BANK MANDIRI

ANNUAL REPORT 2001

Positioning for Growth

We want to be your trusted and preferred bank.

ATMandiri

Mandiri ATM network is one of the largest in Indonesia.

BANK MANDIRI

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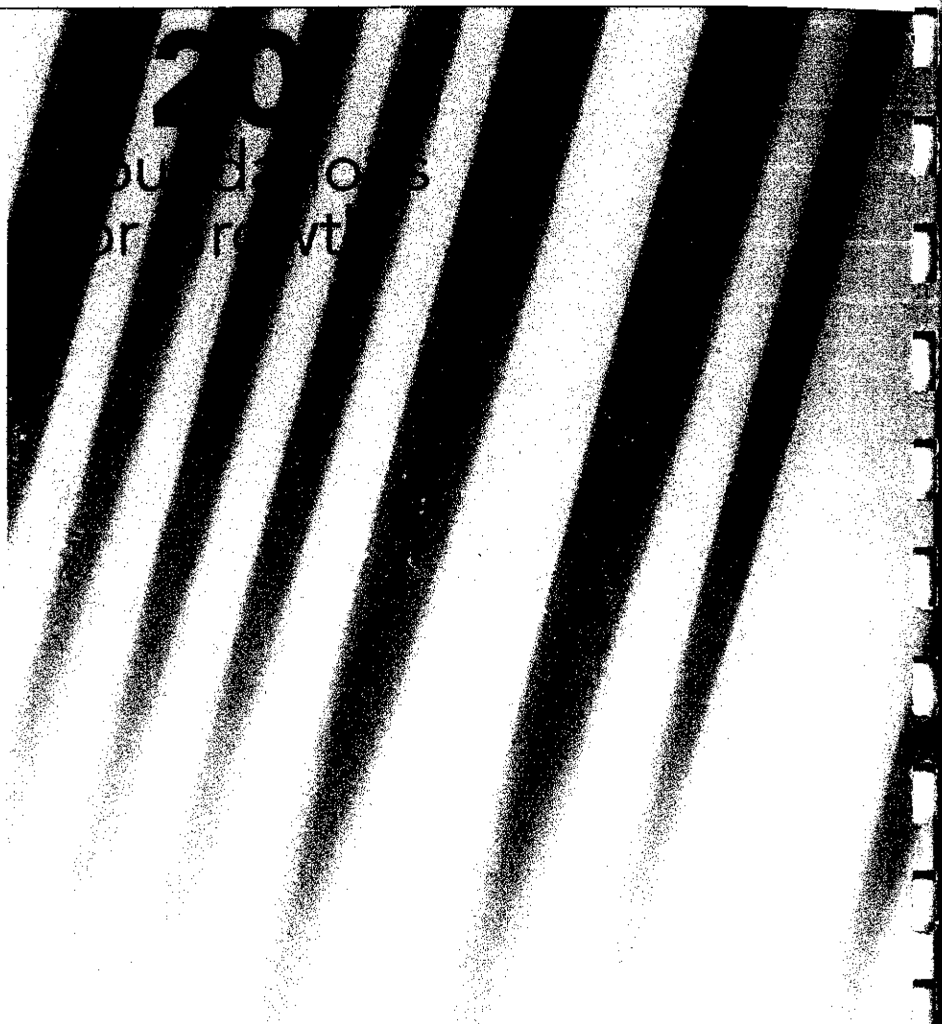

BALANCE SHEET

INCOME STATEMENT

FINANCIAL RATIOS

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Our Vision

THE TRUSTED AND PREFERRED BANK

Our Mission

- TO BE MARKET ORIENTED
- TO ENHANCE PROFESSIONALISM
- TO MAXIMIZE RETURNS TO STAKEHOLDERS
- TO HAVE AN OPEN MANAGEMENT APPROACH
- TO DEMONSTRATE CONCERN FOR THE COMMUNITY AND THE ENVIRONMENT

Bank Mandiri at a Glance

Bank Mandiri is the largest bank in Indonesia in terms of total assets, loans and deposits. It has IDR262.3 trillion (US$25.2 billion) in total assets, representing 23.9% of the total assets of the Indonesian banking system. The Bank offers a broad range of banking products and services to its customers, who range from individuals and small and medium-sized enterprises (SMEs) to large corporations and Government entities.

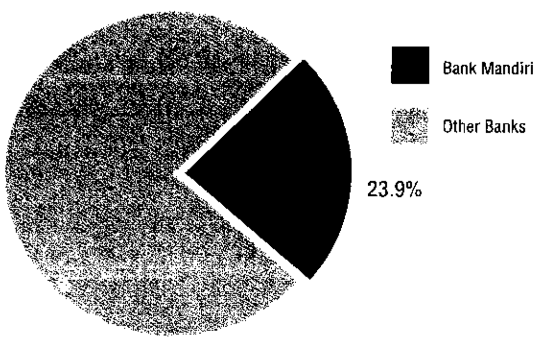
[illegible] was established and acquired ownership of the share capital of four [illegible] banks on October 2, 1998. The four state-owned banks legally [illegible] 1999 and Bank Mandiri commenced commercial operations in August [illegible] serves more than six million customers, which makes it, based on [illegible] one of the largest retail banks in Indonesia. It employs [illegible] 635 branches and cash outlets.

