,063</u></b>	<b><u>440,410</u></b>	<b><u>401,269</u></b>

**37. ALLOWANCE FOR POSSIBLE LOSSES ON EARNING ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Allowance/(reversal) for possible losses on:			
Current accounts with other banks (Note 4e)	12,607	71,072	2,731
Placements with other banks (Note 5e)	18,868	323,475	(36,337)
Marketable Securities (Note 6g)	(39,295)	(58,416)	(22,773)
Other receivables - trade transactions (Note 8d)	(181,181)	196,581	(5,527)
Securities purchased under resale agreements (Note 9c)	(2,043)	14,387	25,000
Derivative receivables (Note 10)	(4,696)	2,501	(467)
Loans (Note 11B.j)	1,539,817	2,299,377	2,247,854
Consumer financing receivables (12c)	22,525	-	-
Acceptance receivables (Note 13d)	(219,512)	137,045	(96,805)
Investments in shares (Note 14c)	<u>450</u>	<u>339</u>	<u>318</u>
	<b><u>1,147,540</u></b>	<b><u>2,986,361</u></b>	<b><u>2,113,994</u></b>

**38. (ALLOWANCE)/REVERSAL FOR POSSIBLE LOSSES - OTHERS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
(Allowance)/reversal provision for:			
Possible losses on fraud cases	71,983	(12,778)	107
Possible losses on legal cases (Note 29)	(340,707)	31,133	106,619
Others assets (Note 16)	(541,981)	151,530	208,072
Others	<u>297</u>	<u>254</u>	<u>(1,783)</u>
	<b><u>(810,408)</u></b>	<b><u>170,139</u></b>	<b><u>313,015</u></b>

**39. UNREALISED (LOSSES)/GAINS FROM DECREASE/INCREASE IN FAIR VALUE OF MARKETABLE SECURITIES AND GOVERNMENT BONDS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Marketable securities	(4,195)	1,450	15,129
Government Bonds	<u>2,040</u>	<u>36</u>	<u>(29,190)</u>
	<b><u>(2,155)</u></b>	<b><u>1,486</u></b>	<b><u>(14,061)</u></b>

**40. GAINS/(LOSSES) FROM SALE OF MARKETABLE SECURITIES AND GOVERNMENT BONDS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Marketable securities	161,741	(23,917)	43,504
Government Bonds	<u>19,011</u>	<u>(30,144)</u>	<u>184,994</u>
	<b><u>180,752</u></b>	<b><u>(54,061)</u></b>	<b><u>228,498</u></b>

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**41. SALARIES AND EMPLOYEE BENEFITS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Salaries, wages, pension and tax allowances	2,766,984	2,686,225	2,160,692
Holidays (THR), leave and related entitlements	469,416	438,734	378,625
Provision for post-employment benefit expenses and free of service period	379,598	284,797	295,304
Training and education	249,794	241,353	250,606
Employee benefits in kind	230,837	284,341	163,574
Provision of tantiem	60,776	50,000	50,000
Compensation cost on stock options (Note 33)	-	-	87,034
Bonuses and others	<u>696,196</u>	<u>578,318</u>	<u>643,124</u>
	<b><u>4,853,601</u></b>	<b><u>4,563,768</u></b>	<b><u>4,028,959</u></b>

Total gross salaries, allowances and bonuses of the Boards of Commissioners, Directors, Audit Committee, Risk Monitoring Committee, Good Corporate Governance Committee and Executive Vice President and Senior Vice President amounted to Rp188,993, Rp148,875 and Rp84,976 for the years ended 31 December 2009, 2008 and 2007, respectively as follows:

<b>2009</b>					
	<b>Number of Members/ Officers</b>	<b>Salaries</b>	<b>Allowances</b>	<b>Bonuses</b>	<b>Total</b>
The Board of Commissioners	6	7,425	6,630	12,837	26,892
Directors	11	27,571	17,514	48,001	93,086
Audit Committee	2	776	188	274	1,238
Risk Monitoring Committee	1	282	61	103	446
Good Corporate Governance Committee	1*)	-	-	103	103
Executive Vice Presidents and Senior Vice Presidents	<u>46</u>	<u>31,144</u>	<u>16,203</u>	<u>19,881</u>	<u>67,228</u>
	<b><u>67</u></b>	<b><u>67,198</u></b>	<b><u>40,596</u></b>	<b><u>81,199</u></b>	<b><u>188,993</u></b>

\*) Anwar Isham since January until December 2008.

<b>2008</b>					
	<b>Number of Members/ Officers</b>	<b>Salaries</b>	<b>Allowances</b>	<b>Bonuses</b>	<b>Total</b>
The Board of Commissioners	8*)	5,940	4,307	9,301	19,548
Directors	12**)	26,842	16,284	36,229	79,355
Audit Committee	2	755	277	215	1,247
Risk Monitoring Committee	1	253	58	76	387
Good Corporate Governance Committee	1	253	58	76	387
Executive Vice Presidents and Senior Vice Presidents	<u>48</u>	<u>25,955</u>	<u>10,864</u>	<u>11,132</u>	<u>47,951</u>
	<b><u>72</u></b>	<b><u>59,998</u></b>	<b><u>31,848</u></b>	<b><u>57,029</u></b>	<b><u>148,875</u></b>

\*) Includes Richard Clapoth since January until May 2008, Yap Tjay Soen since January until March 2008 and Mahmuddin Yasin since June 2008.

\*\*\*) Includes Omar S. Anwar since January until May 2008 and Ogi Prastomyono since June 2008.

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**41. SALARIES AND EMPLOYEE BENEFITS (continued)**

	<b>2007</b>				
	<b>Number of Members/ Officers</b>	<b>Salaries</b>	<b>Allowances</b>	<b>Bonuses</b>	<b>Total</b>
The Board of Commissioners	7	5,257	3,605	4,515	13,377
Directors	11	21,343	10,429	-	31,772
Audit committee	2	755	145	185	1,085
Risk Monitoring Committee	1	253	55	52	360
Good Corporate Governance Committee	1	253	54	69	376
Executive Vice Presidents and Senior Vice President	47	18,668	10,668	8,670	38,006
	<b>69</b>	<b>46,529</b>	<b>24,956</b>	<b>13,491</b>	<b>84,976</b>

There are 4 (four) Committees under the Board of Commissioners, where the members of the 2 (two) are Commissioners while the other 2 (two) Committees, each have members which are not Commissioners which are 2 (two) members of Audit Committees and 1 (one) member of Risk Monitoring Committee.

**42. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Promotions	647,882	514,760	419,835
Rent	543,754	510,997	466,808
Professional fees	513,460	428,124	338,147
Depreciation and amortisation of fixed assets (Note 15)	446,079	573,105	583,877
Communications	412,107	379,456	376,893
Repairs and maintenance	381,447	329,311	297,788
Office supplies	271,404	197,412	179,641
Electricity, water and gas	260,475	226,337	208,762
Transportations	125,933	114,108	96,192
Goods and services provided by third parties	260,096	215,984	179,792
Others	462,256	372,090	274,048
	<b>4,324,893</b>	<b>3,861,684</b>	<b>3,421,783</b>

**43. PENSION AND SEVERANCE**

Under the Bank's policy, in addition to salaries, employees are entitled to allowances and benefits, such as yearly 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 in accordance with 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 Bank Mandiri Pension Plan (*Dana Pensiun Bank Mandiri* (DPBM)) established on 1 August 1999. The DPBM's regulations were approved by Ministry of Finance of Republic of Indonesia through its decision letter No. KEP/300/KM.017/1999 dated 14 July 1999 and was published in supplement of the State Gazette of the Republic of Indonesia No. 62 dated 3 August 1999 and Bank Mandiri's Directors' Resolution No. 004/KEP.DIR/1999 dated 26 April 1999 and were amended based on the Ministry of Finance of the Republic of Indonesia's decision letter No. KEP-213/KM.5/2005 dated 22 July 2005 and was published in the supplement of the State Gazette of the Republic of Indonesia No. 77 dated 27 September 2005 and Bank Mandiri's Directors' Resolution No. 068/KEP.DIR/2005 dated 28 June 2005.

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**43. PENSION AND SEVERANCE (continued)**

***Pension Plan (continued)***

- a. Bank Mandiri and the employees contribute 10.00% and 5.00% 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 at 31 December 2009, 2008 and 2007 were Rp25,500, Rp35,500 and Rp10,000, respectively. The interest rates on these time deposits are at arms-length.

The Bank paid pension contributions totaling Rp162,587, Rp154,830 and Rp129,470, respectively, for the years ended 31 December 2009, 2008 and 2007, respectively.

- b. Four employer defined benefit pension plans, *Dana Pensiun Pemberi Kerja Program Pensiun Manfaat Pasti* (DPPK-PPMP) are derived from the respective pension plans of the Merged Banks, namely Dana Pensiun Bank Mandiri Satu or DPBM I (BBD), DPBM II (BDN), DPBM III (Bank Exim) and DPBM IV (Bapindo). The regulations of the respective pension plans were approved by the Ministry of Finance of the Republic of Indonesia's through its 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 all dated 15 November 1999. Based on the approval of shareholders No. S-923/M-MBU/2003 dated 6 March 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 Ministry of Finance of the Republic of Indonesia based on its 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 31 March 2003.

The members of the defined benefit pension plans are the employees from the legacy banks who have rendered three or more services years at the time of merger and are comprise of active employees of the Bank, former employee (those who have resigned and did not transfer their beneficial right to other pension plan) and pensioners.

Based on the decision of the Annual General Shareholders' Meeting dated 28 May 2007, Bank Mandiri increased the pension benefit from each of the Pension Plans. The decision was stated in each Pension Plan Regulation and has been approved by the Ministry of Finance of the Republic of Indonesia 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 20 July 2007.

As at 31 December 2009, 2008 and 2007, a pension benefit obligation have been provided based on the calculation obligation and pension benefit cost for the years ended 31 December 2009, 2008, 2007 is based on the independent actuarial report of PT Eldridge Gunaprima Solution dated 25 January 2010 and 30 January 2009 for the years ended 31 December 2009 and 2008 and PT Dayamandiri Dharmakonsilindo dated 31 January 2008 for the years ended 31 December 2007, respectively, in its calculation the actuary used the following assumptions:

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**43. PENSION AND SEVERANCE (continued)**

***Pension Plan (continued)***

	<b>DPBM I</b>	<b>DPBM II</b>	<b>DPBM III</b>	<b>DPBM IV</b>
Discount rate	11.00% per annum (2008: 12.00% and 2007: 9.50%)			
Expected rate of return on plan assets	10.00% per annum (2008: 10.00% and 2007: 9.50%)	1.000% per annum (2008: 10.00% and 2007: 9.50%)	10.00% per annum (2008: 10.00% and 2007: 9.50%)	10.00% per annum (2008: 10.00% and 2007: 9.50%)
Working period used	As at 31 July 1999			
Pensionable salary (PhDP) used	As at 1 January 2003, adjusted PhDP of legacy banks'	As at 1 January 2003, adjusted PhDP of legacy banks'	As at 1 January 2003, adjusted PhDP of legacy banks'	As at 1 January 2003, adjusted PhDP of legacy banks'
Expected rates of PhDP increase	Nil	Nil	Nil	Nil
Mortality Rate Table	2009 and 2008: Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM '83) for pensioners (2007: CSO -1958)	2009 and 2008: Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM '83) for pensioners (2007: CSO -1958)	2009 and 2008: Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM '83) for pensioners (2007: CSO -1958)	2009 and 2008: Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM '83) for pensioners (2007: CSO -1958)
Turnover rate	2009 and 2008:5.00 % up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after (2007: 5.00% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0.00% at age 45 and thereafter)	2009 and 2008:5.00 % up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after (2007: 5.00% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0.00% at age 45 and thereafter)	2009 and 2008:5.00 % up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after (2007: 5.00% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0.00% at age 45 and thereafter)	2009 and 2008:5.00 % up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after (2007: 5.00% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0.00% at age 45 and thereafter)
Disability rate	10.00% of TMI II (2008: 10.00% of TMI II; 2007: 10.00% of mortality rate)	10.00% of TMI II (2008: 10.00% of TMI II; 2007: 10.00% of mortality rate)	10.00% of TMI II (2008: 10.00% of TMI II; 2007: 10.00% of mortality rate)	10.00% of TMI II (2008: 10.00% of TMI II; 2007: 10.00% of mortality rate)
Actuarial method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Normal retirement age	56 years for all grades			
Maximum defined benefit amount	80.00% of PhDP	80.00% of PhDP	62.50% PhDP	75.00% PhDP
Expected rate of pension benefit increase	Nil	Nil	Nil	4.00% every 2 years
Tax rates - average	3.00% of pension benefit (2008: 5.00% of pension benefit; 2007: 15.00% of pension benefit)	3.00% of pension benefit (2008: 5.00% of pension benefit; 2007: 15.00% of pension benefit)	3.00% of pension benefit (2008: 5.00% of pension benefit; 2007: 15.00% of pension benefit)	3.00% of pension benefit (2008: 5.00% of pension benefit; 2007: 15.00% of pension benefit)

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**43. PENSION AND SEVERANCE (continued)**

***Pension Plan (continued)***

The projected benefit obligations and fair value of plan assets as at 31 December 2009 are as follows:

	<u>DPBM I</u>	<u>DPBM II</u>	<u>DPBM III</u>	<u>DPBM IV</u>
Projected Benefit Obligations	890,700	932,393	448,578	264,022
Fair Value of Plan Assets	<u>1,480,532</u>	<u>1,608,831</u>	<u>701,528</u>	<u>513,671</u>
Funded Status	589,832	676,438	252,950	249,649
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Gains	<u>(475,036)</u>	<u>(488,194)</u>	<u>(186,897)</u>	<u>(125,713)</u>
Surplus Based on SFAS No. 24 (revised 2004)	114,796	188,244	66,053	123,936
Asset Ceiling *)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pension Plan Program Assets recognised in balance sheet **)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The projected benefit obligations and fair value of plan assets as at 31 December 2008 were as follows:

	<u>DPBM I</u>	<u>DPBM II</u>	<u>DPBM III</u>	<u>DPBM IV</u>
Projected Benefit Obligations	845,275	894,127	429,552	258,659
Fair Value of Plan Assets	<u>1,282,165</u>	<u>1,363,865</u>	<u>705,327</u>	<u>487,306</u>
Funded Status	436,890	469,738	275,775	228,647
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Gains	<u>(378,683)</u>	<u>(335,032)</u>	<u>(249,143)</u>	<u>(131,152)</u>
Surplus Based on SFAS No. 24 (revised 2004)	58,207	134,706	26,632	97,495
Asset Ceiling *)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pension Plan Program Assets recognised in balance sheet **)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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**43. PENSION AND SEVERANCE (continued)**

***Pension Plan (continued)***

The projected benefit obligations and fair value of plan assets as at 31 December 2007 were 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	<u>1,500,073</u>	<u>1,573,220</u>	<u>709,311</u>	<u>483,169</u>
Funded Status	466,247	568,621	166,657	165,701
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Gains	<u>(406,468)</u>	<u>(357,302)</u>	<u>(165,814)</u>	<u>(87,767)</u>
Surplus Based on SFAS No. 24 (revised 2004)	59,779	211,319	843	77,934
Asset Ceiling *)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pension Plan Program Assets recognised in balance sheet **)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

\*) There are no unrecognised accumulated actuarial loss-net nor unrecognised past service cost and there are no present value of available future refunds or reductions of future contributions.

\*\*) There are no plan assets recognised in the Balance Sheets since the requirements under SFAS No. 24 (revised 2004) are not fulfilled.

***Labor Law No. 13/2003***

Bank Mandiri has implemented an accounting policy for employment benefits (SFAS 24 - revised 2004) to recognise provision for employee service entitlements. As at 31 December 2009, 2008 and 2007, the Bank recognised a provision for employee service entitlements in accordance with Labor Law No. 13/2003 amounting to Rp1,044,505 (included Rp10,915 which is compensation benefits for employees that have resigned but not yet paid and have been excluded from actuarial calculation), Rp925,002 (included Rp27,253 which is compensation benefits for employees that have resigned but not yet paid and have been excluded from actuarial calculation) and Rp784,938 which is estimated post employment benefit based on the independent actuarial reports (Note 29).

Provision for employee service entitlements as at 31 December 2009, 2008 and 2007 have been provided based on liability and expense for employees service for the years ended 31 December 2009, 2008 and 2007 as described in the independent actuarial reports of PT Eldridge Gunaprima Solution dated 25 January 2010 and 30 January 2009 for the years ended 31 December 2009 and 2008 and PT Dayamandiri Dharmakonsilindo dated 31 January 2008 for the years ended 31 December 2007, respectively. The assumptions used by the actuary were as follows:

- a. Discount rate is 10.50% per annum (2008; 12.00% and 2007: 10.00%).
- b. Expected rate of annual salary increase is 11.00% (2008: 11.00% and 2007: 10.00%).
- c. Mortality rate table used is Indonesia Mortality Table 1999 or TMI II (2008: TMI II and 2007: US 1980 Commissioners' Standard Ordinary Table of Mortality).
- d. Turnover rate is 5.00% up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0% up to at age 55 and there after (2008: Turnover rate is 5.00% up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after and 2007: 5.00% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0.00% at age 45 and thereafter).

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**43. PENSION AND SEVERANCE (continued)**

***Labor Law No. 13/2003 (continued)***

- e. Actuarial method is projected unit credit method.
- f. Normal retirement age is 56 years.
- g. Disability rate is 10.00% of TMI II (2008: 10.00% of TMI II and 2007: 10.00% of mortality rate).

