PT Bank Mandiri (Persero) Tbk.
and subsidiaries

Consolidated financial statements
with independent auditors' report
years ended December 31, 2008 and 2007

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2008 AND 2007

Table of Contents

****

Ernst & Young

Purwantono, Sarwoko & Sandjaja
Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
Tel : +62 21 5289 5000
Fax: +62 21 5289 4100
www.ey.com/id

This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-9714

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

We have audited the consolidated balance sheets of PT Bank Mandiri (Persero) Tbk. (herein referred to as "Bank Mandiri") and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of Bank Mandiri's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries of Bank Mandiri, which statements reflect total assets constituting 3.98% and 4.07% of the consolidated total assets as of December 31, 2008 and 2007, respectively, and total operational revenues of 2.75% and 4.25% of the consolidated operational revenues for the years then ended. Those statements were audited by other independent auditors whose reports, which have been furnished to us expressed unqualified opinion, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the reports of the other independent auditors.

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

In our opinion, based on our audits and the reports of the other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank Mandiri and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia, which differ in certain respects from International Financial Reporting Standards (Notes 59 and 60 to the consolidated financial statements).

As discussed in Notes 2p and 31c to the consolidated financial statements, effective January 1, 2008, Bank Mandiri and Subsidiaries applied Statement of Financial Accounting Standards (PSAK) No. 16 (Revised 2007), "Fixed Assets". Bank Mandiri and Subsidiaries have chosen the cost model as the accounting policy for the measurement of their premises and equipment. Accordingly, the total amount of the revaluation increment on their premises and equipment presented in the shareholders' equity section of the 2007 consolidated balance sheet was reclassified to consolidated retained earnings in 2008.

ERNST & YOUNG

This report is originally issued in Indonesian language.

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

Purwantono, Sarwoko & Sandjaja

Benyanto Suherman
Public Accountant License No. 05.1.0973

February 24, 2009

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

	Notes	2008	2007
ASSETS			
Cash	2e	8,388,974	5,909,369
Current Accounts with Bank Indonesia	2e, 3	13,354,289	28,161,059
Current Accounts with Other Banks - net of allowance for possible losses of Rp87,689 and Rp14,387 as of December 31, 2008 and 2007	2e, 2o, 4, 36	7,406,529	1,387,595
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp386,708 and Rp59,200 as of December 31, 2008 and 2007	2f, 2o, 5, 36	29,404,818	16,833,324
Securities	2d, 2g, 2o, 6, 36, 47a		
Related parties		-	28,241
Third parties		24,670,360	28,331,785
		24,670,360	28,360,026
Less: Unamortized discounts, unrealized gains/(losses) from increase/(decrease) in value of securities and allowance for possible losses		(45,513)	(1,043,473)
		24,624,847	27,316,553
Government Bonds	2d, 2h, 2o, 7, 21, 47b	88,259,039	89,466,317
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp1,158,049 and Rp839,732 as of December 31, 2008 and 2007	2i, 2o, 8, 36	3,513,133	2,028,542
Securities Purchased with Agreements to Resell - net of allowance for possible losses of Rp47,987 and Rp33,600 as of December 31, 2008 and 2007	2j, 2o, 9, 36	619,092	3,290,853
Derivative Receivables - net of allowance for possible losses of Rp6,313 and Rp3,800 as of December 31, 2008 and 2007	2k, 2o, 10, 36	354,024	336,651
Loans	2d, 2l, 2o, 11, 36, 47a		
Related parties		641,263	783,078
Third parties		173,858,171	137,770,474
Total loans		174,499,434	138,553,552
Less: Deferred income		(1,334)	(23,472)
Total loans after deferred income		174,498,100	138,530,080
Less: Allowance for possible losses		(11,860,312)	(13,041,696)
Loans - net		162,637,788	125,488,384
Acceptances Receivable - net of allowance for possible losses of Rp246,008 and Rp69,754 as of December 31, 2008 and 2007	2m, 2o, 12, 36	3,596,359	4,953,481
Investments in Shares of Stock - net of allowance for possible losses of Rp1,656 and Rp73,943 as of December 31, 2008 and 2007	2n, 2o, 13, 36, 56f, 56g	158,173	124,905

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

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

	Notes	2008	2007
ASSETS (continued)			
Premises and Equipment - net of accumulated depreciation and amortization of Rp4,461,347 and Rp3,971,067 as of December 31, 2008 and 2007	2p, 14, 31c, 40	4,603,560	4,531,577
Deferred Tax Assets - net	2u, 27e	6,123,919	4,096,447
Other Assets - net of allowance for possible losses of Rp639,575 and Rp612,638 as of December 31, 2008 and 2007	2o, 2q, 15, 37	5,394,134	5,160,533
TOTAL ASSETS		**358,438,678**	**319,085,590**

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

	Notes	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Liabilities Immediately Payable		619,798	852,777
Deposits from Customers			
Demand deposits	2d, 2r, 16, 47a, 61		
Related parties		115,857	130,522
Third parties		68,970,831	62,175,686
		69,086,688	62,306,208
Savings deposits	2d, 2r, 17, 47a, 61		
Related parties		43,339	42,844
Third parties		94,910,673	90,020,713
		94,954,012	90,063,557
Time deposits	2d, 2r, 18, 47a		
Related parties		313,909	181,309
Third parties		124,757,443	94,803,949
		125,071,352	94,985,258
Total Deposits from Customers		289,112,052	247,355,023
Deposits from Other Banks			
Demand and savings deposits	2d, 2s, 19, 47a	3,144,743	1,637,065
Inter-bank call money	2s, 20	7,588	827,617
Time deposits	2s, 21	4,565,783	2,945,659
Total Deposits from Other Banks		7,718,114	5,410,341
Securities Sold with Agreements to Repurchase	2j, 22	981,893	2,914,343
Derivative Payables	2k, 10	160,678	34,348
Acceptances Payable	2m, 23	3,842,367	5,023,235
Securities Issued - net of unamortized discount of RpNil and Rp903 as of December 31, 2008 and 2007	2t, 24	1,016,603	4,050,564
Fund Borrowings	2d, 25, 47a	9,371,508	9,345,061
Estimated Losses on Commitments and Contingencies	2o, 26, 45	316,401	469,508
Accrued Expenses		746,808	540,608
Taxes Payable	2u, 27a	3,174,500	1,280,398
Other Liabilities	2x, 28, 37	7,999,368	9,624,031
Subordinated Loans	29	2,836,650	2,935,275
TOTAL LIABILITIES		**327,896,740**	**289,835,512**

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

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

	Notes	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)			
Minority Interests in Net Assets of Consolidated Subsidiaries	2b, 30	28,069	6,346
SHAREHOLDERS' EQUITY			
Share Capital - Rp500 (full amount) par value per share Authorized capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B Issued and fully paid-up capital - 1 share Dwiwarna Series A and 20,905,647,787 common shares Series B as of December 31, 2008 (1 share Dwiwarna Series A and 20,749,551,741 common shares Series B as of December 31, 2007)	31a	10,452,824	10,374,776
Funds for Paid-up Capital	1a	-	127,593
Additional Paid-in Capital/Agio	31b	6,809,056	6,570,959
Differences Arising from Translation of Foreign Currency Financial Statements	2c	239,625	113,447
Unrealized Losses on Available for Sale Securities and Government Bonds - Net of Deferred Tax	2g, 2h	(170,310)	(3,568)
Revaluation Increment of Premises and Equipment	2p, 14, 31c	-	3,046,936
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	2n, 31e	(50,935)	1,432
Share Options	2y, 32	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-reorganization as of April 30, 2003)			
Appropriated	31d	5,680,357	2,611,690
Unappropriated	31d	7,498,787	6,293,147
Total Retained Earnings		13,179,144	8,904,837
TOTAL SHAREHOLDERS' EQUITY		**30,513,869**	**29,243,732**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**358,438,678**	**319,085,590**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2008	2007
INCOME AND EXPENSES FROM OPERATIONS			
Interest Income			
Interest income	2l, 2v, 33	26,496,487	23,232,749
Fees and commissions on loan facilities	2w, 33	839,750	695,800
Total Interest Income		27,336,237	23,928,549
Interest Expense			
Interest expense	2v, 34	(11,886,437)	(11,000,194)
Other financing expenses		(165,200)	(142,434)
Total Interest Expense		(12,051,637)	(11,142,628)
NET INTEREST INCOME		**15,284,600**	**12,785,921**
Other Operating Income			
Other fees and commissions	2w	3,423,247	2,447,476
Foreign exchange gains - net	2c, 61	789,350	313,845
Others	35	440,410	401,269
Total Other Operating Income		4,653,007	3,162,590
Provision for Possible Losses on Earning Assets	2o, 36	(2,986,361)	(2,113,994)
Reversal of Estimated Losses on Commitments and Contingencies	2o, 26c	221,393	61,409
Reversal of Allowance for Possible Losses - Others	15, 28, 37	170,139	313,015
Gains/(Losses) from Increase/(Decrease) in Value of Securities and Government Bonds	2g, 2h, 38	1,486	(14,061)
Gains/(Losses) from Sale of Securities and Government Bonds	2g, 2h, 39	(54,061)	228,498
Other Operating Expenses			
Salaries and employee benefits	2d, 2x, 2y, 32, 41, 42, 47, 61	(4,563,768)	(4,028,959)
General and administrative expenses	2p, 40, 61	(3,861,684)	(3,421,783)
Others - net	43, 61	(954,309)	(759,719)
Total Other Operating Expenses		(9,379,761)	(8,210,461)
INCOME FROM OPERATIONS		**7,910,442**	**6,212,917**
Non-operating Income - Net	44	158,118	120,466
INCOME BEFORE TAX BENEFIT/ (EXPENSE) AND MINORITY INTERESTS		**8,068,560**	**6,333,383**
Tax Benefit/(Expense)			
Current	2u, 27b, 27c	(4,711,894)	(2,686,154)
Deferred	2u, 27b, 27d	1,958,650	700,262
Tax Expense - Net		(2,753,244)	(1,985,892)
INCOME BEFORE MINORITY INTERESTS		**5,315,316**	**4,347,491**
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	2b	**(2,495)**	**(1,267)**
NET INCOME		**5,312,821**	**4,346,224**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS (continued)
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2008	2007
EARNINGS PER SHARE	2z		
Basic (full amount)		**254.51**	**209.78**
Diluted (full amount)		**253.84**	**208.32**

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid-up Capital	Funds for Paid-up Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of deferred tax	Revaluation Increment of Premises and Equipment	Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	Share Options	Retained Earnings *)			Total Shareholders' Equity
										Appropriated	Unappropriated	Total	
Balance as of December 31, 2006		**10,315,609**	**-**	**6,433,948**	**86,867**	**229,572**	**3,046,936**	**9,318**	**105,330**	**2,575,369**	**3,537,721**	**6,113,090**	**26,340,670**
General reserve allocated from 2006 net income	31d	-	-	-	-	-	-	-	-	36,321	(36,321)	-	-
Dividends allocated from 2006 net income	31d	-	-	-	-	-	-	-	-	-	(1,452,843)	(1,452,843)	(1,452,843)
Tantiem, cooperative development fund program and community development reserve allocated from 2006 net income	31d	-	-	-	-	-	-	-	-	-	(101,634)	(101,634)	(101,634)
Execution of shares options from Management Stock Option Plan (MSOP)	1a, 2y, 31a, 31b, 32	59,167	127,593	137,011	-	-	-	-	(85,044)	-	-	-	238,727
Differences arising from translation of foreign currency financial statements	2b	-	-	-	26,580	-	-	-	-	-	-	-	26,580
Unrealized losses on available for sale securities and government bonds - net of deferred tax	2g, 2h	-	-	-	-	(233,140)	-	-	-	-	-	-	(233,140)
Recognition of shares options from Management Stock Option Plan (MSOP)		-	-	-	-	-	-	-	87,034	-	-	-	87,034
Difference arising from transactions resulting in changes in the equity of subsidiaries		-	-	-	-	-	-	(7,886)	-	-	-	-	(7,886)
Net income for the year ended December 31, 2007		-	-	-	-	-	-	-	-	-	4,346,224	4,346,224	4,346,224
Balance as of December 31, 2007		**10,374,776**	**127,593**	**6,570,959**	**113,447**	**(3,568)**	**3,046,936**	**1,432**	**107,320**	**2,611,690**	**6,293,147**	**8,904,837**	**29,243,732**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

										Retained Earnings *)			
	Notes	Issued and Fully Paid-up Capital	Funds for Paid-up Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of deferred tax	Revaluation Increment of Premises and Equipment	Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	Share Options	Appropriated	Unappropriated	Total	Total Shareholders' Equity
Balance as of December 31, 2007		**10,374,776**	**127,593**	**6,570,959**	**113,447**	**(3,568)**	**3,046,936**	**1,432**	**107,320**	**2,611,690**	**6,293,147**	**8,904,837**	**29,243,732**
General reserve allocated from 2007 net income	31d	-	-	-	-	-	-	-	-	21,731	(21,731)	-	-
Dividends allocated from 2007 net income	31d	-	-	-	-	-	-	-	-	-	(3,911,601)	(3,911,601)	(3,911,601)
Cooperative development fund program and community development reserve allocated from 2007 net income	31d	-	-	-	-	-	-	-	-	-	(173,849)	(173,849)	(173,849)
Execution of shares options from Management Stock Option Plan (MSOP)	1a, 2y, 31a, 31b, 32	78,048	(127,593)	238,097	-	-	-	-	(52,855)	-	-	-	135,697
Reclassification of revaluation increment of premises and equipment	2p, 14, 31c	-	-	-	-	-	(3,046,936)	-	-	3,046,936	-	3,046,936	-
Differences arising from translation of foreign currency financial statements	2b	-	-	-	126,178	-	-	-	-	-	-	-	126,178
Unrealized losses on available for sale securities and government bonds - net of deferred tax	2g, 2h	-	-	-	-	(166,742)	-	-	-	-	-	-	(166,742)
Difference arising from transactions resulting in changes in the equity of subsidiaries		-	-	-	-	-	-	(52,367)	-	-	-	-	(52,367)
Net income for the year ended December 31, 2008		-	-	-	-	-	-	-	-	-	5,312,821	5,312,821	5,312,821
Balance as of December 31, 2008		**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**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interest income	2l, 2v	26,117,536	23,222,510
Receipts from fees and commissions	2w	4,262,997	3,143,276
Payments of interest expenses	2v	(11,680,237)	(11,047,366)
Payments of other financing expenses		(165,200)	(142,434)
Receipts from the sale of Government Bonds - trading portfolio	2g, 2h	6,003,599	25,762,599
Acquisition of Government Bonds - trading portfolio		(5,184,940)	(25,549,223)
Foreign exchange gains/(losses) - net	2c	(138,149)	326,706
Operating income - others		311,092	577,068
Operating expenses - others		(954,312)	(446,707)
Salaries and employee benefits	2x, 2y	(3,403,043)	(2,840,646)
General and administrative expenses	2p	(3,288,579)	(2,837,906)
Non-operating income - others		82,339	15,675
Income before changes in operating assets and liabilities		11,963,103	10,183,552
(Increase)/decrease in operating assets:			
Placements with Bank Indonesia and other banks	2f, 2o	(12,016,854)	(7,359,001)
Securities and Government Bonds - trading portfolio	2g, 2o	2,600,153	(10,030,596)
Other receivables - trade transactions	2i, 2o	(1,513,689)	(97,988)
Loans	2l, 2o	(36,149,818)	(24,287,819)
Proceeds from collection of earning assets already written-off		2,343,228	1,375,021
Other assets	2q	284,409	(297,405)
Increase/(decrease) in operating liabilities:			
Demand deposits	2r, 2s	6,650,858	12,973,698
Saving deposits	2r, 2s	4,114,274	30,008,961
Time deposits	2r, 2s	28,871,129	(4,345,784)
Inter-bank call money	2s	(823,257)	(1,072,064)
Liabilities immediately payable		(232,979)	181,438
Taxes payable	2u	(2,817,792)	(2,988,556)
Other liabilities	2x	(2,751,048)	1,560,507
Net cash provided by operating activities		**521,717**	**5,803,964**
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in securities - available for sale and held to maturity	2g	(70,105)	149,005
Decrease in Government Bonds - available for sale and held to maturity	2h	286,139	1,684,033
Decrease in investments in shares of stock	2n	41,649	12,250
Proceeds from sale of premises and equipment	2p	80,178	3,444
Acquisition of premises and equipment	2p	(613,507)	(298,367)
Decrease/(increase) in securities purchased with agreements to resell	2j	2,657,374	(2,482,465)
Net cash provided by/(used in) investing activities		**2,381,728**	**(932,100)**

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

PT BANK MANDIRI (PERSERO) TBK. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in minority interest		19,228	-
(Decrease)/increase in securities issued	2t	(3,033,961)	93,815
(Decrease)/increase in fund borrowings		(111,064)	5,908,469
Decrease in subordinated loans		(130,374)	(1,233,809)
(Decrease)/increase in securities sold with agreements to repurchase	2j	(1,932,450)	1,054,563
Payments of dividends, cooperative development fund program, community development fund program and tantiem	31d	(4,085,450)	(1,554,477)
Execution of shares option	2y	135,697	238,727
Net cash provided by/(used in) financing activities		**(9,138,374)**	**4,507,288**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,234,929)**	**9,379,152**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		35,472,410	26,093,258
CASH AND CASH EQUIVALENTS AT END OF YEAR		**29,237,481**	**35,472,410**
Cash and cash equivalents at end of year consist of:			
Cash	2e	8,388,974	5,909,369
Current accounts with Bank Indonesia	2e, 3	13,354,289	28,161,059
Current accounts with other banks	2e, 4	7,494,218	1,401,982
Total Cash and Cash Equivalents		**29,237,481**	**35,472,410**
Supplemental Non-Cash Flows Information			
Activities not affecting cash flows:			
Unrealized losses on securities and Government Bonds available for sale		(166,742)	(233,140)
Unrealized (losses)/gains on securities and Government Bonds trading		1,486	(14,061)
Recognition of share options from Management Stock Option Plan (MSOP)		-	(87,034)

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

1. GENERAL

a. Establishment

PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as “Bank Mandiri” or the “Bank”) was established in the Republic of Indonesia on October 2, 1998 under Government Regulation No. 75 of 1998 dated October 1, 1998 and based on notarial deed No. 10 of Sutjipto, S.H. dated October 2, 1998. The deed of establishment was approved by the Minister of Justice in his decision letter No. C2-16561.HT.01.01.TH.98 dated October 2, 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated December 4, 1998. Bank Mandiri was established through the merger of 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 operations on August 1, 1999.

Bank Mandiri’s Articles of Association have been amended several times. The amendment is in respect of the exercise of stock options under the Management Stock Option Plan (“MSOP”) program based on the number of share options executed. Changes in the Articles of Association regarding the addition of issued and fully paid up capital up to December 31, 2008 have been last executed with notary deed of Dr. A. Partomoan Pohan, S.H., LLM No. 4 dated January 9, 2009 which have been reported to the Ministry of Laws and Human Rights of the Republic of Indonesia with evidence of receipt per letter by the Department of Laws and Human Rights of the Republic of Indonesia No. AHU - AH.01.10 - 00983 dated February 26, 2009 and have been registered on List of Companies per Letter No. AHU - 0006399.AH.01.09 year 2009 dated February 26, 2009.

During the period January 1 up to December 31, 2008 and 2007 the stock options exercised totaled 92,882,614 shares and 181,547,707 shares, respectively (Notes 31a, 31b and 32). The additions to issued and fully paid up capital from the period January 1 up to December 31, 2008 and 2007 arising from the execution of stock option each amounted to Rp78,048 (including addition to issued and fully paid capital from the execution of stock option from October 1, 2007 until December 31, 2007 amounting to Rp31,606) and Rp59,167. Addition to additional paid in capital/agio from January, 1 up to December 31, 2008 and 2007 amounted to Rp238,097 (including additional paid in capital/agio coming from the execution of stock option from October 1, 2007 up to December 31, 2007 amounting to Rp96,626) and Rp137,011, respectively.

b. Merger

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

In connection with such restructuring plan, the Government established Bank Mandiri in October 1998 through the payment of cash and the acquisition of the Government of the Republic of Indonesia’s shares of stock in the Merged Banks (Notes 31a and 31b). Due to the impracticability of measurement, the difference between the transfer price and the book value of the shares of stock at the time of the acquisition was not determined. All losses incurred during the year of acquisition were taken into account in the Recapitalization Program.

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

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

1. GENERAL (continued)

b. Merger (continued)

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

Effective from the date of the merger:

- All of the assets and liabilities of the Merged Banks were transferred to Bank Mandiri, the surviving bank.
- All operations and business activities of the Merged Banks were transferred to and continued by Bank Mandiri.
- Bank Mandiri received additional paid-in capital amounting to Rp1,000,000 (one million Rupiah) (full amount) or equivalent to one share for each Merged Bank representing the remaining shares of the Government in the Merged Banks (Notes 31a and 31b).

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

c. Recapitalization

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

On May 28, 1999 the Government issued Government Regulation No. 52 of 1999 (PP No. 52/1999) that provided for the increase in the Government of Republic of Indonesia capital participation in Bank Mandiri through Government Recapitalization Bonds to be issued by the Minister of Finance with a value of up to Rp137,800,000. The implementation of PP No. 52/1999 is set forth in Joint Decrees - No. 389/KMK.017/1999 and No. 1/10/KEP/GBI dated July 29, 1999 of the Minister of Finance and the Governor of Bank Indonesia (Note 47b).

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

1. GENERAL (continued)

c. Recapitalization (continued)

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

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

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

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

Based on the decision letter of the Minister of Finance No. S-174/MK.01/2003 dated April 24, 2003 regarding the return of the excess Government Recapitalization Bonds, which was previously retained as additional paid-in capital, Government Recapitalization Bonds amounting to Rp1,412,000 were returned to the Government on April 25, 2003 (Note 31b).

On May 23, 2003, the Minister of Finance issued decrees ("KMK-RI") No. 227/KMK.02/2003 dated May 23, 2003 and KMK - RI No. 420/KMK-02/2003 dated September 30, 2003 confirming among others the final amount of the Government's participation in Bank Mandiri in the amount of Rp173,801,315 (Note 31b).

d. Initial Public Offering of the Bank's Shares

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

On July 14, 2003, Bank Mandiri made an IPO of its 4,000,000,000 shares, with a nominal value of Rp500 (full amount) per share with an initial selling price of Rp675 (full amount) per share. The offering of 4,000,000,000 shares of the Bank represents a divestment of 20% of the ownership of the Government of the Republic of Indonesia in Bank Mandiri (Note 31a).

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

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

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

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

e. Quasi-Reorganization

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

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

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

On October 30, 2003, an Extraordinary General Shareholders' Meeting (RUPSLB) approved the Quasi-Reorganization as at April 30, 2003. The minutes of the RUPSLB were notarized by Notary Sutjipto, S.H. in notarial deed No. 165 dated October 30, 2003.

f. Divestment of Government Share Ownership

On March 11, 2004, the Government divested a further 10% shareholding involving 2,000,000,000 of its shares in Bank Mandiri through private placements (Note 31a).

g. Structure and Management

Bank Mandiri's head office is located in Jl. Jend. Gatot Subroto Kav. 36-38, South Jakarta, Indonesia. As of December 31, 2008 and 2007 Bank Mandiri had the following domestic and offshore structure:

	2008	2007
Domestic Regional Branches	10	10
Domestic Branches:		
Area	59	58
Community Branches	118	99
Branch	359	341
Cash Outlets	491	458
	1,027	956

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

g. Structure and Management (continued)

	2008	2007
Offshore Branches	4	4
Representative Office	1	1

As of December 31, 2008 and 2007, Bank Mandiri had offshore branches located in Grand Cayman, Singapore, Hong Kong and Timor Leste and a representative office in Shanghai, China.

On June 5, 2006, the Bank Mandiri organization structure has been changed based on Board of Directors' Resolution No. Kep.Dir/069/2006. Those changes including the Bank Mandiri Board of Directors' segregation of roles and responsibilities were approved by the Board of Commissioners through its letter No. COM/063/2006 dated June 1, 2006. On December 12, 2006, Management through letter No. CMO/577/2006 proposed the change in the Organization Structure Based On Strategic Business Units to the Commissioners. The Commissioners approved the change in the Organization Structure Based On Strategic Business Units through letter No. COM/170/2006 dated December 22, 2006. The Organization Structure based on Strategic Business Units became effective since January 9, 2007 through Directors Decision Letter No. Kep.Dir/06A/2007 dated January 9, 2007.

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

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

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

The organizational structure of Bank Mandiri has been changed again, whereby pursuant to the decision letter of the Board of Directors No. KEP.DIR/038A/2008 dated March 24, 2008 concerning the Change of Decision of the Board of Directors of No. KEP.DIR/07/2007 regarding the Change of Organizational Structure of PT Bank Mandiri (Persero) Tbk. The subsidiary of Bank Mandiri, PT Bank Syariah Mandiri which previously is under the coordination of Directorate for Consumer Finance has now become under the coordination of the Directorate for Commercial Banking. On April 23, 2008, the Board of Commissioner's Meeting agreed to the suggestion to change Bank Mandiri organization structure to form 2 (two) new directorate that is Directorate of Corporate Secretary, Legal & Customer Care and Directorate of Internal Audit. Change of the Bank Mandiri organization structure goes into effect on October 13, 2008 as expressed in the Decree of the Board of Directors No. KEP.DIR/111A/2008 dated October 13, 2008.

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

g. Structure and Management (continued)

In accordance with the decision letter of the Board of Directors No. KEP.DIR/115/2008 dated October 21, 2008 concerning Distribution of Duties and Authorities of The Members of The Board of Directors and also Stipulation of The List of Substitution Director as amended by the decision letter of Board of Directors of No. KEP.DIR/144/2008 dated December 17, 2008 concerning Change in The Decision Letter of The Board of Directors of No. KEP.DIR/115/2008 concerning Distribution of Duties and Authorities of the Members of The Board of Directors and also Stipulation of The List of Substitution Director and based on the letter of Bank Indonesia No. 10/188/GBI/DPIP/Rahasia dated December 12, 2008 regarding Decision about The Appointment of Compliance Director of PT Bank Mandiri (Persero) Tbk., the members of The Boards of Commissioners and Directors of Bank Mandiri as of December 31, 2008 and 2007 are as follows:

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

*) *Since closing of Annual General Shareholders' Meeting on May 29, 2008*
**) *Until closing of Annual General Shareholders' Meeting on May 29, 2008*
***) *Until the date of effective resignation on May 15, 2008. As for the discharge of responsibility* (acquit et de charge) *during the period of the commissioner hold office from period January 1, 2008 up to May 15, 2008 it will be decided in the upcoming Annual General Shareholders' Meeting.*

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

*) *As Compliance Director starting on December 17, 2008*
**) *As Compliance Director until December 17, 2008*
***) *Up to the closing of Annual General Shareholders' Meeting on May 29, 2008*

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

g. Structure and Management (continued)

As of December 31, 2008 and 2007, Bank Mandiri's Audit Committee is comprised of the following members:

	2008	2007
Chairman	: Gunarni Soeworo	Gunarni Soeworo
Member	: Soedarjono	Soedarjono
Member	: Zulkifli Djaelani	Yap Tjay Soen*)
Member	: Imam Sukarno	Zulkifli Djaelani
Member	: -	Imam Sukarno

*) *Up to the date of resignation effective on May 15, 2008. As for the discharge of responsibility (*acquit et de charge*) during the commissioner hold office from period January 1, 2008 up to May 15, 2008 it will be decided in the upcoming Annual General Shareholders' Meeting.*

As of December 31, 2008 and 2007, Bank Mandiri's Risk Monitoring Committee comprised of the following:

	2008 and 2007
Chairman	: Soedarjono
Member	: Edwin Gerungan
Member	: Gunarni Soeworo
Member	: Tama Widjaja
Secretary (*ex-officio*)	: Pardi Sudradjat

As of December 31, 2008 and 2007, Bank Mandiri's Nomination and Remuneration Committee comprised of the following:

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

*) *Since closing of Annual General Shareholders' Meeting on May 29, 2008*
**) *Until closing of Annual General Shareholders' Meeting on May 29, 2008*
***) *Up to the date of resignation effective on May 15, 2008. As for the discharge of responsibility (*acquit et de charge*) during the commissioner hold office from period January 1, 2008 up to May 15, 2008 it will be decided in the upcoming Annual General Shareholders' Meeting.*

As of December 31, 2008 and 2007, Bank Mandiri's Good Corporate Governance Committee comprised of the following:

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

*) *Since closing of Annual General Shareholders' Meeting on May 29, 2008*
**) *Until closing of Annual General Shareholders' Meeting on May 29, 2008*
***) *Up to the date of resignation effective on May 15, 2008. As for the discharge of responsibility (*acquit et de charge*) during the commissioner hold office from period January 1, 2008 up to May 15, 2008 it will be decided in the upcoming Annual General Shareholders' Meeting.*

1. GENERAL (continued)

g. Structure and Management (continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

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

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

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

The financial statements of a subsidiary company engaged in syariah banking have been prepared in conformity with the Statement of Financial Accounting Standards (SFAS) No. 101 regarding “Presentation of Financial Statement for Syariah Banking”, SFAS No. 59 regarding “the Accounting for Syariah Banking”, Accounting Guidelines for Indonesian Syariah Banking (PAPSI) and other generally accepted accounting principles established by the Indonesian Institute of Accountants, including also accounting and reporting guidelines prescribed by the Indonesian banking regulatory authority and Capital Market and Financial Institution Supervisory Board (Bapepam - LK).

b. Principles of Consolidation

The consolidated financial statements include the financial statements of Bank Mandiri and its majority-owned or controlled Subsidiaries. Control is presumed to exist where more than 50% of a Subsidiary’s voting power is controlled by Bank Mandiri, or Bank Mandiri is able to govern the financial and operating policies of a Subsidiary, or control the removal or appointment of the majority of a Subsidiary’s Board of Directors. In the consolidated financial statements, all significant inter-company balances and transactions have been eliminated. Minority Interest in net income is presented as deduction of consolidated net income in order to arrive at Bank’s income. Minority in net asset is individually presented in the consolidated balance sheet between equity and liabilities.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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

Name of Subsidiaries	Nature of Business	Domicile of Ownership	Percentage of Ownership 2008	Percentage of Ownership 2007
Bank Mandiri (Europe) Limited (BMEL)	Commercial Banking	London	100,00	100,00
PT Bank Syariah Mandiri (BSM)	Syariah Banking	Jakarta	99,99	99,99
PT Usaha Gedung Bank Dagang Negara	Property Management	Jakarta	99,00	99,00
PT Mandiri Sekuritas	Securities	Jakarta	95,69	95,69
PT Bumi Daya Plaza	Property Management	Jakarta	93,33	93,33
PT Bank Sinar Harapan Bali (BSHB)	Commercial Banking	Denpasar	80,00	--

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

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

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

PT Usaha Gedung Bank Dagang Negara was established in the Republic of Indonesia based on notarial deed No. 104 of Abdul Latief, S.H. dated October 29, 1971. The company's Article of Association has been amended several times, the last change with notarial deed No. 7 of Martin Roestamy, S.H. dated November 25, 2004. The Company is engaged in property management and office rental activities, which involve the Company's and its Subsidiaries' offices, and other offices. It owns 25% of the share capital of PT Pengelola Investama Mandiri (PIM), a company primarily established to manage the investments in shares of stock of Bank Mandiri.