Customers also have access to their accounts through the Bank's network of 1,184 ATMs, part of over 3,000 ATMs which our customers can access through our arrangements with Indonesia's other state-owned banks via the LINK network. Bank Mandiri has one of the largest foreign exchange networks in Indonesia with 315 foreign exchange-licensed branches and four overseas branch offices and one subsidiary.

MARKET SHARE

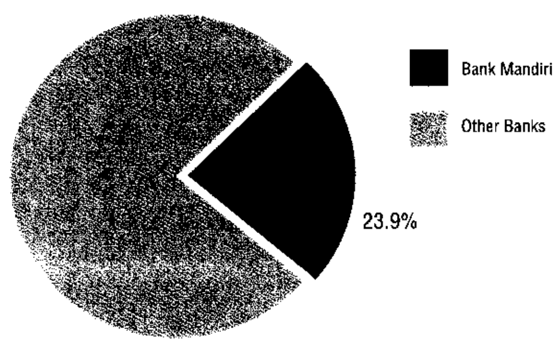
TOTAL ASSETS

(In the Indonesian banking system)
As of December 31, 2001



TOTAL DEPOSITS

(In the Indonesian banking system)
As of December 31, 2001



REORGANIZATION

In August 2001, Bank Mandiri implemented a new organizational structure to achieve its objective to become more market oriented and competitive.

LOAN RESTRUCTURING AND GROWTH

From 1999 to 2001, Bank Mandiri successfully restructured IDR 25.12 trillion of classified loans, which contributed to the reduction in the level of non-performing loans from 19.80% in 2000 to 9.78% in 2001.

In 2001, Bank Mandiri extended a total of IDR12.9 trillion in new loans. Total loan outstanding in 2001 reach IDR48.2 trillion or an increase of 12.0% from 2000. The Bank also acquired IDR2.9 trillion of credits from the Indonesian Bank Restructuring Agency (IBRA). In addition, through its collaboration with Bank Ekspor Indonesia, Bank Mandiri refinanced IDR 2.9 trillion of export credit to Indonesian exporters.

BUSINESS DIVERSIFICATION

In 2001, in order to diversify the Bank's customers and revenue base and improve the funding mix, the Bank aggressively expanded its existing corporate and retail banking franchises. Time deposits, demand deposits and savings deposits, which are the principal source of funding for the Bank, were IDR130.6 trillion, IDR37.5 trillion and IDR22.3 trillion, respectively.

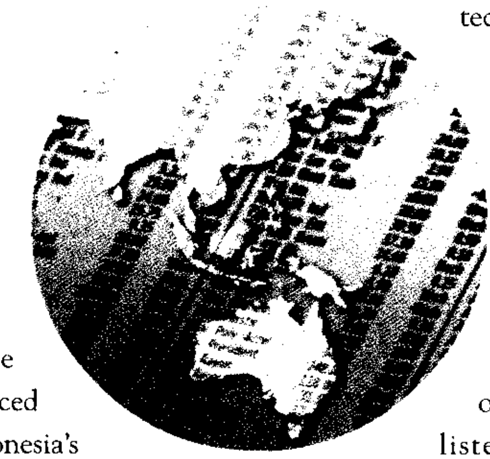
RETAIL BANKING

After completing a comprehensive review of the Bank's retail banking strategy, the Bank implemented measures to introduce value-added services to a larger group of customers.

It introduced *Mandiri Prioritas*, a Priority Banking service for high-end customers, and opened two new priority banking centers. In 2001, Bank Mandiri extended IDR2.2 trillion of new loans to SMEs, which represented a significant segment of the Indonesian economy.

EXPANSION OF DISTRIBUTION NETWORK

Bank Mandiri enhanced its distribution reach by increasing its ATM network from 533 ATMs in 2000 to 1,184 ATMs in 2001. The Bank's distribution network is enhanced through our arrangements with Indonesia's other state-owned banks known as "LINK", resulting a total of over 3,000 ATMs which our customers can access. Bank Mandiri also enhanced branch network to 89 outlets, which brought the total branches and cash outlets as of December 31, 2001 to 635.



INTEGRATION OF TECHNOLOGY PLATFORMS

Bank Mandiri completed the integration of the four legacy banks' technology platforms in March 2001, three months ahead of schedule. The single technology platform creates a unified interface for customers and, increases the efficiency of the Bank's back office processing.

EUROBOND ISSUANCE

In December 2001, Bank Mandiri successfully issued US$125 million of floating rate notes due in 2006, listed on the Hong Kong Stock Exchange. Standard & Poor's for the first time gave a B-rating to the notes issued by an Indonesian state-owned entity, two grades higher than the sovereign rating of the Republic of Indonesia. The issuance also marked the first capital market transaction by an Indonesian state-owned entity since the economic crisis of 1997.