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Present value of obligations	947,923	776,962	700,946
Unrecognised past service cost	41,951	43,089	44,227
Unrecognised actuarial (gains)/losses	<u>(6,822)</u>	<u>45,492</u>	<u>25,484</u>
<b>Provision for Post Employment Benefits presented in Balance Sheets</b>	<b><u>983,052</u></b>	<b><u>865,543</u></b>	<b><u>770,657</u></b>
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current service cost	63,377	52,165	45,033
Interest cost	91,340	68,594	62,432
Amortisation of unrecognised past service cost	<u>(1,138)</u>	<u>(1,138)</u>	<u>(870)</u>
<b>Cost of Pension benefits</b>	<b><u>153,579</u></b>	<b><u>119,621</u></b>	<b><u>106,595</u></b>

Reconciliation of provision for post employment benefits are as follows (Bank Mandiri only):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Beginning Balance of Provision for Post Employment Benefits	865,543	770,657	678,128
Expenses during the year	153,579	119,621	106,595
Payments of benefits	<u>(36,070)</u>	<u>(24,735)</u>	<u>(14,066)</u>
<b>Provision for Post Employee Benefits (Note 29)</b>	<b><u>983,052<sup>*)</sup></u></b>	<b><u>865,543<sup>*)</sup></u></b>	<b><u>770,657</u></b>

\*) As at 31 December 2009 and 2008, the amount does not include pension of employees who have resigned and pension expense has not been paid amounting to Rp10,915 and Rp27,253 which was excluded from actuarial computation.

As at 31 December 2009, 2008 and 2007, the provision for post employment benefits in the Subsidiaries amounted to Rp50,538, Rp32,206 and Rp14,281, respectively.

***Free of Service Period (MBT)***

MBT is a period prior to retirement age which release 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 period the employee still has active working period), long service leave (if the long service leave within the MBT period), mourning benefit and mourning facility.

In addition to the above benefits, the MBT facilities are to provide the employee with an opportunity to prepare prior entering the pension age.

The Pension Age, Minimal Working Period and MBT period are as follows:

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

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**43. PENSION AND SEVERANCE (continued)**

***Free of Service Period (MBT) (continued)***

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

- a. Discount rate is 10.50% per annum (2008: 12.00% and 2007: 10.00%).
- b. Expected rate of annual salary increase is 11.00% (2008: 11% and 2007: 10.00%).
- c. Normal retirement age is 56 years.
- d. Turnover rate is 5.00 % up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after (2008: Turnover rate is 5.00 % up to employees' age of 25 and reducing linearly by 0.167% for each year up to 0.00% up to at age 55 and there after and 2007: 5.00% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0.00% at age 45 and thereafter).
- e. Mortality rate table is Indonesia mortality table 1999 or TMI II (2008: TMI II and 2007: US 1980 Commissioners' Standard Ordinary Table of Mortality).
- f. Disability rate is 10.00% of TMI II (2008: 10.00% of TMI II and 2007: 10.00% of mortality rate).

Based on those assumptions, provision for MBT facilities for years ended 31 December 2009, 2008 and 2007 amounted to Rp973,347, Rp794,159 and Rp655,489, respectively (Note 29).

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current Service Cost	96,324	83,014	80,551
Interest Cost	92,466	63,972	48,045
Recognition of actuarial losses	34,110	31,216	60,113
<b>Cost of provision for free of service period</b>	<b><u>222,900</u></b>	<b><u>178,202</u></b>	<b><u>188,709</u></b>
Beginning balance of provision for free for service period facilities	794,159	655,489	489,650
Expenses during the year	222,900	178,202	188,709
Payment of benefits	(43,712)	(39,532)	(22,870)
<b>Provision for free of service period (Note 29)</b>	<b><u>973,347</u></b>	<b><u>794,159</u></b>	<b><u>655,489</u></b>

Subsidiaries does not have Free of Service Period (MBT) Benefit.

**44. OTHER OPERATING EXPENSES - OTHERS - NET**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Fees and commissions expenses	321,911	184,519	107,258
Employee restructuring cost	220,569	-	-
Others	288,893	284,810	221,983
	<b><u>831,373</u></b>	<b><u>469,329</u></b>	<b><u>329,241</u></b>

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**45. NON-OPERATING INCOME - NET**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income from KSO agreement (Note 15)	131,640	-	-
Rental income	69,634	82,148	84,073
Gain on sale of fixed assets (Note 15)	60,262	1,425	3,444
Penalties	(1,553)	(775)	(2,448)
Others - net	129,613	75,320	35,397
	<u>389,596</u>	<u>158,118</u>	<u>120,466</u>

**46. COMMITMENTS AND CONTINGENCIES**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>COMMITMENTS</b>			
Commitment Payables:			
Unused loan facilities granted			
Third parties	39,067,994	27,932,045	25,396,389
Outstanding irrevocable letters of credit (Note 27):			
Third parties	7,736,568	5,450,602	7,425,994
Commitment Payables - Net	(46,804,562)	(33,382,647)	(32,822,383)
<b>CONTINGENCIES</b>			
Contingent Receivables:			
Interest receivable on non-performing assets	5,768,219	5,070,591	6,259,377
Guarantees received from other banks	3,587,554	2,898,350	2,131,530
Others	33,032	33,610	32,728
Total Contingent Receivables	9,388,805	8,002,551	8,423,635
Contingent Payables:			
Guarantees issued in the form of:			
Bank guarantees (Note 27):			
Third parties	17,292,891	15,236,085	11,988,327
Related parties	32,363	5,274	5,803
	17,325,254	15,241,359	11,994,130
Standby letters of credit (Note 27)	4,238,153	4,304,101	2,991,294
Others	60,298	120,666	30,873
Total Contingent Payables	21,623,705	19,666,126	15,016,297
Contingent Payables - Net	(12,234,900)	(11,663,575)	(6,592,662)
<b>COMMITMENTS AND CONTINGENCIES PAYABLE - NET</b>	<u>(59,039,462)</u>	<u>(45,046,222)</u>	<u>(39,415,045)</u>

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**47. FOREIGN CURRENCY TRANSACTIONS**

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

Details of outstanding buy and sell foreign currency spot transactions are as follows (Bank Mandiri only):

<b>2009</b>				
<u>Original Currency</u>	<b>Spot-Buy</b>		<b>Spot-Sell</b>	
	<b>Original Currency (full amount)</b>	<b>Rupiah Equivalent</b>	<b>Original Currency (full amount)</b>	<b>Rupiah Equivalent</b>
United States Dollar	18,296,000	171,891	25,459,600	239,193
Others	-	156,257	-	112,382
		<b>328,148</b>		<b>351,575</b>

<b>2008</b>				
<u>Original Currency</u>	<b>Spot-Buy</b>		<b>Spot-Sell</b>	
	<b>Original Currency (full amount)</b>	<b>Rupiah Equivalent</b>	<b>Original Currency (full amount)</b>	<b>Rupiah Equivalent</b>
United States Dollar	18,332,661	199,826	3,503,433	38,187
Others	-	78,235	-	164,830
		<b>278,061</b>		<b>203,017</b>

<b>2007</b>				
<u>Original Currency</u>	<b>Spot-Buy</b>		<b>Spot-Sell</b>	
	<b>Original Currency (full amount)</b>	<b>Rupiah Equivalent</b>	<b>Original Currency (full amount)</b>	<b>Rupiah Equivalent</b>
United States Dollar	394,566,530	3,706,163	256,664,930	2,410,854
Others	-	2,419,971	-	3,717,870
		<b>6,126,134</b>		<b>6,128,724</b>

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**48. RELATED PARTY TRANSACTIONS**

**a. Normal Banking Activities**

In the ordinary course of its business, Bank Mandiri entered into certain transaction with the following related parties:

- **Related Party as shareholder:**  
The Government of Republic of Indonesia
- **Related Parties by ownership and/or management:**

<u>Related Parties</u>	<u>Nature of Relationship</u>	<u>Nature of Transaction</u>
PT Axa Mandiri Financial Services	Associate Company	Investment in shares, Deposit from customers
PT Kustodian Sentral Efek Indonesia	Associate Company	Investment in shares, Deposit from customers
PT Great River International	Bank Mandiri as shareholders attorney	Deposit from customers
Dana Pensiun Bank Mandiri	Bank Mandiri as a founder and board relations	Employee's Pension Plan
Dana Pensiun Bank Mandiri 1	Bank Mandiri as a founder and board relations	Employee's Pension Plan
Dana Pensiun Bank Mandiri 2	Bank Mandiri as a founder and board relations	Employee's Pension Plan
Dana Pensiun Bank Mandiri 3	Bank Mandiri as a founder and board relations	Employee's Pension Plan
Dana Pensiun Bank Mandiri 4	Bank Mandiri as a founder and board relations	Employee's Pension Plan
PT Estika Daya Mandiri	Owned by Dana Pensiun Bank Mandiri 1	Loans, Deposit from customer
PT Asuransi Dharma Bangsa	Owned by Dana Pensiun Bank Mandiri 1	Deposit from customers
PT Gedung Bank Exim	Owned by Dana Pensiun Bank Mandiri 2	Deposit from customers, Bank Guarantee
PT Gelora Karya Jasatama	Owned by Dana Pensiun Bank Mandiri 2	Deposit from customers
PT Gelora Karya Jasatama Putera	Owned by Dana Pensiun Bank Mandiri 2	Deposit from customers
PT Asuransi Staco Jasapratama	Owned by Dana Pensiun Bank Mandiri 2	Deposit from customers
PT Staco Estika Sedaya Finance	Owned by Dana Pensiun Bank Mandiri 2 and minority shareholders of subsidiaries	Loans, Deposit from customers, Bank Guarantee
PT Caraka Mulia	Owned by Dana Pensiun Bank Mandiri 3	Deposit from customers
PT Griyawisata HM & C	Owned by Dana Pensiun Bank Mandiri 3	Deposit from customers
PT Mulia Sasmita Bhakti	Owned by Dana Pensiun Bank Mandiri 3	Deposit from customers, Bank Guarantee, Loans
PT Puri Pariwara	Owned by Dana Pensiun Bank Mandiri 3	Deposit from customers
PT Tatapuri Perdana	Owned by Dana Pensiun Bank Mandiri 3	Deposit from customers
PT Krida Upaya Tunggal	Owned by Dana Pensiun Bank Mandiri 4	Deposit from customers
PT Wahana Optima Permai	Owned by Dana Pensiun Bank Mandiri 4	Deposit from customers
PT Wana Rimba Kencana	Owned by Dana Pensiun Bank Mandiri 4	Deposit from customers
PT Koexim Mandiri Finance	Owned by the same ultimate shareholders	Deposit from customers
PT Mandiri Management Investasi	Owned by the same ultimate shareholders	Deposit from customers
PT Pengelola Investama Mandiri	Owned by the same ultimate shareholders	Deposit from customers
PT Surya Sudeco	Owned by subsidiaries' minority shareholders	Loans, Deposit from customers

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**48. RELATED PARTY TRANSACTIONS (continued)**

**a. Normal Banking Activities (continued)**

• **Related by ownership and/or management (continued):**

<u>Related Party</u>	<u>Nature of Relationship</u>	<u>Nature of Transaction</u>
PT Tunas Mobilindo Parama	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Astra Graphia Tbk	Owned by subsidiaries' minority shareholders	Deposit from customers, Bank Guarantee
PT Astra International Tbk	Owned by subsidiaries' minority shareholders	Deposit from customers, Bank Guarantee, Loans
PT Astra Sedaya Finance	Owned by subsidiaries' minority shareholders	Deposit from customers, Marketable Securities
PT Asuransi Permata Nipponkoa	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Bali Securities	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Bina Pertiwi	Owned by subsidiaries' minority shareholders	Deposit from customers, Loans
PT Federal International Finance	Owned by subsidiaries' minority shareholders	Deposit from customers, Marketable Securities
PT Komatsu Remanufacturing Asia	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Pamapersada Nusantara	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Jardine Tangguh Transport	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Sasana Artha Finance	Owned by subsidiaries' minority shareholders	Deposit from customers, Loans
PT Surya Artha Nusantara (SAN) Finance	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Tunas Andalan Pratama	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Tunas Dwipa Matra	Owned by subsidiaries' minority shareholders	Deposit from customers, Bank Guarantee
PT Tunas Ridean Tbk	Owned by subsidiaries' minority shareholders	Deposit from customers
PT United Tractors Tbk	Owned by subsidiaries' minority shareholders	Deposit from customers, Bank Guarantee
PT Telekomunikasi Indonesia (Persero) Tbk.	Related by management personnel	Deposit from customers, Bank Guarantee
PT Sarana Bersama Pembiayaan Indonesia	Associate Company	Investment in shares, Deposit from customers
PT Astratel Nusantara	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Marga Trans Nusantara	Owned by subsidiaries' minority shareholders	Deposit from customers, Bank Guarantee
PT United Tractors Pandu Engineering	Owned by subsidiaries' minority shareholders	Deposit from customers
PT United Tractors Semen Gresik	Owned by subsidiaries' minority shareholders	Deposit from customers
PT Bank Permata Tbk	Owned by subsidiaries' minority shareholders	Deposit from other banks

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**48. RELATED PARTY TRANSACTIONS (continued)**

**a. Normal Banking Activities (continued)**

• **Related by management or key personnel of Bank Mandiri**

Salary, allowances and bonuses of the Boards of Commissioners, Directors, Audit Committee, Risk Monitoring Committee and Executive Vice President and Senior Vice President (Note 41) for the years ended 31 December 2009, 2008 and 2007 amounted to Rp188,993, Rp148,875 and Rp84,976 or 0.68%, 0.61% and 0.39% from consolidated operating expenses, respectively.

Shares owned by the Board of Directors from MSOP program for the years ended 31 December 2009, 2008 and 2007 amounted to 54,913,985 shares, 46,129,749 shares and 20,500,281 shares or 0.17%, 0.14% and 0.06% from number of shares of authorised capital, respectively.

Details of significant transactions with related parties as at 31 December 2009, 2008 and 2007 were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
Marketable securities (Note 6a)	25,000	-	28,241
Loans (Notes 11A.a and 11B.g)	<u>638,057</u>	<u>641,263</u>	<u>783,078</u>
Total assets with related parties	<u>663,057</u>	<u>641,263</u>	<u>811,319</u>
Total consolidated assets	<u><u>394,616,604</u></u>	<u><u>358,438,678</u></u>	<u><u>319,085,590</u></u>
<b>Percentage of assets involving related parties to total consolidated assets</b>	<b><u>0.17%</u></b>	<b><u>0.18%</u></b>	<b><u>0.25%</u></b>

The percentages of marketable securities and loans compared to the total consolidated assets are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
Marketable securities	0.01%	-	0.01%
Loans	<u>0.16%</u>	<u>0.18%</u>	<u>0.24%</u>
<b>Total</b>	<b><u>0.17%</u></b>	<b><u>0.18%</u></b>	<b><u>0.25%</u></b>

<b>Liabilities</b>			
Demand deposits (Note 17a)	254,439	115,857	130,522
Savings deposits (Note 18b)	96,573	43,339	42,844
Time deposits (Note 19f)	470,237	313,909	181,309
Deposit from other banks - Demand and saving deposits (Note 20c)	-	1,075	-
Marketable securities issued (Note 25)	-	-	30,000
Fund Borrowings (Note 26)	<u>200,000</u>	<u>240,000</u>	<u>280,000</u>
Total liabilities with related parties	<u>1,021,249</u>	<u>714,180</u>	<u>664,675</u>
Total consolidated liabilities	<u><u>359,318,341</u></u>	<u><u>327,896,740</u></u>	<u><u>289,835,512</u></u>
<b>Percentage of liabilities involving related parties to total consolidated liabilities</b>	<b><u>0.28%</u></b>	<b><u>0.22%</u></b>	<b><u>0.23%</u></b>

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**48. RELATED PARTY TRANSACTIONS (continued)**

**a. Normal Banking Activities (continued)**

• **Related by management or key personnel of Bank Mandiri (continued)**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Liabilities</b>			
Demand Deposit	0.07%	0.04%	0.05%
Savings Deposits	0.03%	0.01%	0.01%
Time Deposits	0.13%	0.10%	0.06%
Deposit from other banks - Demand and saving deposits	-	0.00%	-
Marketable securities issued	-	-	0.01%
Fund Borrowings	<u>0.05%</u>	<u>0.07%</u>	<u>0.10%</u>
<b>Total</b>	<u><b>0.28%</b></u>	<u><b>0.22%</b></u>	<u><b>0.23%</b></u>

Transactions with related parties are conducted with normal pricing policy and conditions as similar with third parties, except for loans to the Bank's employees (Note 11B.g).

**b. Other Significant Transactions**

In 2000, the debt of PT Garuda Indonesia (Persero) ("Garuda") at Bank Mandiri was restructured bilaterally, through of conversion the Garuda's borrowing to Bank Mandiri amounting to USD103,000,000 (full amount), which consist of loans of USD80,000,000 (full amount) and Rp168,409, into Mandatory Convertible Bond (MCB) denominated in Rupiah with 4.00% coupon rate per annum, 5 years tenor and expected IRR of 18.00% per annum. This MCB facility matured on 2 November 2006.

On 10 November 2009, Bank Mandiri received a letter from Bank Indonesia which stated that Bank Indonesia has no objection on the proposed settlement plan of Garuda's MCB by converting the MCB into Bank Mandiri's temporary investment in Garuda.

On 30 December 2009, Bank Mandiri and Garuda signed the MCB Settlement Agreement based on Notarial Deed No. 272 dated 30 December 2009 of Aulia Taufani SH, as the substitute Notary of Sutjipto SH. On the signing date, Garuda made cash payments of 5.00% of MCB principal, amounting to Rp50,840 and converted the remaining balance of the MCB approximately 95.00% of MCB principal into Bank Mandiri's investment in Garuda's share, amounting to Rp967,869 or equivalent to 967,869 shares (equivalent to 10.60% ownership). The investment in Garuda's shares will be divested in conjunction with Garuda's planned initial Public Offering which is expected to be done in 2010. Based on regulation of Capital Market Supervisory Board and Financial Institution No. IX.A.6, Appendix of the Decree of the Chairman of Capital Market Supervisory Board and Financial Institution No. 06/PM/2001 regarding Restriction on Shares Issued Prior to Public Offering, the divestment of Garuda's shares by Bank Mandiri can only be done if the Registration Statement of the Initial Public Offering of Garuda is submitted more than 6 (six) months after the date of conversion of MCB into temporary investment. As at 31 December 2009, this temporary investment in Garuda's shares is not recorded in the Bank's consolidated balance sheet but as extra-comtable account.