PT Mandiri Sekuritas was established in the Republic of Indonesia on July 31, 2000 based on notarial deed No. 116 of Ny. Vita Buena, S.H. replacing Sutjipto, S.H. It was established through the merger of PT Bumi Daya Sekuritas, PT Exim Sekuritas and PT Merincorp Securindo. The merger was approved by the Minister of Laws and Regulations of the Republic of Indonesia on August 25, 2000 based on decision letter No. C-18762.HT.01.01-TH.2000. PT Mandiri Sekuritas owns 99.9% of the share capital of PT Mandiri Manajemen Investasi, a subsidiary established on October 26, 2004 engaged in investment management and advisory activities.

PT Bumi Daya Plaza was established in the Republic of Indonesia based on notarial deed No. 33 of Ny. Subagyo Reksodipuro, S.H. dated December 22, 1978. The Company's Articles of Association has been amended several times and the last change was announced in Appendix of State Gazette of the Republic of Indonesia No. 34 dated April 27, 2001. The Company is engaged in property management and rental activities. It owns 75% of the share capital of PIM.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

PT Bank Sinar Harapan Bali (BSHB) was established on November 3, 1992 based on the notarial deed of Ida Bagus Alit Sudiatmika, S.H. in Denpasar. On May 3, 2008, the signing of the acquisition deed was made between the shareholders of BSHB and Bank Mandiri as covered in the notarial deed No. 04 dated May 3, 2008 of I Wayan Sugitha, S.H. in Denpasar. The signing of deed marked the beginning of the Bank's ownership of 80% of BSHB whereby subsequently, the management of BSHB will be made separately from Bank Mandiri and BSHB will be as a stand alone bank to focus mainly in the expansion of micro business and small business.

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

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

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

c. Foreign Currency Transactions and Balances

Bank Mandiri maintains its accounting records in Indonesian Rupiah. Transactions in currencies other than Rupiah are recorded at the prevailing rates of exchange in effect on the date of the transactions. At balance sheet date, all foreign currency monetary assets and liabilities are translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian Time) on December 31, 2008 and 2007. The resulting gains or losses are credited or charged to the current year's consolidated profit and loss.

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

	December 31, 2008	December 31, 2007
Great Britain Pound Sterling 1/Rp	15,755.42	18,760.64
Euro 1/Rp	15,356.48	13,821.80
US Dollar 1/Rp	10,900.00	9,393.00
Japanese Yen 100/Rp	12,065.00	8,384.00

d. Transactions with Related Parties

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

All significant transactions with related parties, whether or not conducted under normal terms and conditions as those with third parties, are disclosed in Note 47. Transactions of Bank Mandiri with state and regionally-owned/controlled entities including the Indonesian Bank Restructuring Agency ("IBRA"), Unit Pelaksanaan Penjaminan Pemerintah (UP3) (an institution that replaced IBRA), and the Indonesia Deposit Insurance Corporation (LPS) (a new institution that replaced UP3) are not considered as transactions with related parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Cash and Cash Equivalents

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

f. Placements with Bank Indonesia and Other Banks

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

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

g. Securities

Securities consist of securities traded in the money market such as, Certificates of Bank Indonesia (SBI), Wadiah Certificates of Bank Indonesia (SWBI), *Surat Perbendaharaan Negara* (SPN), Negotiable Cerfiticates of Deposits, medium-term notes, floating rate notes, promissory notes, Treasury Bills issued by other country government and Republic of Indonesia's government, mandatory convertible bond, export bills, securities traded on the capital market such as mutual fund units and securities traded on the stock exchanges such as shares of stocks and bonds include Syariah Mudharabah bonds.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Securities (continued)

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

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

h. Government Bonds

Government Bonds represent bonds issued by the Government of the Republic of Indonesia. Government Bonds are stated based on the classification of the bonds, which accounting treatment is similar to those of securities as described in Note 2g above.

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

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

i. Other Receivables - Trade Transactions

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

j. Securities Purchased/Sold under Resell/Repurchase Agreements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Derivative Receivables and Derivative Payables

All derivative instruments (including foreign currency transactions for funding and trading) are recognized in the consolidated balance sheet at their fair values. Fair value is determined based on market value, Reuters spot rate at reporting date, discounted cash flow or quoted price by broker of other instrument with similar characteristic. Derivative assets and liabilities are presented at the amount of unrealized gains or losses on derivative contracts, net after provision for possible losses.

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

1. Gain or loss on a derivative contract designated and qualifying as a fair value hedging instrument, and the gain or loss on the revaluation of hedged assets or liabilities is recognized currently in profit and loss in the same accounting period. Gains or losses arising from such revaluations may be offset. Any difference that arises representing the effect of hedge ineffectiveness is recognized currently in consolidated statement of profit and loss.

2. The effective portion of the gain or loss on a derivative contract designated and qualifying as a cash flow hedging instrument is reported as a component of other comprehensive income under shareholders' equity. The effect of the hedge ineffectiveness is recognized currently in consolidated statement of profit and loss.

3. Gain or loss on a hedging derivative instrument in a hedge of a net investment in a foreign operation is reported in other comprehensive income as part of the cumulative translation adjustment under shareholders' equity to the extent it is effective as a hedge.

4. Gain or loss on a derivative contract not designated as a hedging instrument (or derivative contract that does not qualify as a hedging instrument) is recognized in current year's consolidated statement of profit and loss.

l. Loans

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

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

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

Included in loans are financing by Bank Syariah Mandiri, a subsidiary, in the form of syariah financing which are making funds available or receivables which have the similar forms such as:

a) profit sharing transaction in the form of *mudharabah* and *musyarakah*
b) lease transactions in the form of ijarah or lease purchase based on *ijarah muntahiya bittamlik*
c) sale and purchase transaction in the form of *murabahah, salam and istishna*'
d) loan/borrowing transaction in the form of receivables *qardh* and
e) lease transactions in the form of *ijarah* for multiservice transaction

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Loans (continued)

based on the agreement or approval between Bank Syariah and other party obliging the other party given the funds facility to return the fund over a period of time with reward of *ujrah*, without reward, or profit sharing.

Brief explanation for each type of financing is as follows:

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

Musyarakah is a placement of funds by fund owners to jointly combine these funds for certain business activity with profit sharing scheme based on nisbah which is agreed upfront, while loss is borne by the fund owners based on the proportion of each funds.

Ijarah is a leasing arrangement of goods and/or services between the owner of lease object including ownership of right to use of the lease object with the lessor for the purpose of obtaining profit for the lease object. *Ijarah muntahiya bittamlik* is a leasing arrangement between the lessee and the lessor to obtain profit on the lease object being leased with option to transfer ownership of the lease 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 deferred margin which can be realized. *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.

Loans Purchased from IBRA

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Loans (continued)

Loans Purchased from IBRA (continued)

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

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

Loan Restructuring

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

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

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

Deferred interest, which is capitalized to receivables under new restructuring agreements, is recorded as deferred interest income and is amortized proportionately based on the amount of capitalized interest relative to the loan principal upon loan collections. Losses on loan restructuring are presented as part of allowance for possible losses.

m. Acceptances Receivable and Payable

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

n. Investments in Shares of Stock

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Investments in Shares of Stock (continued)

Changes in value of investments in subsidiaries which is caused by changes in the subsidiaries' equity and is not a transaction between the Bank and the Subsidiaries, is recognized as part of the equity as "Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries". This account will be calculated in determining the parent companies' profit and loss at the disposal of the investment (Note 31e).

Goodwill is recognized, when there is a difference between the acquisition cost and the Bank's portion on 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. Goodwill amortization period is 5 (five) years, but a longer amortization period may be applied (with maximum 20 years period) with appropriate basis.

o. Allowance for Possible Losses on Assets and Estimated Losses on Commitments and Contingencies

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

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

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

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

The classification of earning assets is based on Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 regarding Asset Quality Rating For Commercial Banks which has been amended by Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006, and Bank Indonesia Regulation No. 9/6/PBI/2007 dated March 30, 2007. PBI 9/6/PBI/2007 contains type of collateral that qualify as deduction in earning asset provision calculation, such as machinery that is permanently part of the land binded with fiduciary right and warehouse receipt binded with guarantee right on warehouse receipt. 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 repayment performance, business prospects and ability to repay.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The amount of the minimum allowance for possible losses on assets and commitments and contingencies with credit-related risk, takes into consideration Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 regarding Asset Quality Rating For Commercial Banks which has been amended with Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006 and Bank Indonesia Regulation No. 9/6/PBI/2007 dated March 30, 2007, which prescribe minimum rates of allowance for possible losses on assets and commitments and contingencies with credit-related risk.

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

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

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

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

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

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

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Premises and equipment and Leased assets

i. Fixed assets

Prior to January 1, 2008, premises and equipment are stated at cost (except for certain premises and equipment used in operations that were revalued in 1979, 1987 and 2003 in accordance with Government regulations) less accumulated depreciation (except for land which is not depreciated). The corresponding revaluation increments were credited to “Revaluation Increment of Premises and Equipment” under the shareholders’ equity in the consolidated balance sheets.

Effective January 1, 2008, Bank Mandiri applied PSAK No. 16 (Revised 2007), “Fixed Assets”, which supersedes PSAK No. 16 (1994), “Fixed Assets and Other Assets”, and PSAK No. 17 (1994), “Accounting for Depreciation”. Bank Mandiri had previously revalued its premises and equipment before the application of PSAK No. 16 (Revised 2007) and has chosen the cost model, thus, the revalued amount of premises and equipment is considered as deemed cost and the cost is the value at the time PSAK No. 16 (Revised 2007) is applied. All the balance of revaluation increment of premises and equipment that still exist at the first time application of PSAK No. 16 (Revised 2007) as presented in shareholders’ equity section in the consolidated balance sheet have been reclassified to consolidated retained earnings in 2008 (Note 31c).

Premises and equipment except for land is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the premises and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the premises and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in consolidated profit or loss as incurred.

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

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

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated profit or loss in the year the asset is derecognized.

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 premises and equipment. Accumulated costs are reclassified to the appropriate premises and equipment account when the assets are substantially complete and are ready for their intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Premises and equipment and Leased assets (continued)

i. Fixed assets (continued)

In accordance with PSAK No. 47 - “Land Accounting”, all costs and expenses 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 amortized over the period of the related landright using straight-line method.

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

PSAK No. 48 - “Decline in Assets Value” states that the carrying amounts of fixed assets are reviewed as of each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and, when carrying value exceeds this estimated recoverable amount, assets are written down to their recoverable amount.

ii. Leased assets

Effective January 1, 2008, the Statement of Financial Accounting Standard (PSAK) No. 30 (Revised 2007), “Leases” supersedes PSAK No. 30 (1990) “Accounting for Leases”. Based on PSAK 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 PSAK, leased item are classified as finance leases. Moreover, leases which do not transfer substantially the risks and reward incidental to ownership of the leased item are classified as operating leases.

Based on PSAK No. 30 (Revised 2007), under a finance leases, the Bank recognizes 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. Minimum 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. Contingent rents shall be charged as expenses in the periods in which they are incurred. Finance charges are reflected in the consolidated profit and loss. Capitalised leased assets (presented under premises and equipment) 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 recognized lease payments as an expense on a straight-line method over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Other Assets

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

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

Repossessed assets represent loan collateral acquired in settlement of loans and is included in "Other Assets". Abandoned properties represent the Bank's fixed assets in the form of property not used in the usual Bank Mandiri business activity. Repossessed assets and abandoned properties are presented at their net realizable value. Realizable value is the fair value of the repossessed assets less estimated costs of liquidating the repossessed assets. Any excess of the loan balance over the value of the repossessed assets, which is not recoverable from the borrower, is charged to the allowance for possible losses. Differences between the estimated realizable value and the proceeds from sale of the repossessed assets are recognized in current year's profit and loss at the time of sale.

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

r. Deposits from Customers

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

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

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

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

a. *Wadiah* is a *wadiah yad-dhamanah* deposit in which the depositor is entitled to receive bonus income.
b. Unrestricted investments in the form of *mudharabah* savings which entitle the depositor to receive a share of Bank Syariah Mandiri (BSM)'s income in return for the usage of the funds in accordance with the defined terms (*nisbah*).
c. Unrestricted investments in the form of *mudharabah* time deposits are fund deposits which entitle the depositor to receive a share of BSM's income for the usage of the funds in accordance with the defined terms (*nisbah*).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Deposits from Other Banks

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

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

t. Securities Issued

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

u. Income Tax

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

Deferred tax is calculated using the valid tax rate or substantially has been valid on the balance sheet date. The charge on the written value of deferred tax assets and liabilities are caused by the change in tax rate during the current year, except for transactions which previously have been directly charged or credited to shareholders' equity.

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

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

v. Interest Income and Interest Expense

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

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

The interest income from restructured loan are recognized only when it is received in cash before the loan's quality become current as determined by Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 regarding Asset Quality Rating for Commercial Banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Interest Income and Interest Expense (continued)

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

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

w. Fees and Commissions

Significant fees and commissions that are directly related to lending activities and/or involving specific time periods are deferred and amortized using the straight-line method over those periods. The balances of unamortized fees and commissions relating to loans settled prior to maturity are recognized upon settlement. Other fees and commissions that are not directly related to lending activities or involving specific time periods are recognized as income at the transaction date.

x. Post-Employment Benefits

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

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

Bank Mandiri recognizes a provision for post employment benefits under the Labor Law No. 13/2003 regarding the settlement of labor dismissal and the stipulation of severance pay, gratuity and compensation in companies.

The provision has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plans with the benefit as stipulated under the Labor Law No. 13/2003 after 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 will have to pay such shortage. Provision for employee service entitlements is accrued based on the results of an independent actuary’s valuation. Actuarial gain and loss is recognized as income or expense if the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date. The amount of actuarial gain or loss is recognized through the average remaining working period of the employee in the program. Past service cost arises when the bank introduces a defined benefit plan or changes the benefits payable under an existing defined benefit plan. Past service cost is recognized over the period until the benefits concerned are vested.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y. Share Options

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

z. Earning 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-up during the year.

Net income used in calculating the basic earnings per share was Rp5,312,821 and Rp4,346,224 for the years ended December 31, 2008 and 2007, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2008 and 2007 totaled 20,874,991,622 shares and 20,717,958,049 shares, respectively. The weighted-average number of outstanding shares used in computing the basic earnings per share as of December 31, 2008 has been adjusted to reflect the changes in issued shares as a result of the conversion of share option (Note 32).

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

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

	2008	2007
The weighted-average shares - Basic	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	784,387	1,428,752
MSOP Stage III	49,438,549	126,613,616
The weighted-average number of outstanding shares - Dilutive	**20,929,439,763**	**20,863,423,441**

aa. Segment Information

Bank Mandiri and its Subsidiaries have presented financial information by nature of business (primary segment) and by geographical area (secondary segment). The primary segment is divided into banking, *syariah* banking, securities, insurance and others, while the secondary segment is divided into Indonesia (domestic), Asia, West Europe, Pacific (Cayman) and/or others (Note 49).

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Use of Estimates

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

ac. Revised Statements of Financial Accounting Standards

The following is a summary of the revised Statements of Financial Accounting Standards (PSAK) issued by the Indonesian Institute of Accountants but not yet effective in 2008:

a. PSAK No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosures” contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of information about factors that affect the amount, timing and certainty of an entity’s future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, “Accounting for Certain Investment Securities” and applied prospectively for period starting on or after Januari 1, 2009. The Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) changed the effective implementation date of PSAK No. 50 (Revised 2006), which initially starting on January 1, 2009 to become effective on January 1, 2010 [per letter of DSAK IAI dated December 30, 2008 No. 1705/DSAK/IAI/XII/2008 Re: Announcement of the Effective Date of PSAK No. 50 (Revised 2006) and PSAK No. 55 (Revised 2006)]. Earlier application is permitted and should be disclosed.

b. PSAK No. 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”, establishes the principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) this replaced PSAK No. 55: Derivative Instruments Accounting and Hedging Relationship Activity and is applied prospectively for period starting on or after January 1, 2009. The Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) changed the effective implementation date of PSAK No. 55 (Revised 2006), which initially starting on January 1, 2009 to become effective on January 1, 2010 [per letter of DSAK IAI dated December 30, 2008 No. 1705/DSAK/IAI/XII/2008 Re: Announcement of the Effective Date of PSAK No. 50 (Revised 2006) and PSAK No. 55 (Revised 2006)]. Earlier application is permitted and should be disclosed.

The Bank Mandiri and Subsidiaries is still evaluating the effects of PSAK No. 50 (Revised 2006) and PSAK No. 55 (Revised 2006) of these revised PSAK and has not yet determined the related effects on its consolidated financial statements.

3. CURRENT ACCOUNTS WITH BANK INDONESIA

	2008	2007
Rupiah	12,770,724	26,829,332
United States Dollar	583,565	1,331,727
	13,354,289	**28,161,059**

(Expressed in millions of Rupiah, unless otherwise stated)

3. CURRENT ACCOUNTS WITH BANK INDONESIA (continued)

The current accounts with Bank Indonesia are primarily maintained to meet the minimum reserve requirements of Bank Indonesia of 5.00% and 1.00% as of December 31, 2008 (2007: 11.00% and 3.00%) of Rupiah and US Dollar deposits, respectively.

The realization of the minimum reserve requirement ratio of Bank Mandiri for its Rupiah and US Dollar accounts as of December 31, 2008 and 2007, is as follows:

	2008	2007
Rupiah	5.47%	14.00%
United States Dollar	1.04%	3.01%

4. CURRENT ACCOUNTS WITH OTHER BANKS

a. By Currency:

	2008	2007
Rupiah	53,039	36,067
Foreign Currency	7,441,179	1,365,915
Total	7,494,218	1,401,982
Less: Allowance for Possible Losses	(87,689)	(14,387)
	7,406,529	**1,387,595**

b. By Collectibility:

	2008	2007
Rupiah		
Current	53,039	36,067
Total Rupiah	53,039	36,067
Foreign Currency		
Current	7,428,353	1,365,915
Loss	12,826	-
Total Foreign Currency	7,441,179	1,365,915
Total	7,494,218	1,401,982
Less: Allowance for Possible Losses	(87,689)	(14,387)
	7,406,529	**1,387,595**

c. By Related Party and Third Party:

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

d. Average Interest Rate (yield) per Annum:

	2008	2007
Rupiah	0.45%	0.25%
Foreign Currency	0.95%	3.11%

(Expressed in millions of Rupiah, unless otherwise stated)

4. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

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

	2008	2007
Balance at beginning of year	14,387	11,149
Provision during the year (Note 36)	71,072	2,731
Others *)	2,230	507
Balance at end of year	**87,689**	**14,387**

(*) 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:

2008				
	Maturity	Current	Loss	Total
Rupiah:				
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
Foreign Currency:				
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 Currency		15,508,051	226,277	15,734,328
Total				29,791,526
Less: Allowance for Possible Losses				(386,708)
				29,404,818

(Expressed in millions of Rupiah, unless otherwise stated)

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

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

	2007			
	Maturity	Current	Loss	Total
Rupiah:				
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
Foreign Currency:				
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 Currency		5,498,357	-	5,498,357
Total				16,892,524
Less: Allowance for Possible Losses				(59,200)
				16,833,324

b. As of December 31, 2008 and 2007, there were no placements to other banks with related party banks. However, as of December 31, 2007, placement on Rupiah time deposits amounting to Rp175,100 included placement in Bank Sinar Harapan Bali (BSHB) amounting to Rp80,000, whereby at that time BSHB has not yet become a subsidiary of Bank Mandiri (Note 2b).

c. Average Interest Rate (yield) per Annum:

	2008	2007
Rupiah	6.55%	14.45%
Foreign Currency	1.91%	4.37%

d. As of December 31, 2008 and 2007, there was no placement pledged as cash collateral.

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

	2008	2007
Balance at beginning of year	59,200	97,981
Provision/(reversal) during the year (Note 36)	323,475	(36,337)
Others*)	4,033	(2,444)
Balance at end of year	**386,708**	**59,200**

**) Includes effect of foreign currency translation.*

(Expressed in millions of Rupiah, unless otherwise stated)

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

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

As of December 31, 2008, Bank Mandiri has a placement with loss classification on certain financial institution amounting to Rp242,708 while on the other hand, such financial institution has a placement in Bank Mandiri in the form of current account (Note 19a) and inter-bank call money (Note 20a). The balance of placement of Bank Mandiri in such financial institution has been set-off with the current account and inter-bank call money placed by such financial institution in Bank Mandiri. The provision for losses provided by Bank Mandiri for such financial institution is the difference between the balance of the placement in such financial institution and the balance of the current account and inter - bank call money placed by such financial institution in Bank Mandiri. Such amount is part of the total provision provided during the current year.

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

6. SECURITIES

a. By Purpose and Related and Third Parties:

	2008	2007
Related parties (Note 47a):		
Trading	-	13,532
Available for sale	-	14,709
	-	28,241
Third parties:		
Trading	20,328,692	23,090,970
Available for sale	475,092	1,432,288
Held to maturity	3,866,576	3,808,527
	24,670,360	28,331,785
Total	24,670,360	28,360,026
Less:		
Unamortized discounts	(41,724)	(8,833)
Unrealized gains from increase in value of securities	40,257	79,857
Allowance for possible losses	(44,046)	(1,114,497)
	24,624,847	**27,316,553**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

b. By Type, Currency and Collectibility:

2008

	Cost/ Nominal *)	Unamortized Premiums/ (Discounts)	Unrealized 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
	20,328,692	-	89,573	20,417,966	-	299	20,418,265
Available for sale							
Investments in mutual fund units	27,987	-	(3,270)	24,717	-	-	24,717
Syariah Mudharabah bonds	8,000	-	765	8,765	-	-	8,765
	35,987	-	(2,505)	33,482	-	-	33,482
Held to maturity							
Wadiah Certificates of Bank Indonesia	1,305,000	-	-	1,305,000	-	-	1,305,000
Syariah Mudharabah 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
	3,050,277	(42,929)	-	3,007,348	-	-	3,007,348
Total Rupiah	23,414,956	(42,929)	87,068	23,458,796	-	299	23,459,095
Foreign currency:							
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
	439,105	-	(46,811)	392,294	-	-	392,294
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
	816,299	1,205	-	812,040	-	5,464	817,504
Total foreign currency	1,255,404	1,205	(46,811)	1,204,334	-	5,464	1,209,798
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)
Net				**24,624,847**	**-**	**-**	**24,624,847**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

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

2007

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

c. By Remaining Period to Maturity:

	2008	**2007**
Rupiah:		
No maturity date	398,599	69,472
< 1 year	21,670,357	25,008,786
≥ 1 < 5 years	843,722	856,687
≥ 5 ≤ 10 years	502,278	401,286
Total Rupiah	23,414,956	26,336,231
Foreign currency:		
< 1 year	723,870	1,704,920
≥ 1 < 5 years	455,249	281,528
≥ 5 ≤ 10 years	76,285	37,347
Total Foreign currency	1,255,404	2,023,795
Total	24,670,360	28,360,026
Less:		
Unamortized discounts	(41,724)	(8,833)
Unrealized gains from increase in value of securities	40,257	79,857
Allowance for possible losses	(44,046)	(1,114,497)
	24,624,847	**27,316,553**

d. By Type of Issuer:

	2008	**2007**
Banks	22,158,911	25,431,522
Other companies	2,439,364	2,696,719
Government	72,085	231,785
Total	24,670,360	28,360,026
Less:		
Unamortized discounts	(41,724)	(8,833)
Unrealized gains from increase in value of securities	40,257	79,857
Allowance for possible losses	(44,046)	(1,114,497)
	24,624,847	**27,316,553**

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

e. Details of Bonds by Rating:

	Rating*)			Fair value/Book Value **)	
	Rating Agencies	**2008**	**2007**	**2008**	**2007**
Rupiah					
Trading					
Bonds	Various	Various	Various	59,690	257,369
Available for sale					
Syariah Mudharabah Bonds	Various	Various	Various	8,765	6,000
Bonds					
PT Indosat (Persero) Tbk.	Pefindo	idAA+	idAA+	-	180,298
PT Indofood Sukses Makmur Tbk.	Pefindo	idAA+	idAA+	-	149,940
Others	Various	Various	Various	-	111,573
				8,765	447,811
Held to maturity					
Syariah Mudharabah Bonds	Various	Various	Various	986,121	776,360
Bonds					
PT Indosat (Persero) Tbk.	Pefindo	idAA+	idAA+	215,822	-
PT Indofood Sukses Makmur Tbk.	Pefindo	idAA+	idAA+	181,500	-
Others	Various	Various	Various	148,890	-
Mandatory convertible bonds	-	-	-	-	1,018,809
				1,532,333	1,795,169
Total Rupiah				1,600,788	2,500,349
Foreign currency					
Trading					
Bonds	Various	Various	Various	-	37,347
Available for sale					
Bonds	Various	Various	Various	80,329	27,281
Held to maturity					
Bonds	Various	Various	Various	351,140	208,981
Total foreign currency				431,469	273,609

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

f. Average Interest Rates (yield) per Annum:

	2008	**2007**
Rupiah	10.01%	7.76%
Foreign currency	10.38%	8.73%

(Expressed in millions of Rupiah, unless otherwise stated)

6. SECURITIES (continued)

g. Movements of Allowance for Possible Losses on Securities:

	2008	2007
Balance at beginning of year	1,114,497	1,145,838
Write-off	(1,018,809)	-
Reversal during the year (Note 36)	(58,416)	(22,773)
Others *)	6,774	(8,,568)
Balance at end of year	**44,046**	**1,114,497**

**) Includes effect of foreign exchange translation.*

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

Based on the letter of Bank Indonesia No. 10/177/DpG/DPNP dated October 9, 2008, Determination of Fair Value and Reclassification of Government Bonds (SUN), dated December 19, 2008 the Bank has reclassified trading and available for sale securities with nominal amount of Rp147,000 and Rp434,000, respectively to held to maturity securities. The fair value of trading and available for sale before reclassification amounted to Rp142,772 and Rp433,975, respectively, and the fair value of trading and available for sale securities at the time of reclassification amounted to Rp138,210 and Rp407,590, respectively. The difference between the fair value before and after reclassification coming from available for sale securities on reclassification date will be amortized till the securities matured. If the marketable securities remained as trading and available for sale securities, the market value as of December 31, 2008 amounted to Rp137,689 and Rp397,798, respectively, which have impact on the consolidated profit and loss amounting to Rp521 and consolidated shareholders' equity amounting to Rp9,792.

7. GOVERNMENT BONDS

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

	2008	2007
Trading, fair value	43,748	972,392
Available for sale, fair value	26,244,185	27,294,443
Held to maturity, at cost	61,971,106	61,199,482
	88,259,039	**89,466,317**

Based on maturities, the Government Bonds are as follows:

	2008	2007
Rupiah		
Trading:		
Less than 1 year	4,950	9,280
1 - 5 years	38,798	272,954
5 - 10 years	-	261,452
Over 10 years	-	409,943
	43,748	953,629
Available for sale:		
Less than 1 year	-	739,520
1 - 5 years	643,223	348,686
5 - 10 years	14,562,198	13,366,139
Over 10 years	10,946,419	12,761,785
	26,151,840	27,216,130

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT BONDS (continued)

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

	2008	2007
Rupiah (continued)		
Held to maturity:		
Less than 1 year	5,334	-
1 - 5 years	1,515,614	1,350,000
5 - 10 years	36,684,355	25,810,000
Over 10 years	23,642,622	33,934,598
	61,847,925	61,094,598
Total Rupiah	88,043,513	89,264,357
Foreign currency		
Trading:		
5 - 10 Years	-	9,792
Over 10 years	-	8,971
	-	18,763
Available for sale:		
5 - 10 years	47,723	49,321
Over 10 years	44,622	28,992
	92,345	78,313
Held to maturity:		
5 - 10 years	123,181	104,884
Total Foreign currency	215,526	201,960
	88,259,039	**89,466,317**

2008

Rupiah
Trading

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	**44,130**	9.28%-13.40%	**43,748**	08/09/2009-09/15/2013	6 months

Available for sale

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	461,466	9.00%-14.28%	460,795	03/12/2012-11/15/2020	6 months
Variable rate bonds	25,839,044	3-month SBI	25,691,045	06/25/2011-07/25/2020	3 months
	26,300,510		**26,151,840**		

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT BONDS (continued)

2008 (continued)

Rupiah (continued)
Held to maturity:

	Nominal	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	2,103,327	9.00%- 15.58%	06/15/2009- 05/15/2037	6 months
Variable rate bonds	59,744,598	3-month SBI	12/25/2014- 07/25/2020	3 months
	61,847,925			

Foreign currency
Available for sale

	Nominal	Interest Rates per Annum	Fair Value	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	**109,000**	6.63% - 8.50%	**92,345**	03/10/2014- 01/17/2038	6 months

Held to maturity

	Nominal	Interest Rates per Annum	Maturity Dates	Frequency of Interest Payment
Fixed rate bonds	**123,181**	6.78% - 6.88%	10/03/2014- 03/09/2017	6 months

2007

Rupiah
Trading

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

Available for sale

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

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT BONDS (continued)

2007 (continued)

Rupiah (continued)
Held to maturity

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

Foreign Currency
Trading

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

Available for sale

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

Held to maturity

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

Significant information relating to Government Bonds is as follows:

2008

As of December 31, 2008, Government Bonds with a total nominal amount of Rp876,539 had been sold to counterparties with agreements to repurchase (Note 22).