Bank Mandiri received several distinguished awards from the following international institutions for its achievements in Indonesia:

- *Visa International* for the Bank's outstanding performance in the credit card business
- *Global Finance* magazine for the Best Domestic Bank 2001
- *Global Finance* magazine for the Best Trade Finance Bank 2001
- *FinanceAsia* magazine for the Country Award for Achievement 2001
- *The Banker* (London) for Bank of the Year 2001

"Strong Progress"

OVERVIEW

In 2001, the macroeconomic indicators showed signs of weaknesses despite the peaceful transition of national leadership in August 2001. The tragic events of September 11, 2001 that sent shockwaves through the international community accelerated the global economic slowdown, while slowing the pace of Indonesia's economic recovery. In 2001, the Indonesian economy grew by 3.3% as against an initial expectation of 4.5% for the year and as compared to 4.9% growth in 2000. The exchange rate depreciated by 18% from an average of IDR8,405 in 2000 to IDR 10,256 in 2001.

Inflation reached 12.5% in 2001, higher than the Government's target of single digit inflation. While Indonesia maintained a positive trade surplus, it was below the level achieved in 2000. Indonesia's foreign debt continued to be an issue.

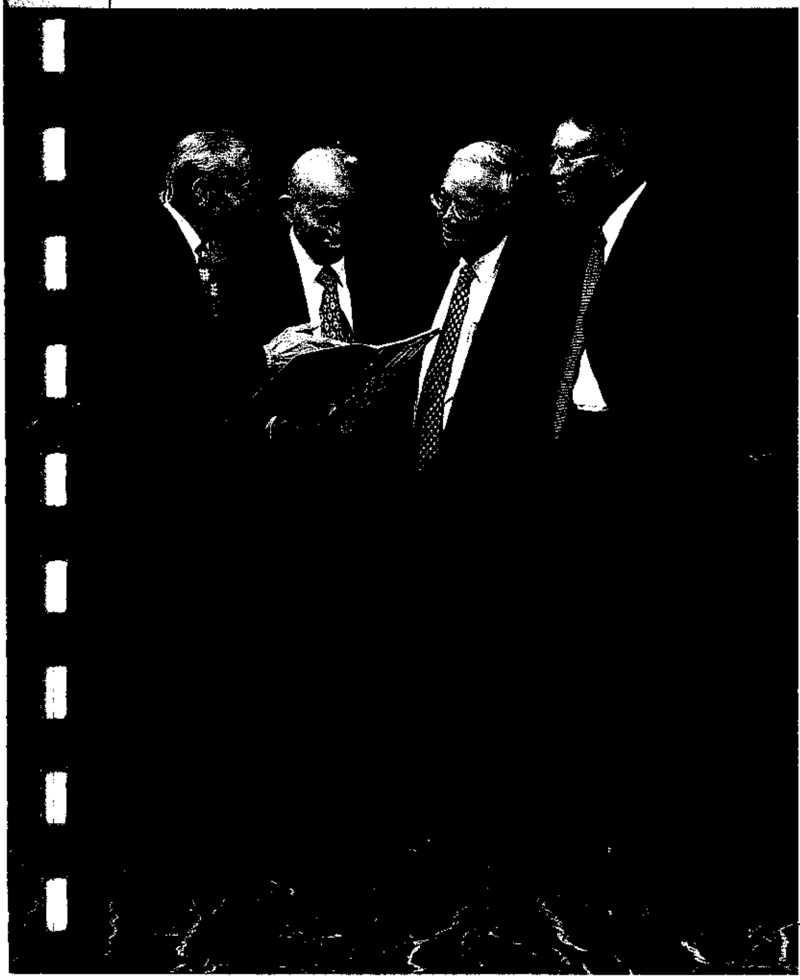
Despite the difficult business environment, the banking industry showed signs of recovery after a series of restructurings and consolidations. Third party funding increased 14.1% to IDR797.4 trillion. Total credits increased by 11.9% to IDR358.6 trillion and total assets increased by 6.7% to IDR1,099.7 trillion, respectively.

PERFORMANCE

Despite these challenging macro conditions, we made significant progress toward fulfilling our vision of becoming Indonesia's trusted and preferred bank. Bank Mandiri is today Indonesia's largest bank in terms of assets, loans and deposits. Assets reached IDR262.3 trillion (US$25.2 billion), representing 23.9% of the total assets of the Indonesian banking system.

In 2001, we undertook major initiatives that strengthened the foundations for growth. These initiatives included consolidating our technology platform, reorganizing our internal structure, undertaking several major retail banking initiatives, preparing for the Bank's privatization and completing the successful issue of US$125 million floating rate notes due in 2006.

From left to right: Sabana Kartasasmita (Commissioner), Binhadi (Chairman), Soedarjono (Commissioner), Markus Parmadi (Commissioner)



I am pleased to note the improvement in our results in 2001.