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**49. MATURITY PROFILE**

This maturity profile as at 31 December 2009, 2008 and 2007 is based on the remaining period to the contractual maturity date. Historically, a significant portion of deposits are rolled-over on the maturity date. In addition, if the Bank encounters liquidity needs, Government Bonds (trading and available for sale) could be liquidated through sale or used as collateral in the inter-bank market. 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:

<b>2009</b>							
Description	Total	No maturity Contract	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 12 months
<b>Assets</b>							
Cash	8,867,881	-	8,867,881	-	-	-	-
Current accounts with Bank Indonesia	16,055,871	-	16,055,871	-	-	-	-
Current accounts with other banks - net	7,402,647	-	7,402,647	-	-	-	-
Placements with Bank Indonesia and other banks - net	41,402,410	981	38,531,010	2,862,004	-	8,415	-
Marketable securities - net	18,153,392	187,462	2,487,330	11,890,854	934,787	950,405	1,702,554
Government Bonds	89,132,940	-	-	1,733,994	-	3,409	87,395,537
Other receivables-trade transactions – net	3,146,143	-	759,913	1,445,943	754,266	186,021	-
Securities purchased under resale agreements - net	4,905,541	-	3,417,151	1,488,390	-	-	-
Derivative receivables - net	174,526	-	38,032	38,313	89,452	8,729	-
Loans - net	184,690,704	-	9,069,879	16,464,843	16,982,284	32,164,344	110,009,354
Consumer financing receivables	1,404,045	-	64,078	125,775	180,392	321,016	712,784
Acceptance receivables - net	4,304,000	-	1,243,073	1,807,282	1,242,307	11,338	-
Investments in shares - net	186,848	186,848	-	-	-	-	-
Fixed assets - net	4,963,306	4,963,306	-	-	-	-	-
Deferred tax assets - net	6,014,085	6,014,085	-	-	-	-	-
Other assets - net	3,812,265	8,253	1,454,536	1,843,159	-	506,317	-
<b>Total Assets</b>	<b>394,616,604</b>	<b>11,360,935</b>	<b>89,391,401</b>	<b>39,700,557</b>	<b>20,183,488</b>	<b>34,159,994</b>	<b>199,820,229</b>
<b>Liabilities</b>							
Obligation due immediately	573,557	-	573,557	-	-	-	-
Demand deposits	72,696,847	-	72,696,847	-	-	-	-
Savings deposits	113,795,011	-	113,795,011	-	-	-	-
Time deposits	133,058,523	-	100,339,915	22,474,376	6,300,922	3,681,281	262,029
Deposits from other banks - Demand and saving deposits	5,842,569	-	5,842,569	-	-	-	-
- Time deposits	4,943,958	-	4,762,785	142,650	30,424	8,099	-
Securities sold under repurchase agreements	316,356	-	-	-	316,356	-	-
Derivative payables	41,611	-	17,126	8,648	3,089	6,161	6,587
Acceptance payables	4,356,773	-	1,256,747	1,830,109	1,258,464	11,453	-
Marketable securities issued	1,671,014	-	622,055	374,860	-	-	674,099
Fund borrowings	3,944,356	-	88,512	50,314	61,156	70,774	3,673,600
Estimated losses on commitments and contingencies	329,362	329,362	-	-	-	-	-
Accrued expenses	542,921	-	542,921	-	-	-	-
Taxes payable	1,855,829	-	235,781	-	1,608,429	11,619	-
Other liabilities	9,132,586	514,365	3,975,206	1,031,019	526,298	1,066,838	2,018,860
Subordinated loans	6,217,068	-	2,882	17,153	-	67,336	6,129,697
<b>Total liabilities</b>	<b>359,318,341</b>	<b>843,727</b>	<b>304,751,914</b>	<b>25,929,129</b>	<b>10,105,138</b>	<b>4,923,561</b>	<b>12,764,872</b>
<b>Net Assets/(Liabilities)</b>	<b>35,298,263</b>	<b>10,517,208</b>	<b>(215,360,513)</b>	<b>13,771,428</b>	<b>10,078,350</b>	<b>29,236,433</b>	<b>187,055,357</b>

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**49. MATURITY PROFILE (continued)**

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

<b>2008</b>							
Description	Total	No maturity Contract	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 12 months
<b>Assets</b>							
Cash	8,388,974	-	8,388,974	-	-	-	-
Current accounts with Bank Indonesia	13,354,289	-	13,354,289	-	-	-	-
Current accounts with other banks - net	7,406,529	-	7,406,529	-	-	-	-
Placements with Bank Indonesia and other banks - net	29,404,818	1,096	29,274,622	80,102	-	48,998	-
Marketable securities - net	24,624,847	392,653	18,937,775	1,765,430	1,573,028	180,738	1,775,223
Government Bonds	88,259,039	-	-	-	69	10,215	88,248,755
Other receivables-trade transactions - net	3,513,133	-	1,132,603	1,588,089	783,996	-	8,445
Securities purchased under resale agreements - net	619,092	-	162,116	246,749	-	210,227	-
Derivative receivables - net	354,024	-	136,957	22,065	70,635	68,981	55,386
Loans - net	162,637,788	-	11,013,429	16,262,909	16,279,113	25,218,939	93,863,398
Acceptance receivables - net	3,596,359	-	3,564,631	17,113	10,015	4,600	-
Investments in shares - net	158,173	158,173	-	-	-	-	-
Fixed assets - net	4,603,560	4,603,560	-	-	-	-	-
Deferred tax assets - net	6,123,919	6,123,919	-	-	-	-	-
Other assets - net	5,394,134	2,234,085	719,930	2,052,859	-	387,260	-
<b>Total Assets</b>	<b>358,438,678</b>	<b>13,513,486</b>	<b>94,091,855</b>	<b>22,035,316</b>	<b>18,716,856</b>	<b>26,129,958</b>	<b>183,951,207</b>
<b>Liabilities</b>							
Obligation due immediately	619,798	-	619,798	-	-	-	-
Demand deposits	69,086,688	-	69,086,688	-	-	-	-
Savings deposits	94,954,012	-	94,954,012	-	-	-	-
Time deposits	125,071,352	-	99,349,774	16,984,054	4,093,046	4,574,284	70,194
Deposits from other banks - Demand and saving deposits	3,144,743	-	3,144,743	-	-	-	-
- Inter-bank call money	7,588	-	7,588	-	-	-	-
- Time deposits	4,565,783	-	2,851,850	44,421	1,648,020	21,192	300
Securities sold under repurchase agreements	981,893	-	34,406	62,009	-	569,122	316,356
Derivative payables	160,678	-	48,075	32,086	56,403	24,114	-
Acceptance payables	3,842,367	-	3,797,570	23,787	11,568	9,442	-
Marketable securities issued	1,016,603	-	778,639	37,400	-	-	200,564
Fund borrowings	9,371,508	-	2,021,771	1,604,124	1,098,942	874,364	3,772,307
Estimated losses on commitments and contingencies	316,401	316,401	-	-	-	-	-
Accrued expenses	746,808	-	746,808	-	-	-	-
Taxes payable	3,174,500	-	283,603	-	2,890,897	-	-
Other liabilities	7,999,368	7,375,071	622,139	182	272	545	1,159
Subordinated loans	2,836,650	-	3,420	17,153	3,983	42,153	2,769,941
<b>Total liabilities</b>	<b>327,896,740</b>	<b>7,691,472</b>	<b>278,350,884</b>	<b>18,805,216</b>	<b>9,803,131</b>	<b>6,115,216</b>	<b>7,130,821</b>
<b>Net Assets/(Liabilities)</b>	<b>30,541,938</b>	<b>5,822,014</b>	<b>(184,259,029)</b>	<b>3,230,100</b>	<b>8,913,725</b>	<b>20,014,742</b>	<b>176,820,386</b>

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**49. MATURITY PROFILE (continued)**

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

<b>2007</b>							
Description	Total	No maturity Contract	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 12 months
<b>Assets</b>							
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 under resale agreements - 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
Acceptance receivables - net	4,953,481	-	1,508,123	2,055,124	1,012,096	378,138	-
Investments in shares - net	124,905	124,905	-	-	-	-	-
Fixed assets - net	4,531,577	4,531,577	-	-	-	-	-
Deferred tax assets - net	4,096,447	4,096,447	-	-	-	-	-
Other assets - net	5,160,533	2,120,961	1,065,673	1,672,638	-	301,261	-
<b>Total Assets</b>	<b>319,085,590</b>	<b>10,942,540</b>	<b>92,370,117</b>	<b>18,010,664</b>	<b>13,011,428</b>	<b>23,943,991</b>	<b>160,806,850</b>
<b>Liabilities</b>							
Obligation due immediately	852,777	-	852,777	-	-	-	-
Demand deposits	62,306,208	-	62,306,208	-	-	-	-
Savings deposits	90,063,557	-	90,063,557	-	-	-	-
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 under repurchase agreements	2,914,343	-	2,028,864	-	-	-	885,479
Derivative payables	34,348	-	14,811	5,092	6,262	-	8,183
Acceptance payables	5,023,235	-	1,530,220	2,082,065	1,028,510	382,440	-
Marketable 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
<b>Total liabilities</b>	<b>289,835,512</b>	<b>9,451,660</b>	<b>245,555,989</b>	<b>17,531,976</b>	<b>7,350,532</b>	<b>5,013,878</b>	<b>4,931,477</b>
<b>Net Assets/(Liabilities)</b>	<b>29,250,078</b>	<b>1,490,880</b>	<b>(153,185,872)</b>	<b>478,688</b>	<b>5,660,896</b>	<b>18,930,113</b>	<b>155,875,373</b>

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**50. SEGMENT INFORMATION**

The Bank considers the business segment as the primary reporting segment information and geographical segment 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	Geographical Location	2009	2008	2007
- Parent PT Bank Mandiri (Persero) Tbk.	Commercial Banking	Indonesia, Singapore, Hongkong, Cayman Island and Timor Leste	v	v	v
- Subsidiaries Bank Mandiri (Europe) Limited Mandiri International Remittance Sdn. Bhd PT Bank Sinar Harapan Bali PT Bank Syariah Mandiri PT Mandiri Sekuritas PT Mandiri Tunas Finance (MTF) PT Bumi Daya Plaza and its subsidiaries PT Usaha Gedung Bank Dagang Negara and its subsidiaries	Commercial Banking  Remittance Commercial Banking Sharia Banking Securities Financing  Others Others	United Kingdom  Malaysia Indonesia Indonesia Indonesia Indonesia  Indonesia Indonesia	v  v v v v v  v v	v  - v v v -  v v	v  - - v v -  v v

Remarks:

v : has become a Subsidiary

- : has not become a Subsidiary

Primary Segment Information for the year ended 31 December 2009:

	Banking	Sharia Banking	Securities	Financing	Remittances	Others	Elimination	Consolidated
Operating income	35,047,671	2,417,995	402,697	379,920	144	15,652	-	38,264,079
Inter-segment operating income	390,501	-	13,302	-	-	-	(403,803)	-
Operating income including inter- segment operating income	35,438,172	2,417,995	415,999	379,920	144	15,652	(403,803)	38,264,079
Operating expenses	25,109,260	2,007,611	326,470	312,689	2,845	70,726	-	27,829,601
Inter-segment operating expenses	(19,290)	-	-	-	-	-	19,290	-
Operating expenses including inter-segment operating expenses	25,089,970	2,007,611	326,470	312,689	2,845	70,726	19,290	27,829,601
Income from operations	10,348,202	410,384	89,529	67,231	(2,701)	(55,074)	(423,093)	10,434,478
Net income	7,137,716	290,943	46,185	65,587	(2,701)	40,827	(423,093)	7,155,464
Total assets	373,329,892	22,036,535	1,485,000	1,792,489	12,745	347,583	(4,387,640)	394,616,604
Total assets (as a percentage of total consolidated assets prior to elimination)	93.57%	5.52%	0.37%	0.45%	0.00%	0.09%		

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**50. SEGMENT INFORMATION (continued)**

Secondary Segment Information for the year ended 31 December 2009:

	<u>Indonesia</u>	<u>Asia</u>	<u>West Europe</u>	<u>Cayman Island</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating income	37,793,566	249,484	129,907	91,122	-	38,264,079
Inter-segment operating income	403,803	-	-	-	(403,803)	-
Operating income including inter-segment operating income	38,197,369	249,484	129,907	91,122	(403,803)	38,264,079
Operating expenses	27,236,114	207,611	110,955	274,921	-	27,829,601
Inter-segment operating expenses	(19,290)	-	-	-	19,290	-
Operating expenses including inter-segment operating expenses	27,216,824	207,611	110,955	274,921	19,290	27,829,601
Income from operations	10,980,545	41,873	18,952	(183,799)	(423,093)	10,434,478
Net income	7,417,957	70,291	13,273	77,036	(423,093)	7,155,464
Total assets	387,991,438	5,298,941	2,370,709	3,343,156	(4,387,640)	394,616,604
Total assets (as a percentage of total consolidated assets prior to elimination)	97.24%	1.33%	0.59%	0.84%		

Primary Segment Information for the year ended 31 December 2008:

	<u>Banking</u>	<u>Sharia Banking</u>	<u>Securities</u>	<u>Others</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating income	29,455,014	2,037,376	435,151	9,128	-	31,936,669
Inter-segment operating income	179,646	-	3,048	-	(182,694)	-
Operating income including inter-segment operating income	29,634,660	2,037,376	438,199	9,128	(182,694)	31,936,669
Operating expenses	21,808,678	1,757,437	376,719	83,393	-	24,026,227
Inter-segment operating expenses	1,848	-	-	-	(1,848)	-
Operating expenses including inter-segment operating expenses	21,810,526	1,757,437	376,719	83,393	(1,848)	24,026,227
Income from operations	7,824,134	279,939	61,480	(74,265)	(180,846)	7,910,442
Net income	5,360,122	196,416	965	16,449	(261,131)	5,312,821
Total assets	342,200,350	17,064,857	2,349,988	343,433	(3,519,950)	358,438,678
Total assets (as a percentage of total consolidated assets prior to elimination)	94.54%	4.72%	0.65%	0.09%		

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**50. SEGMENT INFORMATION (continued)**

Secondary Segment Information for the year ended 31 December 2008:

	<u>Indonesia</u>	<u>Asia</u>	<u>West Europe</u>	<u>Cayman Island</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating income	31,216,424	347,319	231,549	141,377	-	31,936,669
Inter-segment operating income	182,694	-	-	-	(182,694)	-
Operating income including inter-segment operating income	<u>31,399,118</u>	<u>347,319</u>	<u>231,549</u>	<u>141,377</u>	<u>(182,694)</u>	<u>31,936,669</u>
Operating expenses	23,061,428	330,917	171,911	461,971	-	24,026,227
Inter-segment operating expenses	1,848	-	-	-	(1,848)	-
Operating expenses including inter-segment operating expenses	<u>23,063,276</u>	<u>330,917</u>	<u>171,911</u>	<u>461,971</u>	<u>(1,848)</u>	<u>24,026,227</u>
Income from operations	<u>8,335,842</u>	<u>16,402</u>	<u>59,638</u>	<u>(320,594)</u>	<u>(180,846)</u>	<u>7,910,442</u>
Net income	<u>5,424,121</u>	<u>(9,398)</u>	<u>42,148</u>	<u>117,081</u>	<u>(261,131)</u>	<u>5,312,821</u>
Total assets	<u>348,109,840</u>	<u>5,060,951</u>	<u>3,397,760</u>	<u>5,390,077</u>	<u>(3,519,950)</u>	<u>358,438,678</u>
Total assets (as a percentage of total consolidated assets prior to elimination)	<u>96.17%</u>	<u>1.40%</u>	<u>0.94%</u>	<u>1.49%</u>		

Primary Segment Information for the year ended 31 December 2007:

	<u>Banking</u>	<u>Sharia Banking</u>	<u>Securities</u>	<u>Others</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating income	25,450,264	1,407,193	426,058	22,061	-	27,305,576
Inter-segment operating income	310,755	-	9,953	-	(320,708)	-
Operating income including inter-segment operating income	<u>25,761,019</u>	<u>1,407,193</u>	<u>436,011</u>	<u>22,061</u>	<u>(320,708)</u>	<u>27,305,576</u>
Operating expenses	19,501,579	1,239,725	271,858	79,497	-	21,092,659
Inter-segment operating expenses	21,428	-	-	-	(21,428)	-
Operating expenses including inter-segment operating expenses	<u>19,523,007</u>	<u>1,239,725</u>	<u>271,858</u>	<u>79,497</u>	<u>(21,428)</u>	<u>21,092,659</u>
Income from operations	<u>6,238,012</u>	<u>167,468</u>	<u>164,153</u>	<u>(57,436)</u>	<u>(299,280)</u>	<u>6,212,917</u>
Net income	<u>4,389,064</u>	<u>115,455</u>	<u>108,391</u>	<u>34,339</u>	<u>(301,025)</u>	<u>4,346,224</u>
Total assets	<u>306,090,346</u>	<u>12,885,378</u>	<u>2,721,589</u>	<u>345,967</u>	<u>(2,957,690)</u>	<u>319,085,590</u>
Total assets (as a percentage of total consolidated assets prior to elimination)	<u>95.05%</u>	<u>4.00%</u>	<u>0.84%</u>	<u>0.11%</u>		

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**50. SEGMENT INFORMATION (continued)**

Secondary Segment Information for the year ended 31 December 2007:

	<u>Indonesia</u>	<u>Asia</u>	<u>West Europe</u>	<u>Cayman Island</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating income	26,589,718	298,933	206,341	210,584	-	27,305,576
Inter-segment operating income	<u>320,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(320,708)</u>	<u>-</u>
Operating income including inter-segment operating income	<u>26,910,426</u>	<u>298,933</u>	<u>206,341</u>	<u>210,584</u>	<u>(320,708)</u>	<u>27,305,576</u>
Operating expenses	20,351,904	184,005	144,040	412,710	-	21,092,659
Inter-segment operating expenses	<u>21,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,428)</u>	<u>-</u>
Operating expenses including inter-segment operating expenses	<u>20,373,332</u>	<u>184,005</u>	<u>144,040</u>	<u>412,710</u>	<u>(21,428)</u>	<u>21,092,659</u>
Income from operations	<u>6,537,094</u>	<u>114,928</u>	<u>62,301</u>	<u>(202,126)</u>	<u>(299,280)</u>	<u>6,212,917</u>
Net income	<u>4,299,212</u>	<u>102,884</u>	<u>44,107</u>	<u>201,046</u>	<u>(301,025)</u>	<u>4,346,224</u>
Total assets	<u>306,354,573</u>	<u>3,658,886</u>	<u>2,654,475</u>	<u>9,375,346</u>	<u>(2,957,690)</u>	<u>319,085,590</u>
Total assets (as a percentage of total consolidated assets prior to elimination)	<u>95.13%</u>	<u>1.14%</u>	<u>0.82%</u>	<u>2.91%</u>		

**51. CAPITAL ADEQUACY RATIO**

The Capital Adequacy Ratio (CAR) is the ratio of the Bank's capital over its Risk-Weighted Assets (RWA). Based on Bank Indonesia regulations, the total capital for credit risk consist of 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) in the form of short-term subordinated loans which meet the criteria as capital components. The CAR of Bank Mandiri (Bank Mandiri only) as at 31 December 2009, 2008 and 2007 were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Capital:			
Core Capital *)	24,473,234	22,182,866	23,194,122
Supplementary Capital	<u>9,677,260</u>	<u>7,960,702</u>	<u>7,624,716</u>
Total Core and Supplementary Capital	34,150,494	30,143,568	30,818,838
Less: Investments in subsidiaries	<u>(3,693,516)</u>	<u>(2,966,634)</u>	<u>(2,535,000)</u>
Total capital for credit risk and market risk	<u>30,456,978</u>	<u>27,176,934</u>	<u>28,283,838</u>
Credit RWA	195,833,993	172,833,315	133,960,413
Market RWA	<u>1,592,975</u>	<u>699,652</u>	<u>2,355,524</u>
Total Risk-Weighted Assets for credit and market risk	<u>197,426,968</u>	<u>173,532,967</u>	<u>136,315,937</u>

\*) Excludes the impact of deferred tax (expense)/benefit of Rp(145,719), Rp1,958,650 and Rp700,262 as at 31 December 2009, 2008 and 2007 and unrealised losses of available for sale Securities and Government Bonds available for sale of Rp(347,675), Rp(236,543) and Rp(5,097) as at 31 December 2009, 2008 and 2007. On 30 April 2003, Bank Mandiri underwent a quasi-reorganisation which accumulated losses of Rp162,874,901 was eliminated against additional paid-in capital/agio.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
CAR for credit risk	15.55%	15.72%	21.11%
CAR for credit risk and market risk	<u>15.43%</u>	<u>15.66%</u>	<u>20.75%</u>
Minimum CAR	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>

The Bank's minimum capital adequacy ratio on a consolidated basis as at 31 December 2009 after considering market risk is 15.65% and without considering market risk is 15.78%.

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**52. NET OPEN POSITION**

Net Open Position calculation as at 31 December 2009, 2008 and 2007 is based on Bank Indonesia's Regulation No. 7/37/PBI/2005 dated 30 September 2005. Based on the regulation, banks are required to maintain the overall Net Open Position and on balance sheet positions at a maximum of 20.00% from total capital. In accordance with Bank Indonesia guidelines, the overall Net Open Position ratio is the sum of the absolute amount from the net difference between assets and liabilities for each foreign currency (Rupiah equivalent) and the net difference between receivables and payables from commitments and contingencies for each foreign currency (Rupiah equivalent). The on balance sheet position is the net difference between total assets and liabilities for each currency (Rupiah equivalent).

Below is the Net Open Position of Bank Mandiri, as at 31 December 2009 by currency (Rupiah equivalent):

<u>Currency</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Open Position</u>
<b>OVERALL (ON BALANCE SHEET AND ADMINISTRATIVE ACCOUNTS)</b>			
United States Dollar	60,281,348	59,556,415	724,933
Euro	1,396,804	1,344,045	52,759
Singapore Dollar	652,278	548,187	104,091
Japanese Yen	263,957	203,837	60,120
Australian Dollar	228,011	199,827	28,184
Hong Kong Dollar	159,873	185,748	25,875
Great Britain Pound Sterling	105,874	105,632	242
Others	56,510	6,972	50,354*)
Total			<u>1,046,558</u>
<b>ON-BALANCE SHEET</b>			
United States Dollar	57,834,011	55,578,691	2,255,320
Euro	1,281,829	1,254,255	27,574
Singapore Dollar	579,546	415,951	163,595
Japanese Yen	206,926	72,916	134,010
Hong Kong Dollar	159,873	54,178	105,695
Australian Dollar	151,510	118,677	32,833
Great Britain Pound Sterling	89,344	90,467	(1,123)
Others	56,510	6,972	49,538**)
Total			<u>2,767,442</u>
Total Tier I and Tier II Capital less investments in subsidiaries (Note 51)			<u>30,456,978</u>
NOP Ratio (On-Balance Sheet)			9.09%
NOP Ratio (Overall)			3.44%

Below is the Net Open Position of Bank Mandiri, as at 31 December 2009 if calculated using November 2009 capital (unaudited):

Total Capital November 2009	26,382,396
NOP Ratio (On-Balance Sheet)	10.49%
NOP Ratio (Overall)	3.97%

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**52. NET OPEN POSITION (continued)**

Below is the Net Open Position of Bank Mandiri, as at 31 December 2008 by currency (Rupiah equivalent):

<u>Currency</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Open Position</u>
<b>OVERALL (ON BALANCE SHEET AND ADMINISTRATIVE ACCOUNTS)</b>			
United States Dollar	61,593,324	63,497,969	1,904,645
Euro	917,496	886,840	30,656
Hong Kong Dollar	673,414	82,356	591,058
Singapore Dollar	369,806	352,951	16,855
Japanese Yen	295,094	296,794	1,700
Australian Dollar	145,389	124,161	21,228
Great Britain Pound Sterling	129,950	37,564	92,386
Others	35,765	6,466	29,299*)
Total			<u>2,687,827</u>
<b>ON-BALANCE SHEET</b>			
United States Dollar	60,108,482	59,666,442	442,040
Euro	903,675	834,465	69,210
Hong Kong Dollar	372,507	91,185	281,322
Singapore Dollar	331,603	330,011	1,592
Japanese Yen	283,981	279,351	4,630
Australian Dollar	145,019	121,895	23,124
Great Britain Pound Sterling	86,938	18,589	68,349
Others	35,765	6,466	29,299*)
Total			<u>919,566</u>
Total Tier I and Tier II Capital less investments in subsidiaries (Note 51)			<u>27,176,934</u>
NOP Ratio (On-Balance Sheet)			3.38%
NOP Ratio (Overall)			9.89%

Below is the Net Open Position of Bank Mandiri, as at 31 December 2008 if calculated using November 2008 capital (unaudited):

Total Capital November 2008	28,285,306
NOP Ratio (On-Balance Sheet)	3.25%
NOP Ratio (Overall)	9.50%

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**52. NET OPEN POSITION (continued)**

Below is the Net Open Position of Bank Mandiri, as at 31 December 2007 by currency (Rupiah equivalent):

Currency	Assets	Liabilities	Net Open Position
<b>OVERALL (ON BALANCE SHEET AND ADMINISTRATIVE ACCOUNTS)</b>			
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 Pound Sterling	161,183	(19,435)	180,618
Australian Dollar	118,508	65,045	53,463
Others	46,460	22,229	31,179*)
Total			<u>1,573,150</u>
<b>ON-BALANCE SHEET</b>			
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 Pound Sterling	123,005	12,983	110,022
Australian Dollar	110,137	29,792	80,345
Others	41,713	7,885	33,828**)
Total			<u>374,867</u>
Total Tier I and Tier II Capital less investments in subsidiaries (Note 51)			<u>28,283,838</u>
NOP Ratio (On-Balance Sheet)			1.33%
NOP Ratio (Overall)			5.56%

Below is the Net Open Position of Bank Mandiri, as at 31 December 2007 if calculated using November 2007 capital (unaudited):

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

\*) Sum from the absolute amount of difference between assets and liabilities from other foreign currencies.

\*\*) Sum from the amount of difference between assets and liabilities from other foreign currencies.

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

Non-performing earning assets to total earning assets ratio as at 31 December 2009, 2008 and 2007 (Bank Mandiri only) were 1.72%, 2.98% and 4.52%, respectively. The Non-Performing Loan (NPL) ratio (Bank Mandiri only) before deducted by the allowance for possible losses (gross basis) as at 31 December 2009, 2008 and 2007 were 2.62%, 4.69% and 7.33%, respectively (Note 11A.d).

The ratio of total allowance for possible losses on earning assets provided by Bank Mandiri compared to the minimum allowance for possible losses on earning assets under the guidelines prescribed by Bank Indonesia as at 31 December 2009, 2008 and 2007 were 107.28%, 103.76% and 104.22%, respectively.

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

The ratio of small-scale loans to total loans provided by Bank Mandiri as at 31 December 2009, 2008 and 2007 were 3.23%, 2.66% and 3.31%, respectively.

The Legal Lending Limit (LLL) as at 31 December 2009, 2008 and 2007 did not exceed the LLL regulation for related parties and third parties. LLL is calculated in accordance with Bank Indonesia Regulation - PBI No. 7/3/PBI/2005 dated 20 January 2005 regarding Legal Lending Limit for Commercial Bank as amended in PBI No. 8/13/PBI/2006 dated 5 October 2006.

**54. CUSTODIAL AND TRUST OPERATIONS**

*Custodial Operations*

Bank Mandiri started rendering custodial services in 1995. The operating license for custodial services was renewed based on Bapepam Decision Letter No. KEP.01/PM/Kstd/1999 dated 4 October 1999. Bank Mandiri's Custodial, which is part of the Capital Market Services Department, International Banking & Capital Market Services Group, 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 marketable securities and other valuable assets.
- c. Corporate action services related to the rights on the marketable securities.
- d. Proxy services for its customers' shareholders' meetings and bond holders' meetings.
- e. Generate reports and information regarding customers' marketable securities which is kept and administered by Bank Mandiri's custody.

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

- a. General custodial which provides services for investors investing in capital market of Indonesia;
- 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 Debenture Debt (SUN) and SBIs transactions;
- d. Custodial for mutual funds issued and managed by investment manager;
- e. As direct participant of Euroclear for customer who is conducting investment and settlement of securities transactions listed in overseas market and recorded in Euroclear Operations Centre, Brussels;
- f. Securities lending as services for customers who want to maximise their investment return by lending their securities to securities companies through intermediary and guarantee of PT Kliring Penjaminan Efek Indonesia (PT KPEI).
- g. Custody services for Exchange Traded Fund (ETF) which issued and managed by an investment manager. The unit of participation will be traded on stock exchange.

As at 31 December 2009, 2008 and 2007, Bank Mandiri's Custodial Operations has 434,416 and 370 customers, respectively. The customers are primarily pension funds, insurance companies, banks, institution, securities companies, mutual funds, other institution/legal entity and individual customer with a total portfolio value as at 31 December 2009 of Rp122,113,182, USD382,734,735 (full amount), JPY2,016,666,666 (full amount) and EUR105,647 (full amount), as at 31 December 2008 of Rp97,801,970, USD425,028,200 (full amount) and JPY1,344,444,444 (full amount) and as at 31 December 2007 of Rp90,072,761, USD439,473,200 (full amount) and JPY672,222,222 (full amount).

Bank Mandiri carries insurance on custodial services against potential losses from safekeeping and transit of securities in accordance with the Capital Market and Financial Institution Supervisory Board's regulation.

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**54. CUSTODIAL AND TRUST OPERATIONS (continued)**

*Trust Operations*

Bank Mandiri had been rendering trustee services since 1983. The operating license for trustee services was renewed and re-registered with Capital Market and Financial Institution Supervisory Board as stipulated in Decision Letter No. 17/STTD-WA/PM/1999 dated 27 October 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

As at 31 December 2009, Bank Mandiri as Trustee has 23 trustee customers with the total value of bonds and MTN issued amounting to Rp16,184,400, as at 31 December 2008 has 25 trustee customers with the total value of bonds and MTN issued amounted to Rp14,124,400, and as at 31 December 2007 has 37 trustee customers with the total value of bonds and MTN issued amounted to Rp13,686,607 and USD100,000,000 (full amount), respectively. While the sinking fund, escrow account and third party funds managed amounted to Rp463,128 on behalf of 14 customers, Rp378,176 on behalf of 26 customers and Rp448,816 on behalf of 17 customers as at 31 December 2009, 2008, and 2007, respectively.

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

**55. CHANNELING LOANS**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Government:			
Electricity, gas and water	8,979,953	9,130,302	7,602,067
Transportation and communications	3,029,800	4,107,413	3,915,733
Manufacturing	436,542	461,571	742,653
Agriculture	244,417	1,173,697	1,249,057
Construction	11,273	11,273	11,394
Mining	-	-	12,612
Others	82,812	86,988	95,338
	<u>12,784,797</u>	<u>14,971,244</u>	<u>13,628,854</u>

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, BNP Paribas, Nederland Urban Sector Loan & De Nederlandse Inveseringsbank voor Ontwikkelingslanden NV, Swiss Government, Banque Français & Credit National, US EXPORT IMPORT BANK, RYOSIN INT'L LTD, 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, French Government, USAID, BARCLAYS, IDA, RDI-KI, LYONNAIS, U.B Denmark, Bank of China, SPAIN, CDC NES, NORDISKA and Sumitomo Corporation.

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**55. CHANNELING LOANS (continued)**

Channeling loans are not recognised in the consolidated balance sheets as the credit risk is not borne by the Bank and 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 the compensation, Bank Mandiri receives bank fee which varies from 0.15% - 0.40% of the interest paid by the borrowers and 0.50% from the average of loan balance in one year.

**56. RISK MANAGEMENT**

Bank Mandiri clearly segregated risk management functions to the business unit functions according to the requirement of Bank Indonesia's Regulations and international best practices in banking industry. Currently, Bank Mandiri also adopts the Enterprise Risk Management (ERM) concept as one of the comprehensive and integrated risk management strategies in line to the Bank's business process and operational necessities. ERM implementation is a value added creation to the Bank and stakeholders, especially to the implementation of Strategic Business Unit (SBU) and Risk Based Performance.

ERM is a risk management process embedded in the business strategies and operation that integrated to daily decision making process. It is a holistic approach that establishes a systematic and comprehensive risk management framework (credit risk, market risk and operational risk) by connecting the capital management and business process to the risks. In addition, ERM also applies consolidated risk management to the subsidiaries, which will be implemented gradually to maximise the effectiveness of bank's supervision and value creation to the bank based on PBI No. 8/6/PBI/2006 dated 30 January 2006.

The Bank's risk management framework is based on Bank Indonesia's Regulations No. 11/25/PBI/2009 dated 1 July 2009 regarding The Amendment of Bank Indonesia's Regulations No. 5/8/PBI/2003 regarding the Implementation of Risk Management for Commercial Bank. The Bank's risk management framework is stated in the Bank Mandiri Risk Management Policy (KMRBM), which refers to the implementation plan of Basel II Accord in Indonesia. Risk management framework consists of several policies as the guideline to the business growth and as a business enabler to keep the Bank conduct prudential principle by examining the risk management performance process (identification - measurement - mitigation - monitoring) in all organisation levels.

Board of Commissioners and Directors are actively involved in the Bank's risk management activities. It is implemented through the establishment of the Risk and Capital Committee (RCC) and Risk Monitoring Committee (RMC). RCC consists of four sub committees, which are: Asset & Liability Committee, Risk Management Committee, Capital & Investment Committee and Operational Risk Committee. RCC is responsible for the approval of risk policy and strategy that consist of market risk, credit risk, operational risk, liquidity risk, legal risk, reputation risk, strategic risk and compliance risk. Furthermore, RCC is also responsible for managing Asset & Liabilities, evaluation investment and divestment plan of Subsidiaries and Strategic Business Unit (SBU) as well as managing strategic operational risk policy and procedures of Bank Mandiri.

Risk Monitoring Committee (RMC) is responsible for analysing and to evaluating the policies and the implementation of Bank's risk management and it is also responsible for providing recommendations to the Board of Commissioners in the decision making process.

The Risk Management Directorate is directed by a Director who reports to the Board of Directors and is a voting member in the Risk and Capital Committee (RCC). The Risk Management Directorate also has established a Risk Management Unit.

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**56. RISK MANAGEMENT (continued)**

In operational activities, the Risk Management Directorate is divided into 2 (two) main functions: 1) Risk management unit as a part of Credit Approval using a four-eye principle, and 2) Independent Risk Management Unit which is divided into two groups; Credit Risk Policy Group who manage credit risk and portfolio risk, and Market Operational Risk Group who manage operational risk, market risk and liquidity risk.

The Risk Management Directorate and each strategic business unit are responsible for maintaining and coordinating overall risks that consist of credit risk, market risk, operational risk, liquidity risk, legal risk, reputation risk, strategic risk and compliance risk including establishing risk management policies and standards.

All risks will be disclosed in a quarterly risk profile report to portrait all risks embedded in the Bank's business activities, including consolidation with subsidiaries' risk.

*Credit Risk*

The Bank's credit risk management is mainly directed to improving the balance between prudent loan expansion and loan maintenance in order to prevent asset deterioration (downgrading) to Non Performing Loan (NPL) categories and to optimise capital utilisation to achieve optimum Risk Adjusted Return On Capital (RAROC).