Based on the letter of Bank Indonesia No. 10/177/DpG/DPNP on October 9, 2008, Determination of Fair Value and Reclassification of Government Bonds (SUN), dated December 19, 2008, the Bank 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. The difference between fair value before and after reclassification coming from available for sale Government Bonds on reclassification date will be amortized till the Government Bonds matured. If the Government Bonds remained as trading and available for sale Government Bonds, the market value as of December 31, 2008 amounted to Rp98,565 and Rp370,652, respectively, which have impact on the consolidated profit and loss amounting to Rp1,083 and consolidated shareholders' equity amounting to Rp6,085.

(Expressed in millions of Rupiah, unless otherwise stated)

7. GOVERNMENT BONDS (continued)

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

2007

As of December 31, 2007, Government Bonds with a total nominal amount of Rp2,992,039 had been sold to counterparties with agreements to repurchase (Note 22).

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

The Bank has also entered in two Callable Zero Coupon Deposits transaction with counterparty bank related to transfer contract of Government Bonds. Such contract was initiated when the Bank transferred Government Bonds to counterparty bank and received the fund from the proceeds in Rupiah. A portion of the total transfer proceeds amounting to Rp974,666 was placed back as Callable Zero Coupon Deposits to the counterparty bank.

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

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

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

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

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

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

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

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

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

8. OTHER RECEIVABLES - TRADE TRANSACTIONS

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

	2008	2007
Rupiah:		
Third parties		
Usance L/C payable at sight	1,887,985	876,539
Others	175,347	189,052
Total Rupiah	2,063,332	1,065,591
Foreign Currency:		
Third parties		
Usance L/C payable at sight	1,616,647	922,818
Others	991,203	879,865
Total Foreign Currency	2,607,850	1,802,683
Total	4,671,182	2,868,274
Less: Allowance for possible losses	(1,158,049)	(839,732)
	3,513,133	**2,028,542**

b. By Collectibility:

	2008	2007
Current	3,080,245	1,617,981
Special mention	477,404	445,518
Sub-standard	12,309	6,283
Loss	1,101,224	798,492
Total	4,671,182	2,868,274
Less: Allowance for possible losses	(1,158,049)	(839,732)
	3,513,133	**2,028,542**

c. By Maturity:

	2008	2007
Rupiah:		
Less than 1 month	518,571	440,254
1 - 3 months	912,041	416,551
3 - 6 months	486,776	208,786
Over 12 months	145,944	-
Total Rupiah	2,063,332	1,065,591
Foreign Currency:		
Less than 1 month	747,496	1,047,396
1 - 3 months	766,511	397,855
3 - 6 months	328,155	357,432
Over 12 months	765,688	-
Total Foreign Currency	2,607,850	1,802,683
Total	4,671,182	2,868,274
Less: Allowance for possible losses	(1,158,049)	(839,732)
	3,513,133	**2,028,542**

(Expressed in millions of Rupiah, unless otherwise stated)

8. OTHER RECEIVABLES - TRADE TRANSACTIONS (continued)

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

	2008	2007
Balance at beginning year	839,732	812,247
Provision/(reversal) during the year (Note 36)	196,581	(5,527)
Others *)	121,736	33,012
Balance at end of year	**1,158,049**	**839,732**

(*) Includes effect of foreign exchange translation.

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

9. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL

a. A summary of securities purchased with agreements to resell

2008

	Securities	Commencement Date	Maturity Date	Resell Value	Unamortized Deferred Interest Income	Net Value
Rupiah						
	Shares	09/05/2008	09/05/2009	178,896	19,634	159,262
	Shares	08/25/2008	02/25/2009	148,800	4,200	144,600
	Shares	09/25/2008	03/25/2009	109,553	4,433	105,120
	Shares	12/19/2008	01/19/2009	101,722	1,055	100,667
	Shares	07/15/2008	01/12/2009	54,651	308	54,343
	Shares	09/05/2008	05/09/2009	59,632	6,545	53,087
	Shares	11/20/2008	01/20/2009	25,974	974	25,000
	Shares	11/25/2008	01/23/2009	25,942	942	25,000
				705,170	38,091	667,079
Allowance for possible losses						(47,987)
Net						**619,092**

2007

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

(Expressed in millions of Rupiah, unless otherwise stated)

9. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL (continued)

b. By Collectibility:

	2008	2007
Current	356,949	3,324,453
Sub-standard	260,130	-
Loss	50,000	-
Total	667,079	3,324,453
Less: Allowance for possible losses*)	(47,987)	(33,600)
	619,092	**3,290,853**

*) the calculation of allowance for possible losses in the subsidiaries is net of collateral in the form of shares

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

	2008	2007
Balance at beginning of year	33,600	8,600
Provision during the year (Note 36)	14,387	25,000
Balance at end of year	**47,987**	**33,600**

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

10. DERIVATIVE RECEIVABLES AND PAYABLES

As of December 31, 2008, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Fair Value (Note 2k)	Derivative Receivables	Derivative Payables
Third parties				
Foreign Exchange Related				
1. Forward - buy				
US Dollar	439,976	413,884	3,669	29,761
Others	53,415	44,944	-	8,471
2. Forward - sell				
US Dollar	403,187	343,759	59,428	-
Others	5,729	6,372	-	643
3. Swap - buy				
US Dollar	2,005,676	2,106,319	119,321	18,678
Other	156,206	180,909	24,703	-
4. Swap - sell				
US Dollar	4,369,050	4,340,827	121,783	93,560
Interest Rate Related				
1. Swap - interest rate				
Other	-	21,868	31,433	9,565
Total			360,337	160,678
Less: Allowance for possible losses			(6,313)	-
			354,024	**160,678**

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Interest Rate Swaps

On April 17, 2003 Bank Mandiri entered into interest rate swap agreements with counterparty banks with nominal values amounting to US$125,000,000 (full amount) and US$175,000,000 (full amount), respectively. The underlying transaction is the Bank's US$300,000,000 (full amount) fixed interest rate Medium-Term Notes (MTN) issued in April 2003 (Note 24). Under this transaction, the Bank receives semi-annual fixed interest at the rate of 7.00% per annum and pays semi-annual floating interest at the rate of six-month LIBOR + 3.37% per annum until the maturity of the Note on April 22, 2008. The six-month LIBOR interest is stated in arrears. These transactions qualify as hedging for accounting purposes.

The background and purpose of the issuance of the hedging instruments are related to interest rate risk management, whereby the Bank's positive foreign currency interest rate gap position is exposed to downward trends in interest rates in the following five years. The Bank decided to convert its MTN's fixed interest rate into floating interest rates in order to mitigate the risks of a decreased in net interest margin.

The MTN has been settled on April 22, 2008.

Cross Currency Swap

Bank Mandiri has entered into cross currency swap contracts, which are associated with the securities sold with agreements to repurchase with several counterparty banks. The contracts were initiated when Bank Mandiri sold its Government Bonds to the counterparty banks and received Rupiah funds. These funds were used to settle the spot leg of the cross currency swaps and Bank Mandiri will then receive US Dollar funds. On the settlement date, the Bank will receive Rupiah funds and pay US Dollar funds to the counterparty banks. Bank Mandiri is then obliged to use the Rupiah funds to repurchase the Government Bonds previously sold to counterparty banks (Notes 7 and 22).

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

10. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

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

Transactions	Notional Amount (Contract)	Fair Value (Note 2k)	Derivative Receivables	Derivative Payables
Third parties				
Foreign Exchange Related				
1. Forward - buy				
US Dollar	1,608,343	1,609,340	3,919	2,922
Others	10,515	10,612	97	-
2. Forward - sell				
US Dollar	111,639	111,414	477	252
3. Swap - buy				
US Dollar	1,185,249	1,185,632	2,548	2,165
4. Swap - sell				
US Dollar	4,001,795	3,681,068	332,162	11,435
Others	81,410	82,479	-	1,069
5. Option - buy				
US Dollar	-	70	70	-
Others	-	1,178	1,178	-
6. Option - sell				
US Dollar	-	163	-	163
Others	-	2,047	-	2,047
Interest Rate Related				
1. Swap - Interest rate				
US Dollar	-	5,008	-	5,008
Other	-	9,287	-	9,287
Total			340,451	34,348
Less: Allowance for possible losses			(3,800)	-
			336,651	**34,348**

As of December 31, 2008 and 2007, the collectibility of derivative receivables is as follows:

	2008	2007
Current	360,337	340,451
Less: Allowance for possible losses	(6,313)	(3,800)
Balance at end of year	**354,024**	**336,651**

Movements of allowance for possible losses on derivative receivables:

	2008	2007
Balance at beginning of year	3,800	4,260
Provision/(reversal) during the year (Note 36)	2,501	(467)
Others *)	12	7
Balance at end of year	**6,313**	**3,800**

(*) Includes effect of foreign exchange translation.

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

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS

A. Details of loans:

a) By Currency and Related Parties and Third Parties:

	2008	2007
Rupiah:		
Related parties (note 47a)	119,324	235,021
Third parties	135,117,712	96,494,562
Total Rupiah	135,237,036	96,729,583
Foreign Currency:		
Related parties (note 47a)	521,939	548,057
Third parties	38,740,459	41,275,912
Total Foreign Currency	39,262,398	41,823,969
Total	174,499,434	138,553,552
Less: Deferred income	(1,334)	(23,472)
Total	174,498,100	138,530,080
Less: Allowance for possible losses	(11,860,312)	(13,041,696)
	162,637,788	**125,488,384**

b) By Type and Collectibility:

	2008					
	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
Total Rupiah	121,411,212	9,171,452	740,252	475,357	3,438,763	135,237,036
Foreign Currency:						
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
Total Foreign Currency	27,840,247	6,747,912	408,798	102,973	4,162,468	39,262,398
Total	149,251,459	15,919,364	1,149,050	578,330	7,601,231	174,499,434
Less:						
Deferred income	-	(1,334)	-	-	-	(1,334)
Total	149,251,459	15,918,030	1,149,050	578,330	7,601,231	174,498,100
Less:						
Allowance for possible losses	(1,593,604)	(2,796,702)	(307,510)	(448,414)	(6,714,082)	(11,860,312)
	147,657,855	**13,121,328**	**841,540**	**129,916**	**887,149**	**162,637,788**

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans (continued):

b) By Type and Collectibility (continued):

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

c) By Economic Sector and Collectibility:

	2008					
	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
Total Rupiah	121,411,212	9,171,452	740,252	475,357	3,438,763	135,237,036

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans (continued):

c) By Economic Sector and Collectibility (continued):

	2008 (continued)					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Foreign Currency:						
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
Total Foreign Currency	27,840,247	6,747,912	408,798	102,973	4,162,468	39,262,398
Total	149,251,459	15,919,364	1,149,050	578,330	7,601,231	174,499,434
Less:						
Deferred income	-	(1,334)	-	-	-	(1,334)
Total	149,251,459	15,918,030	1,149,050	578,330	7,601,231	174,498,100
Less:						
Allowance for possible losses	(1,593,604)	(2,796,702)	(307,510)	(448,414)	(6,714,082)	(11,860,312)
	147,657,855	**13,121,328**	**841,540**	**129,916**	**887,149**	**162,637,788**

	2007					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Rupiah:						
Manufacturing	16,548,872	2,032,194	751,380	171,498	2,003,585	21,507,529
Trading, restaurant and hotel	12,432,341	1,404,263	95,089	76,201	534,553	14,542,447
Agriculture	8,692,151	1,012,794	15,632	1,847	375,254	10,097,678
Business services	8,902,319	457,097	12,434	5,380	671,262	10,048,492
Construction	6,924,499	1,161,885	77,029	109,907	229,637	8,502,957
Transportation, warehousing and communications	5,997,627	587,222	12,379	916	151,920	6,750,064
Social services	1,460,956	121,956	2,936	4,775	13,708	1,604,331
Mining	433,075	128,163	81	18,088	95,566	674,973
Electricity, gas and water	185,356	1,302	-	-	50,657	237,315
Others	20,116,540	2,062,736	80,346	82,881	421,294	22,763,797
Total Rupiah	81,693,736	8,969,612	1,047,306	471,493	4,547,436	96,729,583
Foreign Currency:						
Manufacturing	8,468,825	5,961,124	251,335	28,338	4,247,277	18,956,899
Mining	9,087,257	375,881	-	37,596	203,090	9,703,824
Trading, restaurant and hotel	2,160,438	228,295	57,044	9,805	247,215	2,702,797
Agriculture	2,355,570	38,632	42,063	-	28,829	2,465,094
Electricity, gas and water	1,804,566	87,082	-	-	13,135	1,904,783
Transportation, warehousing and communications	1,188,970	29,588	985	-	-	1,219,543
Construction	995,832	137,372	211	-	-	1,133,415
Business services	387,597	10,332	49	-	352,246	750,224
Social services	8,479	-	-	-	-	8,479

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans (continued):

c. By Economic Sector and Collectibility (continued):

	2007 (continued)					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
Foreign Currency (continued):						
Others	2,502,923	93,333	1,301	592	380,762	2,978,911
Total Foreign Currency	28,960,457	6,961,639	352,988	76,331	5,472,554	41,823,969
Total	110,654,193	15,931,251	1,400,294	547,824	10,019,990	138,553,552
Less:						
Deferred income	(1,398)	(22,074)	-	-	-	(23,472)
Total	110,652,795	15,909,177	1,400,294	547,824	10,019,990	138,530,080
Less:						
Allowance for possible losses	(1,239,540)	(1,866,006)	(164,798)	(240,685)	(9,530,667)	(13,041,696)
	109,413,255	**14,043,171**	**1,235,496**	**307,139**	**489,323**	**125,488,384**

d) By Period:

	2008	2007
Rupiah:		
Less than 1 year	22,104,912	15,611,781
1 - 2 years	13,519,412	11,259,366
2 - 5 years	46,282,191	21,726,578
Over 5 years	55,330,521	48,131,858
Total Rupiah	135,237,036	96,729,583
Foreign Currency:		
Less than 1 year	8,752,766	10,054,544
1 - 2 years	2,552,266	4,416,986
2 - 5 years	12,384,576	5,292,872
Over 5 years	15,572,790	22,059,567
Total Foreign Currency	39,262,398	41,823,969
Total	174,499,434	138,553,552
Less: Deferred income	(1,334)	(23,472)
Total	174,498,100	138,530,080
Less: Allowance for possible losses	(11,860,312)	(13,041,696)
	162,637,788	**125,488,384**

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

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

A. Details of loans (continued):

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

The loans as of December 31, 2008 and 2007 include the loans purchased from IBRA amounting to Rp289,292 and Rp495,599, respectively, with an allowance for possible losses of Rp2,702 and Rp7,299, and deferred income of Rp1,334 and Rp23,472, respectively.

B. Significant information related to loans:

a. Included in loans are *syariah* finance receivables amounting to Rp13,132,920 and Rp10,161,283, respectively, as of December 31, 2008 and 2007:

	2008	2007
Receivables	6,936,699	5,297,679
Musyarakah finance receivables	3,582,492	1,997,758
Other *syariah* finance receivables	2,613,729	2,865,846
	13,132,920	10,161,283
Less: Allowance for possible losses	(573,255)	(334,098)
	12,559,665	**9,827,185**

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

Average interest rates (yield) per annum:

	2008	2007
Rupiah	11.91%	12.27%
Foreign Currency	6.26%	7.11%

Range of profit sharing per annum:

	2008	2007
Receivables	11.68% -15.79%	12.06% - 14.49%
Musyarakah finance receivables	5.01% - 22.27%	10.55% - 13.11%
Other *syariah* finance receivables	10.18% - 12.24 %	16.12% - 17.87%

c. Loan Collateral

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

d. Government Program Loans

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

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans (continued):

e. Syndicated Loans

Syndicated loans represent loans provided to customers under syndication agreements with other banks. Bank Mandiri’s share as facility agent in syndicated loans ranged from 4.00% up to 64,99% and 4.50% up to 73.40% of the total syndicated loans as of December 31, 2008 and 2007, respectively. Bank Mandiri’s total participation in syndicated loans ranged from 0.40% up to 56.29% and 0.07% up to 73.85%, of the total syndicated loans as of December 31, 2008 and 2007, respectively.

f. Restructured Loans

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

	2008	**2007**
Extension of loan maturity dates	8,019,030	11,366,342
Extension of loan maturity dates and reduction of interest rates	4,486,039	5,176,258
Long-term loans with options to convert debt to equity	380,232	1,533,249
Additional loan facilities	1,321,951	31,212
Extension of loan maturity dates and other restructuring schemes *)	2,353,136	2,537,865
	16,560,388	**20,644,926**

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

Total restructured loans under non-performing loans (NPL) category as of December 31, 2008 and 2007 amounted to Rp2,958,551 and Rp5,448,259, respectively.

g. Loans to Related Parties (Note 47a)

Loans to related parties amounted to Rp641,263 and Rp783,078 as of December 31, 2008 and 2007 or 0.18% and 0.25% of total consolidated assets as of December 31, 2008 and 2007, respectively.

Included in loans to related parties are loans to Bank Mandiri employees. The loans to Bank Mandiri employees consist of interest-bearing loans at 4% per annum which are intended for the acquisition of vehicles and/or houses, and are repayable within 1 (one) to 15 (fifteen) years through monthly payroll deductions.

h. Legal Lending Limit (LLL)

As of December 31, 2008 and 2007, Bank Mandiri had not exceeded the Legal Lending Limit as required by Bank Indonesia Regulations.

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

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans (continued):

j. Movements of Allowance for Possible Losses on Loans:

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

	2008	2007
Balance at beginning of year	13,041,696	14,388,695
Provision during the year (Note 36)	2,299,377	2,247,854
Loan recoveries	2,343,228	1,546,272
Write-offs	(5,609,911)	(5,336,005)
Others *)	(214,078)	194,880
Balance at end of year	**11,860,312**	**13,041,696**

**) Includes effect of foreign currency translation.*

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

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

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

2008

	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Manufacturing	2,051,072	1,508,295
Trading, restaurant and hotel	837,069	605,974
Business services	266,956	170,280
Others	1,499,275	1,096,683
Total Rupiah	4,654,372	3,381,232
Foreign Currency:		
Manufacturing	3,520,532	2,790,245
Trading, restaurant and hotel	535,105	394,241
Business services	273,225	216,639
Others	345,377	273,733
Total Foreign Currency	4,674,239	3,674,858
	9,328,611	**7,056,090**

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans (continued):

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

2007

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

l. Write-off of Loans - Loss Rating

In 2008 and 2007, Bank Mandiri wrote-off loss rated loans amounting to 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% provision from the loan principal
c. Collection and recovery efforts were performed, but the results were unsuccessful
d. The debtors' business prospect or performance is bad or they do not have the ability to repay the loan
e. The write-offs were performed for all their entire loan obligations, including that from non cash loan facilities, so that the write-offs were not partial write-offs.

The write-off of loans rated loss is not a write-off of right to collect and, hence are still to be pursued for collection continuously.

m. Bank Mandiri had extra-comptable loans which have been written-off by the Bank and still continue to pursue for collection. These loans are not reflected in the balance sheet of the Bank, but are maintained as off-balance sheet in the Bank's ledger system. A summary of movements of extra-comptable loans for the years ended December 31, 2008 and 2007 is as follows (Bank only):

	2008	**2007**
Balance at beginning of year	28,858,375	24,758,452
Write-offs	5,507,168	5,118,510
Recoveries	(2,308,856)	(1,531,342)
Others *)	2,453,934	512,755
Balance at end of year	**34,510,621**	**28,858,375**

**) Includes effect of foreign currency translation.*

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans (continued):

n. Purchase of Loans from IBRA

Based on Bank Indonesia Letter to the Bank No. 9/58/DPN/IDPnP dated February 16, 2007, the Bank can maintain the loans purchased from IBRA that has 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 as stated in Bank Indonesia Regulation related to Earning Assets Quality. Based on Bank Indonesia Letter No. 10/28/DPB1 dated January 24, 2008, the performing loan consist of loan with collectibility 1 (current) and 2 (special mention).

Period from January 1, 2008 to December 31, 2008

In addition to the allowance for possible loan losses and deferred income, the Bank had provided an additional allowance for possible losses on IBRA loans amounting to Rp2,702 as of December 31, 2008.

Of the total outstanding principal balance of IBRA loans, Rp289,292 was covered by new credit agreements. Total additional facilities to debtors under loans purchased from IBRA for the year ended December 31, 2008 amounted to RpNil.

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

Period from January 1, 2007 to December 31, 2007

In addition to the allowance for possible loan losses and deferred income, the Bank had provided an additional allowance for possible losses on IBRA loans amounting to Rp7,299 as of December 31, 2007.

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

Total interest and other income (up-front fees, restructuring and provision fees) received related to loans purchased from IBRA for the year ended December 31, 2007 was Rp497,270.

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

	2008	2007
Principal loan		
Balance at beginning of year	495,599	3,050,488
Repayments during the year	(243,439)	(2,086,164)
Loans written-off during the year	-	(578,359)
Foreign currency translation effect - net	37,132	109,634
Balance at end of year	**289,292**	**495,599**
Allowance for possible loan losses		
Balance at beginning of year	-	-
Correction due to receipt over the purchase price	-	-
Foreign currency translation effect - net	-	-
Balance at end of year	**-**	**-**

(Expressed in millions of Rupiah, unless otherwise stated)

11. LOANS (continued)

B. Significant information related to loans (continued):

n. Purchase of Loans from IBRA (continued)

	2008	2007
Deferred Income		
Balance at beginning of year	23,472	86,380
Correction due to receipt over the purchase price	(22,322)	(49,776)
Deferred income utilized for written-offs	-	(13,601)
Foreign currency translation effect - net	184	469
Balance at end of year	**1,334**	**23,472**

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

	2008	2007
Current	267,062	315,158
Special mention	1,972	180,441
Loss	20,258	-
	289,292	**495,599**

o. On November 28, 2005 Bank Mandiri signed a Memorandum of Understanding with *Direktorat Jenderal Piutang dan Lelang Negara* ("DJPLN") No.NKB-001/PL/2005 / No. DIR.MOU/009/2005 regarding the execution of auction of power of attorney to mortgage and sell based on Article 6 *Undang-Undang Hak Tanggungan* in order to expedite and optimize the auction based on Article 6 Law No. 4 year 1996 by DJPLN/KP2LN on request from the Bank as the holder of power of attorney to mortgage and sell.

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

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

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

q. Loan channeled through direct financing system (executing) and joint financing as of December 31, 2008 and 2007 were Rp4,289,729 and Rp3,498,877, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

12. ACCEPTANCES RECEIVABLE

a) By Currency, Related Parties and Third Parties:

	2008	2007
Rupiah:		
Receivables from other banks		
Third parties	8,783	118,195
Receivables from debtors		
Third parties	85,168	74,688
Total Rupiah	93,951	192,883
Foreign Currency:		
Receivables from other banks		
Third parties	78,323	491,475
Receivables from debtors		
Third parties	3,670,093	4,338,877
Total Foreign Currency	3,748,416	4,830,352
Total	3,842,367	5,023,235
Less: Allowance for possible losses	(246,008)	(69,754)
	3,596,359	**4,953,481**

b) By Maturity:

	2008	2007
Rupiah:		
Less than 1 month	89,063	104,358
1 - 3 months	411	81,246
3 - 6 months	4,477	7,279
Total Rupiah	93,951	192,883
Foreign Currency:		
Less than 1 month	3,721,136	1,425,862
1 - 3 months	16,996	2,000,819
3 - 6 months	5,638	1,021,231
6 - 12 months	4,646	382,440
Total Foreign Currency	3,748,416	4,830,352
Total	3,842,367	5,023,235
Less: Allowance for possible losses	(246,008)	(69,754)
	3,596,359	**4,953,481**

c) By Collectibility:

	2008	2007
Current	3,422,193	4,557,947
Special mention	204,136	464,207
Sub-standard	17,474	658
Loss	198,564	423
Total	3,842,367	5,023,235
Less: Allowance for possible losses	(246,008)	(69,754)
	3,596,359	**4,953,481**

(Expressed in millions of Rupiah, unless otherwise stated)

12. ACCEPTANCES RECEIVABLE (continued)

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

	2008	2007
Balance at beginning year	69,754	155,223
Provision/(reversal) during the year (Note 36)	137,045	(96,805)
Others *)	39,209	11,336
Balance at end of year	**246,008**	**69,754**

**) Includes effect of foreign currency translation.*

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

13. INVESTMENTS IN SHARES OF STOCK

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

	2008	2007
Equity method of accounting	153,540	119,933
Cost method of accounting	6,289	78,915
Total	159,829	198,848
Less: Allowance for possible losses	(1,656)	(73,943)
	158,173	**124,905**

The details of investments in shares of stock as of December 31, 2008 are as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
Equity Method of Accounting:					
PT AXA Mandiri Financial Services	Insurance	49.00%	16,761	136,779	153,540
Cost Method of Accounting:					
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)
					158,173

(Expressed in millions of Rupiah, unless otherwise stated)

13. INVESTMENTS IN SHARES OF STOCK (continued)

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

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

The details of investments in shares of stock as of December 31, 2007 are as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
Equity Method of Accounting:					
PT AXA Mandiri Financial Services	Insurance	49.00%	16,761	103,172	119,933
PT Sarana Bersama Pembiayaan Indonesia	Holding company	34.00%	2,278	(2,278)	-
					119,933
Cost Method of Accounting:					
Others	Various	3.99% - 59.70%*)	78,915		78,915
Total					198,848
Less: Allowance for possible losses					(73,943)
					124,905

**) Including temporary investment with Debt to Equity Swap method.*

b. Investments in shares of stock by collectibility:

	2008	2007
Current	159,773	126,168
Loss	56	72,680
Total	159,829	198,848
Less: Allowance for possible losses	(1,656)	(73,943)
	158,173	**124,905**

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

	2008	2007
Balance at beginning of year	73,943	73,625
Provision during the year (Note 36)	339	318
Write-off	(72,626)	-
Balance at end of year	**1,656**	**73,943**

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

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT

The details of premises and equipment are as follows:

Movements from January 1, 2008 to December 31, 2008	**Beginning Balance**	**Additions**	**Deductions**	**Reclassifications**)**	**Ending Balance**
Cost					
Direct ownership					
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
Accumulated Depreciation and Amortization (Note 40)					
Direct *ownership*					
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

Net book value	
Direct *ownership*	
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
	4,603,560

Construction in progress as of December 31, 2008 is comprised of:

Product and license - Core Banking System	78,567
Buildings	10,864
Others	327,259
	416,690

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

The estimated percentage of completion of construction in progress for Integrated Banking System agreement with PT Silverlake Informatikatama was approximately 96.24%, while with Silverlake Corporation is 74.95% as of December 31, 2008.

Certain fixed assets of Bank Syariah Mandiri, a subsidiary, with net book value of Rp23,576 as of November 30, 2008 are no longer pledged to Bank Indonesia in accordance with the approval from Bank Indonesia on the payment of subordinated loans with Bank Indonesia totaling Rp32,000 (Note 29).

Movements from January 1, 2007 to December 31, 2007	**Beginning Balance**	**Additions**	**Deductions**	**Reclassifications**)**	**Ending Balance**
Cost					
Direct *ownership*					
Land *)	2,604,103	-	(628)	107,045	2,710,520
Buildings *)	1,540,552	14,926	(3,572)	55,929	1,607,835
Furnitures, fixtures, office equipment and computer equipment/software	3,717,510	107,876	(3,037)	134,012	3,956,361
Vehicles	73,178	6,957	(2,548)	(562)	77,025
Construction in progress	166,570	168,608	(3,722)	(180,553)	150,903
	8,101,913	298,367	(13,507)	115,871	8,502,644
Accumulated Depreciation and Amortization (Note 40)					
Direct *ownership*					
Buildings	800,243	86,341	(3,381)	4,069	887,272
Furnitures, fixtures, office equipment and computer equipment/software	2,550,474	487,802	(3,197)	-	3,035,079
Vehicles	41,953	9,734	(2,971)	-	48,716
	3,392,670	583,877	(9,549)	4,069	3,971,067
Net book value					
Direct ownership					
Land					2,710,520
Buildings					720,563
Furniture, fixtures, office equipment and computer equipment/software					921,282
Vehicles					28,309
					4,380,674
Construction in progress					150,903
					4,531,577

*) The premises and equipment 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 of July 31, 1999. The revaluation increment was recorded prospectively on June 18, 2003 (Note 14a).

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

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

The estimated percentage of completion of construction in progress for integrated banking system agreement with PT Silverlake Informatikatama was approximately 96.24%, while with Silverlake Corporation is 73.77% as of December 31, 2007.

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

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

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

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

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

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

   Bank Mandiri has recorded the results of the revaluation for tax purpose on June 18, 2003, the date of approval from the Directorate General of Taxation, after deducting the relevant accumulated depreciation for the period from August 1, 1999 to June 18, 2003. The net increment of premises and equipment of Rp3,046,936, involved land, buildings, vehicles, and office equipment. As explained in Note 2p, the Bank has chosen the cost model as its accounting policy for measurement of premises and equipment in accordance with PSAK No. 16 (Revised 2007), "Fixed Assets" and reclassified the balance of revaluation increment of premises and equipment Rp3,046,936 as presented in the shareholders' equity in the 2007 consolidated balance sheets to consolidated retained earnings in 2008 (Note 31c).

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

(Expressed in millions of Rupiah, unless otherwise stated)

14. PREMISES AND EQUIPMENT (continued)

b. On November 30, 2008, the Joint Operation Transaction (KSO) between Bank Mandiri and a Subsidiary, PT Usaha Gedung BDN (UG BDN) has expired. With the expiration of the KSO transaction, the premises and equipment that have been returned by UG BDN was revalued, and resulted in the increase in the value of the premises and equipment recognized as Non-Operating Income (NOI).