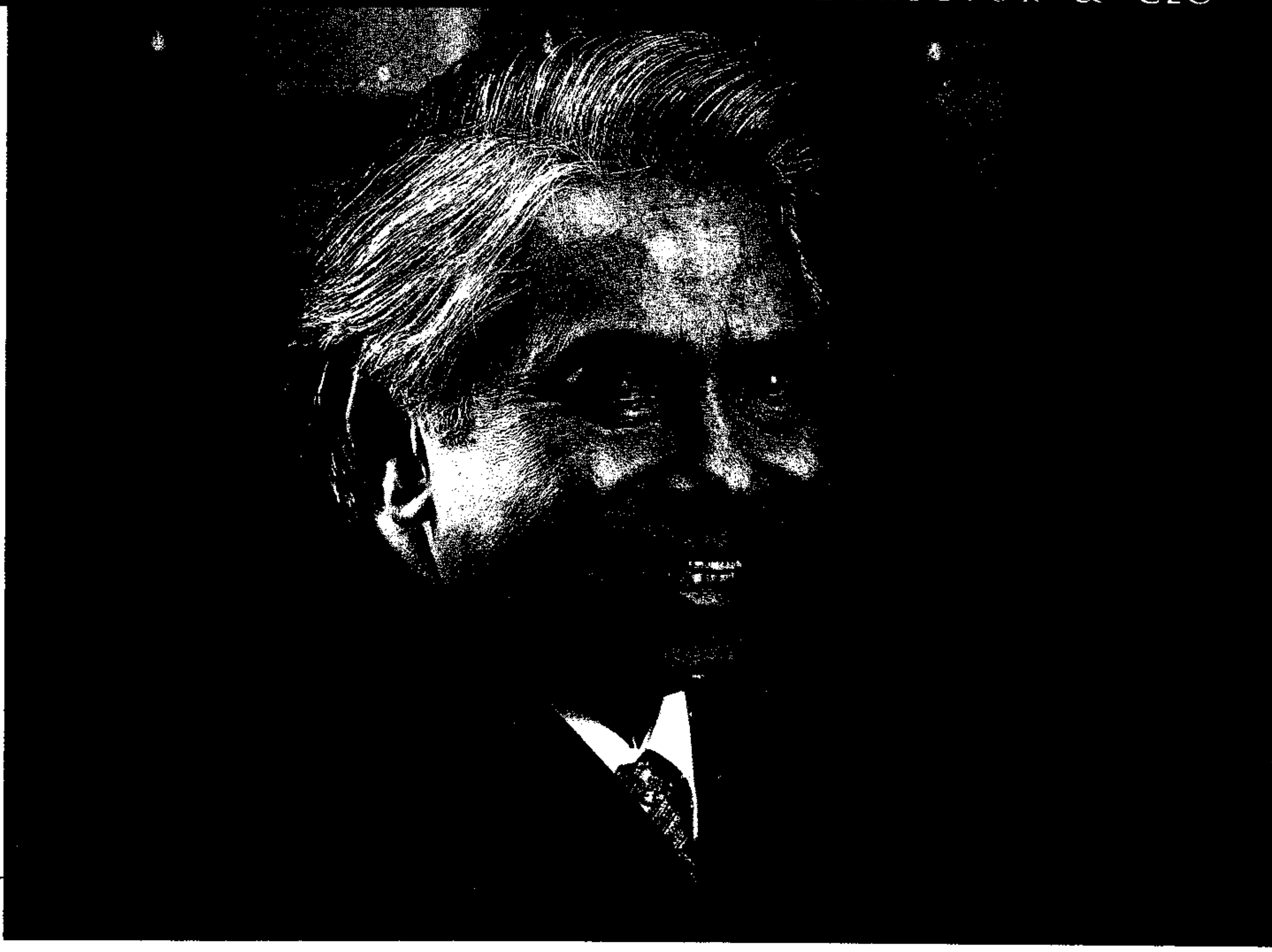
OUTLOOK

In 2002, we will begin implementing our five-year plan to become a universal bank, serving corporate and retail customers. Having laid a solid foundation, one of our priorities is the expansion of our operating platforms. I am confident that our solid foundation, clear and focused business strategy, prudent banking practices and capable management will contribute to fulfilling our objective of becoming the leading bank in Indonesia.

The Board of Commissioners wishes to express their appreciation to E.C.W. Neloe, President Director & CEO of Bank Mandiri, members of the Board of Directors, EVP Coordinators, Senior Managements and all employees at Bank Mandiri for their hard work and commitment, the result of which is the solid performance presented in this report. We especially congratulate all the staff at the Bank for the various awards received in 2001. The Board of Commissioners would also like to thank all parties who have assisted in supporting the growth and enhancing the quality of Bank Mandiri. We look forward to further accomplishments as we work together to make Bank Mandiri the trusted and preferred bank in Indonesia.

Jakarta, May 2002

BINHADI
Chairman



STRATEGIC FOCUS

Bank Mandiri aims to be a fully universal bank, trusted and preferred by a wide range of corporate and retail customers. The key components of our strategy are to:

- Maintain and enhance our corporate banking business;
- Increase market share in commercial and consumer banking;
- Strengthen our risk management processes;
- Enhance the use of technology; and
- Improve our financial strength.

I am pleased to report that, despite a difficult business environment, we have focused on enhancing our operating platform and culture to enable us to compete successfully and grow in a sound and prudent manner.

PERFORMANCE

For the year ended December 31, 2001, Bank Mandiri recorded a net profit of IDR2.7 trillion (US$264 million), an increase of 132.5% from the previous year. Operating income reached IDR8.6 trillion (US$824 million) and operating expenses decreased to IDR4.5 trillion from IDR8.2 trillion in 2000. Return on average assets and return on average equity reached 1.1% and 21.5% respectively. The Bank achieved a capital adequacy ratio of 26.4%; significantly higher than the 8% minimum standard of Bank Indonesia,based on the capital adequacy accord reached by the Basel Committee of the Bank for International Settlements standards in 1988, with some modifications.