To support this purpose, the Bank periodically reviews and updates its policies and procedures i.e. Bank Mandiri Credit Policy (KPB), Standard Credit Procedures (SPK) for each business segment, and Memorandum Procedure which is temporary in nature and issued to regulate the procedures which have not been accommodated in SPK. These three policies and procedures are intended to provide a comprehensive credit risk management guideline for identification, measurement and mitigation of credit risks in the end-to-end loan granting process, from market targeting, loan analysis, approval, documentation, disbursement, monitoring and settlement process for troubled loans/restructuring.

To improve the Bank's social role and concern to the environmental risk and as an implementation of Good Corporate Governance (GCG), the Bank has set up a Guideline for Technical Analysis of Environmental and Social in Lending which is used as a reference in analysing environmental risk in a credit analysis. The Guideline codifies internal credit policy and procedure related to environmental issues which are also included in KPB, SPK and Standard Operating Procedures. This Guideline is in line with Bank Indonesia regulation regarding Assessing the Quality of Asset on General Bank regulating that the Debtor business process should be also related with the debtor's effort to maintain its environment.

In principle, credit risk management is implemented at both the transactional and portfolio levels. At the transactional level, the Bank has implemented the four-eye principle concept, whereby each loan approval involves Business Unit and Credit Risk Management Unit which work independently to make an objective credit decision. The four-eye principle is executed by Credit Committee according to the authority limit and the loan approval process is conducted through Credit Committee Meeting mechanism. As Credit Committee members, the credit authority holders must be highly competent as well as having strong capacity and integrity so that the loan granting process can be conducted comprehensively and prudently. To monitor the performance of the credit authority holders in approving and maintaining loans, the Bank has developed a database for authority-holder monitoring. By using this system, the Bank can monitor the amount and quality of the loans approved by the credit authority holders, so that the performance of the authority holders can be monitored from time to time.

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**56. RISK MANAGEMENT (continued)**

*Credit Risk (continued)*

To identify and measure risk of each credit application processed in the transactional level, the Bank uses Rating and Scoring systems. The Rating and Scoring systems consist of Bank Mandiri Rating System (BMRS), Small Medium Enterprise Scoring System (SMESS), Micro Banking Scoring System (MBSS) and Consumer Scoring System. The Bank has also developed a Rating System for Financial Institutions/Banks, called Bank Mandiri Financial Institution Rating (BMFIR), so that the Bank, in granting Credit Line facilities, can identify and measure the risk level of Counterparty Bank which can be tolerated.

To support the development of these tools, the Bank has issued Guideline for the Development of Credit Rating and Credit Scoring Models, which serves as a complete reference for the Bank in developing credit rating and credit scoring models. In addition, to monitor the performance of credit rating and credit scoring models, the Bank reviews the scoring and rating results conducted by Business Units. By reviewing and monitoring the rating models using validation methodology, the Bank can understand the performance of the models from time to time. At the moment, the model validation is conducted internally by Model Risk Validation unit, which is an independent unit and separated from the model development unit. This is conducted to minimise user's mistake in measuring credit risk, particularly in determining the Probability of Default (PD) value and debtors' rating. In both measuring economic capital for credit risk and complying to Basel II, the Bank has been developing Long Term PD and also reviewing Exposure at Default (EAD) & Lost Given Default (LGD) model internally. In order to monitor rating & scoring gathered in the database, the Bank prepares Credit Scoring Review and Rating Outlook which are issued quarterly and semi-annually. The reports contain information concerning scoring and rating parameters presented by industrial sector. The reports are useful for Business Units particularly as a reference in determining targeted customer which are good (performing), so that the quality of credit expansion process will improve.

As an implementation of prudential banking practice for identifying, measuring and monitoring credit risk in the loan approval process, the Bank uses not only Rating and Scoring tools but also uses other tools such as financial spread sheet, Comprehensive Credit Note Analysis (NAK) and Loan Monitoring System which have been integrated to Integrated Loan Processing (ILP)/Loan Origination System (LOS) to cover the end-to-end loan process.

To mitigate credit risk per individual debtor, the Credit Committee makes decision in credit structure including determining the appropriate credit covenants relevant to the needs and conditions of the debtor, so that the loan granted will be effective and profitable for both the debtor and the Bank.

In response to the global economic crisis which has not ended yet, to identify debtors which may experience difficulty in repaying their loan obligation, the Bank conducts early warning analysis called Watch List analysis for all Corporate and Commercial loans using Loan Monitoring System. Based on the analysis, the Bank should determine account strategy and early actions to prevent NPL.

At the portfolio level, risk management is conducted through an active portfolio management approach in which the Bank proactively maintains portfolio diversification at optimum levels with risk exposure within the risk appetite level decided by the Bank. In its implementation, the Bank uses several tools called Portfolio Guideline (PG). PG consists of three items i.e. Industry Classification, Industry Acceptance Criteria and Industry Limit.

Industry Classification (IC) classifies industrial sectors into three categories based on the prospects and risks of the corresponding industry. The Bank uses IC in determining the industry target market. The second tool is Industry Acceptance Criteria (IAC) which gives basic criteria (quantitative and qualitative) which serves as key success factors in certain industrial sector. The Bank uses IAC in determining targeted customer. The third tool is Industry Limit (IL) which provides maximum exposure limit which can be given to a particular industrial sector.

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**56. RISK MANAGEMENT (continued)**

*Credit Risk (continued)*

PG has fundamentally changed the business process in credit where the Bank now proactively gives priority to industries which give economic value added and select the best companies and individuals within those industries (winner players) which are set as targeted customers. By using this proactive approach, the quality of the Bank's portfolio will improve because the loans granted will be more effective and give value add for both the debtor and the Bank. This proactive approach will also prevent risk concentration within one particular industry or particular debtor because the Bank actively limits the exposure through Limit Policies (Industry Limit and Debtor Limit).

PG is periodically reviewed and the back testing of PG is conducted regularly so that the guideline will remain relevant and up-to-date and has predictive value at an acceptable level. In the first quarter of 2009, the Bank developed Portfolio Outlook which serves as one of the references in determining industrial target market in loan expansion. Portfolio Outlook is issued in an ad hoc manner based on certain economic conditions which can influence the performance of the loan portfolio. The issuance of Portfolio Outlook is an anticipatory step (early warning) before the changes in economic condition as mentioned above are included in the Industry Classification review.

As part of its active portfolio management, the Bank always monitors the development of credit risk portfolio by calculating the Bank's credit risk profile which reflects the inherent risk and the effectiveness of the risk control system. The Bank also monitors the development and the quality of the portfolio based on concentration e.g. per business segment, 25 largest debtors, industrial sector, regions, product type, currency type and risk class. Therefore, the Bank can take anticipatory steps and risk mitigation in both individual and portfolio level.

To monitor the quality and to test the elasticity of portfolio quality (NPL and Yield) to changes in economic variables which can affect the Bank's capital adequacy, the Bank regularly and incidentally (ad hoc) conducts a stress test to the credit portfolio e.g. per large borrower group, business segment, industry and products based on various scenarios. With this stress test, the Bank can anticipate earlier and take steps for controlling portfolio and finding the best and optimal solution as short-term and long-term strategies. Therefore, the Bank's portfolio quality and capital adequacy can be well maintained.

Based on the explanation above, we can conclude in general that credit risk management in Bank Mandiri has been conducted comprehensively and improved continuously for instance in terms of its control system.

In continuously developing the quality of human resource in risk management, the Bank has developed a Risk Management Academy which has 18 (eighteen) modules, specifically prepared for improving the knowledge and risk awareness of the Bank's employee.

*Market and Liquidity Risk*

**a. Liquidity Risk Management**

Liquidity represents the Bank's ability to meet all financial liabilities as they fall due in normal condition. The 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.

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**56. RISK MANAGEMENT (continued)**

*Market and Liquidity Risk (continued)*

**a. Liquidity Risk Management (continued)**

The liquidity level of the Bank is measured through the Minimum Reserve Requirement as regulated by Bank Indonesia in Bank Indonesia regulation No. 10/25/PBI/2008 dated 23 October 2008 concerning amendment of PBI No. 10/19/PBI/2008 regarding Statutory Reserves at Bank Indonesia for commercial Banks in Rupiah and foreign currencies. In accordance with the regulation, the minimum ratio of statutory reserves which Bank shall maintain is 7.50% from Third Party Funds (TPF) in Rupiah which consists of Primary Statutory Reserve and Secondary Statutory Reserves and 1.00% from TPF in foreign currency. Primary statutory reserves is 5.00% of TPF in Rupiah was effective as at 24 October 2008 and Secondary Statutory reserves is 2.50% of TPF in Rupiah was effective as at 24 October 2009.

As at 31 December 2009, the Bank's primary and secondary reserve for Rupiah is 5.00% and 42.29%, respectively and 1.32% for secondary reserve for foreign currency.

The Bank's potential liquidity risk is assessed and monitored through a liquidity gap analysis, which is a projection of the future. Based on the Bank's 2009 plan (Rencana Kerja dan Anggaran Perusahaan, or RKAP), the Bank's liquidity is projected to be in a surplus position over the next 12 months. Each funding deficit projection is monitored through Maximum Cumulative Outflow (MCO) limit.

The Bank's ability to handle 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, the Bank may source its funding needs in bank specific crisis by borrowing (ex: repurchase agreement, bilateral funding, collateralised facility agreement, foreign exchange swap), selling and marketable securities (such as Government Debenture Debt) and through pricing strategy for third party funding. In general market crisis, bank may source its funding needs from its secondary reserve (which has been build previously) or through the liquidity facility from Bank Indonesia.

**b. Interest Rate Risk Management**

Interest Rate Risk represents a risk that influences the increase/decrease of financial value of the Bank's assets and liabilities (Banking Book) due to changes in interest rate that will effect on Bank's profit and capital. Interest rate risk is mostly due to the difference in time repricing between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL). RSA are dominated with government bond and loans, and RSL 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 uses 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 performs simulation with interest rate shock (increase/decrease) scenario.

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**56. RISK MANAGEMENT (continued)**

*Market and Liquidity Risk (continued)*

**b. Interest Rate Risk Management (continued)**

The Bank measures 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 basis points (bps). The sensitivity analysis result shows that a gradual parallel shift in the term structure of interest rate by 100 bps Rupiah and Foreign Currency will potentially decreased the next 12 months targeted NII amounting to 0.72% (unaudited) and decreased the EVE by 0.77% (unaudited) from Equity. In addition to sensitivity analysis, the Bank also uses a statistical approach to assess the impact of interest rate volatility on earning (Earning at Risk, EaR) and equity (Capital at Risk, CaR). As at 31 December 2009, the Banks records 0.50% (unaudited) and 2.31% (unaudited) EaR and CaR of its equity.

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.

The Bank applies a set of monitoring tools called Interest Rate Risk Red Flags, to give an early warning indicator of interest rate risk, which consists 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, the 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 performed strategies in order to support the Bank in taking control of the market share revenue by maximising 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 structured 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.

**d. Market Risk Management**

The Bank performs 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 Limit (VaR Limit), dealer nominal limits and dealer loss limit. The monitoring results were stated in the Trading Risk Profile report periodically 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.

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**56. RISK MANAGEMENT (continued)**

*Market and Liquidity Risk (continued)*

**d. Market Risk Management (continued)**

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 at 31 December 2009 was Rp127,935, therefore the CAR which has considered market risk and credit risk is 15.43% (Note 51).

The Bank continuously 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 measures and manages the structural foreign exchange risk to understand 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 liabilities are in the form of third party funds and borrowing whilst most of the assets are in the form of loans, inter-bank placements and marketable securities.

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 (NOP) in all foreign currencies for on balance sheet and aggregate to be no more than 20.00% of the Bank's Capital (Tier I and Tier II). For prudential principles, the Bank has established internal limit to be no more than 10.00% of the capital. As at 31 December 2009, the Bank's NOP was 9.09% and NOP aggregate (absolute) was 3.44% from the capital (Note 52).

*Operational Risk*

Operational Risk is defined as the risk of loss resulting from inadequate or failed in internal processes, people and systems or from external events. The Bank proactively implements operational risk management to protect the interests of the Bank's stakeholders. An effective Operational Risk Management (ORM) program will protect the customers' interest, decrease incidence of operational losses, improve the Bank's reputation and support the Bank in achieving its business goals. Currently, the Bank conducts several programs for improving its operational risk management, as follows:

**a. Operational Risk Mitigation**

- The Bank continues to review its policy and adjust operational risk management procedures in accordance to the latest developments. The Bank's standard policy consists of Standard Operating Procedures (SOP) for Operational Risk Management, SOP for New Product or Activities (NPA), as well as the SOP for Business Continuity Plan (BCP) as a guide for effective implementation of Operational Risk Management in a holistic manner.
- To improve its Operational Risk management, the Bank conducts several ORM Tools implementation to be deployed in all its business unit (Mandiri Loss Event Database, Risk & Control Self Assessment and Key Risk Indicators) in order to help the Business units manage their operational risk in its daily activities.
- To identify the Operational Risk, the Bank regularly reports its operational risk profile and segregated by its business units, in order capture the magnitude of the Bank's operational risk exposed by Bank's and all business units.

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**56. RISK MANAGEMENT (continued)**

*Operational Risk (continued)*

**b. Capital Charge Calculation to Cover Operational Risk**

Based on Circular Letter from Bank Indonesia No. 11/3/DPNP dated 27 January 2009, the Bank has performed the simulation for the Minimum Capital Requirement for Operational Risk. The result of the simulation of minimum capital requirement using the Basic Indicator Approach (BIA) for the year 2009 is Rp2,276,350 (unaudited). Starting from the first semester of 2009, the Bank has also calculated Operational Risk capital requirement using the Standardised Approach (SA), as this approach is in line with the implementation of the risk-based performance for Strategic Business Unit.

**57. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES**

**a. Integrated Banking System Agreement with Vendor**

On 21 July 2001, Bank Mandiri entered into an agreement with Vendor for software procurement and installation services for an integrated banking system, called eMAS (Enterprise Mandiri Advanced System), for a total contract value of USD47,535,022.70 (full amount) including 10% VAT. Additional agreements were also held on 23 April 2002, 28 August 2003, 12 April 2004, 4 July 2005, 8 September 2008 and 22 September 2008 with a contract value (after VAT) of USD20,467,218.20 (full amount), USD462,000 (full amount), USD1,014,344 (full amount), USD44,000 (full amount), USD1,155,000 (full amount) and USD44,000 (full amount), respectively. The actual payment until 31 December 2009 amounting to USD65,398,162 (full amount, after VAT) was recorded as construction in progress amounting to USD668,924 (full amount, after VAT) and as fixed amounting to USD64,729,238 (full amount, after VAT). The estimated percentage of project completion of the contract as at 31 December 2009 was 98.98%.

On 1 August 2006, the Bank entered into an agreement to enhance the eMAS feature with Vendor, for a total contract value (after VAT) of USD2,934,352 (full amount). The actual payment until 31 December 2009 amounting to USD2,068,578 (full amount, after VAT) was recorded as construction in progress amounting to USD524,542 (full amount) and as fixed assets amounting to USD1,608,386 (full amount). Specifically for LOS Consumer & LOS Credit Card, the balances are temporarily recorded as liabilities during the process of document completion, amounting to USD64,350 (full amount, after VAT). The estimated percentage of completion of the contract as at 31 December 2009 was 97.22%.

On 17 January 2008, the Bank entered into an agreement to enhance the eMAS feature with Vendor for a total contract value of USD871,200 (full amount) (after VAT 10%). The actual payments until 31 December 2009 amounting to USD303,494 (full amount) was recorded as fixed assets amounting to USD259,776 (full amount) and as construction in progress amounting to USD58,291 (full amount). Specifically for Enhancement Remittance System project, the balance is temporarily recorded as a liability during the process of document completion, amounting to USD14,573 (full amount). The estimated percentage of completion as at 31 December 2009 was 85.59%.

On 14 September 2009, the Bank entered into an agreement to enhance the eMAS feature with Vendor for a total contract value of USD693,000 (full amount) (after VAT 10%). The payments realisation until 31 December 2009 amounting to USD453,337 (full amount) was recorded as construction in progress amounting to USD453,337 (full amount). The estimated percentage of completion as at 31 December 2009 was 63.45%.

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

**b. Development Agreement with the Operational Risk Management ABN AMRO Bank N.V.**

On 25 February 2005, Bank Mandiri and ABN AMRO Bank N.V. signed an agreement on the development of Operational Risk Management to assist in the implementation process of operational risk management, and has been modified by the Addendum. This cooperation is used as a means of transferring knowledge to improve the capabilities of the Bank and their employees to apply operational risk management methodologies, as well as improving the capabilities of calculating the allocation of capital according to Basel II standards. Based on the agreement, ABN AMRO Bank N.V. will support the development of Bank Mandiri's internal capabilities in terms of operational risk management. The capability development will be done through the nine Action Track in the form of transfer of knowledge and consultation. The agreement is worth USD1,200,000 (full amount). This cooperation ended in December 2008.

**c. Legal Matters**

Bank Mandiri received a request from a customer to liquidate its demand 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 first to IBRA.

After sending the admonition, since the request to liquidate its demand and time deposit has not been fulfilled due to absence of approval from IBRA, on 7 June 2006, the customer filed a lawsuit against the Bank as the first defendant and the Ministry of Finance of the Republic of Indonesia as the second defendant at South Jakarta High Court.

Ministry of Finance of the Republic of Indonesia in his letter dated 27 August 2008 and 28 August 2008 has asked Bank Mandiri to liquidate the customer's demand and time deposit on behalf of the customer because these represent loan customer's collateral, whilst the purchase and sale agreement of the customer's receivables with demand and time deposit as collateral have been cancelled. Based on the cancellation agreement, the customer's collateral in form of demand and time deposit was transferred to the Government to be accounted for the customer's loan. Liquidation of the funds have been executed and placed in the State General Treasurer's account in Bank Indonesia.