As disclosed in Notes 2p and 14a, Bank Mandiri has chosen the cost model as the accounting policy for its premises and equipment. In addition, the KSO transaction was a transaction with the Subsidiary. In accordance with PSAK No. 4 regarding Consolidated Financial Statements, the unrealized income and loss from intercompany transactions should be eliminated. Therefore, the Bank has eliminated the Non Operating Income and the increase in value of the above mentioned premises and equipment.

Bank Mandiri and Subsidiaries have insured their premises and equipment (excluding land rights, construction in progress and leased assets) against physical loss; fire, theft and natural disaster with PT Staco Jasapratama, PT Asuransi Raya, PT Asuransi Dharma Bangsa, PT Asuransi Takaful Umum, PT Asuransi Jasindo Takaful, PT Asuransi Jasa Indonesia, PT Asuransi Tri Pakarta, PT Asuransi Ramayana, PT Asuransi Parolamas, PT Asuransi Wahana Tata, 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. for total coverage amounts of Rp1,997,281, US$84,249,506.46 (full amount), SG$2,206,235 (full amount) and HK$3,745,000 (full amount) as of December 31, 2008 and Rp1,849,743 and US$140,874,300.65 (full amount) as of December 31, 2007. Management believes that the above insurance coverage is adequate to cover possible losses that may arise on the premises and equipment insured.

Management also believes that there are no assets impairment as of December 31, 2008 and 2007.

.

15. OTHER ASSETS

	2008	2007
Accrued income	2,052,859	1,672,638
Others - net	3,341,275	3,487,895
	5,394,134	**5,160,533**

Accrued Income

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

Others - net

	2008	2007
Rupiah:		
Receivables from customer transactions	702,656	1,050,521
Prepaid expenses	354,908	274,418
Abandoned properties - net of accumulated losses arising from difference in net realizable value of Rp21,295 and Rp29,248 as of December 31, 2008 and 2007	253,603	304,845
Repossessed assets - net of accumulated losses arising from difference in net realizable value of Rp10,451 and Rp10,451 as of December 31, 2008 and 2007	186,175	186,953
Prepaid taxes	9,843	7,043
Interbranch account - net	-	125,141
Receivables from financial institutions	-	1,186
Others	1,417,213	972,119
Total Rupiah	2,924,398	2,922,226

(Expressed in millions of Rupiah, unless otherwise stated)

15. OTHER ASSETS (continued)

Others - net (continued)

	2008	2007
Foreign Currency:		
Interbranch account - net	260,968	-
Prepaid expenses	22,509	19,800
Receivables from customer transactions	17,274	15,152
Others	755,701	1,143,355
Total Foreign Currency	1,056,452	1,178,307
Total	3,980,850	4,100,533
Less: Allowance for possible losses	(639,575)	(612,638)
	3,341,275	**3,487,895**

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

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

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

	2008	2007
Balance at beginning of year	612,638	994,703
Reclassification during the year	166,521	(133,290)
Reversal during the year (Note 37)	(151,530)	(208,072)
Settlement during the year	-	(46,513)
Write-offs during the year	-	(5,076)
Others *)	11,946	10,886
Balance at end of year	**639,575**	**612,638**

**) Includes effect of foreign currency translation.*

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

16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS

a. By Currency and Related Parties and Third Parties:

	2008	2007
Rupiah:		
Related parties (Note 47a)	110,273	122,420
Third parties	53,155,575	51,926,055
Total Rupiah	53,265,848	52,048,475
Foreign Currency:		
Related parties (Note 47a)	5,584	8,102
Third parties	15,815,256	10,249,631
Total Foreign Currency	15,820,840	10,257,733
	69,086,688	**62,306,208**

Included in demand deposits are *wadiah* deposits amounting to Rp1,454,837 and Rp1,631,330 as of December 31, 2008 and 2007, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

16. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS (continued)

b. Average Interest Rates (cost of funds) and Range of Bonuses per Annum:

Average interest rates (cost of funds) per annum:

	2008	2007
Rupiah	2.85%	2.65%
Foreign Currency	1.35%	1.89%

Range of bonuses per annum on *wadiah* deposits:

	2008	2007
Rupiah	0.94% - 1.04%	0.91% - 1.07%
Foreign Currency	0.24% - 1.05%	0.23% - 2.64%

c. As of December 31, 2008 and 2007, demand deposits pledged by borrowers as collateral for bank guarantees, loans and trade finance facilities amounted to Rp813,755 and Rp575,005, respectively.

d. As of December 31, 2008 and 2007, Bank Mandiri had demand deposits from related parties amounting to Rp115,857 and Rp130,522 respectively or 0.17% and 0.21%, from total demand deposits (Note 47a).

17. DEPOSITS FROM CUSTOMERS - SAVINGS DEPOSITS

a. By Type and Currency:

	2008	2007
Rupiah:		
Mandiri Savings	81,813,970	81,074,229
Mudharabah Savings	5,175,318	3,860,425
Mandiri Haji Savings	580,367	424,160
	87,569,655	85,358,814
Foreign Currency		
Mandiri Savings	7,384,357	4,704,743
	94,954,012	**90,063,557**

b. As of December 31, 2008 and 2007, Bank Mandiri had saving deposits from related party amounting to Rp43,339 and Rp42,844, respectively, or 0.05% and 0.05% from total saving deposits (Note 47a).

c. Annual average interest rates (cost of funds) of savings deposits in Rupiahs for the years ended December 31, 2008 and 2007 amounted to 3.12% and 3.68%, respectively, while annual average interest rates (cost of funds) of savings deposits in foreign currency for the years ended December 31, 2008 and 2007 were 2.26% and 3.08%, respectively.

d. Profit sharing for *mudharabah* savings ranged from 0.29% to 6.83% and 0.29% to 6.98% for the years ended December 31, 2008 and 2007, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS

a. By Currency:

	2008	2007
Rupiah	103,233,269	78,535,764
Foreign Currency	21,838,083	16,449,494
	125,071,352	**94,985,258**

b. By Contract Period:

	2008	2007
Rupiah:		
1 month	77,620,722	64,145,362
3 months	13,114,836	9,060,496
6 months	8,183,506	2,492,026
12 months	4,160,570	1,797,559
Over 12 months	153,635	1,040,321
Total Rupiah	103,233,269	78,535,764
Foreign Currency:		
1 month	16,803,485	13,686,388
3 months	3,288,342	1,270,383
6 months	1,133,297	875,805
12 months	609,872	553,542
Over 12 months	3,087	63,376
Total Foreign Currency	21,838,083	16,449,494
	125,071,352	**94,985,258**

c. By Remaining Period Until Maturity Date:

	2008	2007
Rupiah:		
1 month	81,691,067	64,145,362
3 months	14,266,681	9,060,496
6 months	2,953,132	2,492,026
12 months	4,253,649	1,797,559
Over 12 months	68,740	1,040,321
Total Rupiah	103,233,269	78,535,764
Foreign Currency:		
1 month	17,658,707	13,686,387
3 months	2,717,373	1,273,960
6 months	1,139,914	870,950
12 months	320,635	554,821
Over 12 months	1,454	63,376
Total Foreign Currency	21,838,083	16,449,494
	125,071,352	**94,985,258**

d. Included in time deposits are unrestricted *mudharabah* investments amounting to Rp7,718,558 and Rp5,171,943 as of December 31, 2008 and 2007, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

18. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)

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

Average interest rates (cost of funds) per annum:

	2008	2007
Rupiah	7.56%	7.39%
Foreign Currency	3.29%	3.71%

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

	2008	2007
Rupiah	6.09% -8.54%	6.60% - 8.05%
Foreign Currency	2.36% -3.28%	2.85% - 3.35%

f. As of December 31, 2008 and 2007, time deposits from related parties amounted to Rp313,909 and Rp181,309, respectively, or 0.25% and 0.19% of the total time deposits, respectively (Note 47a).

g. As of December 31, 2008 and 2007, time deposits which are frozen and blocked as collateral for bank guarantees, loans and trade finance facilities amounted to Rp6,632,688 and Rp8,330,382, respectively. As of December 31, 2008 and 2007, there are *Mudharabah* time deposit pledged for *Mudharabah* receivables extended by Bank Syariah Mandiri (BSM) amounting to Rp289,996 and RpNil, respectively.

19. DEPOSITS FROM OTHER BANKS - DEMAND AND SAVINGS DEPOSITS

a. By Currency:

	2008	2007
Demand Deposits		
Rupiah	528,490	1,307,562
Foreign Currency	2,388,645	80,538
Total Demand Deposits	2,917,135	1,388,100
Savings Deposits - Rupiah	227,608	248,965
Total Demand and Savings Deposits	**3,144,743**	**1,637,065**

Deposits from other banks - demand and savings deposits amounting to Rp3,144,743 is net of the deposits from other banks - demand deposits of a financial institution placed in Bank Mandiri amounting to Rp214 with Bank Mandiri's deposits in the financial institution with loss classification amounting to Rp242,708 (Note 5e).

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

(Expressed in millions of Rupiah, unless otherwise stated)

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

b. Average Interest Rates (cost of funds) and Range of Bonuses Per Annum:

Average interest rates (cost of funds) per annum:

	2008	2007
Demand Deposits		
Rupiah	2.85%	2.65%
Foreign Currency	1.35%	1.89%
Savings Deposits		
Rupiah	3.12%	3.68%

Range of bonuses per annum on *wadiah* deposits:

	2008	2007
Rupiah	0.94% - 1.04%	0.19% - 1.07%
Foreign Currency	0.24% - 1.05%	0.23% - 2.64%

c. As of December 31, 2008 and 2007, the Bank demand and savings deposits from related parties amounted to Rp1,075 and RpNil, respectively, or 0.03% and Nil of the total deposits from other banks - demand and savings deposits, respectively (Note 47a).

d. As of December 31, 2008 and 2007, demand and savings deposits pledged by borrowers as bank guarantees, loan collateral and trade finance facilities amounted to Rp33,634 and Rp224,286, respectively.

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

a. By Currency:

	2008	2007
Foreign Currency	**7,588**	**827,617**

Deposits from other banks - inter-bank call money amounting to Rp7,588 is net of the deposits from other banks - inter-bank call money of a financial institution in Bank Mandiri amounting to Rp16,217 with Bank Mandiri's deposits in such financial institution with loss classification amounting to Rp242,708, respectively (Note 5e).

b. By Remaining Period Until Maturity Date:

	2008	2007
Foreign Currency:		
Less than 1 month	**7,588**	**827,617**

c. Average Interest Rates (cost of funds) per Annum:

	2008	2007
Foreign Currency	3.29%	5.42%

d. As of December 31, 2008 and 2007, the Bank had no inter-bank call money from related party banks.

(Expressed in millions of Rupiah, unless otherwise stated)

21. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS

a. By Currency:

	2008	2007
Rupiah	2,763,817	1,724,286
Foreign Currency	1,801,966	1,221,373
	4,565,783	**2,945,659**

b. By Contract Period:

	2008	2007
Less than 1 month	2,684,933	1,703,249
3 months	44,421	7,640
6 months	12,971	2,300
12 months	21,192	11,097
Over 12 months	300	-
Total Rupiah	2,763,817	1,724,286
Foreign Currency:		
Less than 1 month	166,917	1,197,890
6 months	1,635,049	23,483
Total Foreign Currency	1,801,966	1,221,373
	4,565,783	**2,945,659**

Included in deposits from other banks - time deposits are unrestricted investments - *mudharabah* time deposits amounting to Rp218,412 and RpNil as of December 31, 2008 and 2007, respectively.

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

Average interest rates (cost of fund) per annum:

	2008	2007
Rupiah	7.56%	7.39%
Foreign Currency	3.29%	3.71%

Range of profit sharing per annum :

	2008	2007
Rupiah	6.09% - 8.54%	6.60% - 8.05%
Foreign Currency	2.36% - 3.28%	2.85% - 3.35%

d. As of December 31, 2008 and 2007, the Bank had no time deposits from related party banks.

e. As of December 31, 2008 and 2007, time deposits from other banks which are frozen and blocked as bank guarantees, loan collateral and trade finance facilities amounted to Rp772,530 and Rp42,079, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

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

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

The details of Callable Parallel Deposits contracts are as follows:

Deposit	Effective Date	Maturity Date	Beginning Balance	Ending Balance	Interest Rate
Rupiah	May 16, 2005	June 20, 2013	634,000	1,493,110 *)	11.17%
United States Dollar	May 17, 2005	June 15, 2013	US$50 million (full amount)	US$50 million (full amount)	3 months LIBOR + spread
Rupiah	June 3, 2005	December 20, 2013	634,000	1,540,310 *)	11.00%
United States Dollar	June 8, 2005	December 15, 2013	US$50 million (full amount)	US$50 million (full amount)	3 months LIBOR + spread

*) Zero Coupon Deposits

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

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

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

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

If counterparty bank exercised its option right to early terminate the agreement due to Unwind Events, the Bank has to pay Unwind Cost to counterparty bank as determined later by the counterparty bank.

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

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

22. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE

As of December 31, 2008, securities sold with agreements to repurchase are as follows:

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

As of December 31, 2007, securities sold with agreements to repurchase were as follows:

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

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

23. ACCEPTANCES PAYABLE

a. By Currency, Related Parties and Third Parties:

	2008	2007
Rupiah:		
Payable to other banks		
Third parties	85,168	74,688
Payable to debtors		
Third parties	8,783	118,195
Total Rupiah	93,951	192,883

(Expressed in millions of Rupiah, unless otherwise stated)

23. ACCEPTANCES PAYABLE (continued)

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

	2008	2007
Foreign Currency:		
Payable to other banks		
Third parties	3,670,093	4,338,877
Payable to debtors		
Third parties	78,323	491,475
Total Foreign Currency	3,748,416	4,830,352
	3,842,367	**5,023,235**

b. By Maturity:

	2008	2007
Rupiah:		
Less than 1 month	89,063	104,358
1 - 3 months	411	81,246
3 - 6 months	4,477	7,279
Total Rupiah	93,951	192,883
Foreign Currency:		
Less than 1 month	3,721,136	1,425,862
1 - 3 months	16,996	2,000,819
3 - 6 months	5,638	1,021,231
6 - 12 months	4,646	382,440
Total Foreign Currency	3,748,416	4,830,352
	3,842,367	**5,023,235**

24. SECURITIES ISSUED

By Type and Currency:

	2008	2007
Rupiah:		
Mandiri travelers' cheques	778,639	957,107
Syariah bonds	200,000	375,000
Short term securities	37,400	-
Others	564	564
Total Rupiah	1,016,603	1,332,671
Foreign Currency:		
Medium-Term Notes (MTN)	-	2,718,796
Total Foreign Currency	-	2,718,796
Total	1,016,603	4,051,467
Less: Unamortized discount	-	(903)
	1,016,603	**4,050,564**

(Expressed in millions of Rupiah, unless otherwise stated)

24. SECURITIES ISSUED (continued)

Details of MTN are as follows:

2008: Nil

2007

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

Bank Mandiri issued Medium-Term Notes (MTN) amounting to US$300,000,000 (full amount) with coupon 7.00% per annum at price of 99.482% and the maturity date is April 22, 2008. The MTN with nominal value of US$300,000,000 (full amount) is hedged with an interest rate swap instrument. The MTN is presented at fair value as a consequence of adjustment of the hedging transaction. At maturity date on April 2008, the Bank had paid the MTN amounting to US$300,000,000 (full amount).

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

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

On November 6, 2008 PT Mandiri Sekuritas, a subsidiary, issued short-term notes with fixed interest rate of 16% per annum payable monthly commencing on November 30, 2008. The total amount is Rp37,400 and issued at a price of 100% of the principal. The maturity date is February 28, 2009.

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS

	2008	2007
Rupiah:		
PT Permodalan Nasional Madani (Persero) (a)	241,974	326,122
The Government of Republic of Indonesia (c) (Note 47a)	240,000	280,000
Bank Indonesia (c)	214,337	392,150
Others (f)	710,000	625,743
Total Rupiah	1,406,311	1,624,015
Foreign Currency:		
Direct Off - shore Loans (d)	4,065,700	845,370
Trade financing facilities (e)	3,899,497	6,875,676
Total Foreign Currency	7,965,197	7,721,046
Total	**9,371,508**	**9,345,061**

As of December 31, 2008 and 2007, fund borrowings from related parties amounted to Rp240,000 and Rp280,000, respectively (Note 47a).

(a) PT Permodalan Nasional Madani (Persero)

This account represents credit facilities obtained from PT Permodalan Nasional Madani (Persero) to Bank Mandiri and Bank Sinar Harapan Bali (BSHB). The outstanding loan balance as of December 31, 2008 for Bank Mandiri and BSHB are Rp219,050 and Rp22,925, respectively. These facilities are subjected to interest at 7% per annum. The loan terms and installment reflects the terms of the individual loan agreement, that will matured on December 2013. Bank Mandiri re-lent the proceeds to the Members of Primary Cooperation (Kredit Koperasi Primer kepada Anggotanya [KKPA]).

(b) The Government of Republic of Indonesia

This account represents credit facilities obtained from The Government of Republic of Indonesia based on agreement No. KP-022/DP3/2004 dated May 14, 2004 which was amended with agreement No. AMA-7/KP-022/DP3/2004 dated December 15, 2004 and letter No. 5-662/PB.7/2005 dated May 13, 2005 regarding amendment of loan agreement between The Government of Republic of Indonesia and PT Bank Mandiri (Persero) Tbk No. KP-022/DP3/2004 dated May 14, 2004. This borrowing is re-loaned by Bank Mandiri to the small and micro businesses which procedures, arrangements and requirements of the relending program are agreed with the Decision Letter of Ministry of Finance No. 40/KMK.06/2003 dated January 29, 2003 regarding Credit Financing Facilities for Small and Micro Businesses and amended with Decision Letter of Ministry of Finance No. 74/KMK.06/2004 dated February 20, 2004. This facility bears interest at 3-month SBI rate which will be determined every four months at March 10, June 10, September 10 and December 10 based on the latest SBI auction rate. The repayment of the borrowing will be made in five (5) installments and the first installment will be due on December 10, 2007. The first installment paid amounted to Rp70,000 on December 10, 2007. This facility will mature in December 2019.

(c) Bank Indonesia

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

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(c) Bank Indonesia (continued)

	2008	2007
Rupiah:		
Small-Scale Working Capital Loans (KKPA)	135,971	285,484
Small-Scale Investment Loans (KIK)	52,889	74,132
Investment Loans (KI)	25,477	32,534
	214,337	**392,150**

(d) Direct Off-shore Loans

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

	2008	2007
Deutsche Bank International (Asia) Ltd, Singapore	3,270,000	-
Syndication of Oversea - Chinese Banking Corporation, 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
	4,065,700	**845,370**

Borrowing from Deutsche Bank International (Asia) Ltd, Singapore bears interest rate at three-month LIBOR plus an applicable margin. Syndicated borrowing from Oversea - Chinese Banking Corporation, United Overseas Bank Limited, Intesa San Paolo S.P.A., DZ Banki AG Deutsche Zentral - Genossenschaftsbank, Bank Muscat S.A.O.G. bear interest at three-month SIBOR plus an applicable margin. Borrowing from Sumitomo Mitsui Banking Corporation, Singapore bear interest at three-month SIBOR plus an applicable margin. These borrowings will be fully paid on maturity date.

(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 an applicable margin. These borrowings are guaranteed by letters of credit issued by Bank Mandiri. The details of the borrowings are as follows:

The details of trade financing facilities are as follows:

	2008	2007
Wachovia Bank NA, United States of America	708,500	704,475
Bank of New York Mellon, Singapore (before 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
	3,899,497	**6,875,676**

(Expressed in millions of Rupiah, unless otherwise stated)

25. FUND BORROWINGS (continued)

(f) Others

	2008	2007
Rupiah		
The Hong Kong and Shanghai Banking Corporation Ltd.	150,000	130,000
PT Bank CIMB Niaga (before PT Bank Lippo Tbk.)	150,000	150,000
PT Bank Permata Tbk.	130,000	170,000
PT Bank DBS Indonesia	90,000	-
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
	710,000	**625,743**

On May 22, 2007, the Subsidiaries and The Hong Kong and Shanghai Banking Corporation Ltd. (HSBC) signed credit agreement, whereby HSBC granted short-term funding facility and exposure risk limit/option with limit amounting to USD150 million (full amount) and USD1 million (full amount). On February 18, 2008, credit agreement between subsidiaries and HSBC was extended by short-term funding facility, revolving loan facility and exposure risk limit/option transactions facility with the limit amounting to Rp175,000, US$5,000,000 (full amount) and US$1,000,000 (full amount), respectively. The interest rate is 2.5% under bank loan interest.

On March 9, 2006, the Subsidiaries and PT Bank CIMB Niaga Tbk. (PT Bank Lippo Tbk or Bank Lippo) signed credit agreement and based on the addendum agreement dated April 11, 2007, Bank Lippo granted fixed loan on call (PTX OD) with limit amounting to Rp150,000. On March 26, 2008, the facility was extended until March 10, 2009 and the limit increased to become Rp175,000. The applicable interest rate is 2% over the SBI 1-month average interest rate.

On September 3, 2008, the Subsidiaries received guarantee facility, revolving loan facility and overdraft facility from Standard Chartered Bank, which based on the credit agreement, the limit of facilities are Rp50,000, Rp150,000 and Rp5,000 with annual interest rate 0.5%, cost of fund bank +1% and 17%, respectively. The agreement will mature on July 31, 2009.

26. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES

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

	2008	2007
Rupiah:		
Bank guarantees issued (Note 45)	8,129,571	6,422,641
Outstanding irrevocable letters of credit (Note 45)	1,637,447	1,251,848
Standby letters of credit (Note 45)	620,382	469,000
Total Rupiah	10,387,400	8,143,489
Foreign Currency:		
Bank guarantees issued (Note 45)	7,111,788	5,571,489
Outstanding irrevocable letters of credit (Note 45)	3,813,155	6,174,146
Standby letters of credit (Note 45)	3,683,719	2,522,294
Total Foreign Currency	14,608,662	14,267,929
	24,996,062	**22,411,418**

(Expressed in millions of Rupiah, unless otherwise stated)

26. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

b. By Collectibility:

	2008	2007
Current	24,562,424	21,606,838
Special mention	370,863	709,154
Sub-standard	-	6,783
Doubtful	25,033	-
Loss	37,742	88,643
Total	24,996,062	22,411,418
Less: Estimated losses	(316,401)	(469,508)
Commitments and Contingencies - net	**24,679,661**	**21,941,910**

c. Movements of estimated losses on commitments and contingencies:

	2008	2007
Balance at beginning of year	469,508	514,399
Reversal during the year	(221,393)	(61,409)
Others *)	68,286	16,518
Balance at end of year	**316,401**	**469,508**

**) includes effect of foreign currency translation.*

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

27. TAXATION

a. Taxes payable

	2008	2007
Bank Mandiri		
Income Taxes:		
Employee income tax - Article 21	56,412	43,921
Corporate income tax - Article 25/29	2,865,154	1,022,689
Withholding tax - Article 4 (2)	208,366	145,591
Others	10,864	7,204
	3,140,796	1,219,405
Subsidiaries	33,704	60,993
	3,174,500	**1,280,398**

b. Tax expense

	2008	2007
Tax expense - current:		
Bank Mandiri only	4,551,185	2,552,750
Subsidiaries	160,709	133,404
	4,711,894	**2,686,154**

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

b. Tax expense (continued)

	2008	2007
Tax (benefit)/expense - deferred:		
Bank Mandiri only	(1,936,690)	(700,116)
Subsidiaries	(21,960)	(146)
	(1,958,650)	**(700,262)**
	2,753,244	**1,985,892**

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

c. Tax expense - current

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

	2008	2007
Consolidated income before tax expense and minority interests	8,068,560	6,333,383
Less: Income before tax expense of Subsidiaries after elimination	(141,244)	(134,525)
Income before tax expense and minority interests - Bank Mandiri only	7,927,316	6,198,858
Add/(deduct) permanent differences:		
Non-deductible expenses/(Non-taxable income)	189,537	52,436
Losses from Hong Kong branch	62,367	-
Others	35,465	15,126
Add/(deduct) temporary differences:		
Over provision for losses on loans	5,897,248	1,933,422
Over/(under) provision for losses on earning assets other than loans	840,628	(104,899)
Over provision for personnel expenses	378,487	506,484
Over/(under) depreciation of fixed assets	111,736	(19,684)
Over/(under) provision for losses arising from legal cases	14,166	(22,293)
Losses on decrease in market value of securities and Government Recapitalization Bonds	23	14,464
Over provision of repossessed assets	-	23,838
Difference in net realizable value of abandoned properties	(7,952)	486
Over/(under) provision of abandoned properties	(8,105)	46,110
Recovery of credit*)	(116,151)	(90,915)
Under provision for estimated losses on commitments and contingencies	(154,090)	(44,209)
Estimated taxable income	15,170,675	8,509,224
Estimated tax expense - current		
Bank Mandiri only	4,551,185	2,552,750
Subsidiaries	160,709	133,404
Estimated tax expense - current	**4,711,894**	**2,686,154**

*) The amount in 2008 represents loans recovery amounting to Rp116,151 to which the deferred tax impact was not computed. The amount in 2007 represents loans recovery amounting to Rp90,915 to which the deferred tax impact was not computed.

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

c. Tax expense - current (continued)

Under the Indonesian taxation laws, Bank Mandiri and its Subsidiaries submit tax return on the basis of self assessment. The tax authorities may assess or amend taxes within 5 years after the date of the tax filings.

In September 2008, the Government announced the changes of Law No. 7 Year 1983 regarding "Income Tax" which will be effective on January 1, 2009 which is Law No. 36 Year 2008 regarding revision for the fourth time of Law No. 7 Year 1983 on Income Tax. The revised Law stipulates changes in corporate tax rate from a marginal tax rate to a single rate of 28% for fiscal year 2009 and 25% for fiscal year 2010 onwards.

d. Tax expense - deferred

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

	2008	2007
Consolidated income before tax expense and minority interests	8,068,560	6,333,383
Less: Income before tax expense of Subsidiaries after elimination	(141,244)	(134,525)
Income before tax expense and minority interests - Bank Mandiri only	7,927,316	6,198,858
Estimated income tax expense based on standard statutory rates	2,378,177	1,859,640
Decrease/increase of deferred tax from changes of taxes rates and recognition of temporary difference not recognized in prior years	184,952	-
Tax effect of permanent differences:		
Non-deductible expenses	56,861	15,731
Losses from Hong Kong branch	18,710	-
Others	10,640	4,537
Recovery of credit	(34,845)	(27,274)
	236,318	**(7,006)**
Tax expense - Bank Mandiri only	2,614,495	1,852,634
Tax expense - Subsidiaries	138,749	133,258
Tax expense - consolidated	2,753,244	1,985,892
Less: Current tax expense - consolidated	(4,711,894)	(2,686,154)
Deferred tax benefit - Consolidated	**(1,958,650)**	**(700,262)**

(Expressed in millions of Rupiah, unless otherwise stated)

27. TAXATION (continued)

e. Deferred Tax Assets

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

	2008	2007
Bank Mandiri		
Deferred tax assets:		
Loans write-offs	3,605,776	2,276,445
Allowance for possible losses on earning assets other than loans	872,525	659,274
Allowance for possible loan losses	777,476	429,374
Provision for personnel expenses	665,157	599,122
Estimated losses on commitments and contingencies	87,889	140,394
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 December 31, 2008 and 2007	25,073	22,614
Provision for abandoned properties	10,641	13,833
Provision for repossessed assets	6,675	7,150
Accumulated losses arising from difference in net realizable value of abandoned properties	5,963	8,774
Accumulated losses arising from difference in net realizable value of repossessed assets	2,926	3,135
Unrealized loss for securities and Government Recapitalization Bonds (available for sale)	66,233	1,521
Deferred tax assets	6,126,334	4,161,636
Deferred tax liabilities:		
Net book value of premises and equipment	(44,464)	(81,161)
Mark to market of securities	-	(7)
Net deferred tax assets - Bank Mandiri only	6,081,870	4,080,468
Net deferred tax assets - Subsidiaries	42,049	15,979
Total consolidated deferred tax assets - net	**6,123,919**	**4,096,447**

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

28. OTHER LIABILITIES

	2008	2007
Rupiah:		
Provision for post-employment benefits (Note 42)	925,002	784,938
Provision for free-of service period benefits (Note 42)	794,159	655,489
Accrued bonus, employee incentives, leave and holiday	775,927	647,930
Payable to customer	483,824	557,822
Guarantee deposits	466,130	527,347
Unearned Income	368,933	351,257
Provision for possible losses on legal cases (Note 56d)	157,560	204,611
Others	1,897,308	2,681,784
Total Rupiah	5,868,843	6,411,178
Foreign Currency:		
Guarantee deposits	440,451	565,340
Unearned Income	198,791	199,043
Provision for possible losses on legal cases (Note 56d)	18,756	1,131
Obligation under capital lease	2,248	-
Inter-branch accounts - net	-	159,328
Others	1,470,279	2,288,011
Total Foreign Currency	2,130,525	3,212,853
	7,999,368	**9,624,031**

(Expressed in millions of Rupiah, unless otherwise stated)

28. OTHER LIABILITIES (continued)

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

	2008	2007
Balance at beginning of year	205,742	316,227
Reversal during the year (Note 37)	(31,133)	(106,619)
Others *)	1,707	(3,866)
Balance at end of year	**176,316**	**205,742**

**) Includes effect of foreign currency translation.*

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

29. SUBORDINATED LOANS

a. By Currency:

	2008	2007
Rupiah:		
Two-Step Loans (TSL)		
Nordic Investment Bank (NIB) (a)	181,089	213,724
ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF) (b)	58,505	71,506
ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ) (c)	562	1,687
Asian Development Bank (ADB) (d)	-	688
	240,156	287,605
Bank Indonesia	2,366,859	2,423,859
Total Rupiah	2,607,015	2,711,464
Foreign Currency:		
Two-Step Loans - Asian Development Bank (ADB) (d)	229,635	203,864
Two-Step Loans - Kreditanstalt fur Wiederaufbau, Frankfurt (KfW) (e)	-	19,947
Total Foreign Currency	229,635	223,811
	2,836,650	**2,935,275**

b. By Type:

	2008	2007
Two-Step Loans (TSL)		
Nordic Investment Bank (NIB) (a)	181,089	213,724
ASEAN Japan Development Fund-Overseas Economic Cooperation Fund (AJDF-OECF) (b)	58,505	71,506
ASEAN Japan Development Fund-Export-Import Bank of Japan (AJDF-EBJ) (c)	562	1,687
Asian Development Bank (ADB) (d)	229,635	204,552
Kreditanstalt fur Wiederaufbau, Frankfurt (KfW) (e)	-	19,947
	469,791	511,416
Bank Indonesia	2,366,859	2,423,859
	2,836,650	**2,935,275**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL)

(a) Nordic Investment Bank (NIB)

This account represents a credit facility obtained from NIB 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:

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

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

	2008	2007
(a) Nordic Investment Bank IV (NIB IV)	181,089	202,394
(b) Nordic Investment Bank III (NIB III)	-	11,330
	181,089	**213,724**

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

Bank has settled NIB III loan facility on August 15, 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 projects in Indonesia. The details of these facilities are as follows:

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

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

	2008	2007
(a) Pollution Abatement Equipment Program (PAE)	56,633	69,218
(b) Small Scale Industry (SSI)	1,872	2,288
	58,505	**71,506**

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

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

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

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

(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, which amounts to Rp9,560, is repayable in 24 semi-annual installments within fifteen years after the date of the first drawdown (inclusive of a 3-year grace period), with the first installment starting on December 15, 1997.