Bank Mandiri was awarded, among others, "The Best Domestic Bank Award" by *Global Finance* magazine, and "The Country Award for Achievement 2001" by *FinanceAsia* magazine, in acknowledgement of our strong performance during 2001.

BUSINESS REVIEW

During the year under review, our key priorities were to :

- Consolidate our operating platforms;
- Improve our liquidity;
- Make further progress in credit restructuring; and
- Improve our funding mix.

CONSOLIDATION

Bank Mandiri successfully converted the nine branch information technology systems inherited from the legacy banks into a single system in March 2001, three months ahead of schedule. The Bank also successfully rolled out a new set of standard operating policies and procedures to all our branches and consolidated our asset and liability products. The consolidation enables us to operate more effectively as "one bank".

Having completed the consolidation of our operating platform, we then restructured our organization to support our five-year corporate plan to become a universal bank. The new structure consists of three main functions designed to rationalize operations and improve efficiency: business, distribution, and operations.

To support our business strategy and growth plans in the future, we initiated a three-year program to upgrade our information technology system with a budget for capital expenditure of US$200 million. The program includes significant expansion of our ATM network, the introduction of a customer and loan collection system to support the development of our consumer lending strategy, and introduction of new electronic channels to support our retail banking. As part of our information technology initiatives, we are upgrading our data center to consolidate hardware and implement best practice procedures for systems and operations management to enable us to manage our performance and risks more effectively.

IMPROVING LIQUIDITY

In early 2001, Bank Mandiri was a net borrower from the inter-bank market, resulting in the need to seek alternative external funding. By taking a number of measures to manage our liquidity, we reversed this situation and became a net lender by the third quarter of the year. This success was particularly significant in view of the profits that the Bank delivered during the year.

PROGRESS IN CREDIT RESTRUCTURING

Bank Mandiri made rigorous efforts to continue to restructure our problem loans and recover amounts overdue. In 2001, we collected IDR6.3 trillion (US$605 million) in principals and interest on non-performing loans. The level of non-performing loans at Bank Mandiri was reduced to 9.78% from a high of 70.86% in 1999 and 19.80% in 2000. Additionally, we have a policy of maintaining a conservative provision against non-performing loan exposure, maintaining aggregate loan loss allowances equivalent to 129.4% of total non-performing loans as of December 31, 2001.

"Solid Foundation"

ENHANCING FUNDING MIX

Throughout the year, to broaden our funding base, we launched several extensive consumer banking campaigns, which generated IDR29.8 trillion in new retail funds in 2001. Retail deposits account for 54% of total funds compared to 44% in 2000. We also improved net interest margins to 3.0%, from 2.7% in the previous year.

CORPORATE BANKING

Corporate banking continues to be an important focus for Bank Mandiri. During the year, we continued to provide innovative, value-added products and services to our corporate clients, which comprises of domestic firms in key sectors such as aviation, agri-business, food and beverage, wholesale and retail trade and natural resources. We extended IDR11.6 trillion in new credits to our corporate clients in 2001, an increase of 84.1% from the previous year.

Board of Management
Standing : E.C.W. Neloe (President Director & CEO),
Seated from left to right : I Wayan Pugeg (Managing Director & SEVP), K. Keat Lee (EVP-Coordinator Information & Financial), Omar S. Anwar (EVP-Coordinator Retail Banking), I Wayan Agus Mertayasa (EVP-Coordinator Corporate Secretary and Compliance), Agus Martowardojo (Managing Director & SEVP), I. Supomo (EVP-Coordinator Distribution Network), M. Sholeh Tasripan (EVP-Coordinator Corporate & Government).

RETAIL BANKING

We undertook several notable initiatives during the year to support our aim to expand our retail banking business. These included the introduction of demand deposit and savings account products under the *Mandiri Fiesta Xtraordinary* program, the opening of Priority Banking Centers for high net-worth individuals, increased lending to SMEs, and the launch of a credit card business through a cooperation agreement with GE Finance Indonesia, an affiliate of GE Capital. The Bank was the proud winner of VISA International's "Great Achiever Award" for achieving the fastest growth in the credit card business in Indonesia in 2001.

To better serve our retail customers, we improved our distribution network of branches, cash outlets and ATMs. We currently serve more than six million retail customers through 635 branches and cash outlets and 1,184 ATMs, part of over 3,000 ATMs which our customers can access through our arrangements with Indonesia's other state-owned banks.

During 2001, our subsidiary, Bank Syariah Mandiri expanded its market reach in the specialized segment of offering Islamic banking services by increasing its customer base by 75% to 70,950 customers.

INVESTMENT BANKING

In line with our strategy to grow our fee-based income, in 2001, we offered full investment banking services through our subsidiary, Mandiri Sekuritas. We aim to expand this business through leveraging our significant corporate client base.

During the year, our priorities were to consolidate our operating platforms and address three critical business issues. These were the need to improve liquidity, credit restructuring and funding mix, to ensure that the Bank continues to deliver acceptable levels of profitability.