On 23 October 2008, Bank Mandiri received notification about the cessation decision of the Supreme Court related to customer's cassation plea submission which in principle decided that the demand and time deposit under Bank Mandiri are owned by the customer and instructed Bank Mandiri to liquidate the demand, time deposit and its interest to the customer. Based on the cessation decision, Bank Mandiri and Ministry of Finance applied for a judicial review on 31 March 2009. Up to the date of this consolidated financial statements the judicial review is still in process.

The Bank's total potential exposure arising from outstanding lawsuits as at 31 December 2009, 2008 and 2007 amounting to Rp2,204,722, Rp1,277,161 and Rp2,529,424, respectively. As at 31 December 2009, 2008 and 2007, Bank Mandiri has provided a provision (included in "Other Liabilities") for a number of outstanding lawsuits involving Bank Mandiri amounting to Rp514,366, Rp176,316 and Rp205,742, respectively (Note 29). Management believes that the provision is adequate to cover possible losses arising from pending litigation, or litigation cases currently in progress.

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

**d. Value Added Tax (VAT) on Bank Sharia Mandiri *Murabahah* Transactions**

There is a difference in opinions concerning tax applied on *murabahah* transaction between the Directorate General Taxes (DGT) Tax Audit Team with the subsidiary, Bank Syariah Mandiri (BSM).

The DGT Tax Audit Team concluded that *murabahah* transaction is subject to Value Added Tax (VAT) according to the Law No. 8 year 1983 regarding Value Added Tax on Goods and Services and Sales Tax on Luxury Goods and the latest revision in Law No. 18 year 2000 article 1A paragraph (1). Related to this matter, the tax office issued a tax assessment letter confirming underpayment (SKPKB) and tax collection letter (STP) of VAT for fiscal year 2003 for BSM's head office and some branches totalling of Rp37,649.

On 10 January 2005 BSM submitted an objection and did not make payment on the above SKPKB and STP on the basis that, at that time, the tax regulation was not specifically address sharia banking activities, especially *murabahah* financing transactions.

Based on Bank Indonesia Regulation No. 8/21/PBI/2006 dated 5 October 2006 Concerning Assets Quality Rating For Commercial Banks Conducting Business Based On Sharia Principles, and the amendment of Bank Indonesia Regulation No. 10/24/PBI/2008 dated 16 October 2008 it is stated that sale and purchase transaction in *Murabahah* Agreement is a financing transaction.

BSM concluded that *murabahah* is a banking transaction which is excluded from VAT object, according to the Law No. 8 year 1983 regarding Value Added Tax on Goods and Services and Sales Tax on Luxury Goods and the latest revision in Law No. 18, 2000 article 4A paragraph (3) point (d), it is 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).

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

On 1 December 2005 the Director General of Taxation issued a decision rejecting the BSM's objection letter No. Kep-277/PJ.54/2005.

Until this date, BSM is still in process to discuss and clarify this matter with ASBISINDO, Bank Indonesia and related financial institutions, however no conclusion has been made. Therefore, until further clarification, BSM has not made any provision for the above SKPKB and STP for fiscal year 2003.

Based on newly issued Law No. 42 year 2009 in relation to the third amendment on Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, it is stated that financing services, which include sharia financing, is exempted from VAT. This Law is effective starting 1 April 2010.

**e. Long Term Fund Borrowing from the Asian Development Bank (ADB)**

On 30 October 2009, the Bank signed a long term Loan Facility Agreement with ADB of USD105,000,000 (full amount) which was amended and restated on 13 November 2009. The facility is intended to improve Bank Mandiri funding structure.

The facility consists of two tranches, Tranche A is direct loan from ADB with tenor 7-year amounted USD75,000,000 (full amount); and Tranche B, a 5-years loan amounted USD30,000,000 (full amount) to be provided by ADB as Lender-of-Record and funded by commercial banks under Participation Agreements between ADB and such banks (ADB Participant Banks).

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

**f. Trade Financing with Asian Development Bank (ADB)**

On 25 November 2009, Bank Mandiri signed a Confirmation Bank Agreement (CBA), Issuing Bank Agreement (IBA) and Revolving Credit Agreement (RCA) under Trade Finance Facilitation Program (TFFP) with ADB.

Based on CBA and IBA, Bank Mandiri can act either as Confirming Bank or Issuing Bank for its customer's L/C based trade transactions. As a Confirming Bank, Bank Mandiri can request a guarantee from ADB for L/C issued by Issuing Bank, and vice versa as Issuing Bank, Bank Mandiri could have confirmation guarantee from ADB for L/Cs that have been issued.

Trade Finance Facilitation Program (TFFP) scheme is a Program initiated by ADB to facilitate the L/C based trade transactions within Asian developing countries to increase the trade-volume. Becoming a participant in this program, Bank Mandiri will have access to increase its trade finance credit lines, its trade volume and to open new business opportunities especially to countries that have low trade volume with Indonesia.

Pursuant to the RCA, Bank Mandiri received a credit revolving facility up to USD25,000,000 (full amount). By using the facility, Bank Mandiri will be charged with interest of Total Margin plus LIBOR during the interest period. As at 31 December 2009, Bank Mandiri has not withdrawn any loan from this facilities.

**g. Purchase of Shares Agreement of AXA Mandiri Financial Services**

On 9 December 2009, Bank Mandiri and National Mutual International Pty. Ltd. (NMI) signed a Conditional Sale Purchase Agreement where the Bank will acquire 2.00% of PT. AXA Mandiri Financial Services' shares (AXA Mandiri), a limited liability life insurance company, domiciled in Jakarta, Indonesia a company which is part of AXA Group and duly incorporated under the Law of Australia, domiciled in 750 Collins Street, Docklands, Victoria 3008, Australia, so that Bank Mandiri will increase its ownership to become 51.00%. The acquisition of additional 2.00% AXA Mandiri shares will become effective after all of conditions precedent as stated in the Conditional Sale and Purchase are fulfilled or waived by NMI and Bank Mandiri.

**58. ECONOMIC CONDITIONS**

Domestic economic condition continues to improve in parallel with the recovery of the global cycle. The Gross Domestic Product (GDP) in 3Q09 recorded growth of 4.20% Year on Year (YoY), increased from 4.00% YoY in 2Q09. The improving private consumption and export performance has assisted the economy to generate higher output. In the third quarter, private consumption and export increased by 1.80% and 8.50% Quarter on Quarter (QoQ), respectively.

Although domestic and global economies have undergone significant improvement, the authorities in general still intend to maintain extensive economic stimulation for a certain period in the future. It is expected that Policy rate will start to increase in mid-next year. The government does not want the present recovery process to be interrupted. Indonesian GDP is predicted to reach 5.50% by 2010 with inflation in the range of 6.30%. To accommodate inflation increase, it is predicted that BI will implement stricter policies so that reference interest rate is expected to reach 7.25% by the end of the year.

In line with economic development, the banking condition of Indonesia is also expected to improve. At present, capital adequacy ratio (CAR) is at a fairly high level, 17.80% and it is predicted that such condition will continue to exist throughout 2010. Credit will improve and is predicted to reach 15.00% YoY. Although credit expansion is higher, credit quality is predicted to be maintained at a level where Non Performing Loans remain in the range of 4.00-5.00%.

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**58. ECONOMIC CONDITIONS (continued)**

The consolidated financial statements include the effects of economic condition to the extent they can be determined and estimated. Economic recovery to a sound and stable condition depends on fiscal and monetary policies which will be issued by the Government of the Republic of Indonesia, a condition beyond the control of Bank Mandiri and its subsidiaries. There is no events subsequent to balance sheet date until the date of this report occur that give rise to the uncertainties of the Bank's going concern as an impact of the uncertainties current economy of Indonesia.

**59. GOVERNMENT GUARANTEE FOR THE OBLIGATIONS OF LOCALLY INCORPORATED BANKS**

Based on the Decree of the Ministry of Finance of the Republic of Indonesia No. 26/KMK.017/1998 dated 28 January 1998, which was renewed by the Decree of the Ministry of Finance No. 179/KMK.017/2000 dated 26 May 2000, the Government of the Republic of Indonesia is guaranteeing certain obligations of locally incorporated banks namely demand deposits, savings deposits, 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 14 May 1999, the guarantee period is automatically extended, unless otherwise that within six months before the maturity of this guarantee, IBRA decided not to extend its maturity. In 2001, the Joint Decrees of the Directors of Bank Indonesia and the Head of IBRA were canceled by BI regulation No. 3/7/PBI/2001 and the Decree of the Head of IBRA No. 1035/BPPN/0401.

In 2001, the Head of IBRA issued Decree No. SK-1036/BPPN/0401 that regulates a specific operational guidance in respect of the Government of the Republic of Indonesia's Guarantee for the obligations of locally incorporated banks.

The Government charges a premium in respect of its guarantee program in accordance with prevailing regulations (Note 35).

Based on the Presidential Decree No. 15/2004 dated 27 February 2004 in relation to the termination of IBRA's duties and its dissolution, and Decree of the Ministry of Finance No. 84/KMK.06/2004 dated 27 February 2004, the Government of the Republic of Indonesia established Government Guarantee Implementation Unit (UP3), a new institution replacing IBRA, to continue the Government Guarantee Program for Obligations of Locally Incorporated Banks.

Based on the Ministry of Finance Decree No. 17/PMK.05/2005 dated 3 March 2005, starting from 18 April 2005, the Government Guarantee Program covers the obligations of locally incorporated banks which consisted of demand deposits, savings deposits, time deposits and deposits from other banks from Money Market Inter-Bank transactions.

Government Guarantee Program through Government Guarantee Implementation Unit (UP3) was ended on 22 September 2005, as stated in Ministry of Finance Decree No. 68/PMK.05/2005 dated 10 August 2005 regarding Calculation and Premium Payment for the Government Guarantee Program for the Obligations of Locally Incorporated Banks for the period from 1 July until 21 September 2005. The Government replaced UP3 with an independent institution, Indonesia Deposit Insurance Corporation (LPS) based on the Republic of Indonesia Decree No. 24 year 2004 dated 22 September 2004 regarding Lembaga Penjamin Simpanan (LPS), whereby LPS guaranteed third party funds including placement from other banks in the form of current accounts, time deposits, certificate of deposits, savings deposits and other form that is equivalent to them.

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

Based on the LPS Regulation No. 1/PLPS/2006 dated 9 March 2006 regarding the Deposit Guarantee Program, the amounts guaranteed for each of the customer in one bank is a maximum of Rp100,000,000 (full amount).

Based on Government Regulation (PP) Number 66 Year 2008 about the Amounts of Deposit Guaranteed under the Deposit Guarantee Program, the deposit amounts of each customer in one bank that is guaranteed by the Government of the Republic of Indonesia was increased to Rp2,000,000,000 (full amount) from Rp100,000,000 (full amount), effective on 13 October 2008.

Based on the Law of the Republic of Indonesia No. 7 in 2009, Government Regulation in Replacement of Law on Deposit Guarantee Agency has been set into an official Law since 13 January 2009.

**60. NEW ACCOUNTING STANDARDS**

Financial Accounting Standard Board of Indonesian Institute of Accountants (DSAK-IAI) has withdrawn the following accounting standards which will be effective as at 1 January 2010:

- PPSAK 2: Withdrawal of SFAS 41 – Accounting for Warrants and SFAS 43 – Accounting for Factoring,
- PPSAK 3: Withdrawal of SFAS 54 – Accounting for Troubled Debt Restructuring,
- PPSAK 4: Withdrawal of SFAS 31 (revised 2000) – Accounting for Banking, SFAS 42 – Accounting for Securities Companies and SFAS 49 – Accounting for Mutual Funds,
- PPSAK 5: Withdrawal of ISAK 06 – Interpretation of paragraph 12 and 16 SFAS No. 55 (1999) regarding Embedded Derivative Instruments in Foreign Currency Contracts.

DSAK-IAI has issued revision of the followings accounting standards which are applicable for financial statements covering periods beginning on or after 1 January 2010:

- SFAS 26 (revised 2008) - Borrowing cost

There is no impact for the implementation of the above revised standard on the Bank's financial statement.

- SFAS 50 (revised 2006) - Financial Instruments: Presentation and Disclosures (effective for financial reporting periods beginning on or after 1 January 2009).
- SFAS 55 (revised 2006) - Financial Instruments: Recognition and Measurement (effective for financial reporting periods beginning on or after 1 January 2009).

On 30 December 2008, DSAK-IAI has announced the postponement of the application of SFAS 50 (revised 2006) and SFAS 55 (revised 2006) for a year by mail No. 1705/DSAK/IAI/12/-2008, therefore SFAS 50 (revised 2006) and SFAS 55 (revised 2006) will apply to financial reporting periods beginning on or after 1 January 2010.

In July 2009, DSAK-IAI also has issued a Technical Bulletin No. 4 of the Early Implementation of the Transitional Provisions SFAS 50 (revised 2006) and SFAS 55 (revised 2006).

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**60. NEW ACCOUNTING STANDARDS (continued)**

DSAK-IAI has also issued revision of the followings accounting standards which are applicable for financial statements covering periods beginning on or after 1 January 2011:

- SFAS 1 (revised 2009) – Presentation of Financial Statements,
- SFAS 2 (revised 2009) – Statements of Cashflows,
- SFAS 4 (revised 2009) – Consolidated and Separate Financial Statements,
- SFAS 5 (revised 2009) – Operating Segments,
- SFAS 12 (revised 2009) – Interest in Joint Ventures,
- SFAS 15 (revised 2009) – Investment in Associates,
- SFAS 25 (revised 2009) – Accounting Policies, Changes in Accounting Estimates and Errors,
- SFAS 48 (revised 2009) – Impairment of Assets,
- SFAS 57 (revised 2009) – Provisions, Contingent Liabilities and Contigent Assets,
- SFAS 58 (revised 2009) – Non-Current Assets Held for Sale and Discontinued Operations,
- Interpretation of SFAS 7 (revised 2009) – Consolidation of Special Purpose Entities,
- Interpretation of SFAS 9 – Changes in Existing Decommissioning, Restoration and Similar Liabilities,
- Interpretation of SFAS 10 – Customer Loyalty Program,
- Interpretation of SFAS 11 – Distribution of Non-Cash Assets to Owners,
- Interpretation of SFAS 12 – Jointly Controlled Entities: Non-monetary Contributions by Ventures.

Bank and its Subsidiaries are evaluating the impact of the implementation of these revised standard on the consolidated financial statements.

**61. INTERNATIONAL FINANCIAL REPORTING STANDARDS RECONCILIATION**

In relation to the implementation of SFAS 50 (revised 2006) and SFAS 55 (revised 2006) effective on 1 January 2010 as explained in Note 60, the Bank is continuously enhance the provisioning methodology and historical data used to calculate the collective and individual impairment for the implementation of those SFAS. Therefore, the Management has decided not to disclose the International Financial Reporting Standard (IFRS) reconciliation for consolidated net income and consolidated shareholders' equity of Bank Mandiri and Subsidiaries as at and for the year ended 31 December 2009. SFAS 50 (revised 2006) and SFAS 55 (revised 2006) are adopted from IFRS 32 and IFRS 39 (revised 2005).

The Bank has already made necessary preparation for the implementation of the SFAS 50 (revised 2006) and SFAS 55 (revised 2006) starting 1 January 2010. According to the Management's assessment, the implementation of these standards would not result in unfavourable impact to the Bank's consolidated financial statements as at 1 January 2010.

**62. RECLASSIFICATION OF ACCOUNTS**

Account premium expense to Indonesia Deposit Insurance Corporation (*Lembaga Penjaminan Simpanan*) in the 31 December 2008 consolidated financial statements have been reclassified to be consistent with the presentation in the 31 December 2009 consolidated financial statements as follows:

<u>Accounts Description</u>	<u>As Previously Reported</u>	<u>Reclassification</u>	<u>As Currently Reported</u>
Other operating expenses - others - net	954,309	(484,980)	469,329
Interest expense	11,886,437	484,980	12,371,417
Cash flows from operating activities:			
- Payments of interest expense	11,680,237	484,980	12,165,217
- Operating expenses – others	954,312	(484,980)	469,332

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**62. RECLASSIFICATION OF ACCOUNTS (continued)**

Payment of premium expense to Indonesia Deposit Insurance Corporation (*Lembaga Penjaminan Simpanan*) in the 31 December 2007 consolidated financial statements have been reclassified to be consistent with the presentation in the 31 December 2009 consolidated financial statements as follows:

<u>Accounts Description</u>	<u>As Previously Reported</u>	<u>Reclassification</u>	<u>As Currently Reported</u>
Other operating expenses - others - net	759,719	(430,478)	329,241
Interest expense	11,000,194	430,478	11,430,672
Cash flows from operating activities:			
- Payments of interest expense	11,047,366	430,478	11,477,844
- Operating expenses – others	446,707	(430,478)	16,229

**63. SUBSEQUENT EVENTS**

In relation to the implementation of SFAS 50 (revised 2006) and SFAS 55 (revised 2006) effective on 1 January 2010, Banks have the opportunity to reassess and reclassify their financial assets classification without consequences. As at 1 January 2010, the Bank decided to reclassify its Government Bonds amounting Rp38,000,000 from held to maturity to available for sale classification. The Government Bonds was reclassified using fair value as at 1 January 2010 and the unrealised loss amounting Rp404,255 was recorded as part of Unrealised (Losses)/Gains from Decrease/Increase in Fair Value of Marketable Securities and Government Bonds net of deferred tax in equity.

On 28 Januari 2010, Bank Mandiri has drawdown its long term loan facilities from Asian Development Bank (ADB) amounting to USD75,000,000 (full amount) and USD30,000,000 (full amount) fund with terms of 7 years and 5 years, respectively. These borrowings will mature on 31 October 2016 and 31 October 2014, respectively. These fund borrowings bear interest rate of 6-months LIBOR plus a certain margin (Note 57e).

**64. SUPPLEMENTARY INFORMATION**

The information presented in Appendix 6/1 - 6/10 is supplementary financial information of PT Bank Mandiri (Persero) Tbk., the parent company, which presents the Bank's investments in subsidiaries under the equity method.