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

(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 projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
ADB 1327-INO (SF)	To finance micro Industry.	On January 15, 2005 - July 15, 2029 with 1st installment on January 15, 2005
ADB Perkebunan Nusantara XII and Nescoco Inti	To finance Government projects in funding credit for projects of plantation industry.	On February 15, 1989 - September 15, 2008 with 1st installment on March 15, 1995

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

	2008	2007
(a) ADB Loan 1327 - INO	229,635	203,864
(b) ADB Perkebunan Nusantara XII Nescoco Inti	-	688
	229,635	**204,552**

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

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

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

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

Bank has settled the loan facility of ADB for Perkebunan Nusantara XII and Nescoco Inti on September 15, 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% of the total price in DM of each Export Contract. In the event that the total price shall be reduced during the period of disbursement, KfW shall reduce the individual loans proportionally.

The minimum order value of an Export Contract is DM353,000 (full amount) of which the resulting credit element would be DM300,000 (full amount).

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (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 January 21, 1999, between Bank Indonesia and PT Bank Bumi Daya (Persero) (a legacy bank) are as follows:

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

KfW advanced to the Government of the Republic of Indonesia through BI and Bank Mandiri an amount of EUR11,777,361 (full amount), of which EUR11,133,645 (full amount) had already been withdrawn by Bank Mandiri through payment of a letter of credit (L/C), in line with the import of equipment for the modernization of a Hot Strip Mill, Roughing Mill Motor and Stand F4 Rear Motor Drivers System and related services from Siemens AG, Erlangan, Germany, to PT Krakatau Steel which has entered into two ILAs with BI and KfW, as follows:

2008

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

2007

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

Bank Indonesia

This account represents loans arising from the conversion of Bank Indonesia liquidity used to improve the capital structure of BDN, Bapindo and PT Bank Syariah Mandiri (a subsidiary).

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

As stated in the letter from Bank Indonesia No. 6/130i/DPbS dated November 26, 2004 regarding the settlement of the subordinated loan to BSM, Bank Indonesia agreed to the proposal from BSM to fully repay the subordinated loan amounting to Rp32,000 on November 30, 2008. For this purpose, BSM pledged premises and equipment as collateral (Note 14). The loan bears interest at the rate of 6% per annum and is to be repaid in quarterly installments.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SUBORDINATED LOANS (continued)

Two-Step Loans (TSL) (continued)

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

Bank	Term of Loan	2008 Amount (Rupiah)	2007 Amount (Rupiah)	Interest Rate
PT Bank Mandiri (Persero) Tbk.	November 30, 2004 - March 31, 2014 with 1st installment on November 30, 2004.	2,366,859	2,391,859	0.2% per annum
PT Bank Syariah Mandiri (BSM)	January 31, 1994 - November 30, 2008 with payment at maturity date.	-	32,000	Paid quarterly at 6% per annum
		2,366,859	**2,423,859**	

Bank Syariah Mandiri Subordinated Loans amounting to Rp32,000 have been fully repaid on November 30, 2008.

30. MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES

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

	2008	2007
Bank Sinar Harapan Bali	21,725	-
Dana Pensiun Bank Bumi Daya	5,236	5,126
Yayasan Dana Pensiun Bank Dagang Negara	1,058	1,173
Koperasi Karyawan - PT Bank Mandiri (Persero), Tbk.	50	47
	28,069	**6,346**

(Expressed in millions of Rupiah, unless otherwise stated)

31. SHAREHOLDERS' EQUITY

a. Authorized, Issued and Fully Paid-up Capital

The Bank's authorized, issued and fully paid-up capital as of December 31, 2008 and 2007 are as follows:

	2008			
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage Of Ownership
Authorized Capital				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	31,999,999,999	500	15,999,999,999,500	100.00%
Total Authorized Capital	**32,000,000,000**	**500**	**16,000,000,000,000**	**100.00%**

	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage Of Ownership
Issued and Fully Paid-up Capital				
Republic of Indonesia				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	13,999,999,999	500	6,999,999,999,500	66.97%
Public (less than 5 % each)				
- Common Shares B Series	6,905,647,788	500	3,452,823,894,000	33.03%
Total Issued and Fully Paid-up Capital	**20,905,647,788**	**500**	**10,452,823,894,000**	**100.00%**

	2007			
	Number of Shares	Nominal Value Per Share (Full Amount)	Share Value (Full Amount)	Percentage Of Ownership
Authorized Capital				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	31,999,999,999	500	15,999,999,999,500	100.00%
Total Authorized Capital	**32,000,000,000**	**500**	**16,000,000,000,000**	**100.00%**
Issued and Fully Paid-up Capital				
Republic of Indonesia				
- Dwiwarna Share A Series	1	500	500	0.00%
- Common Shares B Series	13,999,999,999	500	6,999,999,999,500	67.47%
Public (less than 5 % each)				
- Common Shares B Series	6,749,551,742	500	3,374,775,871,000	32.53%
Total Issued and Fully Paid-up Capital	**20,749,551,742**	**500**	**10,374,775,871,000**	**100.00%**

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

31. SHAREHOLDERS' EQUITY (continued)

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

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

1. Cash payment through Bank Indonesia amounting to Rp1,600,004.
2. Placements in shares of stocks recorded as investments in shares of the Merged Banks amounting to Rp599,999 each or totaling Rp2,399,996, through the transfer of shares of the Republic of Indonesia in each of the Merged Banks to Bank Mandiri, as resolved during the respective Extraordinary General Meetings of the Merged Banks. Based on the agreement ("*inbreng*") notarized by deed No. 9 of Sutjipto, S.H. dated October 2, 1998, Bank Mandiri and the Republic of Indonesia, agreed to transfer those shares (*inbreng*) as payment for new shares to be issued by Bank Mandiri.

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

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

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

Following the shareholders' decision to change the capital structure, Bank Mandiri increased its issued and fully paid-up capital to Rp10,000,000 and split the share price from Rp1,000,000 (full amount) per share to Rp500 (full amount) per share. Accordingly, the number of authorized shares increased from 16,000,000 shares to 32,000,000,000 shares, and the number of issued and fully paid-up shares increased from 10,000,000 shares with a nominal value of Rp1,000,000 (full amount) to 20,000,000,000 shares with a nominal value of Rp500 (full amount) of which the issued and fully paid-up capital 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 establishment of part of Recapitalization Fund amounting to Rp168,801,314,557,901 (full amount) as Agio.

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

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 if the Dwiwarna A Series Shareholders' attend and approve the following agendas:

31. SHAREHOLDERS' EQUITY (continued)

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

1. General Shareholders' Meetings concerning increases in capital.
2. General Shareholders' Meetings concerning changes in the composition of the Boards of Directors and Commissioners.
3. General Shareholders' Meetings concerning changes in the Articles of Association.
4. General Shareholders' Meetings concerning mergers, acquisitions and takeovers.
5. General Shareholders' Meetings concerning dissolution and liquidation.

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

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

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

2. Increase in fully paid-up capital of Rp5,000,000 from the capitalization of additional paid-up capital based on the Decree of the Minister of Finance of the Republic of Indonesia ("KMK RI") No. 227/202.02/2003 dated May 23, 2003 regarding "The final amount and implementation of the Government's rights arising from the additional share participation of the Government of the Republic of Indonesia in PT Bank Mandiri (Persero) in connection with the general banking recapitalization program".

Based on the Extraordinary General Shareholders' Meeting held on May 29, 2003, which was notarized on May 29, 2003 by Sutjipto, S.H., as per notarial deed No. 142 dated May 29, 2003, the shareholders' agreed to among others, the introduction of an employee stock ownership plan through an Employee Stock Allocation Program (ESA) and a Management Stock Option Plan (MSOP). The ESA consists of a Bonus Share Plan and a Share Purchase at Discount program. MSOP is directed to directors and senior management at certain levels and based on certain criteria. All costs and discounts related to the ESA program are recognized by 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 32).

On July 14, 2003, the Government of the Republic of Indonesia divested 4,000,000,000 shares representing 20% of its shareholding in Bank Mandiri through an Initial Public Offering (IPO).

31. SHAREHOLDERS' EQUITY (continued)

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

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

On July 14, 2003, the date of the IPO, through MSOP Stage 1 (Management Stock Option Plan - Stage 1), the Bank issued 378,583,785 share options for the management with an exercise price of Rp742.5 (full amount) per share and a nominal value of Rp500 (full amount) per share. The share options are recorded in the Shareholders' Equity account - Share Options at fair value amounting to Rp69,71 per share options. As of December 31, 2008, MSOP Stage 1 options exercised totaled 375,365,957 shares, thereby increasing the total issued and fully paid-up capital by Rp187,683, agio by Rp117,193, including MSOP Stage 1 exercised for the year ended December 31,2008 amounting to 4,834,783 shares thereby increasing the total issued and fully paid-up capital by Rp2,418, agio by Rp1,510. Based on Announcement of Indonesia Stock Exchange (previously Jakarta Stock Exchange) No. Peng-262/BEJ.PJS/P/07-2004 dated July 14, 2004, MSOP stage 1 can be exercised up to July 13, 2005, therefore as of December 31, 2008, shares option still recorded in shareholders' equity-share option from MSOP Stage 1 amounted to RpNil.

The Annual General Shareholders' Meeting on May 16, 2005 approved MSOP Stage 2 amounting to 312,000,000 share options. The exercise price for each share is Rp1,190.50 (full amount) for exercise in the first year and Rp2,493 (full amount) for exercise in the second year and the following year. The nominal value per share is Rp500 (full amount). The Bank recorded MSOP Stage 2 in the shareholders' equity account - Share Options with fair value amounting to Rp642.28 (full amount) per share options. Up to December 31, 2008 MSOP Stage 2 option exercised totaled 304,942,052 shares thereby increasing the total issued and fully paid-up capital by Rp152,471, agio by Rp407,387, including MSOP Stage 2 exercised for the year ended December 31, 2008 amounting to 55,110 shares thereby increasing the total issued and fully paid-up capital by Rp28, agio by Rp145 respectively. As of December 31, 2008, share option still recorded in shareholders' equity-share option from MSOP Stage 2 amounted to Rp4,533.

The Annual General Shareholders' Meeting on May 22, 2006 approved MSOP Stage 3 amounting to 309,416,215 share options. The General Shareholders' Meeting also give 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 future annual general shareholders' meeting.

The MSOP Stage 3 exercise price for each share is Rp1,495.08 (full amount). The Bank recorded MSOP Stage 3 in the shareholders' equity account - Share Options at fair value amounting to Rp593.89 (full amount) per share options. Up to December 31, 2008, MSOP Stage 3 option exercised totaled 225,339,779 shares thereby increasing the total issued and fully paid-up capital by Rp112,670 and agio by Rp358,058, including MSOP Stage 3 exercised for the year ended December 31, 2008 amounted to 87,991,721 shares thereby increasing the total issued and fully paid-up capital by Rp43,996, and agio by Rp139,816, respectively. As of December 31, 2008, share option still recorded in shareholders' equity-share option from MSOP Stage 3 amounted to Rp49,932.

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

31. SHAREHOLDERS' EQUITY (continued)

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

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

b. Additional Paid-In Capital/Agio

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

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

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

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

The return of the above excess recapitalization amounting to Rp1,412,000 (Note 47b) includes issued and fully paid-up capital of Rp251,000.

On May 23, 2003, the Minister of Finance of the Republic of Indonesia issued decree ("KMK-RI") No. 227/KMK.02/2003 dated May 23, 2003, which was amended by KMK No. 420/KMK.02/2003 dated September 30, 2003, which provides further guidance on Government Regulations No. 52 year 1999 and No. 97 year 1999 regarding the additional Government participation in Bank Mandiri's capital.

Matters decided under the KMK RI, among others, are as follows:

a. The final Bank Mandiri recapitalization amount is Rp173,801,314,557,593 (full amount);
b. Recapitalization of Rp5,000,000,000,000 (full amount) is converted into 5,000,000 new shares issued by Bank Mandiri with a nominal value of Rp1,000,000 (full amount) per share;
c. The remaining recapitalization amount of Rp168,801,314,557,593 (full amount) is recorded as agio within the capital structure of Bank Mandiri.

Through quasi-reorganization, the Bank's accumulated losses as of April 30, 2003 amounting to Rp162,874,901 were eliminated against additional paid-in capital/agio.

(Expressed in millions of Rupiah, unless otherwise stated)

31. SHAREHOLDERS' EQUITY (continued)

c. Revaluation Increment of Premises and Equipment

The revaluation increment in premises and equipment amounting to Rp3,046,936 represents the revaluation increment of the premises and equipment of the Merged Banks based on an appraisal value as of July 31, 1999. This was based on the Decision Letter of the Minister of Finance No. 211/KMK.03/2003 dated May 14, 2003, Letter of the Minister of Finance No. S-206/MK.01/2003 dated May 21, 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 June 18, 2003.

As discussed in Note 2p, Bank has chosen the cost model as its accounting policy for measurement of premises and equipment in accordance with PSAK No. 16 (Revised 2007), "Fixed Assets" and reclassified the balance of revaluation increment of premises and equipment Rp3.046.936 as presented in the shareholders' equity section in the 2007 consolidated balance sheet to consolidated retained earnings in 2008 (Note 14a).

d. Distribution of Net Income

Based on the resolution of the shareholders during their general meetings held on May 29, 2008 and May 28, 2007, the shareholders approved the distribution of the 2007 and 2006 net income as follows:

		2007	**2006**
Dividends		3,911,601	1,452,843
Tantiem *)		-	4,778
Cooperative Development fund program		86,924	48,428
Community Development fund program		86,925	48,428
		4,085,450	1,554,477
Appropriated retained earnings:	General reserve	21,731	36,321
	Specific reserve	-	-
Total reserve		21,731	36,321
Retained earnings		239,043	830,607
		4,346,224	**2,421,405**
Dividend per share		Rp187.11 (full amount)	Rp70.02 (full amount)

*) In accordance with the Annual General Shareholders' Meeting held on May 28, 2007, tantiem which taken from 2006 net income, was only distributed to Commissioner's of PT Bank Mandiri (Persero) Tbk. For year 2007, tantiem was distributed to Directors and Commissioners of PT Bank Mandiri (Persero) Tbk. amounting to Rp46,070 which was charged against the reserve provided in year 2007 (in accordance with PSAK 24 (Revised 2004) "Employees Benefits").

The dividends coming from net income for year 2007 and 2006 were paid to the shareholders on July 3, 2008 and June 29, 2007, respectively. The allocation for cooperative development fund program and the Community Development Fund Program from 2007 and 2006 net income were paid on June 17, 2008 and June 20, 2007, respectively.

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

This account represents the Bank's proportionate interest in the Subsidiaries arising from changes in Subsidiaries' equity which are not derived from transactions with the Bank and are calculated based on the percentage of ownership of Bank Mandiri and Subsidiaries. Bank adjusted the unrealized loss from available for sale securities, donated capital and revaluation increment of premises and equipment as part of Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries. Effective January 1, 2008, with the implementation of PSAK No. 16 (Revised 2007), the revaluation increment in premises and equipment of the subsidiaries have been reclassified to retained earnings in 2008.

32. MANAGEMENT STOCK OPTION PLAN

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

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

The share option life is five years from the grant date. The number of stock options that can be exercised for MSOP Stage 1 at the end of the first year from the grant date is a maximum of 50% of the total options granted, and the remaining 50% may be exercised at the end of the second year up to the end of the fifth year.

On July 14, 2003, with the approval of Extraordinary General Shareholders' Meeting held on May 29, 2003, the Bank granted MSOP Stage 1 amounting to 378,583,785 share options with an exercise price of Rp742.5 (full amount) per share or 110% of the offering price per share with a vesting period of two years.

The fair value of MSOP Stage 1 stock options granted on July 14, 2003 was Rp69.71 (full amount) based on a valuation report issued by PT Watson Wyatt Indonesia dated March 4, 2004.

The General Shareholders' Meeting held on May 16, 2005 approved the MSOP Stage 2 amounting to 312,000,000 share options. Exercise price for each share is Rp1,190.50 (full amount) for the first year of execution and Rp2,493 (full amount) for the remaining exercised period.

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

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

The General Shareholders' Meeting held on May 22, 2006 approved the MSOP Stage 3 amounting to 309,416,215 share options. 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 established by the Board of Commissioners on July 28, 2006. The option life of MSOP Stage 3 is 5 (five) years from the grant date with five exercise periods and was announced on the announcement of Jakarta Stock Exchange No. Peng-989/BEJ-PSJ/P/10-2006 dated October 31, 2006.

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

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

(Expressed in millions of Rupiah, unless otherwise stated)

32. MANAGEMENT STOCK OPTION PLAN (continued)

The fair value of MSOP Stage 1, MSOP Stage 2 and MSOP Stage 3 were estimated using the Black Scholes option pricing model with the following assumptions:

	MSOP Stage 1	MSOP Stage 2	MSOP Stage 3
Risk free interest rate	8.46%	9.50%	11.65%
Expected period of option	5 years	5 years	5 years
Expected stock's volatility	24.53%	50%	50%
Expected dividend yield	7.63%	7.63%	7.75%
Employee turnover rate	1%	1%	1%

Number of options exercised during the year ended December 31, 2008 totaled 92,882,614 options (Notes 1a and 31a) which comprised 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 December 31, 2007 totaled 181,547,707 options (Note 1a) which comprised of MSOP Stage 1, MSOP Stage 2 and MSOP Stage 3 of 43,512,471 options, 687,178 options and 137,348,058 options, respectively.

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

	2008			
	Number of options	Weighted average fair value of options (full amount)	Weighted average excercise price of options (full amount)	Value of Options
Option outstanding at begininng of the year	187,234,826	573.18	1,500.62	107,320
Option granted during the year (Note 41)	-	-	-	-
Option exercised during the year	(92,882,614)	566.63	1,456.49	(52,630)
Options have been expired	(3,217,828)	69.71	742.50	(225)
Options that can be exercised at the end of the year	91,134,384	597.64	1,572.36	54,465

	2007			
	Number of options	Weighted average fair value of options (full amount)	Weighted average excercise price of options (full amount)	Value of Options
Option outstanding at 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	(181,547,707)	468.44	1,318.48	(85,044)
Options that can be exercised at the end of the year	187,234,826	573.18	1,500.62	107,320

(Expressed in millions of Rupiah, unless otherwise stated)

33. INTEREST INCOME

Interest income was derived from the following:

	2008	**2007**
Loans	15,958,332	12,629,787
Government Bonds	7,798,646	7,418,237
Securities	1,624,862	1,759,699
Fees and commissions	839,750	695,800
Placements with Bank Indonesia and other banks	662,042	755,716
Others	452,605	669,310
	27,336,237	**23,928,549**

Included in interest income from loans and other is *syariah* income for the years ended December 31, 2008 and 2007 amounting to Rp1,555,619 and Rp1,051,145, respectively, with details as follows:

	2008	**2007**
Murabahah income	824,275	553,286
Musyarakah income	260,521	200,090
Others	470,823	297,769
	1,555,619	**1,051,145**

34. INTEREST EXPENSE

Interest expense was incurred on the following:

	2008	**2007**
Time deposits	7,021,740	6,466,082
Savings deposits	2,578,878	2,310,034
Demand deposits	1,385,656	1,251,732
Fund borrowings	569,958	332,657
Securities issued	178,442	269,636
Subordinated loans	70,012	162,473
Others	81,751	207,580
	11,886,437	**11,000,194**

Included in interest expense from time and savings deposits is *syariah* expense for the years ended December 31, 2008 and 2007 amounting to Rp793,049 and Rp307,424, respectively.

35. OTHER OPERATING INCOME - OTHERS

	2008	**2007**
Penalty	64,036	90,911
Stamp duty income	45,362	42,823
Safety deposit box	20,461	18,801
Others	310,551	248,734
	440,410	**401,269**

(Expressed in millions of Rupiah, unless otherwise stated)

36. PROVISION FOR POSSIBLE LOSSES ON EARNING ASSETS

	2008	2007
Provision/(reversal) of allowance for possible losses on:		
Current accounts with other banks (Note 4e)	71,072	2,731
Placements with other banks (Note 5e)	323,475	(36,337)
Securities (Note 6g)	(58,416)	(22,773)
Other receivables - trade transactions (Note 8d)	196,581	(5,527)
Securities purchased with agreements to resell (Note 9b)	14,387	25,000
Derivative receivables (Note 10)	2,501	(467)
Loans (Note 11B.j)	2,299,377	2,247,854
Acceptances receivable (Note 12d)	137,045	(96,805)
Investments in shares of stock (Note 13c)	339	318
	2,986,361	**2,113,994**

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

	2008	2007
Reversal/(provision) of allowance for:		
Possible losses on legal cases (Note 28)	31,133	106,619
Possible losses on fraud cases	(12,778)	107
Others assets (Note 15)	151,530	208,072
Others	254	(1,783)
	170,139	**313,015**

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

	2008	2007
Securities	1,450	15,129
Government Bonds	36	(29,190)
	1,486	**(14,061)**

39. GAINS/(LOSSES) FROM SALE OF SECURITIES AND GOVERNMENT BONDS

	2008	2007
Securities	(23,917)	43,504
Government Bonds	(30,144)	184,994
	(54,061)	**228,498**

(Expressed in millions of Rupiah, unless otherwise stated)

40. GENERAL AND ADMINISTRATIVE EXPENSES

	2008	2007
Depreciation and amortization of premises and equipment (Note 14)	573,105	583,877
Promotions	514,760	419,835
Rent	510,997	466,808
Professional fees *)	428,124	338,147
Communications	379,456	376,893
Repairs and maintenance	329,311	297,788
Electricity, water and gas	226,337	208,762
Office supplies	197,412	179,641
Transportations	114,108	96,192
Research and development	5,066	6,056
Others	583,008	447,784
	3,861,684	**3,421,783**

*) Professional fees included audit services amounting to Rp10,403 and Rp14,817 for the years ended December 31, 2008 and 2007, respectively.

41. SALARIES AND EMPLOYEE BENEFITS

	2008	2007
Salaries, wages, pension and tax allowances	2,686,225	2,160,692
Holidays (THR), leave and related entitlements	438,734	378,625
Provision for post-employment benefit expenses and free of service period	312,259	300,177
Employee benefits in kind	284,341	163,574
Training and development	241,353	250,606
Compensation expense on stock options (Note 32)	-	87,034
Provision of tantiem	50,000	50,000
Bonuses and others	550,856	638,251
	4,563,768	**4,028,959**

Total gross salaries, allowances and bonuses of the Boards of Directors and Commissioners, and Executive Officers amounted to Rp148,101 and Rp84,240 for the years ended December 31, 2008 and 2007, respectively as follows:

	2008				
	Number of Members/ Officers	**Salaries**	**Allowances**	**Bonuses**	**Total**
Board of Commissioners	8*)	5,940	4,307	9,301	19,548
Board of Directors	12**)	26,842	16,284	36,229	79,355
Audit Committee	2	755	277	215	1,247
Executive Vice Presidents and Senior Vice Presidents	48	25,955	10,864	11,132	47,951
	70	**59,492**	**31,732**	**56,877**	**148,101**

*) Includes Richard Claproth from period January until May 2008, Yap Tjay Soen from period January until March 2008 and Mahmuddin Yasin since June 2008.
**) Includes Omar S. Anwar from period January until May 2008 and Ogi Prastomiyono since June 2008.

(Expressed in millions of Rupiah, unless otherwise stated)

41. SALARIES AND EMPLOYEE BENEFITS (continued)

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

42. PENSION AND SEVERANCE

Under the Bank's policy, in addition to salaries, employees are entitled to allowances and benefits, such as holiday allowance (THR), pre-retirement (MBT) allowance, medical reimbursements, death allowance, leave allowance, functional allowance for certain levels, pension plan for permanent employees, incentives based on employee's and the Bank's performance, and post-employment benefits based on the prevailing Labor Law.

Pension Plan

Bank Mandiri has five pension plans in the form of Employer Pension Plans as follows:

a. One defined contribution pension plan, *Dana Pensiun Pemberi Kerja Program Pensiun Iuran Pasti* (DPPK-PPIP) or the Bank Mandiri Pension Plan (*Dana Pensiun Bank Mandiri* (DPBM)) established on August 1, 1999. The DPBM's regulations were legalized based on the decision letter of the Minister of Finance of the Republic of Indonesia No. KEP/300/KM.017/1999 dated July 14, 1999 and was included in the Addendum to the State Gazette of the Republic of Indonesia No. 62 dated August 3, 1999 and Bank Mandiri's Directors' Resolution No. 004/KEP.DIR/1999 dated April 26, 1999 and were amended based on the Minister of Finance of the Republic of Indonesia's decision letter No. KEP-213/KM.5/2005 dated July 22, 2005 and was included in the Addendum to the State Gazette of the Republic of Indonesia No. 77 dated September 27, 2005 and Bank Mandiri's Directors' Resolution No. 068/KEP.DIR/2005 dated June 28, 2005.

   Bank Mandiri and the employees contribute 10% and 5% of the Base Pension Plan Employee Income, respectively.

   The President Director and the members of the Supervisory Board of the DPBM are active employees of Bank Mandiri; therefore, in substance, Bank Mandiri has control over the DPBM. As a consequence, transactions between the DPBM and Bank Mandiri are considered related party transactions. The DPBM invests a part of its financial resources in Bank Mandiri time deposits, which balances as of December 31, 2008 and 2007 were Rp36,500 and Rp10,000, respectively. The interest rates on these time deposits are at arms-length.

   The Bank paid pension contributions totaling Rp154,830 and Rp129,470, respectively, for the years ended December 31, 2008 and 2007, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

b. Four employer defined benefit pension plans, *Dana Pensiun Pemberi Kerja Program Pensiun Manfaat Pasti* (DPPK-PPMP) are derived from the respective pension plans of the Merged Banks, namely Dana Pensiun Bank Mandiri Satu or DPBM I (BBD), DPBM II (BDN), DPBM III (Bank Exim) and DPBM IV (Bapindo). The regulations of the respective pension plans were legalized by the Minister of Finance of the Republic of Indonesia's in his decision letters No. KEP-394/KM.017/1999, No. KEP-395/KM.017/1999, No.KEP-396/KM.017/1999 and No. KEP-397/KM.017/1999 all dated November 15, 1999. Based on the approval of shareholders No. S-923/M-MBU/2003 dated March 6, 2003, Bank Mandiri has adjusted pension benefits for each Pension Fund. Such approval has been incorporated in each of the Pension Fund's Regulations (Peraturan Dana Pensiun (PDP)) which have been approved by the Minister of Finance of the Republic of Indonesia based on his decision letters No. KEP/115/KM.6/2003 for PDP DPBM I, No. KEP/116/KM.6/2003 for PDP DPBM II, No. KEP/117/KM.6/2003 for PDP DPBM III, and No. KEP/118/KM.6/2003 for PDP DPBM IV, all dated March 31, 2003.

The members of the defined benefit pension plans originated from the legacy banks who have rendered three or more service years at the time of merger and are comprised of active employees of the Bank, deferred members (those whose employment has been terminated but for whom the beneficial rights were not transferred to other pension plans), and pensioners.

Based on the decision of General Shareholders' Meeting dated May 28, 2007, Bank Mandiri increased the pension benefit from each Pension Plans. The decision was stated in each Pension Plan Regulation and has been approved by the Minister 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 July 20, 2007.