CORPORATE GOVERNANCE

Since the Bank's establishment three years ago, we have placed high priority on good corporate governance. We are committed to operating on strictly commercial principles including the need to be accountable, transparent and responsive to our stakeholders. Consistent implementation of good corporate governance will contribute to developing and sustaining the best operating procedures and systems for Bank Mandiri.

RISK MANAGEMENT

We believe that conservative risk management policies, procedures and controls are critical for the long-term sustainable development of our business. We are continuing to implement enhanced risk management procedures as part of our drive to meet international best practice standards. In 2001, we undertook a major reorganization to strengthen and make accountable our internal control structure including setting up an independent Risk and Capital Committee and engaging a number of internationally recognized experts on risk management to assist in enhancing the Bank's risk management policies, procedures and controls.

We also applied the "four-eye" principle to each new credit extended, whereby every credit decision is made by two persons, one from a business unit and one from our Risk Management Unit.

EUROBOND ISSUE

In December 2001, Bank Mandiri successfully launched US$125 million floating rate notes (the "Notes") which were listed on the Hong Kong Stock Exchange. Standard & Poor's for the first time since the economic crisis of 1997 gave a B-rating to notes issued by an Indonesian state-owned entity, two grades higher than the sovereign rating of the Republic of Indonesia. The issuance also marked the first capital market transaction by an Indonesian state-owned entity since the economic crisis of 1997. 60% of the Notes were placed to domestic investors and 40% of the Notes were placed to international investors.

OUTLOOK

Our priorities for 2002 are to :

- Increase the scope of our fee-based income activities;
- Expand our SME and consumer loans portfolio;
- Continue to improve our funding mix;
- Prepare for the Bank's initial public offering;
- Increase levels of efficiency and productivity within the Bank;
- Enhance our information technology platform including performance management system capability;
- Continue to improve our non-performing loans and collections efforts;
- Improve our operational risk policies, procedures and controls;
- Improve our human resources policy and framework to foster professionalism among our staff; and
- Continue to offer innovative and value-added products and services to our customers.

These initiatives will be undertaken while abiding by prudent risk management and corporate governance guidelines.

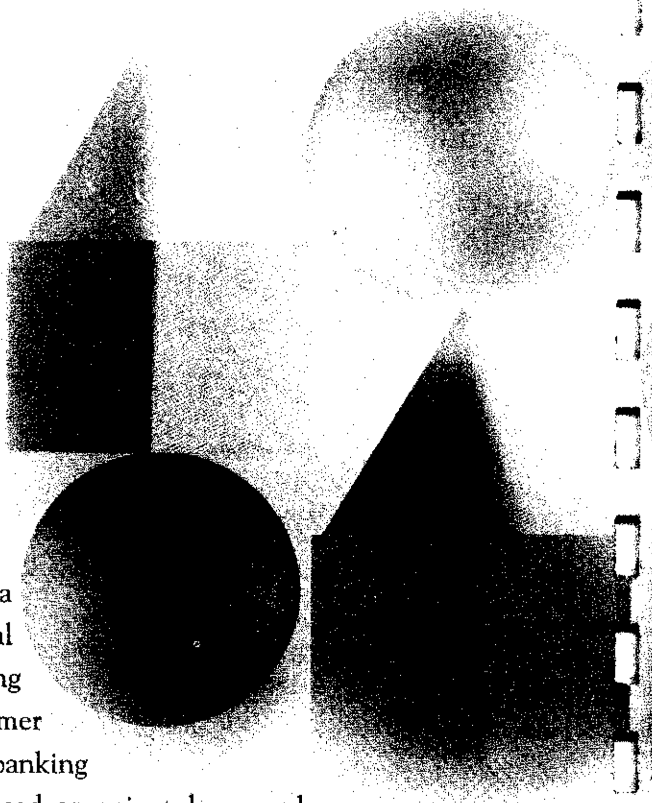
On behalf of the Board of Directors, I would like to express my appreciation to all management and staff of Bank Mandiri for their commitment and hard work in delivering another year of solid results. We will forge ahead on the road to sustained growth and profitability, in line with our vision of being the trusted and preferred bank in Indonesia.

Jakarta, May 2002

E.C.W. NELOE
President Director & CEO

OUR Core Bus

We offer a broad range of banking products and services to our customers through our significant distribution network in Indonesia.



Bank Mandiri, the largest bank in Indonesia in terms of assets, loans and deposits, is gradually evolving into a universal bank. Bank Mandiri aims to be a true universal bank by maintaining and enhancing its corporate banking business while building strong commercial and consumer franchises and offering Islamic banking and investment banking services. Historically, the Bank's core businesses focused on privately owned corporations and Government-related entities. Today, Bank Mandiri offers a broad range of products and services to its privately owned corporate and Government-related entities, SMEs and retail customers.

The Bank's Corporate and Government Unit provides corporate banking products and services to Government-related entities as well as conglomerates and private businesses in a variety of industries. The Bank's Retail Banking Unit provides commercial banking services to SMEs and consumers. Bank Mandiri also offers Islamic banking services through its subsidiary, Bank Syariah Mandiri. Bank Mandiri also seeks to leverage its strong relationships with corporate customers and extensive distribution network to provide full investment banking services through its subsidiary, PT Mandiri Sekuritas. As of December 31, 2001, the Bank maintained correspondent relationships with more than 1,000 foreign banks world-wide as well as 61 domestic banks and more than 100 securities companies in Indonesia.