Appendix 6/11 - 6/13 present information of the quality of productive assets in accordance with the regulations of Bank Indonesia No. 3/22/PBI/2001 on "Transparency of Bank's Financial Condition" as amended by regulations of Bank Indonesia No. 7/50/PBI/2005 and Bank Indonesia Circular Letter No. 3/30/PPNP of Quarterly Report and Monthly Publication of Commercial Banks and Certain Reports submitted to Bank Indonesia, as amended by Bank Indonesia Circular Letter No. 7/10/DPNP, and the regulations of Bank Indonesia No. 4/7/PBI/2002 of "Prudence Principle in the framework of the Lending Bank Restructuring Agency (IBRA)".

On the basis that the differences between the parent company financial statements and consolidated financial statements are not material, notes to the financial statements of the parent company have not been included in this supplementary financial information.

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	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Cash	8,397,724	8,063,502	5,707,807
Current Accounts with Bank Indonesia	15,070,892	12,526,144	27,449,153
Current Accounts with Other Banks - net of allowance for possible losses of Rp84,178, Rp84,588 and Rp14,383 as at 31 December 2009, 2008 and 2007	6,710,448	6,814,854	1,341,924
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp344,907, Rp386,366 and Rp55,903 as at 31 December 2009, 2008 and 2007	40,326,918	29,166,762	16,207,791
Marketable Securities			
Related parties	25,000	-	-
Third parties	<u>14,561,822</u>	<u>21,243,380</u>	<u>26,225,476</u>
	14,586,822	21,243,380	26,225,476
Less: Unamortised discounts, unrealised gains/(losses) from increase/decrease in value of marketable securities and allowance for possible losses	<u>2,022</u>	<u>10,497</u>	<u>(1,027,628)</u>
	14,588,844	21,253,877	25,197,848
Government Bonds	87,985,192	87,771,938	89,329,712
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp844,781, Rp1,158,049 and Rp839,732 as at 31 December 2009, 2008 and 2007	3,127,594	3,493,784	2,011,516
Securities Purchased under Resale Agreements - net of allowance for possible losses of Rp30,488, Rp32,531 and Rp33,600 as at 31 December 2009, 2008 and 2007	4,784,254	95,934	2,145,230
Derivative Receivables - net of allowance for possible losses of Rp1,765, Rp6,313 and Rp3,800 as at 31 December 2009, 2008 and 2007	169,298	327,230	336,651
Loans			
Related parties	591,201	577,895	651,079
Third parties	<u>179,096,644</u>	<u>158,430,490</u>	<u>126,198,838</u>
Total loans	179,687,845	159,008,385	126,849,917
Less: Deferred income	<u>-</u>	<u>(1,334)</u>	<u>(23,472)</u>
Total loans after deferred Income	179,687,845	159,007,051	126,826,445
Less: Allowance for possible losses	<u>(11,594,955)</u>	<u>(11,271,655)</u>	<u>(12,694,900)</u>
Loans - net	168,092,890	147,735,396	114,131,545
Acceptance Receivable - net of allowance for possible losses of Rp52,773, Rp246,008 and Rp69,754 as at 31 December 2009, 2008 and 2007	4,304,000	3,596,359	4,953,481
Investments in Shares - net of allowance for possible losses of Rp2,106, Rp1,656 and Rp73,943 as at 31 December 2009, 2008 and 2007	3,691,466	2,965,034	2,533,683

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<b>ASSETS (continued)</b>			
Fixed Assets - net of accumulated depreciation and amortisation of Rp4,485,569, Rp4,125,336 and Rp3,651,045 as at 31 December 2009, 2008 and 2007	4,728,390	4,417,162	4,361,764
Deferred Tax Assets - net	5,940,042	6,081,870	4,080,468
Other Assets - net of allowance for possible losses of Rp909,790, Rp639,575 and Rp612,638 as at 31 December 2009, 2008 and 2007	<u>2,393,042</u>	<u>4,094,419</u>	<u>3,647,297</u>
<b>TOTAL ASSETS</b>	<b><u>370,310,994</u></b>	<b><u>338,404,265</u></b>	<b><u>303,435,870</u></b>

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	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Obligation due immediately	552,885	549,319	806,874
Deposits from Customers			
Demand deposits			
Related parties	313,676	126,801	142,439
Third parties	<u>69,548,886</u>	<u>66,780,948</u>	<u>60,062,324</u>
	69,862,562	66,907,749	60,204,763
Savings deposits			
Related parties	86,257	76,145	76,480
Third parties	<u>106,363,602</u>	<u>89,534,573</u>	<u>86,162,963</u>
	106,449,859	89,610,718	86,239,443
Time deposits			
Related parties	875,091	381,302	258,078
Third parties	<u>122,534,428</u>	<u>116,666,052</u>	<u>89,100,109</u>
	<u>123,409,519</u>	<u>117,047,354</u>	<u>89,358,187</u>
Total Deposits from Customers	299,721,940	273,565,821	235,802,393
Deposits from Other Banks			
Demand and Saving deposits	5,884,195	3,139,899	1,648,377
Inter-bank call money	-	7,588	827,617
Time deposits	<u>3,851,482</u>	<u>2,628,843</u>	<u>1,642,110</u>
Total Deposits from Other Banks	9,735,677	5,776,330	4,118,104
Securities Sold under Repurchase Agreements	316,356	885,478	2,507,123
Derivative Payables	41,611	150,644	33,279
Acceptance Payables	4,356,773	3,842,367	5,023,235
Marketable Securities Issued - net of unamortised discount of RpNil, RpNil and Rp903 as at 31 December 2009, 2008 and 2007	622,619	779,203	3,769,660
Fund Borrowings	3,307,830	8,638,583	8,725,061
Estimated Losses on Commitments and Contingencies	326,566	313,889	467,979
Accrued Expenses	443,764	641,750	460,206
Taxes Payable	1,749,791	3,140,796	1,219,405
Other Liabilities	7,809,345	6,769,566	8,355,544
Subordinated Loans	<u>6,217,068</u>	<u>2,836,650</u>	<u>2,903,275</u>
<b>TOTAL LIABILITIES</b>	<u><b>335,202,225</b></u>	<u><b>307,890,396</b></u>	<u><b>274,192,138</b></u>

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	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (continued)</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital - Rp500 (full amount) par value per share. Authorised capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B as at 31 December 2009, 2008 and 2007. Issued and fully paid-in capital - 1 share Dwiwarna Series A and 20,970,116,804 common shares Series B as at 31 December 2009, 1 share Dwiwarna Series A and 20,905,647,787 common shares Series B as at 31 December 2008 and 1 share Dwiwarna Series A and 20,749,551,741 common shares Series B as at 31 December 2007	10,485,058	10,452,824	10,374,776
Funds for Paid-in Capital	-	-	127,593
Additional Paid-in Capital/Agio	6,911,587	6,809,056	6,570,959
Differences Arising from Translation of Foreign Currency Financial Statements	120,963	239,625	113,447
Unrealised Losses from Decrease in Fair Value of Available for Sale Marketable Securities and Government Bonds - Net of Deferred Tax	(260,756)	(170,310)	(3,568)
Fixed Assets Revaluation Reserve	-	-	3,046,936
Difference in Transactions of Equity Changes in Subsidiaries	(22,890)	(50,935)	1,432
Share - based Compensation Reserve	16,174	54,465	107,320
Retained Earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio as a result of quasi-reorganisation as 30 April 2003)			
- Appropriated	5,706,921	5,680,357	2,611,690
- Unappropriated	<u>12,151,712</u>	<u>7,498,787</u>	<u>6,293,147</u>
Total Retained Earnings	<u>17,858,633</u>	<u>13,179,144</u>	<u>8,904,837</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>35,108,769</u></b>	<b><u>30,513,869</u></b>	<b><u>29,243,732</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>370,310,994</u></b>	<b><u>338,404,265</u></b>	<b><u>303,435,870</u></b>

**PT BANK MANDIRI (PERSERO) Tbk.**  
**STATEMENTS OF INCOME - PARENT COMPANY ONLY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>INCOME AND EXPENSES FROM OPERATIONS</b>			
Interest Income			
Interest income	29,020,892	24,290,244	21,678,821
Fees and commissions	<u>856,054</u>	<u>794,379</u>	<u>654,290</u>
Total Interest Income	29,876,946	25,084,623	22,333,111
Interest Expense			
Interest expense	(14,381,146)	(11,314,098)	(10,716,076)
Other financing expenses	<u>(146,636)</u>	<u>(165,200)</u>	<u>(142,434)</u>
Total Interest Expense	<u>(14,527,782)</u>	<u>(11,479,298)</u>	<u>(10,858,510)</u>
<b>NET INTEREST INCOME</b>	<b><u>15,349,164</u></b>	<b><u>13,605,325</u></b>	<b><u>11,474,601</u></b>
Other Operating Income			
Other fees and commissions	3,732,918	2,946,122	2,093,160
Foreign exchange gains - net	621,574	766,995	300,913
Others	<u>844,943</u>	<u>617,744</u>	<u>688,921</u>
Total Other Operating Income	5,199,435	4,330,861	3,082,994
Allowance for Possible Losses on Earning Assets	(845,134)	(2,661,993)	(1,867,235)
(Allowance)/Reversal of Possible Losses on Commitments and Contingencies	(37,596)	222,189	61,307
(Allowance)/Reversal of Possible Losses - Others	(806,790)	194,439	313,015
Unrealised (Losses)/Gains from Decrease/Increase in Fair Value of Marketable Securities and Government Bonds	(2,052)	3,602	(12,848)
Gains/(Losses) from Sale of Marketable Securities and Government Bonds	129,866	(55,217)	157,474
Other Operating Expenses			
Salaries and employee benefits	(4,205,057)	(4,095,663)	(3,658,450)
General and administrative expenses	(3,734,754)	(3,367,710)	(3,073,505)
Others - net	<u>(734,613)</u>	<u>(422,993)</u>	<u>(301,642)</u>
Total Other Operating Expenses	<u>(8,674,424)</u>	<u>(7,886,366)</u>	<u>(7,033,597)</u>
<b>INCOME FROM OPERATIONS</b>	<b><u>10,312,469</u></b>	<b><u>7,752,840</u></b>	<b><u>6,175,711</u></b>
Non-operating Income - Net	<u>277,109</u>	<u>174,476</u>	<u>23,147</u>
<b>INCOME BEFORE TAX BENEFIT/(EXPENSE)</b>	<b><u>10,589,578</u></b>	<b><u>7,927,316</u></b>	<b><u>6,198,858</u></b>
Tax Benefit/(Expense)			
Current	(3,271,570)	(4,551,185)	(2,552,750)
Deferred	<u>(162,544)</u>	<u>1,936,690</u>	<u>700,116</u>
Tax expense - net	<u>(3,434,114)</u>	<u>(2,614,495)</u>	<u>(1,852,634)</u>
<b>NET INCOME</b>	<b><u>7,155,464</u></b>	<b><u>5,312,821</u></b>	<b><u>4,346,224</u></b>

**PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-in Capital	Funds for Paid-in Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currencies Financial Statements	Unrealised Losses from Decrease in fair value of Available for Sale Marketable Securities and Government Bonds-net of deferred tax	Fixed Asset Revaluation Reserve	Difference in Transactions of Equity Changes in Subsidiaries	Share-based Compensation Reserve	Retained Earnings *)		Total Shareholders' Equity	
									Appropriated	Unappropriated		Total
<b>Balance as at 31 December 2008</b>	10,452,824	-	6,809,056	239,625	(170,310)	-	(50,935)	54,465	5,680,357	7,498,787	13,179,144	30,513,869
General and specific reserve allocated from 2008 net income	-	-	-	-	-	-	-	-	26,564	(26,564)	-	-
Dividends allocated from 2008 net income	-	-	-	-	-	-	-	-	-	(1,859,488)	(1,859,488)	(1,859,488)
Cooperative development fund program and community development reserve allocated from 2008 net income	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends allocated from 2009 net income	-	-	-	-	-	-	-	-	-	(212,512)	(212,512)	(212,512)
Execution of shares options from Management Stock Option Plan (MSOP)	32,234	-	102,531	-	-	-	-	(38,291)	-	(403,975)	(403,975)	(403,975)
Differences arising from translation of foreign currencies financial statements	-	-	-	(118,662)	-	-	-	-	-	-	-	(118,662)
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	-	-	-	-	(90,446)	-	-	-	-	-	-	(90,446)
Difference in transactions of equity changes in subsidiaries	-	-	-	-	-	-	28,045	-	-	-	-	28,045
Net income for the year ended 31 December 2009	-	-	-	-	-	-	-	-	-	7,155,464	7,155,464	7,155,464
<b>Balance as at 31 December 2009</b>	10,485,058	-	6,911,587	120,963	(260,756)	-	(22,890)	16,174	5,706,921	12,151,712	17,858,633	35,108,769

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

**PT BANK MANDIRI (PERSERO) Tbk.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
 (Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-in Capital	Funds for Paid-in Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currencies Financial Statements	Unrealised Losses from Decrease in fair value of Available for Sale	Marketable Securities and Government Bonds-net of deferred tax	Fixed Asset Revaluation Reserve	Difference in Transactions of Equity Changes in Subsidiaries	Share-based Compensation Reserve	Retained Earnings <sup>*)</sup>		Total Shareholders' Equity	
										Appropriated	Unappropriated		Total
<b>Balances at 31 December 2007</b>	10,374,776	127,593	6,570,959	113,447	(3,568)	3,046,936	1,432	107,320	2,811,690	6,293,147	9,904,837	29,243,732	
General and specific reserve allocated from 2007 net income	-	-	-	-	-	-	-	-	21,731	(21,731)	-	-	
Dividends allocated from 2007 net income	-	-	-	-	-	-	-	-	-	(3,911,601)	(3,911,601)	(3,911,601)	
Cooperative development fund program and community development reserve allocated from 2007 net income	-	-	-	-	-	-	-	-	-	(173,849)	(173,849)	(173,849)	
Execution of shares options from Management Stock Option Plan (MSOP)	78,048	(127,593)	238,097	-	-	-	-	(52,855)	-	-	-	135,697	
Reclassification of revaluation increment of fixed assets	-	-	-	-	-	(3,046,936)	-	-	3,046,936	-	3,046,936	-	
Differences arising from translation of foreign currencies financial statements	-	-	-	126,178	-	-	-	-	-	-	-	126,178	
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	-	-	-	-	(166,742)	-	-	-	-	-	-	(166,742)	
Difference in transactions of equity changes in subsidiaries	-	-	-	-	-	-	(52,367)	(52,367)	-	-	-	(52,367)	
Net income for the year ended 31 December 2008	-	-	-	-	-	-	-	-	-	5,312,821	5,312,821	5,312,821	
<b>Balances at 31 December 2008</b>	<b>10,452,824</b>	-	<b>6,809,056</b>	<b>239,625</b>	<b>(170,310)</b>	-	<b>(50,935)</b>	<b>54,465</b>	<b>5,680,357</b>	<b>7,498,787</b>	<b>13,179,144</b>	<b>30,513,869</b>	

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

**PT BANK MANDIRI (PERSERO) Tbk.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-in Capital	Funds for Paid-in Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currencies Financial Statements	Unrealised (Losses)/Gains From Decrease/ Increase in fair value of Available for Sale Marketable Securities and Government Bonds-net of deferred tax	Fixed Asset Revaluation Reserve	Difference in Transactions of Equity Changes in Subsidiaries	Share-based Compensation Reserve	Retained Earnings <sup>*)</sup>		Total Shareholders' Equity	
									Appropriated	Unappropriated		Total
<b>Balance as at 31 December 2006</b>	10,315,609	-	6,433,948	86,887	229,572	3,046,936	9,318	105,330	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)	
Tanah, cooperative development fund program and community development reserve allocated from 2006 net income	-	-	-	-	-	-	-	-	-	(101,634)	(101,634)	
Execution of shares options from Management Stock Option Plan (MSOP)	59,167	127,593	137,011	-	-	-	-	(85,044)	-	-	238,727	
Differences arising from translation of foreign currencies financial statements	-	-	-	26,580	-	-	-	-	-	-	26,580	
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	-	-	-	-	(233,140)	-	-	-	-	-	(233,140)	
Recognition of shares options from Management Stock Option Plan (MSOP)	-	-	-	-	-	-	-	87,034	-	-	87,034	
Difference in transactions of equity changes in subsidiaries	-	-	-	-	-	-	(7,886)	-	-	-	(7,886)	
Net income for the year ended 31 December 2007	-	-	-	-	-	-	-	-	4,346,224	4,346,224	4,346,224	
<b>Balance as at 31 December 2007</b>	<b>10,374,776</b>	<b>127,593</b>	<b>6,570,959</b>	<b>113,447</b>	<b>(5,568)</b>	<b>3,046,936</b>	<b>1,432</b>	<b>107,320</b>	<b>6,293,147</b>	<b>9,904,837</b>	<b>29,243,732</b>	