As of December 31, 2008 and 2007, the calculation of the fair value of plan assets and projected benefit obligation is based on the independent actuarial report of PT Eldridge Gunaprima Solution dated January 30, 2009 and PT Dayamandiri Dharmakonsilindo dated January 31, 2008 for the years ended December 31, 2008 and 2007, respectively. In its calculation, the actuary used the following assumptions:

	DPBM I	DPBM II	DPBM III	DPBM IV
Discount rate	12% per annum (2007: 9.5%)	12% per annum (2007: 9.5%)	12% per annum (2007: 9.5%)	12% per annum (2007: 9.5%)
Expected rate of return on plan assets	10% per annum (2007: 9.5%)	10% per annum (2007: 9.5%)	10% per annum (2007: 9.5%)	10% per annum (2007: 9.5%)
Working period used	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999
Pensionable salary (PhDP) used	As of January 1, 2003, adjusted amount over legacy banks' pensionable salary	As of January 1, 2003, adjusted amount over legacy banks' pensionable salary	As of January 1, 2003, adjusted amount over legacy banks' pensionable salary	As of January 1, 2003, adjusted amount over legacy banks' pensionable salary
Expected rates of PhDP increase	Nil	Nil	Nil	Nil

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

	DPBM I	DPBM II	DPBM III	DPBM IV
Mortality Rate Table	Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM ’83) for pensioners (2007: CSO -1958)	Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM ’83) for pensioners (2007: CSO -1958)	Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM ’83) for pensioners (2007: CSO -1958)	Indonesia Mortality Table 1999 (TMI II) for active members and Group Annuity Mortality 1983 (GAM ’83) for pensioners (2007: CSO -1958)
Turnover rate	5 % 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 (2007: 5% up to employees’ age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter)	5 % up to employees’ age of 25 and reducing linearly by 0.167% for each year up to 0% up to at age 55 and there after (2007: 5% up to employees’ age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter)	5 % up to employees’ age of 25 and reducing linearly by 0.167% for each year up to 0% up to at age 55 and there after (2007: 5% up to employees’ age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter)	5 % up to employees’ age of 25 and reducing linearly by 0.167% for each year up to 0% up to at age 55 and there after (2007: 5% up to employees’ age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter)
Disability rate	10% of TMI II (2007: 10% of mortality rate)	10% of TMI II (2007: 10% of mortality rate)	10% of TMI II (2007: 10% of mortality rate)	10% of TMI II (2007: 10% of mortality rate)
Actuarial method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Normal pension age	56 years for all grades	56 years for all grades	56 years for all grades	56 years for all grades
Maximum defined benefit amount	80% of latest gross pensionable salary (PhDP)	80% of latest gross pensionable salary (PhDP)	62.50% of latest gross pensionable salary (PhDP)	75% of latest gross pensionable salary (PhDP)
Expected rate of pension benefit increase	Nil	Nil	Nil	4% every 2 years
Tax rates - average	5% of pension benefit (2007: 15% of pension benefit)	5% of pension benefit (2007: 15% of pension benefit)	5% of pension benefit (2007: 15% of pension benefit	5% of pension benefit (2007: 15% of pension benefit

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Pension Plan (continued)

The projected benefit obligations and fair value of plan assets as of December 31, 2008 are as follows:

	DPBM I	DPBM II	DPBM III	DPBM IV
Projected Benefit Obligations	845,275	894,127	429,552	258,659
Fair Value of Plan Assets	1,282,165	1,363,865	705,327	487,306
Funded Status	436,890	469,738	275,775	228,647
Unrecognized Past Service Cost	-	-	-	-
Unrecognized Actuarial Gains	(378,683)	(335,032)	(249,143)	(131,152)
Surplus Based on PSAK No. 24 (Revised)	58,207	134,706	26,632	97,495
Asset Ceilling *)	-	-	-	-
Pension Plan Program Assets recognized in balance sheet **)	**-**	**-**	**-**	**-**

The projected benefit obligations and fair value of plan assets as of December 31, 2007 are as follows:

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

*) There are no unrecognized accumulated actuarial loss-net nor unrecognized past service cost and there are no present value of available future refunds or reductions of future contributions.

**) There are no plan assets recognized in the Balance Sheets since the requirements under PSAK No. 24 (Revised) are not fulfilled.

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Labor Law No. 13/2003

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

Bank Mandiri has implemented an accounting policy for employment benefits (PSAK 24 - Revised 2004) to recognize provision for employee service entitlements. As of December 31, 2008 and 2007, the Bank recognized a provision for employee service entitlements in accordance with Labor Law No. 13/2003 amounting to 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 28).

Provision for employee service entitlements as of December 31, 2008 and 2007 have been provided based on liability and expense for employees service period for year 2008 and 2007 as described in the independent actuarial reports of PT Eldridge Gunaprima Solution dated January 30, 2009 and PT Dayamandiri Dharmakonsilindo dated January 31, 2008 for the years ended December 31, 2008 and 2007, respectively. The assumptions used by the actuary were as follows:

a. Discount rate is 12% per annum (2007: 10%).
b. Expected rate of annual salary increase is 11% (2007: 10%).
c. Mortality rate table used is Indonesia Mortality Table 1999 (TMI II) (2007: US 1980 Commissioners' Standard Ordinary Table of Mortality).
d. Turnover rate is 5 % 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 (2007: 5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter).
e. Actuarial method is projected unit credit method.
f. Normal pension age is 56 years.
g. Disability rate is 10% of TMI II (2007: 10% 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):

	2008	2007
Present value of obligations	776,962	700,946
Unrecognized past service cost	43,089	44,227
Unrecognized actuarial gains	45,492	25,484
Provision for Post Employment Benefits presented in Balance Sheets	**865,543**	**770,657**

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Labor Law No. 13/2003 (continued)

	2008	2007
Current service cost	52,165	45,033
Interest cost	68,594	62,432
Amortization of unrecognized past service cost	(1,138)	(870)
Cost of Pension benefits	**119,621**	**106,595**

Reconciliation of provision for post employment benefits are as follows (Bank Mandiri only):

	2008	2007
Beginning Balance of Provision for Post Employment Benefits	770,657	678,128
Expenses during the year	119,621	106,595
Payments of benefits	(24,735)	(14,066)
Provision for Post Employee Benefits (Note 28)	**865,543** *)	**770,657**

*) The amount does not include pension of employees which have resigned but not yet paid amounting to Rp27,253 which have been excluded from actuarial computation.

As of December 31, 2008 and 2007, the provision for post employment benefits in the subsidiaries amounted to Rp32,206 and Rp14,281, respectively.

Free of Service Period (MBT)

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

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

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

a. Discount rate is 12% per annum (2007: 10%).
b. Expected rate of annual salary increase is 11% (2007: 10%).
c. Normal pension age is 56 years.
d. Turnover rate is 5 % 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 (2007: 5% up to employees' age of 25 and reducing linearly by 0.25% for each year up to 0% at age 45 and thereafter).
e. Mortality rate table is Indonesia mortality table 1999 or TMI II (2007: US 1980 Commissioners' Standard Ordinary Table of Mortality).
f. Disability rate is 10% of TMI II (2007: 10% of mortality rate).

(Expressed in millions of Rupiah, unless otherwise stated)

42. PENSION AND SEVERANCE (continued)

Free of Service Period (MBT) (continued)

Based on those assumptions, provision for MBT facilities for years ended December 31, 2008 and 2007 amounted to Rp794,159 and Rp655,489, respectively (Note 28).

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

	2008	**2007**
Current Service Cost	83,014	80,551
Interest Cost	63,972	48,045
Recognition of actuarial losses	31,216	60,113
Cost of free of service period	**178,202**	**188,709**
Beginning balance of provision for free for service period facilities	655,489	489,650
Expenses during the year	178,202	188,709
Payment of benefits	(39,532)	(22,870)
Provision for free of service period	**794,159**	**655,489**

43. OTHER OPERATING EXPENSES - OTHERS - NET

	2008	**2007**
Insurance premiums on third party funds guarantee program (Note 58)	457,533	430,478
Others	496,776	329,241
	954,309	**759,719**

44. NON-OPERATING INCOME - NET

	2008	**2007**
Rental revenue	82,148	84,073
Gain on sale of premises and equipment	1,425	3,444
Penalties	(775)	(2,448)
Others - net	75,320	35,397
	158,118	**120,466**

(Expressed in millions of Rupiah, unless otherwise stated)

45. COMMITMENTS AND CONTINGENCIES

	2008	2007
COMMITMENTS		
Commitment Payables:		
Unused loan facilities granted		
Third Parties	27,932,045	25,396,389
Outstanding irrevocable letters of credit (Note 26):		
Third Parties	5,450,602	7,425,994
Commitment Payables - Net	(33,382,647)	(32,822,383)
CONTINGENCIES		
Contingent Receivables:		
Interest receivable on non-performing assets	5,070,591	6,259,377
Guarantees received from other banks	2,898,350	2,131,530
Others	33,610	32,728
Total Contingent Receivables	8,002,551	8,423,635
Contingent Payables:		
Guarantees issued in the form of:		
Bank guarantees issued (Note 26):		
Third Parties	15,236,085	11,988,327
Related Parties	5,274	5,803
	15,241,359	11,994,130
Standby letters of credit (Note 26)	4,304,101	2,991,294
Others	120,666	30,873
Total Contingent Payables	19,666,126	15,016,297
Contingent Payables - Net	(11,663,575)	(6,592,662)
COMMITMENTS AND CONTINGENCIES PAYABLE - NET	**(45,046,222)**	**(39,415,045)**

46. FOREIGN CURRENCY TRANSACTIONS

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

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2008 are as follows (Bank Mandiri only):

	Spot-Bought		**Spot-Sold**	
Original Currency	**Original Currency (full amount)**	**Rupiah Equivalent**	**Original Currency (full amount)**	**Rupiah Equivalent**
United States Dollars	18,332,661	199,826	3,503,433	38,187
Others		78,235		164,830
		278,061		**203,017**

(Expressed in millions of Rupiah, unless otherwise stated)

46. FOREIGN CURRENCY TRANSACTIONS (continued)

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2007 are as follows (Bank Mandiri only):

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

47. RELATED PARTY TRANSACTIONS

a. Banking Activities in the Ordinary Course of Business

In the ordinary course of its business, Bank Mandiri engages in significant transactions with the following related parties:

- **Related by ownership:**
  The Government of the Republic of Indonesia.

- **Related by ownership and/or management:**
  PT Asuransi Dharma Bangsa, PT Asuransi Staco Jasapratama, PT Axa Mandiri Financial Services, Axa Asia Pacific Holding Limited, PT Caraka Mulia, Dana Pensiun Bank Mandiri, Dana Pensiun Bank Mandiri I, Dana Pensiun Bank Mandiri II, Dana Pensiun Bank Mandiri III, Dana Pensiun Bank Mandiri IV, PT Estika Daya Mandiri, PT Gedung Bank Exim, PT Gelora Karya Jasatama, PT Gelora Karya Jasatama Putera, PT Great River International Tbk, PT Griyawisata HM & C, PT Koexim Mandiri Finance, Korean Exim Bank, PT Krida Upaya Tunggal, PT Kustodian Sentral Efek Indonesia, PT Mandiri Manajemen Investasi, PT Mulia Sasmita Bhakti, National Mutual International Pty Ltd, PT Pengelola Investama Mandiri, PT Puri Pariwara, PT Sarana Bersama Pembiayaan Indonesia, PT Staco Estika Sedaya Finance, PT Stacomitra Graha, PT Surya Chandra Permai, PT Tatapuri Perdana, PT Telekomunikasi Indonesia (Persero) Tbk, PT Wana Rimba Kencana and PT Wahana Optima Permai.

- **Related by management or key personnel of Bank Mandiri**

  Details of significant transactions with related parties as of December 31, 2008 and 2007 are as follows:

	2008	2007
Assets		
Securities (Note 6a)	-	28,241
Loans (Notes 11A.a and 11B.g)	641,263	783,078
Total assets involving related parties	641,263	811,319
Total consolidated assets	358,438,678	319,085,590
Percentage of assets involving related parties to total consolidated assets	**0.18%**	**0.26%**

(Expressed in millions of Rupiah, unless otherwise stated)

47. RELATED PARTY TRANSACTIONS (continued)

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

- **Related by management or key personnel of Bank Mandiri (continued)**

The percentages of securities and loans compared to the total consolidated assets are as follows:

	2008	2007
Securities	-	0.01%
Loans	0.18%	0.25%
Total	**0.18%**	**0.26%**

	2008	2007
Liabilities		
Demand deposits (Note 16a)	115,857	130,522
Savings deposits (Note 17b)	43,339	42,844
Time deposits (Note 18f)	313,909	181,309
Deposit from other banks - demand and saving deposits (Note 19c)	1,075	-
Fund Borrowings (Note 25)	240,000	280,000
Total liabilities involving related parties	714,180	634,675
Total consolidated liabilities	327,896,740	289,835,512
Percentage of liabilities involving related parties to total consolidated liabilities	**0.22%**	**0.22%**

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

	2008	2007
Demand Deposit	0.04%	0.05%
Savings Deposits	0.01%	0.01%
Time Deposits	0.10%	0.06%
Deposit form other banks - Demand and saving deposits	-	-
Fund Borrowings	0.07%	0.10%
Total	**0.22%**	**0.22%**

Salary, allowances and bonuses of the Boards of Directors and Commissioners and Executive Officers (Note 41) for the years ended December 31, 2008 and 2007 amounted to Rp148,101 and Rp84,240, respectively.

Shares held by the Board of Directors arising from MSOP program for the years ended December 31, 2008 and 2007 amounted to 46,129,749 shares and 20,500,281 shares, respectively.

b. Significant transactions with the Government of the Republic of Indonesia

- In May 1999, the Government implemented a recapitalization program for Bank Mandiri by issuing Government Recapitalization Bonds (Note 1c).

(Expressed in millions of Rupiah, unless otherwise stated)

47. RELATED PARTY TRANSACTIONS (continued)

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

- The Committee on Financial Sector Policy (KKSK) and the Minister of Finance approved and guaranteed the issuance of standby letters of credit and the conversion of loans of PT Garuda Indonesia to Mandatory Convertible Bonds (MCB).

- The Bank returned additional paid-in capital of Rp1,412,000 representing an excess portion of the Government recapitalization for Bank Mandiri (Note 31b).

Based on the Decree of the Minister of Finance of the Republic of Indonesia No. 227/KMK.02/2003 dated May 23, 2003 and the Decree of the Minister of State - Owned Enterprises, as the Bank's shareholder, No. KEP-154/M-MBU/2002 dated October 29, 2002, the Government converted the Recapitalization Fund amounting to Rp5,000,000 with 5,000,000 shares with nominal value of Rp1,000,000 (full amount) per share, and the remaining Recapitalization Fund amounting to Rp168,801,315 is recorded as Agio.

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

48. MATURITY PROFILE

This profile as of December 31, 2008 and 2007 is based on the remaining maturity period since those dates. Historically, a significant portion of deposits are rolled-over on maturity. Should the need for liquidity arise, 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:

2008

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth ≤ 6 mth	>6 mth ≤ 12 mth	>12 mth
Assets							
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	-
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 with agreements to resell - 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
Acceptances receivables - net	3,596,359	-	3,564,631	17,113	10,015	4,600	-
Investments in shares of-stock - net	158,173	158,173	-	-	-	-	-
Premises and equipment - net	4,603,560	4,603,560	-	-	-	-	-
Deferred tax assets - net	6,123,919	6,123,919	-	-	-	-	-
Accrued income	2,052,859	-	-	2,052,859	-	-	-
Others - net	3,341,275	2,234,085	719,930	-	-	387,260	-
Total Assets	**358,438,678**	**13,513,486**	**94,091,855**	**22,035,316**	**18,716,856**	**26,129,958**	**183,951,207**

(Expressed in millions of Rupiah, unless otherwise stated)

48. MATURITY PROFILE (continued)

2008 (continued)

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth ≤ 6 mth	>6 mth ≤ 12 mth	>12 mth
Liabilities							
Liabilities immediately payable	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 with agreements to repurchase	981,893	-	34,406	62,009	-	569,122	316,356
Derivative payables	160,678	-	48,075	32,086	56,403	24,114	-
Acceptances payables	3,842,367	-	3,797,570	23,787	11,568	9,442	-
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
Total liabilities	**327,896,740**	**7,691,472**	**278,350,884**	**18,805,216**	**9,803,131**	**6,115,216**	**7,130,821**
Net Assets (Liabilities)	**30,541,938**	**5,822,014**	**(184,259,029)**	**3,230,100**	**8,913,725**	**20,014,742**	**176,820,386**

2007

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

(Expressed in millions of Rupiah, unless otherwise stated)

48. MATURITY PROFILE (continued)

2007 (continued)

Description	Total	No Maturity Contract	< 1 mth	1 mth - 3 mth	>3 mth ≤ 6 mth	>6 mth ≤ 12 mth	>12 mth
Liabilities							
Liabilities immediately payable	852,777	-	852,777	-	-	-	-
Demand deposits	62,306,208	-	67,306,208	-	-	-	-
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 with agreements to repurchase	2,914,343	-	2,028,864	-	-	-	885,479
Derivative payables	34,348	-	14,811	5,092	6,262	-	8,183
Acceptances payables	5,023,235	-	1,530,220	2,082,065	1,028,510	382,440	-
Securities issued	4,050,564	-	957,107	-	2,717,893	200,000	175,564
Fund borrowings	9,345,061	-	99,673	3,799,987	1,790,562	2,746,398	908,441
Estimated losses on commitments and contingencies	469,508	469,508	-	-	-	-	-
Accrued expenses	540,608	-	540,608	-	-	-	-
Taxes payable	1,280,398	-	-	1,280,398	-	-	-
Other liabilities	9,624,031	8,982,152	641,879	-	-	-	-
Subordinated loans	2,935,275	-	2,852	23,162	10,536	93,550	2,805,175
Total liabilities	**289,835,512**	**9,451,660**	**245,555,989**	**17,531,976**	**7,350,532**	**5,013,878**	**4,931,477**
Net Assets (Liabilities)	**29,250,078**	**1,490,880**	**(153,185,872)**	**478,688**	**5,660,896**	**18,930,113**	**155,875,373**

49. SEGMENT INFORMATION

The Bank considers the nature of business as the primary segment, and geographical areas as the secondary segment. The business activities of the Bank and its Subsidiaries and its geographical locations are as follows:

Name of Company 2008	Name of Company 2007	Nature of Business	Geographical Location
- Parent	- Parent		
PT Bank Mandiri (Persero) Tbk.	PT Bank Mandiri (Persero) Tbk.	Commercial Banking	Indonesia, Singapore, Hong Kong, Grand Cayman and Timor Leste
- Subsidiaries	- Subsidiaries		
Bank Mandiri (Europe) Limited	Bank Mandiri (Europe) Limited	Commercial Banking	United Kingdom
PT Bank Sinar Harapan Bali	-	Commercial Banking	Indonesia
PT Bank Syariah Mandiri	PT Bank Syariah Mandiri	Syariah Banking	Indonesia
PT Mandiri Sekuritas	PT Mandiri Sekuritas	Securities	Indonesia
PT Bumi Daya Plaza and its subsidiaries	PT Bumi Daya Plaza and its subsidiaries	Others	Indonesia
PT Usaha Gedung Bank Dagang Negara and its subsidiaries	PT Usaha Gedung Bank Dagang Negara and its subsidiaries	Others	Indonesia

Primary Segment Information for the year ended December 31, 2008:

	Banking	Syariah Banking	Securities	Others	Elimination	Consolidated
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

(Expressed in millions of Rupiah, unless otherwise stated)

49. SEGMENT INFORMATION (continued)

Primary Segment Information for the year ended December 31, 2008 (continued):

	Banking	Syariah Banking	Securities	Others	Elimination	Consolidated
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%	4.71%	0.65%	0.09%		

Secondary Segment Information for the year ended December 31, 2008:

	Indonesia	Asia	West Europe	Pacific (Cayman)	Elimination	Consolidated
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	31,399,118	347,319	231,549	141,377	(182,694)	31,936,669
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	23,063,276	330,917	171,911	461,971	(1,848)	24,026,227
Income from operations	8,335,842	16,402	59,638	(320,594)	(180,846)	7,910,442
Net income	5,424,121	(9,398)	42,148	117,081	(261,131)	5,312,821
Total assets	348,109,840	5,060,951	3,397,760	5,390,077	(3,519,950)	358,438,678
Total assets (as a percentage of total consolidated assets prior to elimination)	96.17%	1.40%	0.94%	1.49%		

Primary Segment Information for the year ended December 31, 2007:

	Banking	Syariah Banking	Securities	Others	Elimination	Consolidated
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	25,761,019	1,407,193	436,011	22,061	(320,708)	27,305,576
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	19,523,007	1,239,725	271,858	79,497	(21,428)	21,092,659
Income from operations	6,238,012	167,468	164,153	(57,436)	(299,280)	6,212,917
Net income	4,389,064	115,455	108,391	34,339	(301,025)	4,346,224
Total assets	306,090,346	12,885,378	2,721,589	345,967	(2,957,690)	319,085,590
Total assets (as a percentage of total consolidated assets prior to elimination)	95.05%	4.00%	0.85%	0.11%		

(Expressed in millions of Rupiah, unless otherwise stated)

49. SEGMENT INFORMATION (continued)

Secondary Segment Information for the year ended December 31, 2007:

	Indonesia	Asia	West Europe	Pacific (Cayman)	Elimination	Consolidated
Operating income	26,589,718	298,933	206,341	210,584	-	27,305,576
Inter-segment operating income	320,708	-	-	-	(320,708)	-
Operating income including inter-segment operating income	26,910,426	298,933	206,341	210,584	(320,708)	27,305,576
Operating expenses	20,351,904	184,005	144,040	412,710	-	21,092,659
Inter-segment operating expenses	21,428	-	-	-	(21,428)	-
Operating expenses including inter-segment operating expenses	20,373,332	184,005	144,040	412,710	(21,428)	21,092,659
Income from operations	6,537,094	114,928	62,301	(202,126)	(299,280)	6,212,917
Net income	4,299,212	102,884	44,107	201,046	(301,025)	4,346,224
Total assets	306,354,573	3,658,886	2,654,475	9,375,346	(2,957,690)	319,085,590
Total assets (as a percentage of total consolidated assets prior to elimination)	95.13%	1.14%	0.82%	2.91%		

50. CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) is the ratio of the Bank's capital over its Risk-Weighted Assets (RWA). Under Bank Indonesia regulations, total capital includes core (Tier I) capital and supplementary capital (Tier II) less investments in subsidiaries. To calculate the market risk exposure, the Bank could include the supplementary capital (Tier III). Supplementary capital for taking account of market risk (Tier III) is short-term subordinated loans which meet the criteria as capital components. The CAR of Bank Mandiri (Bank Mandiri only) as of December 31, 2008 and 2007 was 15.72% and 21.11% for CAR with credit risk and 15.66% and 20.75% for CAR with credit risk and market risk, respectively, and calculated as follows:

	2008	2007
Capital:		
Tier I *)	22,182,866	23,194,122
Tier II	7,960,702	7,624,716
Total Tier I and Tier II	30,143,568	30,818,838
Less: Investments in subsidiaries	(2,966,634)	(2,535,000)
Total capital for credit risk (Note 51)	27,176,934	28,283,838
Tier III which allocated to anticipated market risk	-	-
Total capital for credit risk and market risk	27,176,934	28,283,838
Credit RWA	172,833,315	133,960,413
Market RWA	699,652	2,355,524
Total Risk-Weighted Assets for credit and market risk	173,532,967	136,315,937

*) Excludes the impact of deferred tax assets of Rp1,958,650 and Rp700,262 as of December 31, 2008 and 2007 and unrealized losses of available for sale Securities and Government Bonds available for sale of Rp(236,543) and Rp(5,097) as of December 31, 2008 and 2007. On April 30, 2003, Bank Mandiri underwent a quasi-reorganization which accumulated losses of Rp162,874,901 was eliminated against additional paid-in capital/agio.

(Expressed in millions of Rupiah, unless otherwise stated)

50. CAPITAL ADEQUACY RATIO (continued)

	2008	2007
CAR for credit risk	15.72%	21.11%
CAR for credit risk and market risk (Note 55d)	15.66%	20.75%
Minimum CAR	8%	8%

The Bank's minimum capital adequacy ratio on a consolidated basis as of December 31, 2008 after considering market risk is 15.71% and without considering market risk is 15.78%.

51. NET OPEN POSITION

Net Open Position calculation as of December 31, 2008 and 2007 is based on Bank Indonesia's Regulation No. 7/37/PBI/2005 dated September 30, 2005. Based on such regulation, banks are required to maintain aggregate and balance sheet net open position at a maximum of 20% of total capital. In accordance with Bank Indonesia guidelines, the aggregate net open position ratio is the sum of the absolute values of the net difference between assets and liabilities denominated in each foreign currency which are stated in Rupiah plus the net difference of receivables and payables of both commitments and contingencies recorded in the administrative accounts denominated in each foreign currency, which are stated in Rupiah. The Net Open Position for balance sheets is the net difference between total assets and total liabilities in the balance sheets denominated in each foreign currency, which are stated in Rupiah.

The Net Open Position of Bank Mandiri by currency as of December 31, 2008 was as follows:

Currency	Assets	Liabilities	Net Open Position
AGGREGATE (ON & OFF BALANCE SHEET)			
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
Australia Dollar	145,389	124,161	21,228
Great Britain Poundsterling	129,950	37,564	92,386
Others	35,765	6,466	29,299*)
Total			2,687,827
ON-BALANCE SHEET			
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
Australia Dollar	145,019	121,895	23,124
Great Britain Poundsterling	86,938	18,589	68,349
Others	35,765	6,466	29,299*)
Total			919,566
Total Tier I and Tier II Capital less investments in subsidiaries (Note 50)			27,176,934
NOP Ratio (On-Balance Sheet)			3.38%
NOP Ratio (Aggregate) (Note 55e)			9.89%

NOP Ratios as of December 31, 2008 based on the total capital as of November 2008 (unaudited) are as follows:

Total Capital November 2008	28,285,306
NOP Ratio (On-Balance Sheet)	3.25%
NOP Ratio (Aggregate)	9.50%

(Expressed in millions of Rupiah, unless otherwise stated)

51. NET OPEN POSITION (continued)

The Net Open Position of Bank Mandiri by currency as of December 31, 2007 is as follows:

Currency	Assets	Liabilities	Net Open Position
AGGREGATE (ON & OFF BALANCE SHEET)			
United States Dollar	54,175,402	55,037,509	862,107
Euro	1,003,792	929,991	73,801
Hong Kong Dollar	350,233	102,891	247,342
Singapore Dollar	295,974	221,501	74,473
Japanese Yen	227,332	177,165	50,167
Great Britain Poundsterling	161,183	(19,435)	180,618
Australian Dollar	118,508	65,045	53,463
Others	46,460	22,229	31,179*)
Total			1,573,150
ON-BALANCE SHEET			
United States Dollar	48,996,492	49,949,573	(953,081)
Euro	997,020	904,992	92,028
Singapore Dollar	289,937	201,024	88,913
Hong Kong Dollar	239,622	102,891	136,731
Japanese Yen	171,041	134,694	36,347
Great Britain Poundsterling	123,005	12,983	110,022
Australian Dollar	110,137	29,792	80,345
Others	41,713	7,885	33,828*)
Total			374,867
Total Tier I and Tier II Capital less investments in subsidiaries (Note 50)			28,283,838
NOP Ratio (On-Balance Sheet)			1.33%
NOP Ratio (Aggregate)			5.56%

NOP Ratios as of December 31, 2007 based on the total capital as November 2007 (unaudited) are as follows:

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

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

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

Non-performing earning assets to total earning assets ratio for Bank Mandiri only as of December 31, 2008 and 2007 was 2.98% and 4.52%, respectively. The Non-Performing Loan (NPL) ratio (Bank Mandiri only) before being deducted by the allowance for possible losses (gross basis) as of December 31, 2008 and 2007 was 4.69% and 7.33%, respectively (Note 11A.d).

The total allowance for possible losses on earning assets provided by Bank Mandiri compared to the minimum allowance for possible losses on earning assets under the guidelines prescribed by Bank Indonesia as of December 31, 2008 and 2007 were 103.76% and 104.22%, respectively.

The small-scale loans to total loans ratio as of December 31, 2008 and 2007 was 2.66% and 3.31%, respectively.

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

Legal Lending Limit (BMPK) as of December 31, 2008 and 2007 did not exceed the BMPK regulation for related parties and third parties. BMPK is calculated in accordance with Bank Indonesia Regulation - PBI No. 7/3/PBI/2005 dated January 20, 2005 as revised with PBI No. 8/13/PBI/2006 dated October 15, 2006 regarding changes on PBI No. 7/3/PBI/2005 regarding Legal Lending Limit Commercial Bank.

53. CUSTODIAL AND TRUST OPERATIONS

Custodial Operations

Bank Mandiri started rendering custodial services in 1995. The operating license for custodial services was renewed and re-issued based on Bapepam Decision Letter No. KEP.01/PM/Kstd/1999 dated October 4, 1999. Bank Mandiri's Custodial, which is part of the Capital Market Services Department of Bank Mandiri, provides a full range of custodial services such as:

a. Settlement and handling services for script and scriptless trading transactions.
b. Safekeeping and administration of securities and other valuable assets.
c. Corporate action services related to the rights on the securities.
d. Proxy services for its customers' shareholders' meetings and obligation holders' meetings.
e. Generate reports and information regarding customers' securities which is kept and administered by Bank Mandiri's custody.

In order to fulfill the investors needs in investing in various 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 Bonds (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 maximize their investment return by lending their securities to securities companies through intermediary and guarantee of PT Kliring Penjaminan Efek Indonesia.

As of December 31, 2008 and 2007, Bank Mandiri's Custodial Operations has 416 and 370 customers, respectively. The customers are primarily pension funds, insurance companies, banks, institution, securities companies, mutual funds and other institution/legal entity and individual customer with a total portfolio value as of December 31, 2008 of Rp97,801,970, US$425,028,200 (full amount) and JPY1,344,444,444 (full amount) and as of December 31, 2007 of Rp90,072,761, US$439,473,200 (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.

(Expressed in millions of Rupiah, unless otherwise stated)

53. 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 October 27, 1999. The Trustee Services Business (TSB) provides a full range of the following services:

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

As of December 31, 2008, Bank Mandiri as Trustee has 25 trustee customers with the total value of bonds and MTN issued amounted to Rp14,124,400 and as of December 31, 2007 has 37 trustee customers with the total value of bonds and MTN issued amounted to Rp13,686,607 and US$100,000,000 (full amount), respectively. While the sinking fund, escrow account and third party funds managed amounted to Rp378,176 on behalf of 26 customers and Rp448,816 on behalf of 17 customers as of December 31, 2008 and 2007, respectively.

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

54. CHANNELING LOANS

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

	2008	2007
Government:		
Electricity, gas and water	9,130,302	7,602,067
Transportation and communications	4,107,413	3,915,733
Agriculture	1,173,697	1,249,057
Manufacturing	461,571	742,653
Construction	11,273	11,394
Mining	-	12,612
Others	86,988	95,338
	14,971,244	**13,628,854**

Bank Mandiri has been appointed to administer channeling loans in various foreign currencies received by the Government of Indonesia from various bilateral and multilateral financing institutions for financing government projects through BUMN, BUMD, and Pemda, such as, Overseas Economic Cooperation Fund, Protocol France, International Bank for Reconstruction and Development, Asian Development Bank, The Swiss Confederation 30.09.1985, Kreditanstalt Fur Wiederaufbau, Banque Paribas, Nederland Urban Sector Loan & De Nederlanse 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, Sumitomo Corporation.

54. CHANNELING LOANS (continued)

Channeling loans are not recognized 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 loan balance in one year.