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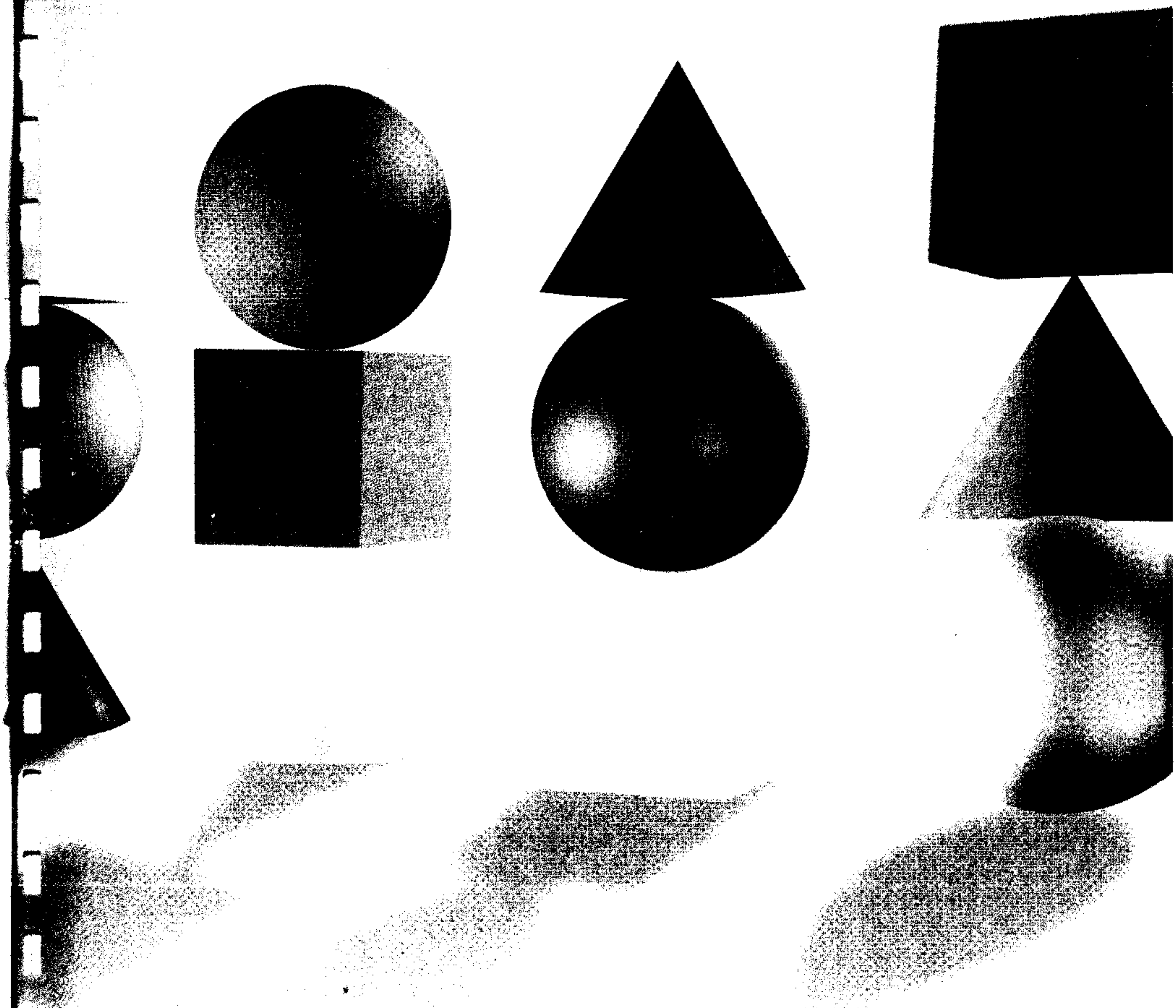


In 2001, by value, corporate customers accounted for approximately 80% of the Bank's total loan portfolio. Bank Mandiri's primary target for its corporate banking products is the top end of the corporate market in Indonesia, in addition to Government-related entities. We are actively pursuing high-quality loan growth opportunities with Government-related and corporate customers in the mining, export-oriented industry, food and beverage, wholesale and retail trade and telecommunications sectors.

Bank Mandiri extended IDR11.6 trillion of new credit to its corporate customers in 2001. In addition, the Bank acquired IDR2.9 trillion of sustained credits (cash generating loans) from IBRA. Outstanding corporate credits, defined as loans above IDR25 billion, reached IDR38.2 trillion by year-end, an increase of 11.9% from 2000.

Bank Mandiri's lending products include short-term working capital loans and long-term loans, syndicated loans, bank guarantees and letters of credit.

The Bank also cooperated with Bank Ekspor Indonesia to provide credit-refinancing facility to Indonesian exporters. In 2001, the Bank refinanced IDR2.9 trillion of export credit to a growing number of exporters in Indonesia.