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

**PT BANK MANDIRI (PERSERO) Tbk**  
**STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interest income	29,466,193	23,900,414	21,694,274
Receipts from fees and commissions	4,588,972	3,740,496	2,747,445
Payments of interest expense	(14,579,133)	(11,160,001)	(10,787,411)
Payments of other financing expenses	(146,636)	(165,200)	(142,434)
Receipts from the sale of Government Bonds - trading portfolio	9,349,047	6,003,599	25,762,599
Acquisition of Government Bonds - trading portfolio	(9,722,868)	(5,184,940)	(25,549,223)
Foreign exchange (losses)/gains - net	(499,769)	446,695	327,359
Operating income - others	489,106	301,814	433,539
Operating expenses - others	(1,490,556)	(395,548)	(22,342)
Salaries and employee benefits	(4,205,057)	(2,934,937)	(2,470,137)
General and administrative expenses	(3,343,759)	(2,858,731)	(2,536,280)
Non-operating income/(expenses) - others	88,997	29,915	(86,529)
Cash flow from operating activities before changes in operating assets and liabilities	9,994,537	11,723,576	9,370,860
(Increase)/decrease in operating assets:			
Placements with Bank Indonesia and other banks	(11,118,697)	(12,489,707)	(6,875,186)
Marketable Securities - trading portfolio	6,639,853	3,061,408	(10,161,195)
Other receivables - trade transactions	679,459	(2,087,073)	(94,461)
Loans	(22,902,980)	(32,642,886)	(20,671,839)
Proceeds from collection of earning assets already written-off	2,263,730	2,308,856	1,360,091
Other assets	1,230,557	105,832	(536,985)
Increase/(decrease) in operating liabilities:			
Demand deposits	5,607,303	6,647,888	12,906,350
Saving deposits	16,930,947	2,580,780	28,834,189
Time deposits	7,584,804	26,110,631	(6,940,878)
Inter-bank call money	(7,588)	(823,257)	(1,072,064)
Obligation due immediately	3,567	(257,555)	235,391
Taxes payable	(4,662,574)	(2,629,794)	(2,890,345)
Other liabilities	1,039,779	(2,712,363)	1,921,265
<b>Net cash provided by/(used in) operating activities</b>	<b>13,282,697</b>	<b>(1,103,664)</b>	<b>5,385,193</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase)/decrease in marketable securities - available for sale and held-to-maturity portfolio	(93,256)	708,475	277,996
Decrease in Government Bonds - available for sale and held-to-maturity portfolio	159,812	773,241	1,625,841
(Increase)/decrease in investment in shares	(313,894)	(116,438)	44,034
Proceeds from sale of fixed assets	59,129	80,178	3,444
Acquisition of fixed assets	(547,721)	(532,118)	(247,041)
(Increase)/decrease in securities purchased under resale agreements	(4,686,278)	2,050,365	(1,728,718)
<b>Net cash (used in)/provided by investing activities</b>	<b>(5,422,208)</b>	<b>2,963,703</b>	<b>(24,444)</b>

**PT BANK MANDIRI (PERSERO) Tbk**  
**STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease)/increase in marketable securities issued	(156,584)	(2,990,457)	8,843
Additional in fund borrowings	1,007,144	7,767,382	7,627,116
Repayment in fund borrowings	(6,337,897)	(7,991,371)	(2,275,202)
Increase/(decrease) in subordinated loans	3,349,626	(98,374)	(1,233,809)
(Decrease)/increase in securities sold under repurchase agreements	(569,123)	(1,621,645)	904,070
Payments of dividends, cooperative development fund program, community development fund program and tantiem	(2,475,975)	(4,085,450)	(1,554,477)
Execution of shares option	96,474	135,697	238,727
<b>Net cash (used in)/provided by financing activities</b>	<b><u>(5,086,335)</u></b>	<b><u>(8,884,218)</u></b>	<b><u>3,715,268</u></b>
<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,774,154</b>	<b>(7,024,179)</b>	<b>9,076,017</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>27,489,088</u></b>	<b><u>34,513,267</u></b>	<b><u>25,437,250</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>30,263,242</u></b>	<b><u>27,489,088</u></b>	<b><u>34,513,267</u></b>
Cash and cash equivalents at end of year consist of:			
Cash	8,397,724	8,063,502	5,707,807
Current accounts with Bank Indonesia	15,070,892	12,526,144	27,449,153
Current accounts with other banks	6,794,626	6,899,442	1,356,307
<b>Total Cash and Cash Equivalents</b>	<b><u>30,263,242</u></b>	<b><u>27,489,088</u></b>	<b><u>34,513,267</u></b>
Supplemental Non-Cash Flow Information			
Activities not affecting cash flows:			
Unrealised losses from decrease in value of available for sale marketable securities and Government Bonds - net of deferred tax	(90,446)	(166,742)	(233,140)
Unrealised (losses)/gains from decrease/increase in fair value of marketable securities and Government Bonds	(2,052)	3,602	(12,848)
Recognition of share options from Management Stock Option Plan (MSOP)	-	-	(87,034)
Addition of Fixed Asset from the Joint Operation Agreement (KSO)	131,640	-	-

**PT BANK MANDIRI (PERSERO) Tbk.**  
**QUALITY OF EARNING ASSETS \*) – PARENT COMPANY ONLY**  
**31 DESEMBER 2009, 2008 DAN 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

NO	ACCOUNT	31 December 2009					
		CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL
<b>I</b>	<b>RELATED PARTIES</b>						
<b>A.</b>	<b>EARNING ASSETS</b>						
1	Placements with Other Banks	243,221	-	-	-	-	243,221
2	Marketable Securities **)	24,785	-	-	-	-	24,785
3	Loans to third parties	591,138	63	-	-	-	591,201
a.	Small scale business credit (Kredit Usaha Kecil ("KUK"))	18	-	-	-	-	18
b.	Property Loans	3,272	29	-	-	-	3,301
i.	Restructured	-	-	-	-	-	-
ii.	Unrestructured	3,272	29	-	-	-	3,301
c.	Other restructured loans	24,515	-	-	-	-	24,515
d.	Others	563,333	34	-	-	-	563,367
4	Investments in Shares to third parties	3,693,572	-	-	-	-	3,693,572
a.	In bank financial institutions	2,311,603	-	-	-	-	2,311,603
b.	In non-bank financial institutions	1,183,369	-	-	-	-	1,183,369
c.	From loan restructuring	-	-	-	-	-	-
d.	Others	198,600	-	-	-	-	198,600
5	Other Receivables to third parties	-	-	-	-	-	-
6	Commitments and Contingencies to third parties	32,363	-	-	-	-	32,363
<b>B.</b>	<b>NON EARNING ASSETS</b>						
1	Abandoned Properties	-	-	-	-	-	-
2	Reposessed Assets	-	-	-	-	-	-
3	Interbranch and suspense account	-	-	-	-	-	-
<b>II</b>	<b>THIRD PARTIES</b>						
<b>A.</b>	<b>EARNING ASSETS</b>						
1	Placements with Other Banks	43,929,218	-	-	-	130,512	44,059,730
2	Marketable Securities issued by Bank Indonesia and third parties**)	105,635,296	-	113,936	-	-	105,749,232
	Loans to third parties	156,200,596	17,505,835	613,861	903,577	3,872,775	179,096,644
a.	Small scale business credit (Kredit Usaha Kecil ("KUK"))	4,681,414	787,834	61,997	71,921	201,078	5,804,244
b.	Property Loans	11,282,008	2,088,505	68,511	94,973	162,623	13,696,620
i.	Restructured	92,075	798,130	-	47,275	-	937,482
ii.	Unrestructured	11,189,933	1,290,375	68,511	47,698	162,621	12,759,138
c.	Other restructured loans	5,263,379	9,698,136	179,486	135,941	859,245	16,136,187
d.	Others	134,973,795	4,931,360	303,867	600,742	2,649,829	143,459,593
	Investments in Shares to third parties	-	-	-	-	-	-
a.	In bank financial institutions	-	-	-	-	-	-
b.	In non-bank financial institutions	-	-	-	-	-	-
c.	From loan restructuring	-	-	-	-	-	-
d.	Others	-	-	-	-	-	-
5	Other Receivables to third parties	11,930,531	585,791	-	-	798,631	13,314,953
6	Commitments and Contingencies to third parties	28,303,724	551,374	29,781	-	6,609	28,891,488
<b>B.</b>	<b>NON EARNING ASSETS</b>						
1	Abandoned Properties	-	-	-	188,395	-	188,395
2	Reposessed Assets	-	-	-	124,443	-	124,443
3	Interbranch and suspense account	2,436,032	-	-	-	370,484	2,806,516
	<b>TOTAL</b>	<b>353,020,476</b>	<b>18,643,063</b>	<b>757,578</b>	<b>1,216,415</b>	<b>5,179,011</b>	<b>378,816,543</b>
1	a. Minimum required allowance for possible losses on earning assets	2,468,925	4,426,579	259,879	451,789	4,808,527	12,415,699
	b. Required allowance to possible losses on non-earning assets	-	-	-	305,203	370,484	675,687
	<b>Total required allowance for possible losses on assets ***)</b>	<b>2,468,925</b>	<b>4,426,579</b>	<b>259,879</b>	<b>756,992</b>	<b>5,179,011</b>	<b>13,091,386</b>
2	a. Established allowance for possible losses on earning assets	2,496,911	5,038,489	332,352	636,268	4,814,981	13,319,001
	b. Established allowance for possible losses on non-earning assets	-	-	-	305,203	869,520	1,174,723
	<b>Total established allowance for possible losses on assets</b>	<b>2,496,911</b>	<b>5,038,489</b>	<b>332,352</b>	<b>941,471</b>	<b>5,684,501</b>	<b>14,493,724</b>

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c) Bank Indonesia's Regulation No. 4/7/PBI/2002 dated 27 September 2002 regarding "Prudential Principles for Purchase of Credit by Commercial Banks from the Indonesian Banks 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 possible losses is required for certificates of Bank Indonesia, BI intervention and Government Bonds.

**PT BANK MANDIRI (PERSERO) Tbk.**  
**QUALITY OF EARNING ASSETS \*) – PARENT COMPANY ONLY**  
**31 DESEMBER 2009, 2008 DAN 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

NO	ACCOUNT	31 December 2008					
		CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL
<b>I</b>	<b>RELATED PARTIES</b>						
<b>A.</b>	<b>EARNING ASSETS</b>						
1	Placements with Other Banks	166.313	-	-	-	-	166.313
2	Marketable Securities **)	-	-	-	-	-	-
3	Loans to third parties	577.895	-	-	-	-	577.895
a.	Small scale business credit (Kredit Usaha Kecil ("KUK"))	-	-	-	-	-	-
b.	Property Loans	1.826	-	-	-	-	1.826
i.	Restructured	-	-	-	-	-	-
ii.	Unrestructured	1.826	-	-	-	-	1.826
c.	Other restructured loans	85.515	-	-	-	-	85.515
d.	Others	490.554	-	-	-	-	490.554
4	Investments in Shares to third parties	2.966.690	-	-	-	-	2.966.690
a.	In bank financial institutions	1.995.359	-	-	-	-	1.995.359
b.	In non-bank financial institutions	793.227	-	-	-	-	793.227
c.	From loan restructuring	-	-	-	-	-	-
d.	Others	178.104	-	-	-	-	178.104
5	Other Receivables to third parties	128.465	-	-	-	-	128.465
6	Commitments and Contingencies to third parties	5.274	-	-	-	-	5.274
<b>B.</b>	<b>NON EARNING ASSETS</b>						
1	Abandoned Properties	-	-	-	-	-	-
2	Reposessed Assets	-	-	-	-	-	-
3	Interbranch and suspense account	-	-	-	-	-	-
<b>II</b>	<b>THIRD PARTIES</b>						
<b>A.</b>	<b>EARNING ASSETS</b>						
1	Placements with Other Banks	36.047.154	-	-	-	239.103	36.286.257
2	Marketable Securities issued by Bank Indonesia and third parties**)	109.051.611	-	-	-	5.464	109.057.075
3	Loans to third parties	134.485.879	15.412.247	975.732	492.389	7.062.909	158.429.156
a.	Small scale business credit (Kredit Usaha Kecil ("KUK"))	3.242.110	733.349	28.264	29.723	189.845	4.223.291
b.	Property Loans	10.158.054	2.411.581	40.742	40.875	363.539	13.014.791
i.	Restructured	162.701	814.505	12	-	3.383	980.601
ii.	Unrestructured	9.995.353	1.597.076	40.730	40.875	360.156	12.034.190
c.	Other restructured loans	4.621.420	7.503.847	694.099	279.440	1.986.817	15.085.623
d.	Others	116.464.295	4.763.470	212.627	142.351	4.522.708	126.105.451
4	Investments in Shares to third parties	-	-	-	-	-	-
a.	In bank financial institutions	-	-	-	-	-	-
b.	In non-bank financial institutions	-	-	-	-	-	-
c.	From loan restructuring	-	-	-	-	-	-
d.	Others	-	-	-	-	-	-
5	Other Receivables to third parties	5.816.632	681.540	29.783	-	1.299.788	8.827.743
6	Commitments and Contingencies to third parties	24.262.714	370.863	-	24.933	32.837	24.691.347
<b>B.</b>	<b>NON EARNING ASSETS</b>						
1	Abandoned Properties	-	-	253.370	-	-	253.370
2	Reposessed Assets	-	-	158.922	-	-	158.922
3	Interbranch and suspense account	1.538.730	-	-	-	432.154	1.970.884
	<b>TOTAL</b>	<b>316.047.357</b>	<b>16.464.650</b>	<b>1.417.807</b>	<b>517.322</b>	<b>9.072.255</b>	<b>343.519.391</b>
1	a. Minimum required allowance for possible losses on earning assets	2.005.844	2.828.418	214.259	374.813	7.618.010	13.041.344
	b. Required allowance to possible losses on non-earning assets	-	-	61.844	-	432.154	493.998
	<b>Total required allowance for possible losses on assets (**)</b>	<b>2.005.844</b>	<b>2.828.418</b>	<b>276.103</b>	<b>374.813</b>	<b>8.050.164</b>	<b>13.535.342</b>
2	a. Established allowance for possible losses on earning assets	2.077.116	2.828.725	294.025	439.374	7.893.075	13.532.315
	b. Established allowance for possible losses on non-earning assets	-	-	61.844	-	553.170	615.014
	<b>Total established allowance for possible losses on assets</b>	<b>2.077.116</b>	<b>2.828.725</b>	<b>355.869</b>	<b>439.374</b>	<b>8.446.245</b>	<b>14.147.329</b>

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**PT BANK MANDIRI (PERSERO) Tbk.**  
**QUALITY OF EARNING ASSETS \*) – PARENT COMPANY ONLY**  
**31 DESEMBER 2009, 2008 DAN 2007**  
(Expressed in millions of Rupiah, unless otherwise stated)

NO	ACCOUNT	31 December 2007					
		CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL
<b>I</b>	<b>RELATED PARTIES</b>						
<b>A.</b>	<b>EARNING ASSETS</b>						
1	Placements with Other Banks	167.092	-	-	-	-	167.092
2	Marketable Securities **)	-	-	-	-	-	-
3	Loans to third parties	651.079	-	-	-	-	651.079
a.	Small scale business credit (Kredit Usaha Kecil ("KUK"))	-	-	-	-	-	-
b.	Property Loans	677	-	-	-	-	677
i.	Restructured	-	-	-	-	-	-
ii.	Unrestructured	677	-	-	-	-	677
c.	Other restructured loans	219.515	-	-	-	-	219.515
d.	Others	430.887	-	-	-	-	430.887
4	Investments in Shares to third parties	2.535.001	-	-	-	-	2.535.001
a.	In bank financial institutions	1.436.733	-	-	-	-	1.436.733
b.	In non-bank financial institutions	910.346	-	-	-	-	910.346
c.	From loan restructuring	-	-	-	-	-	-
d.	Others	187.922	-	-	-	-	187.922
5	Other Receivables to third parties	-	-	-	-	-	-
6	Commitments and Contingencies to third parties	5.803	-	-	-	-	5.803
<b>B.</b>	<b>NON EARNING ASSETS</b>						
1	Abandoned properties	-	-	-	-	-	-
2	Reposessed Assets	-	-	-	-	-	-
3	Interbranch and suspense account	-	-	-	-	-	-
<b>II</b>	<b>THIRD PARTIES</b>						
<b>A.</b>	<b>EARNING ASSETS</b>						
1	Placements with Other Banks	17.452.909	-	-	-	-	17.452.909
2	Marketable Securities issued by Bank Indonesia and third parties**)	114.555.599	-	7.403	-	1.071.020	115.634.022
	Loans to third parties	99.702.900	15.148.227	1.252.029	285.999	3.786.211	126.175.366
a.	Small scale business credit (Kredit Usaha Kecil ("KUK"))	3.078.985	809.429	43.782	38.322	231.158	4.201.676
b.	Property Loans	7.792.653	1.948.004	44.345	47.003	1.071.531	10.903.536
i.	Restructured	247.889	663.963	5.089	-	28.162	945.103
ii.	Unrestructured	7.544.764	1.284.041	39.256	47.003	1.043.369	9.958.433
c.	Other restructured loans	5.001.201	8.550.533	979.789	102.728	4.311.721	18.945.972
d.	Others	83.830.061	3.840.261	184.113	97.946	4.171.801	92.124.182
	Investments in Shares to third parties	-	-	-	-	72.625	72.625
a.	In bank financial institutions	-	-	-	-	-	-
b.	In non-bank financial institutions	-	-	-	-	-	-
c.	From loan restructuring	-	-	-	-	72.625	72.625
d.	Others	-	-	-	-	-	-
5	Other Receivables to third parties	8.678.182	909.725	6.941	-	798.916	10.393.764
6	Commitments and Contingencies to third parties	21.258.626	709.154	6.783	-	64.007	22.038.570
<b>B.</b>	<b>NON EARNING ASSETS</b>						
1	Abandoned properties	-	-	304.845	-	-	304.845
2	Reposessed Assets	-	-	158.922	-	-	158.922
3	Interbranch and suspense account	1.314.006	-	-	-	326.972	1.640.978
	<b>TOTAL</b>	<b>266.321.197</b>	<b>16.767.106</b>	<b>1.736.923</b>	<b>285.999</b>	<b>12.119.751</b>	<b>297.230.976</b>
1	a. 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
	b. Required allowance to possible losses on non-earning assets	-	-	69.565	-	326.972	396.537
	<b>Total required allowance for possible losses on assets ***)</b>	<b>1.510.029</b>	<b>1.612.656</b>	<b>222.240</b>	<b>145.423</b>	<b>11.645.016</b>	<b>15.135.364</b>
2	a. Established allowance for possible losses on earning assets	1.698.359	1.928.961	156.460	147.505	11.429.171	15.360.456
	b. Established allowance for possible losses on non-earning assets	-	-	69.948	-	542.690	612.638
	<b>Total established allowance for possible losses on assets</b>	<b>1.698.359</b>	<b>1.928.961</b>	<b>226.408</b>	<b>147.505</b>	<b>11.971.861</b>	<b>15.973.094</b>

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