55. RISK MANAGEMENT

Bank Mandiri applies independent risk management conducted based on standards of Bank Indonesia's Regulations and best practices applied in international banking industry. Bank Mandiri adopted Enterprise Risk Management (ERM) concept as one of several comprehensive and integrated risk management strategies in line to Bank's business process and operational necessities. ERM implementation will contribute a value added to the Bank and stakeholders, especially related to the implementation of Strategic Business Unit (SBU) Organization and Risk Based Performance.

ERM is a risk management process embedded in the Bank's business process, which means that the risk management is an integrated part of daily business decision making. Using ERM, Bank will establish systematic and comprehensive risk management framework (credit risk, market risk and operational risk) by connecting the capital management and business process with the complete risks faced by the Bank. In addition, ERM also applied consolidated risk management with subsidiaries, which will be implemented gradually to maximize the effectiveness of supervision and the value of the company.

The Bank's risk management framework is based on Bank Indonesia's Regulations regarding the implementation of Risk Management for Commercial Banking No. 5/8/PBI/2003 dated May 19, 2003 and Circular Letter No. 5/21/DPNP dated September 29, 2003 regarding implementation of Risk Management for Commercial Banks. The framework is stated in the Bank Mandiri Risk Management Policy (KMRBM) revised to be in line with the gradually implementation plan of Basel II Accord in Indonesia. In the risk management framework several policies are established so that the risk management will be functioned as business enabler that leads to the business grows within the prudential banking corridor with ideal risk management performance (identification - measurement - mitigation - monitoring) at all organization levels.

Active observation of Directors and Commissioners to Bank's risk management activities, is implemented through the establishment of Risk and Capital Committee (RCC) and Risk Monitoring Committee. RCC is responsible for the establishment of policy and strategy risk faced by the Bank 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 & Liability, Subsidiaries and capital management. RCC consists of four sub committees, which are: Asset & Liability Committee, Risk Management Committee, Capital & Investment Committee and Operational Risk Committee.

Risk Monitoring Committee is responsible to analyze and to evaluate the policies and implementation of Bank's risk management and to provide inputs and recommendations to Board of Commissioners for decision making.

The Risk Management Directorate is directed by a Director who reports to the Board of Directors and becomes a voting member in the Risk and Capital Committee. Bank has also established Risk Management Business Unit under Risk Management Directorate.

In operational activities, Risk Management Directorate is divided into 2 (two) main functions: 1) Credit Approval as a part of the four-eye principle, and 2) Independent Risk Management which is divided into two groups which are Credit Risk Policy Group related to credit risk and portfolio risk, and Market Operational Risk Group related to operational risk, market risk and liquidity risk.

55. RISK MANAGEMENT (continued)

Risk Management Directorate together with other business unit are responsible in maintaining or coordinating all risks which are 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 quarterly risk profile report to portrait all risks embedded in Bank's business activities, including consolidation with subsidiaries' risk.

Credit Risk

The Bank's credit risk management is mainly directed to improve the balance of the performing loans expansion and prudential loans monotoring in order to prevent asset impairment or to become Non Performing Loan (NPL) and to optimize capital utilization allocated for optimal Risk Adjusted Return On Capital (RAROC).

To support this matter, Bank has established written policies and procedures which includes the Bank Mandiri Risk Management Policy (KMRBM), Bank Mandiri Credit Policy (KPBM), Credit Standard Procedures (SPK) for each business segment, and temporary Memorandum Credit Policy and Procedures which regulated the policies and procedures which have not been accommodated in KPBM and SPK. The four policies and procedures purpose are to provide a comprehensive loan risk management manual related to credit risk identification, measurement and mitigation of risks in loan granting process from target market, credit analysis, approval, documentation, loan disbursement, monitoring/supervising, also problem loan settlement/loan restructuring.

In order to ensure prudential loan granting process, Bank reviews and improves credit policies and procedures periodically to fit with current business development. In alignment with the Strategic Business Unit (SBU) implementation, the Bank prepared Credit Standard Procedures (SPK) for each business segment in order to have better focus in capturing business need by each business segment.

In principles, credit risk management is implemented on both transactional and portfolio level. On transactional level, the Bank has implemented four-eye principle whereby every loan approval will involve Business Unit and Credit Risk Management Unit independently to obtain an objective decision. Four-eye principle process is conducted by the Credit Committee within the authority limit and loan approval process is conducted through the Credit Committee meeting process. The holder of Loan Approval Authorization as Credit Committee member has high competence, abilities and integrity. Therefore, the loan granting process becomes more comprehensive and prudent.

As part of prudential banking practice, the authority holder in giving loan disbursement approval beside using the financial spread sheet and the Loan Analysis Form (NAK) also using Rating Tools like Bank Mandiri Rating System (BMRS) and Scoring Tools Micro Banking Scoring System (MBSS) and Small Medium Enterprise Scoring System (SMESS) to perform more accurate credit risk assessment and interest rate determination with risk based pricing. The Bank has Credit Rating and Credit Scoring Model, Design and Development Guidance which is a complete guidance for the Bank to create credit rating and credit scoring model. Bank has also developed Rating System for the Financial Institution - Bank which is Bank Mandiri Financial Institution Rating (BMFIR), so that Bank can identify and measure the level risk of Counterparty Bank which can be tolerated in providing Credit Line facility. Furthermore, Bank has also developed scoring model for SME segment focusing on potential debtor using EBITDA approach.

55. RISK MANAGEMENT (continued)

Credit Risk (continued)

To monitor the performance of credit rating and credit scoring model, the scoring and rating result performed by Business Units is reviewed periodically. Continuously monitored performance model is developed by reviewing model rating using validation methodology approach. The reviews are performed to minimize analysis error in credit risk measurement, especially in determining both Probality of Default value and debtor's rating. As monitoring, rating & scoring managed in the database, the Bank produced Credit Scoring Review and Rating Outlook issued quarterly and semi annually. Those reports also stated information regarding attribute/parameter scoring and rating arranged by economic sectors. It is valuable for Business Unit especially as guidance in establishing targeted customer with performing classification in order to support prudential loan expansion.

To increase the Turn Around Time of loan granting, the Bank has performed initiatives such as enhancement of Loan Origination System (LOS) for Corporate Banking into Integrated Loan Process (ILP) which covered; Origination System, Spreadsheet financial data, Rating System, Loan Analysis Form, Loan Monitoring System, and Wacth List Checking. Beside, Bank has also improved Loan Analysis Form (Credit Memo) for Corporate, Commercial, Small Business, Financial Institution and Overseas Office that are more oriented with comprehensive risk analysis in order to support quick and accurate prudential banking credit decision. To monitor loans granted to debtors, in order to prevent non-performing loans, the Bank has developed and implemented Loan Monitoring System and Watch List (Early Warning Analysis) process for performing debtors to identify potential debtors to be downgraded to non performing loans. In the global crisis condition, Bank has leverage the parameter sensitivity watch list tool by emphasizing on parameters related to the current crisis. Therefore, Management could decide the account strategies and early actions to minimize the Bank's NPL growth.

Non-performing loans are managed by special unit (Credit Recovery Group) so that the settlements are managed more focus and faster and Business Units could focus on managing the current debtors and loan expansion.

At the portfolio level the Bank has Portfolio Guideline (PG) which can be used to direct the loan expansion to achieve optimum portfolio composition based on economic, industry, business segment and product sectors. Optimum portfolio allocation prevents the Bank from taking risk over the Bank's risk appetite. PG reflects attractiveness of an economic/industry/business segment sectors (supply & demand, industry structure, profitability and regulation) and the Bank's expertise in the related sector and diversification factor. Bank has determined tolerable portfolio limit for each industry to be monitored periodically (monthly).

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

Portfolio analysis is performed periodically (monthly and semi annually) in order to monitor the changes in economic and sector (industrial) variables which influence the optimum allocation and to make the anticipative actions both tactical and strategic (portfolio rebalancing).

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

55. RISK MANAGEMENT (continued)

Market and Liquidity Risk

a. Liquidity Risk Management

Liquidity represents the Bank ability to meet all financial liabilities as they come due in normal condition. Bank's liquidity is influenced by the funding structure, asset liquidity, liabilities to the counterparty and loans commitment to the debtors. Liquidity risk is caused by the inability of the Bank to provide liquidity at normal price that effects the profitability and Bank's capital. To mitigate potential liquidity risk, the Bank manages its liquidity risk in order to be able to meet any financial obligation as it comes due, and to maintain an optimum level of liquidity. These objectives are achieved by setting and implementing a liquidity risk management policy that designates an optimum liquidity reserve, measures and sets limits for liquidity risk, outlines scenario analyses and contingency plan, and designs a funding strategy as well as preserves access to the market.

The liquidity level of the Bank is measured through primary reserve and secondary reserve levels. Primary reserves consist of cash in branches and the Minimum Reserve Requirements (Giro Wajib Minimum, or GWM) that held at Bank Indonesia, Bank Indonesia arranged GWM, PBI No. 10/19/PBI/2008 on October 14, 2008 about the Minimum Reserve Requirements for Bank Indonesia for and foreign currency as have been amended with PBI. No. 10/25/PBI/2008 on October 23, 2008, the Bank is required to maintain a daily GWM at a minimum of 5% of third party Rupiah funds and at a minimum of 1% of third party foreign currency funds. As of December 31, 2008, Bank Mandiri maintained a GWM of 5.47% for Rupiah and 1.04% for foreign currency.

Secondary reserves may be in the form of central bank certificates (*Sertifikat Bank Indonesia*, or SBI), Bank Indonesia deposits facility or FASBI, interbank placements and marketable securities (trading and available-for-sale portfolios). As of December 31, 2008, the Bank held Rp53,956,512 in secondary reserves or 19.32% of its Rp279,334,563 (unaudited) in third party funds.

The Bank's potential liquidity risk is assessed and monitored through 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.

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

According to the contingency funding plan, Bank may source its funding needs through different funding channels available other than third party funding. These may include repurchase agreement, bilateral funding, collateralised facility agreement, foreign exchange swap, and selling marketable securities such as government bond.

b. Interest Rate Risk Management

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

The Bank manages its interest rate risk through the use of repricing gap analysis, duration gap analysis and simulation. To describe the amount of the interest rate risk exposure, the Bank used re-pricing gap approach, whilst to measure the revenue sensitivity (NII Sensitivity) and Economic Value of

55. RISK MANAGEMENT (continued)

Market and Liquidity Risk (continued)

b. Interest Rate Risk Management (continued)

Equity, EVE) in effect of interest rate change, the Bank performed simulation with interest rate shock (increase/decrease) scenario.

The Bank measured NII (Net Interest Income) and economic value of equity by assuming a gradual parallel shift (ramp) up and down in the term structure of interest rate amounting to 100 basis points (bps). The sensitivity analysis result showed that a gradual parallel shift in the term structure of interest rate by 100 bps Rupiah and Foreign Currency will potentially decreased the next 12 months targeted NII amounting to 0.94% (unaudited) and decreased the EVE by 1.45% (unaudited) from Equity. In addition to sensitivity analysis, the Bank also uses statistical approach to assess the impact of interest rate volatility on earning (Earning at Risk, EaR) and equity (Capital at Risk, CaR). As of December 31, 2008, the Banks record a 1.66% (unaudited) and 2.33% (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.

As an early warning indicator of interest rate risk, the Bank applies a set of monitoring tools called Interest Rate Risk Red Flags, which consist of Repricing Gap, NII Sensitivity and Economic Value of Equity Sensitivity, Earning at Risk and Capital at Risk. The Bank monitors and manages its interest rate risk by establishing limits on interest rate risk indicators. Breach of the limits will be mitigated through assets-liabilities restructuring or hedging strategies. To certain degree, Bank uses derivative instruments to hedge its exposure to interest rate change, mostly in the form of interest rate swaps and forward rate agreements.

c. Pricing Management

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

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

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

d. Market Risk Management

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

The development of financial products was utilized by the Treasury Group to increase the fee based income through derivative and Structured Product transactions, the Bank has implemented new system Summit since December 2008 to simplify comprehensive and integrated risk management.

55. 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 of December 31, 2008 was Rp60,01 billion, therefore the CAR which has considered market risk and credit risk is 15.66% (Note 50).

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

e. Foreign Exchange Risk Management

The Bank measures and manages the structural foreign exchange risk to know the impact of the exchange rate movement on the Bank's revenue and capital. The Bank's foreign exchange position are 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, 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 in all foreign currencies for on balance sheet and aggregate to be no more than 20% of the Bank's (Tier I and Tier II). For prudential principles, the Bank has established internal limit to be no more than 10% of the capital. As of December 31, 2008, the Bank's NOP aggregate (absolute) was 9.89% from the capital (Note 51).

Operational Risk

Bank performs operational risk management proactively to protect importance of debtors, lessening loss potency, improving Bank image and assisting attainment of business unit goals. Management realized that operational risk can result into big loss either through financial and non - financial. Therefore operational risk preventive action is one of the Bank priority. In the framework of risk management of Bank, the definition of operational risk which is being used is risk caused by insufficient and/or not functioning internal process, human error, system failure, or the existence of external factor influencing Bank operations.

To anticipate the Standard of Basel II and the issuance of Bank Indonesia regulation concerning requirement of capital for Operational Risk, Bank has conducted simulation to calculate the required capital based on Basic Indicator Approach and this matter will be followed up with the consolidation of certain subsidiaries including new acquisition in the year 2008.

Implementation of Operational Risk Management with international standard will support attainment of Bank goals to become Regional Champion Bank and improve ability on operational risk management with International Best Practice. Bank has also finished cooperation contract with Risk Advisory Service ABN Amro Bank. With the cooperation the Bank can improve competency on operational risk management and also implement up to date systems and procedures to minimize the occurrence of operational loss calculate capital reserve for efficient operational risk and also improve the service image of the Bank.

55. RISK MANAGEMENT (continued)

Operational Risk (continued)

From the policy aspect and to strengthen risk governance for operational risk, Bank has conducted review and renewed the policy concerning Operational Risk Management in the form of Standard Guidance of Operational Risk Management. To conduct risk mitigation at the Bank level as a whole, an Operational Risk Committee has been formed to manage operational risk at the corporate so that critical problems can be immediately solved and settled.

One of the important components to prevent operational risk is the existence of Bank's Officers who are competent in risk management discipline. For that, Bank sends the Officers to enhance operational risk management practice and knowledge through good training locally and overseas, and also benchmarking with banks at Regional level and overseas correspondent banks.

Bank is in the process of implementing the operational risk management process through all business units in head office, regional offices and subsidiaries in financial industry and overseas offices. Socialization was conducted in order to implement the process as an awareness tools and technical implementation explanation to Business Unit in Regional and Head Office.

The Bank has several tools in preventing risks and mitigating loss:

- Mandiri Loss Event Database (MLED) is the tools used in documenting previous losses from operational risk. MLED is useful in providing the Bank's operational loss (including cause factors), learning media of mitigating future risks and supporting the operational risk identification process (as one of the supporting data in RCSA tools).

- Key Risk Indicator (KRI) is the tools for monitoring changes in operational risk parameter changes. Through KRI monitoring, Business Units can identify process with potential losses (as early warning signal).

- Risk & Control Self Assessment (RCSA) are the tools for risk potential assessment and control quality performed independently by each business units. By using RCSA, business units can identify, assess existing risk and make risk mitigation plan and be able to increase risk awareness of Bank.

- New Product & Activity is the process in anticipating and managing the risk inherent with a new product or business activity prior to the launching of such new product and activity. Risk process evaluation (PAB) is performed by initiator of launching of product and other related business units. With PAB Process activity, the Bank is able to make mitigation risk plan on the product and new activity.

Business Continuity Planning (BCP) is the tools that require the Bank to generate/has comprehensive plan containing actions to be taken before, during and after a documented emergency event, tested to ensure the Bank's operational going concern in the form of Business Continuity Plan (BCP) Policy. As implementation of BCP, each Business Unit is required to have Disaster Recovery Plan (DRP) so that in the extreme events such as earth quake, in a short time the Bank can operate to serve the customers.

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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

On July 21, 2001, Bank Mandiri entered into an agreement with PT Silverlake Informatikama for the procurement of software and installation services for a total integrated banking system which is called eMAS (Enterprise Mandiri Advanced System), for a total contract value of US$43,213,658 (full amount) excluding 10% VAT. Additional projects have been contracted involving a value of US$18,606,562 (full amount) on April 23, 2002, US$420,000 (full amount) on August 28, 2003, US$922,131.10 (full amount) on April 12, 2004, US$40,000 (full amount) on July 4, 2005 and US$40,000 (full amount) on March 30, 2007. Payment realized until December 31, 2008 amounting to US$65,882,961.68 (full amount) (after VAT) was recorded as construction in progress amounting to US$2,480,337.35 (full amount) and as premises and equipment amounting to US$63,402,624.32 (full amount). The estimated percentage of completion of the contract as of December 31, 2008 is 96.24%.

On August 1, 2006, the Bank entered into an agreement to enhance the eMAS feature with Silverlake Corporation for a total contract value of US$2,934,352.08 (full amount) (after VAT 10%). The payments realization until December 31, 2008 amounting to US$1,816,851.98 (full amount) (after VAT 10%) was recorded as construction in progress amounting to US$627,925.32 (full amount) and for premises and equipment to US$1,361,685.62 (full amount). The estimated percentage of completion as of December 31, 2008 was 74.95%.

On January 17, 2008, the Bank entered into an agreement to enhance the eMAS feature with Silverlake Corporation for a total contract value of US$871,200 (full amount) (after VAT 10%). The payments realization until December 31, 2008 amounting to US$168,933.60 (full amount) was recorded as construction in progress amounting to US$527,472.00 (full amount). The estimated percentage of completion as of December 31, 2008 was 29.82%.

b. Agreement with PT Sunprima Nusantara Pembiayaan (SNP)

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

1. Bank Mandiri has an option to purchase 20% shareholder of SNP if Bank Mandiri disburses a financing facility to SNP and/or its consumers, either directly or indirectly, for up to Rp1,000,000,000,000 (full amount) or effectively 4 (four) years after the signing date of such agreement dated December 16, 2004 that is on December 16, 2008, whichever is earlier.
2. Bank Mandiri has an option to purchase SNP's shares up to 51% after execution of 20% shareholder option right until December 16, 2009.

The agreement was notarized under Deed No. 37 by notary N.M. Dipo Nusantara PUA UPA, S.H., dated December 16, 2004. Addendum 1 was reported to the notary, Harun Kamil, in Jakarta dated March 28, 2006 No. 001/WAR/N/III/06, whilst Addendum 2 - Deed No. 3 by N.M. Dipo Nusantara PUA UPA, S.H., dated April 11, 2007.

On December 15, 2008, Bank Mandiri has conducted the Termination of Joint Agreement with PT Sunprima Nusantara Pembiayaan (SNP) as per the notarial deed of N.M. Dipo Nusantara PUA UPA, S.H. No. 37 dated December 16, 2004 and all the addendums. Therefore, Bank Mandiri's option to purchase SNP's shares up to 51% after executing 20% SNP shares option was cancelled.

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

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

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Legal Matters

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

After sending admonition, because the request of customer to liquidate its current account and deposit has not been fulfilled due to absence of approval from IBRA, on June 7, 2006, the customer filed a lawsuit against the Bank as first defendant and the Minister of Finance as second defendant at South Jakarta High Court.

Minister of Finance RI in his letter dated August 27, 2008 and August 28, 2008 has asked Bank Mandiri to liquidate customer's current account and deposit on customer behalf because these represent loan collateral, since the purchase and sale agreement of the customer's receivables with current account and deposit as collateral, have been cancelled. Based on the cancellation of the agreement, the current account and deposit as collateral become the Government's right to be accounted with the customer's loan. Liquidation of the funds have been executed and placed in Minister of Finance account.

On October 23, 2008, Bank Mandiri received notification about the cassation decision of the Supreme Court related to customer's cassation plea submission which in principle decided that current account and deposit under Bank Mandiri are owned by the customer and instructed Bank Mandiri to liquidate the current account, deposit and its interest to the customer.

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

The customer request is related to the foreign exchange transaction conducted by the customer through Bank Mandiri, whereby based on the court verdict, it is determined that the accused and the defendant is the customer's employee/official. The litigation process is still conducted in Central Jakarta District Court with the defendant is the customer's employee/official.

In this matter, Bank Mandiri is of the opinion that the Bank does not have the obligation to fulfill the customer's request and decides not to pay the customer, since none of Bank Mandiri's employees/officials have been named as the accused/defendant, and there is no court verdict obliging Bank Mandiri to pay the customer.

Furthermore, Bank Mandiri is of the opinion that in relation to the content of the above customer's letter, there is no liability that should be acknowledged or adjustment that should be made in the consolidated financial statement of PT Bank Mandiri (Persero) Tbk. and Subsidiaries as of December 31, 2008.

The Bank's total potential exposure arising from outstanding lawsuits as of December 31, 2008 and 2007 amounting to Rp1,277,161 and Rp2,529,424, respectively. As of December 31, 2008 and 2007, Bank Mandiri has provided a provision (included in "Other Liabilities") for a number of outstanding lawsuits involving Bank Mandiri amounting to Rp176,316 and Rp205,742, respectively (Note 28). Management believes that the provision is adequate to cover possible losses arising from pending litigation, or litigation cases currently in progress.

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

e. Value Added Tax (VAT) on Bank Syariah Mandiri Murabahah Transactions

There is a difference in the point of view concerning tax applied on murabahah transaction between the Directorate General Taxes (DGT) Tax Audit Team with Bank Syariah Mandiri (BSM).

The DGT Tax Audit Team concluded that murabahah transaction is Value Added Tax (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 year 2000 article 1A paragraph (1). Related to this matter, the tax office issued an under payment tax assessment letter (SKPKB) No. 00032/207/02/073/04 on December 13, 2004 for the amount of Rp25,542 for the VAT of 2003 tax year pertaining to murabahah transactions conducted by BSM.

Based on Bank Indonesia Regulation No. 9/9/PBI/2007 dated June 18, 2007 regarding the amendment of Bank Indonesia Regulation No. 8/21/PBI/2006 dated October 5, 2006 Concerning Assets Quality Rating For Commercial Banks Conducting Business Based On Syariah Principles, 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).

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

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

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

f. Sale and purchase of Shares Agreement with PT Tunas Financindo Sarana (TFS)

The acquisition of PT Tunas Financindo Sarana (TFS) by Bank Mandiri through the purchase of 51% shares from the total issued and fully paid-up shares in TFS directly from PT Tunas Ridean Tbk. and PT Tunas Mobilindo Parama has been approved by TFS shareholders at the Extraordinary General Shareholders' Meeting dated September 23, 2008 and Bank Mandiri's shareholders at Extraordinary General Shareholders' Meeting dated September 23, 2008. In order to comply with the regulation, Bank Indonesia in its letter No. 11/3/DPB1/TPB1-1 dated January 8, 2009 has approved Bank Mandiri's capital investments in TFS. Related to the acquisition, on February 6, 2009, Bank Mandiri conducted signing of Sale and Purchase of Shares Deed, Shareholders' Agreement, Supporting Function Agreement and Joint Financing Agreement.

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Additional Capital in PT Bank Syariah Mandiri (BSM)

On June 18, 2008, Bank Mandiri made additional capital investment in Bank Syariah Mandiri (BSM) amounting to Rp100,000,000,000 (full amount). This additional capital has already been approved by the Board of Directors through Capital and Investment Committee (C&IC) Meeting, dated October 9, 2007; Commissioners approval vide No. COM/083/2007 concerning Commissioners' Approval on the revision of RKAP 2007 and RBB 2007-2009 which included approval of additional capital investment in BSM and No. COM/008/2008 dated January 22, 2008 concerning Commissioners' Approval of the Execution of Capital Addition to BSM phase I; and Bank Indonesia approval vide No. 10/174/DPB1 dated April 3, 2008 concerning Approval of Capital Addition in PT BSM Phase I.

On December 31, 2008, Bank Mandiri through BSM's Extraordinary General Shareholders' Meeting gave approval to the addition of capital investment in BSM amounting to Rp199,871,000,000 (one hundred ninety nine billion and eight hundred seventy one million rupiah) or totaling to 39,974,200 (thirty nine million nine hundred seventy four thousand and two hundred) shares. Execution mechanisms are as follows:

a. Amounting to Rp99,871,000,000 (ninety nine billion and eight hundred seventy one million rupiahs) is remitted by non cash (inbreng) in the form of land and building owned by Bank Mandiri consisting of 24 (twenty four) units of property and land owned by Bank Mandiri through signing of Inbreng Deed between Bank Mandiri and PT Bank Syariah Mandiri dated December 31, 2008. This matter is in accordance with Bank Indonesia approval vide Letter No. 10/655/DPB1 dated December 31, 2008 concerning Approval of Capital Addition through Property Inbreng Owned by PT Bank Mandiri (Persero) Tbk. to PT Bank Syariah Mandiri.

   Related to this inbreng transaction, revaluation has been conducted to the fixed asset delivered by Bank Mandiri to BSM whereby there is an increment in value of fixed asset which was recognized by Bank Mandiri as Other Operational Income (OOI).

   As mentioned in Notes 2p and 14a, Bank Mandiri has chosen cost model as fixed asset accounting policy. Besides, KSO transactions is transaction with a subsidiary. Based on PSAK No. 4 concerning Consolidated Financial Statements, unrealized profit which resulted from transaction with subsidiaries should be eliminated. The Bank already eliminated Non Operating Income (NOI) and increment in value of fixed assets mentioned above.

b. Amounting to Rp100,000,000,000 (one hundred billion rupiah) fully paid in cash to BSM on January 5, 2009.

   The purpose of additional capital in BSM mentioned above are to:
   - Strengthen the capital structure of BSM as one of Bank Mandiri main subsidiary.
   - Align within the framework of abandoned properties management as described in Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 concerning Asset Quality Rating For Commercial Banks.

   The implementation of the above transaction has been approved by the Directors of Bank Mandiri through Capital and Investment Committee (C&IC) Meeting dated September 4, 2008 for capital addition by cash and Meeting of Directors dated November 10 and 17, 2008 for capital addition by non cash (inbreng). The Board of Commissioners of Bank Mandiri also gave an approval through Letter of Board of Commissioners No. COM/094/2008 dated October 16, 2008 concerning capital addition in BSM by cash and letter No. COM/113/2008 dated November 25, 2008 concerning capital addition by non cash (inbreng). Bank Indonesia also gave an approval through Letter of Bank Indonesia No. 10/656/DPB1 dated December 31 2008 concerning capital addition in BSM by cash and letter No. 10/655/DPB1 dated December 31, 2008 concerning capital addition by non cash (inbreng).

56. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Additional Capital in PT Bank Syariah Mandiri (BSM) (continued)

Referring to Capital Market and Financial Institution Supervisory Board (Bapepam-LK) regulation No. KEP-521/BL/2008 dated December 12, 2008 concerning Affiliated Transaction and Conflict of Interest, for transparency of information, this transaction has already been reported to Bapepam-LK and Indonesia Stock Exchange (BEI) through letter No. KOM/001/2009 dated January 6, 2009.

57. ECONOMIC CONDITIONS

The Indonesian economy which up to 3Q08 experienced significant growth of 6% started to slow down at the beginning of the 4Q08 because the impact of the slow down of global economy started to be felt by the domestic economy. The export sector which at the beginning of year is the catalyst for economic growth, in 4Q08 its growth has also slowed down. In addition, domestic consumption which is the primary contribution of Indonesian economy also experienced a decline. The global financial condition is still in the process of deleveraging which resulted in tightened global liquidity which push investors to change their portfolio including Indonesia. Increase in risk perception at emerging markets increased capital outflow. Capital outflow and decrease in foreign exchange receipt from exports pushes down Rupiah foreign exchange rate.

In the middle of global financial crisis and tightened global financial market, domestic banking fundamentals in 2008 are stable. Banking indicators showed adequate resistance as reflected on the banking ratios such as third party fund absorption, non performing loans (NPL) and capital adequacy ratio (CAR). However, national banking started to be prudent in granting loans in line with the increase in risk in the future due to weakening of the real sector. Decrease in inflation provides a room for Bank Indonesia to decrease Bank Indonesia rate which is expected to decrease deposit interest rate or credit interest rate. This condition will be a good start to strengthens national banking performance in the future.

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. Therefore, it is not possible to determine the impact of future economics condition to Bank Mandiri and its subsidiaries liquidity and earnings, asset realization, effect from customers, debtors, shareholders, and other stakeholders. The effects of this uncertainty on the assets and liabilities reported in the consolidated balance sheets cannot be presently determined. Such effects will be reported in the consolidated financial statements when they are known and can be estimated.

58. GOVERNMENT GUARANTEE FOR THE OBLIGATIONS OF LOCALLY INCORPORATED BANKS

Based on the Decree of the Minister of Finance of the Republic of Indonesia No. 26/KMK.017/1998 dated January 28, 1998, which was replaced by the Decree of the Minister of Finance No. 179/KMK.017/2000 dated May 26, 2000, the Government of the Republic of Indonesia is guaranteeing certain obligations of locally incorporated banks namely demand deposits, savings 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 May 14, 1999, the guarantee period is automatically extended, unless otherwise that within six months from the maturity of this guarantee, IBRA decided not to extend its maturity. In 2001, the Joint Decrees of the Directors of Bank Indonesia and the Head of IBRA were replaced by BI regulation No. 3/7/PBI/2001 and the Decree of the Head of IBRA No. 1035/BPPN/0401.

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

The Head of IBRA issued Decree No. SK-1036/BPPN/0401 in 2001 that provides for specific operational guidance in respect of the Government of the Republic of Indonesia's Guarantee for the obligations of locally incorporated banks.

The Government charges a premium in respect of its guarantee program in accordance with prevailing regulations (Note 43).

Based on the Presidential Decree No. 15/2004 dated February 27, 2004 in relation to the termination of IBRA's duties and its dissolution, and Decree of the Minister of Finance No. 84/KMK.06/2004 dated February 27, 2004, the Government of the Republic of Indonesia established *Unit Pelaksana Penjaminan Pemerintah*, a new institution replacing IBRA, to continue the Government Guarantee Program for Obligations of Locally Incorporated Banks.

Based on the Minister of Finance Decree No. 17/PMK.05/2005 dated March 3, 2005, effective as of April 18, 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 Unit Pelaksana Penjamin Pemerintah (UP3) was ended on September 22, 2005, as stated in Minister of Finance Decree No. 68/PMK.05/2005 dated August 10, 2005 regarding Calculation and Premium Payment for the Government Guarantee Program for the Obligations of Locally Incorporated Banks for the period from July 1 until September 21, 2005. The Government replaced UP3 with an independent institution, Lembaga Penjamin Simpanan (LPS) based on the Republic of Indonesia Decree No. 24 year 2004 dated September 22, 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.

Based on the Lembaga Penjaminan Simpanan Regulation No. 1/PLPS/2006 dated March 9, 2006 regarding the Deposit Guarantee Program, the amounts guaranteed for each of the customer in one bank is a maximum of Rp100 million.

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 billion from Rp100 million, effective on October 13, 2008.

59. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK [GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN INDONESIA ("STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS")] WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The accompanying consolidated financial statements have been prepared in accordance with Indonesian GAAP, which varies in certain significant respects from IFRS. The significant differences relate to the items in the following paragraphs:

a. Allowance for Possible Losses on Earning Assets

Under Indonesian GAAP, the Bank records allowances for possible losses on earning assets using general and specific allowances based on management's estimates and using the guidelines prescribed by Bank Indonesia (BI).

59. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK [GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN INDONESIA ("STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS")] WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

a. Allowance for Possible Losses on Earning Assets (continued)

Under IAS No. 39 - "Financial Instruments: Recognition and Measurement", the Bank calculates allowances for possible losses on earning assets based on the difference between the carrying amount of the impaired earning asset and the net present value of expected future cash flows discounted at the earning asset's original effective interest rate. An earning asset is considered impaired when it becomes probable that the Bank will be unable to collect all amounts due according to contractual terms. In addition, the Bank also recognizes allowances for possible losses on unimpaired loans in accordance with BI minimum provision.

b. Allowance for Possible Losses on Commitments and Contingencies

Under Indonesian GAAP, the Bank records allowances for possible losses on commitments and contingencies using general and specific allowances based on management's estimates and using the guidelines prescribed by BI.

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

c. Premises and Equipment

Prior to 2008, in accordance with PSAK No. 16 (Revised 1994), premises and equipment are stated at cost, except for certain premises and equipment used in operations that were revalued in 1979, 1987 and 2003 in accordance with Government regulations, less accumulated depreciation and amortization. Effective January 1, 2008, in accordance with PSAK No. 16 (Revised 2007), the Bank can choose the cost model or revaluation model as accounting policy for premises and equipment which should be applied consistently for the same category of premises and equipment. In accordance with the transitory provision of PSAK No. 16 (Revised 2007), the Bank is allowed to recognize the revalued amounts of premises and equipment as deemed cost and such cost is the value at the time PSAK No. 16 (Revised 2007) is issued (Note 2p).

For IFRS, the Bank has chosen to adopt the cost method on all premises and equipment, and therefore, presented the premises and equipment at cost less any accumulated depreciation. The Bank did not adopt revaluation value, because of IAS 16 requirement for sufficient regularity on fixed assets revaluation.

Although the Bank has adopted the cost method for reporting in accordance with PSAK No. 16 (Revised 2007) and IAS 16, there are still differences in the recording of acquisition cost in premises and equipment in accordance with PSAK No. 16 and IAS 16 - Fixed Assets because of the transitory paragraph as discussed above.

59. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK [GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN INDONESIA ("STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS")] WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

d. Land Rights

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

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

e. Deferred Income Taxes

The impact on deferred income taxes of the IFRS adjustments has been recognized in accordance with IAS 12 - "Income Taxes". An effective tax rate of 28% has been applied.

f. Reclassification Securities and Government Bond

On December 19, 2008, the Bank reclassified Trading - Government Bonds and Available for Sale (AFS) - Government Bonds to Held to Maturity (HTM) - Government Bonds and Trading - Marketable Securities and Available for Sale (AFS) - Marketable Securities to Held to Maturity (HTM) - Marketable Securities (Notes 6 and 7). The reclassification was permitted based on the letter from Bank Indonesia No. 10/177/DpG/DPNP dated October 9, 2008 on determination of Fair Value and the Government Bonds Reclassification (Surat Utang Negara or SUN).

On October 13, 2008 the International Accounting Standards Board (IASB) published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. The changes to IAS 39 permit an entity to reclassify non-derivative financial assets out of the fair value through profit or loss (FVTPL) and 'available for sale' (AFS categories) to HTM in limited circumstances) and if the entity has changed of intention to reclassify non-derivative financial assets out of the fair value through profit or loss (FVTPL) and 'available for sale' (AFS categories) to HTM.

The Bank believes that the deterioration of world's financial markets that has occurred during the third and fourth quarter of this year is a possible example of rare circumstances. Therefore, the reclassification of Government Bonds and Marketable Securities was permitted for the reporting under IFRS. Furthermore, the Bank has the positive intention and ability to hold the reclassified assets until their maturity.

Since the reclassification of Trading - Government Bonds and AFS - Government Bonds to HTM - Government Bonds and Trading - Marketable Securities and AFS - Marketable Securities to HTM - Marketable Securities were each already in accordance with requirements under BI Regulation and IFRS, there is no accounting difference in the recording of the aforementioned reclassification.

(Expressed in millions of Rupiah, unless otherwise stated)

59. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE BANK [GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN INDONESIA ("STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS")] WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

g. Provision and Loan Commission

Under Indonesian GAAP, income and expenses other than interest which are related to a time period shall be recognized during such period using the straight line method. Income and expenses other than interest which are related to a time period are considered as commissions and provisions from activities related to credits. If such credit or commitment is settled before its time period, the balance of income and expenses shall be recognized at the time of the settlement of the credit or commitment.

Under IAS 39, transaction costs are amortized using effective interest method over the expected life of the loans.

The Bank already identified the impact of the application of requirements under IAS 39 and the Bank believes that the application of effective interest method used for the recorded value of transactions cost during 2008 was immaterial. Furthermore, there was no significant accounting difference on the recording of transaction cost under IndoGAAP and IFRS.

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

The following is a summary of the adjustments to consolidated shareholders' equity as of December 31, 2008 and 2007 and consolidated net income for the years then ended, which would be required if IFRS had been applied by Bank Mandiri instead of Indonesian GAAP in the preparation of its consolidated financial statements.

	December 31, 2008	December 31, 2007
Shareholders' equity as reported in the consolidated financial statements prepared under Indonesian GAAP	**30,513,869**	**29,243,732**
IFRS adjustments - increase/(decrease) due to:		
Allowance for possible losses on earning assets	4,836,513	2,362,038
Allowance for possible losses on commitments and contingencies	266,143	379,847
Accretion of deferred income arising from the purchase of loans from IBRA	-	20,760
De-recognition of revaluation of premises and equipment	(2,668,814)	(2,689,914)
Amortization of land rights	(131,504)	(123,654)
Deferred income taxes	(681,476)	(21,820)
Net increase/(decrease) in reported shareholders' equity	1,620,862	(72,743)
Shareholders' equity in accordance with IFRS	**32,134,731**	**29,170,989**

(Expressed in millions of Rupiah, unless otherwise stated)

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

	For the year ended December 31, 2008	For the year ended December 31, 2007
Net income as reported in the consolidated financial statements prepared under Indonesian GAAP	**5,312,821**	**4,346,224**
IFRS adjustments - increase/(decrease) due to:		
Allowance for possible losses on earning assets	2,474,474	1,934,607
Allowance for possible losses on commitments and contingencies	(113,704)	(2,229)
Accretion of deferred income arising from the purchase of loans from IBRA	-	(17,599)
De-recognition of revaluation of premises and equipment	21,100	26,930
Amortization of land rights	(7,851)	(7,851)
Deferred income taxes	(665,884)	(582,513)
Net increase in reported net income	1,708,135	1,351,345
Net income in accordance with IFRS	**7,020,956**	**5,697,569**
Net earnings per share		
Basic (full amount)	336.33	275,01
Diluted (full amount	335.46	273,09

61. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the December 31, 2007 consolidated financial statements have been reclassified to conform to the presentation of accounts in the December 31, 2008 consolidated financial statements as follows:

Accounts Description	As Previously Reported	Reclassification	As Currently Reported
Demand deposits	67,010,951	(4,704,743)	62,306,208
Savings deposits	85,358,814	4,704,743	90,063,557
Salaries and benefit expenses	(4,082,223)	53,264	(4,028,959)
General and administrative expenses	(3,409,260)	(12,523)	(3,421,783)
Other operating expenses - Others - net	(716,594)	(43,125)	(759,719)
Foreign exchange gain - net	311,461	2,384	313,845

62. SUPPLEMENTARY INFORMATION

List of supplementary information of PT Bank Mandiri (Persero) Tbk. (Parent Company) in Appendix 1-5 is presented for the purpose of additional analysis and is not required part of the basic consolidated financial statement in accordance to General Accepted Accounting Principle in Indonesia.

63. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Bank is responsible for the preparation of these consolidated financial statements which were completed on February 24, 2009.

PT BANK MANDIRI (PERSERO) TBK.
INDEX TO SUPPLEMENTARY INFORMATION
December 31, 2008 and 2007

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY
December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
ASSETS		
Cash	8,063,502	5,707,807
Current Accounts with Bank Indonesia	12,526,144	27,449,153
Current Accounts with Other Banks - net of allowance for possible losses of Rp84,588 and Rp14,383 as of December 31, 2008 and 2007	6,814,854	1,341,924
Placements with Bank Indonesia and Other Banks - net of allowance for possible losses of Rp386,366 and Rp55,903 as of December 31, 2008 and 2007	29,166,762	16,207,791
Securities		
Related parties	-	-
Third parties	21,243,380	26,225,476
	21,243,380	26,225,476
Less: Unamortized discounts, unrealized gains/(losses) from increase/decrease in value of securities and allowance for possible losses	10,497	(1,027,628)
	21,253,877	25,197,848
Government Bonds	87,771,938	89,329,712
Other Receivables - Trade Transactions - net of allowance for possible losses of Rp1,158,049 and Rp839,732 as of December 31, 2008 and 2007	3,493,784	2,011,516
Securities Purchased with Agreements to Resell - net of allowance for possible losses of Rp32,531 and Rp33,600 as of December 31, 2008 and 2007	95,934	2,145,230
Derivative Receivables - net of allowance for possible losses of Rp6,313 and Rp3,800 as of December 31, 2008 and 2007	327,230	336,651
Loans		
Related parties	577,895	651,079
Third parties	158,430,490	126,198,838
Total Loans	159,008,385	126,849,917
Less: Deferred income	(1,334)	(23,472)
Total Loans after Deferred Income	159,007,051	126,826,445
Less: Allowance for possible losses	(11,271,655)	(12,694,900)
Loans - Net	147,735,396	114,131,545
Acceptances Receivable - net of allowance for possible losses of Rp246,008 and Rp69,754 as of December 31, 2008 and 2007	3,596,359	4,953,481
Investments in Shares of Stock - net of allowance for possible losses of Rp1,656 and Rp73,943 as of December 31, 2008 and 2007	2,965,034	2,533,683

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
ASSETS (continued)		
Premises and Equipment - net of accumulated depreciation and amortization of Rp4,125,336 and Rp3,651,045 as of December 31, 2008 and 2007	4,417,162	4,361,764
Deferred Tax Assets - net	6,081,870	4,080,468
Other Assets - net of allowance for possible losses of Rp639,575 and Rp612,638 as of December 31, 2008 and 2007	4,094,419	3,647,297
TOTAL ASSETS	**338,404,265**	**303,435,870**

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities Immediately Payable	549,319	806,874
Deposits from Customers		
Demand deposits		
Related parties	126,801	142,439
Third parties	66,780,948	60,062,324
	66,907,749	60,204,763
Savings deposits		
Related parties	76,145	76,480
Third parties	89,534,573	86,162,963
	89,610,718	86,239,443
Time deposits		
Related parties	381,302	258,078
Third parties	116,666,052	89,100,109
	117,047,354	89,358,187
Total Deposits from Customers	273,565,821	235,802,393
Deposits from Other Banks		
Demand and Saving deposits	3,139,899	1,648,377
Inter-bank call money	7,588	827,617
Time deposits	2,628,843	1,642,110
Total Deposits from Other Banks	5,776,330	4,118,104
Securities Sold with Agreements to Repurchase	885,478	2,507,123
Derivative Payables	150,644	33,279
Acceptances Payable	3,842,367	5,023,235
Securities Issued - net of unamortized discount of RpNil and Rp903 as of December 31, 2008 and 2007, respectively	779,203	3,769,660
Fund Borrowings	8,638,583	8,725,061
Estimated Losses on Commitments and Contingencies	313,889	467,979
Accrued Expenses	641,750	460,206
Taxes Payable	3,140,796	1,219,405
Other Liabilities	6,769,566	8,355,544
Subordinated Loans	2,836,650	2,903,275
TOTAL LIABILITIES	**307,890,396**	**274,192,138**

APPENDIX 1

PT BANK MANDIRI (PERSERO) TBK.
BALANCE SHEETS - PARENT COMPANY ONLY (continued)
December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)		
SHAREHOLDERS' EQUITY		
Share Capital - Rp500 (full amount) par value per share Authorized capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B Issued and fully paid-up capital - 1 share Dwiwarna Series A and 20,905,647,787 common shares Series B as of December 31, 2008 (1 share Dwiwarna Series A and 20,749,551,741 common shares Series B as of December 31, 2007)	10,452,824	10,374,776
Funds for Paid-Up Capital	-	127,593
Additional Paid-in Capital/Agio	6,809,056	6,570,959
Differences Arising from Translation of Foreign Currency Financial Statements	239,625	113,447
Unrealized Losses on Available-for-Sale Securities and Government Bonds - net of deferred tax	(170,310)	(3,568)
Revaluation Increment of Premises and Equipment	-	3,046,936
Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	(50,935)	1,432
Share Options	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-reorganization as April 30, 2003)		
Appropriated	5,680,357	2,611,690
Unappropriated	7,498,787	6,293,147
Total Retained Earnings	13,179,144	8,904,837
TOTAL SHAREHOLDERS' EQUITY	**30,513,869**	**29,243,732**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**338,404,265**	**303,435,870**

APPENDIX 2

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF PROFIT AND LOSS - PARENT COMPANY ONLY
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
INCOME AND EXPENSES FROM OPERATIONS		
Interest Income		
Interest income	24,290,244	21,678,821
Fees and commissions on loan facilities	794,379	654,290
Total Interest Income	25,084,623	23,333,111
Interest Expense		
Interest expense	(10,856,565)	(10,303,692)
Other financing expenses	(165,200)	(142,434)
Total Interest Expense	(11,021,765)	(10,446,126)
NET INTEREST INCOME	**14,062,858**	**11,886,985**
Other Operating Income		
Other fees and commissions	2,946,122	2,093,160
Foreign exchange gains - net	766,995	300,913
Others	617,744	688,921
Total Other Operating Income	4,330,861	3,082,994
Provision for Possible Losses on Earning Assets	(2,661,993)	(1,867,235)
Reversal of Estimated Losses on Commitments and Contingencies	222,189	61,307
Reversal of Allowance for Possible Losses - Others	194,439	313,015
Gains/(losses) from Increase/(decrease) in Value of Securities and Government Bonds	3,602	(12,848)
Gains/(Losses) from Sale of Securities and Government Bonds	(55,217)	157,474
Other Operating Expenses		
Salaries and employee benefits	(4,095,663)	(3,658,450)
General and administrative expenses	(3,367,710)	(3,073,505)
Others - net	(880,526)	(714,026)
Total Other Operating Expenses	(8,343,899)	(7,445,981)
INCOME FROM OPERATIONS	**7,752,840**	**6,175,711**
Non-operating Income - Net	174,476	23,147
INCOME BEFORE TAX BENEFIT/(EXPENSE)	**7,927,316**	**6,198,858**
Tax Benefit (Expense)		
Current	(4,551,185)	(2,552,750)
Deferred	1,936,690	700,116
Tax expense - net	(2,614,690)	(1,852,634)
NET INCOME	**5,312,821**	**4,346,224**

APPENDIX 3

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-up Capital	Funds for Paid-up Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of deferred tax	Revaluation Increment of Premises and Equipment	Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	Share Options	Retained Earnings *) Appropriated	Retained Earnings *) Unappropriated	Retained Earnings *) Total	Total Shareholders' Equity
Balance as of December 31, 2006	**10,315,609**	**-**	**6,433,948**	**86,867**	**229,572**	**3,046,936**	**9,318**	**105,330**	**2,575,369**	**3,537,721**	**6,113,090**	**26,340,670**
General reserve allocated from 2006 net income	-	-	-	-	-	-	-	-	36,321	(36,321)	-	-
Dividends allocated from 2006 net income	-	-	-	-	-	-	-	-	-	(1,452,843)	(1,452,843)	(1,452,843)
Tantiem, cooperative development fund program and community development reserve allocated from 2006 net income	-	-	-	-	-	-	-	-	-	(101,634)	(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 currency financial statements	-	-	-	26,580	-	-	-	-	-	-	-	26,580
Unrealized losses on available for sale 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 arising from transactions resulting in changes in the equity of subsidiaries	-	-	-	-	-	-	(7,886)	-	-	-	-	(7,886)
Net income for the year ended December 31, 2007	-	-	-	-	-	-	-	-	-	4,346,224	4,346,224	4,346,224
Balance as of December 31, 2007	**10,374,776**	**127,593**	**6,570,959**	**113,447**	**(3,568)**	**3,046,936**	**1,432**	**107,320**	**2,611,690**	**6,293,147**	**8,904,837**	**29,243,732**

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

APPENDIX 3

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY ONLY (continued)
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-up Capital	Funds for Paid-up Capital	Additional Paid-in Capital/Agio	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gains/(Losses) on Available-for-Sale Securities and Government Bonds-net of deferred tax	Revaluation Increment of Premises and Equipment	Difference Arising from Transactions Resulting in Changes in the Equity of Subsidiaries	Share Options	Retained Earnings *) Appropriated	Retained Earnings *) Unappropriated	Retained Earnings *) Total	Total Shareholders' Equity
Balance as of December 31, 2007	**10,374,776**	**127,593**	**6,570,959**	**113,447**	**(3,568)**	**3,046,936**	**1,432**	**107,320**	**2,611,690**	**6,293,147**	**8,904,837**	**29,243,732**
General 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 premises and equipment	-	-	-	-	-	(3,046,936)	-	-	3,046,936	-	3,046,936	-
Differences arising from translation of foreign currency financial statements	-	-	-	126,178	-	-	-	-	-	-	-	126,178
Unrealized losses on available for sale securities and government bonds - net of deferred tax	-	-	-	-	(166,742)	-	-	-	-	-	-	(166,742)
Difference arising from transactions resulting in changes in the equity of subsidiaries	-	-	-	-	-	-	(52,367)	-	-	-	-	(52,367)
Net income for the year ended December 31, 2008	-	-	-	-	-	-	-	-	-	5,312,821	5,312,821	5,312,821
Balance as of December 31, 2008	**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**

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

APPENDIX 4

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Receipts from interest income	23,900,414	21,694,274
Receipts from fees and commissions	3,740,496	2,747,445
Payments of interest expense	(10,675,021)	(10,356,933)
Payments of other financing expenses	(165,200)	(142,434)
Receipts from the sale of Government Bonds - trading portfolio	6,003,599	25,762,599
Acquisition of Government Bonds - trading portfolio	(5,184,940)	(25,549,223)
Foreign exchange gains - net	446,695	327,359
Operating income - others	301,814	433,539
Operating expenses - others	(880,528)	(452,820)
Salaries and employee benefits	(2,934,937)	(2,470,137)
General and administrative expenses	(2,858,731)	(2,536,280)
Non-operating (expenses)/income - others	29,915	(86,529)
Income before changes in operating assets and liabilities	11,723,576	9,370,860
(Increase)/decrease in operating assets:		
Placements with Bank Indonesia and other banks	(12,489,707)	(6,875,186)
Securities and Government Bonds - trading portfolio	3,061,408	(10,161,195)
Other receivables - trade transactions	(2,087,073)	(94,461)
Loans	(32,642,886)	(20,671,839)
Proceeds from collection of earning assets already written-off	2,308,856	1,360,091
Other assets	105,832	(536,985)
Increase/(decrease) in operating liabilities:		
Demand deposits	6,647,888	12,906,350
Saving deposits	2,580,780	28,834,189
Time deposits	26,110,631	(6,940,878)
Inter-bank call money	(823,257)	(1,072,064)
Liabilities immediately payable	(257,555)	235,391
Taxes payable	(2,629,794)	(2,890,345)
Other liabilities	(2,712,363)	1,921,265
Net cash provided by (used in) operating activities	**(1,103,664)**	**5,385,193**
CASH FLOWS FROM INVESTING ACTIVITIES		
Derease in securities - available for sale and held-to-maturity portfolio	708,475	277,996
Decrease in Government Bonds - available for sale and held-to-maturity portfolio	773,241	1,625,841
Decrease/(increase) in investment in shares of stock	(116,438)	44,034
Proceeds from sale of premises and equipment	80,178	3,444
Acquisition of premises and equipment	(532,118)	(247,041)
Increase in securities purchased with agreement to **resell**	2,050,365	(1,728,718)
Net cash provided by (used in) investing activities	**2,963,703**	**(24,444)**

APPENDIX 4

PT BANK MANDIRI (PERSERO) TBK.
STATEMENTS OF CASH FLOWS - PARENT COMPANY ONLY (continued)
Years Ended December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/Increase in securities issued	(2,990,457)	8,843
(Decrease)/Increase in fund borrowings	(223,989)	5,351,914
Decrease in subordinated loans	(98,374)	(1,233,809)
(Decrease)/Increase in securities sold with agreements to repurchase	(1,621,645)	904,070
Payments of dividends, cooperative development fund program, community development program and tantiem	(4,085,450)	(1,554,477)
Execution of shares option	135,697	238,727
Net cash (used in)/provided by financing activities	**(8,884,218)**	**3,715,268**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7,024,179)**	**9,076,017**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,513,267	25,437,250
CASH AND CASH EQUIVALENTS AT END OF YEAR	**27,489,088**	**34,513,267**
Cash and cash equivalents at end of year consist of:		
Cash	8,063,502	5,707,807
Current accounts with Bank Indonesia	12,526,144	27,449,153
Current accounts with other banks	6,899,442	1,356,307
Total Cash and Cash Equivalents	**27,489,088**	**34,513,267**

Supplemental Non-Cash Flow Information
Activities not affecting cash flows:

	2008	2007
Unrealized losses on securities and government bonds available for sale	(166,742)	(233,140)
Unrealized (losses)/gains on securities and government bonds	3,602	(12,848)
Recognition of share options from Management Stock Option Plan (MSOP)	-	(87,034)

PT BANK MANDIRI (PERSERO) TBK. - PARENT COMPANY
QUALITY OF EARNING ASSETS *)
As of December 31, 2008 and 2007
(Expressed in millions of Rupiah, unless otherwise stated)

No.	ACCOUNT	December 31, 2008						December 31, 2007					
		CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL	CURRENT	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL
I	**Related Parties**												
A	**Earning Assets**												
1	Placements with Other Banks	**166,313**	**-**	**-**	**-**	**-**	**166,313**	**167,092**	**-**	**-**	**-**	**-**	**167,092**
2	Securities **)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3	Loans to third parties	**577,895**	**-**	**-**	**-**	**-**	**577,895**	**651,079**	**-**	**-**	**-**	**-**	**651,079**
	a. Small scale business credit (Kredit Usaha Kecil ("KUK"))	-	-	-	-	-	-	-	-	-	-	-	-
	b. Property Loans	1,826	-	-	-	-	1,826	677	-	-	-	-	677
	i. Restructured	-	-	-	-	-	-	-	-	-	-	-	-
	ii. Unrestructured	1,826	-	-	-	-	1,826	677	-	-	-	-	677
	c. Other restructured loans	85,515	-	-	-	-	85,515	219,515	-	-	-	-	219,515
	d. Others	490,554	-	-	-	-	490,554	430,887	-	-	-	-	430,887
4	Investments in Shares of Stock to third parties	**2,966,690**	**-**	**-**	**-**	**-**	**2,966,690**	**2,535,001**	**-**	**-**	**-**	**-**	**2,535,001**
	a. In bank financial institutions	1,995,359	-	-	-	-	1,995,359	1,436,733	-	-	-	-	1,436,733
	b. In non-bank financial institutions	793,227	-	-	-	-	793,227	910,346	-	-	-	-	910,346
	c. Due to loan restructuring	-	-	-	-	-	-	-	-	-	-	-	-
	d. Others	178,104	-	-	-	-	178,104	187,922	-	-	-	-	187,922
5	Other Receivables to third parties	**128,465**	**-**	**-**	**-**	**-**	**128,465**	**-**	**-**	**-**	**-**	**-**	**-**
6	Commitments and Contingencies to third parties	**5,274**	**-**	**-**	**-**	**-**	**5,274**	**5,803**	**-**	**-**	**-**	**-**	**5,803**
B	**NON EARNING ASSETS**												
1	Abandoned properties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Repossessed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3	Interbranch and suspense account	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
II	**Third Parties**												
A	**EARNING ASSETS**												
1	Placements with Other Banks	**36,047,154**	**-**	**-**	**-**	**239,103**	**36,286,257**	**17,452,909**	**-**	**-**	**-**	**-**	**17,452,909**
2	Securities (issued by Bank Indonesia and third parties) **)	**109,051,611**	**-**	**-**	**-**	**5,464**	**109,057,075**	**114,555,599**	**-**	**7,403**	**-**	**1,071,020**	**115,634,022**
3	Loans to third parties	**134,485,879**	**15,412,247**	**975,732**	**492,389**	**7,062,909**	**158,429,156**	**99,702,900**	**15,148,227**	**1,252,029**	**285,999**	**9,786,211**	**126,175,366**
	a. Small scale business credit (Kredit Usaha Kecil ("KUK"))	3,242,110	733,349	28,264	29,723	189,845	4,223,291	3,078,985	809,429	43,782	38,322	231,158	4,201,676
	b. Property Loans	10,158,054	2,411,581	40,742	40,875	363,539	13,014,791	7,792,653	1,948,004	44,345	47,003	1,071,531	10,903,536
	i. Restructured	162,701	814,505	12	-	3,383	980,601	247,889	663,963	5,089	-	28,162	945,103
	ii. Unrestructured	9,995,353	1,597,076	40,730	40,875	360,156	12,034,190	7,544,764	1,284,041	39,256	47,003	1,043,369	9,958,433
	c. Other restructured loans	4,621,420	7,503,847	694,099	279,440	1,986,817	15,085,623	5,001,201	8,550,533	979,789	102,728	4,311,721	18,945,972
	d. Others	116,464,295	4,763,470	212,627	142,351	4,522,708	126,105,451	83,830,061	3,840,261	184,113	97,946	4,171,801	92,124,182
4	Investments in Shares of Stock to third parties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**72,625**	**72,625**
	a. In bank financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
	b. In non-bank financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
	c. Due to loan restructuring	-	-	-	-	-	-	-	-	-	-	72,625	72,625
	d. Others	-	-	-	-	-	-	-	-	-	-	-	-
5	Other Receivables to third parties	**6,816,632**	**681,540**	**29,783**	**-**	**1,299,788**	**8,827,743**	**8,678,182**	**909,725**	**6,941**	**-**	**798,916**	**10,393,764**
6	Commitments and Contingencies to third parties	**24,262,714**	**370,863**	**-**	**24,933**	**32,837**	**24,691,347**	**21,258,626**	**709,154**	**6,783**	**-**	**64,007**	**22,038,570**
B	**NON EARNING ASSETS**												
1	Abandoned properties	**-**	**-**	**253,370**	**-**	**-**	**253,370**	**-**	**-**	**304,845**	**-**	**-**	**304,845**
2	Repossessed Assets	**-**	**-**	**158,922**	**-**	**-**	**158,922**	**-**	**-**	**158,922**	**-**	**-**	**158,922**
3	Interbranch and suspense account	**1,538,730**	**-**	**-**	**-**	**432,154**	**1,970,884**	**1,314,006**	**-**	**-**	**-**	**326,972**	**1,640,978**
	TOTAL	**316,047,357**	**16,464,650**	**1,417,807**	**517,322**	**9,072,255**	**343,519,391**	**266,321,197**	**16,767,106**	**1,736,923**	**285,999**	**12,119,751**	**297,230,976**
	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	1,510,029	1,612,656	152,675	145,423	11,318,044	14,738,827
	Required allowance for possible losses on non-earning assets	-	-	61,844	-	432,154	493,998	-	-	69,565	-	326,972	396,537
	Total required allowance for possible losses on assets	**2,005,844**	**2,828,418**	**276,103**	**374,813**	**8,050,164**	**13,535,342**	**1,510,029**	**1,612,656**	**222,240**	**145,423**	**11,645,016**	**15,135,364**
	Established allowance for possible losses on earning assets	2,077,116	2,828,725	294,025	439,374	7,893,075	13,532,315	1,698,359	1,928,961	156,460	147,505	11,429,171	15,360,456
	Established allowance for possible losses on non-earning assets	-	-	61,844	-	553,170	615,014	-	-	69,948	-	542,690	612,638
	Total established allowance for possible losses on assets	**2,077,116**	**2,828,725**	**355,869**	**439,374**	**8,446,245**	**14,147,329**	**1,698,359**	**1,928,961**	**226,408**	**147,505**	**11,971,861**	**15,973,094**

*) The above financial information is presented in accordance with the following regulations:
a) Bank Indonesia's Regulation No. 3/22/PBI/2001 dated December 13, 2001 regarding "Transparency of Bank's Financial Condition", as amended by Bank Indonesia's Regulation No. 7/50/PBI/2005 dated November 29, 2005.
b) Bank Indonesia's Circular Letter No. 3/30/DPNP dated December 14, 2001 regarding "Presentation of Quarterly and Monthly Published Financial Statements of Commercial Banks and Certain Report Submitted to Bank Indonesia", as amended by Bank Indonesia's Circular Letter No. 7/10/DPNP dated March 31, 2005.
c) Bank Indonesia's Regulation No. 4/7/PBI/2002 dated September 27, 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 posible losses is required for certificates of Bank Indonesia, Intervention BI and Goverment Bond.