Bank Mandiri was appointed by the Government to administer channelling loans in Rupiah and various foreign currencies. Channelling loans are loan commitments extended to eligible Government-related entities for the purpose of financing Government selected development projects throughout Indonesia. These loans are made available by various bilateral, multilateral and international financial institutions. As of December 31, 2001, Bank Mandiri administered approximately IDR20.1 trillion of channelling loans and generated fee revenues of approximately IDR55 billion.

The Bank also attracted third party funding from its corporate customers. As of December 31, 2001, the Bank had total deposits of IDR18.1 trillion from approximately 1,170 corporate customers and IDR69.8 trillion from approximately 400 Government-related customers. The Bank offers demand deposits, time deposits and certificates of deposit to its corporate customers.

Bank Mandiri is also one of the depository banks appointed by the Indonesian Central Securities Depository for payment settlements among securities companies on the Jakarta and Surabaya stock exchanges. In December 2001, SGS International Certification Services awarded the ISO 9001:2000 certification to the Bank's custodial, depository and trust services.

In 2002, the Bank plans to enhance its fee-based income products and services through initiatives such as trade finance, investment banking (through PT Mandiri Sekuritas), cash management and other strategic banking activities.

As the largest Bank in terms of deposit base, Bank Mandiri is well positioned to benefit from the growth of the domestic market. Its retail banking operation covers two key customer groups: consumers and SMEs.

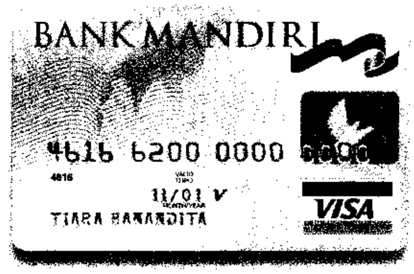
CONSUMER BANKING

We believe that the Indonesian consumer financial services market has the potential to experience significant growth in the future as currently there is a relatively low penetration rate for consumer financial services. Indonesia has a large potential consumer base.

In 2001, the Bank raised IDR29.8 trillion in retail funding, representing a year-on-year increase of 41.3% over 2000. Total deposits grew by IDR27.1 trillion to IDR 190.4 trillion as of December 31, 2001. Retail and corporate (including Government-related entities) customers accounted for 54% and 46% of total deposits, respectively, in 2001, compared to 44% and 56% in 2000.

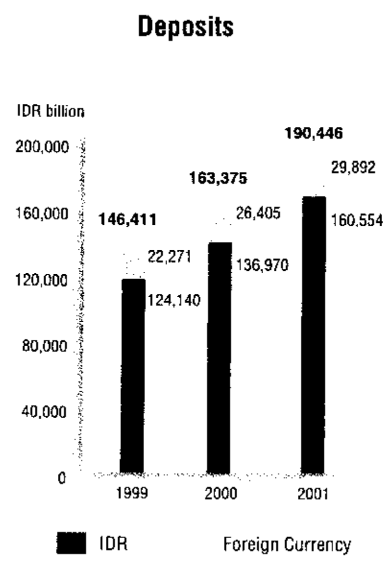
Historically, Bank Mandiri has provided limited consumer loan products for individual customers. To meet increased demand for consumer credit, in 2002, the Bank plans to introduce additional products, such as home loans.

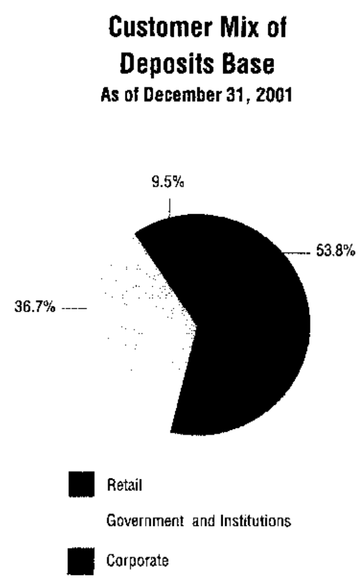
In November 2000, the Bank began offering VISA credit cards in Indonesia through a cooperation agreement with PT GE Finance Indonesia, an affiliate of GE Capital. We signed up more than 100,000 new customers within a period of 10 months which we believe is the fastest credit card customer growth in such a time period experienced in Indonesia. In October 2001,

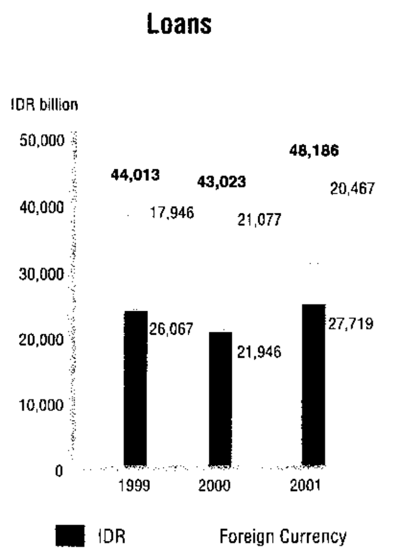


VISA International gave an award to Bank Mandiri for its achievement in the credit card business.

Bank Mandiri launched *Mandiri Fiesta Xtraordinary*, a promotion aimed at savings account customers, to attract lower cost and more stable saving deposits. The recent





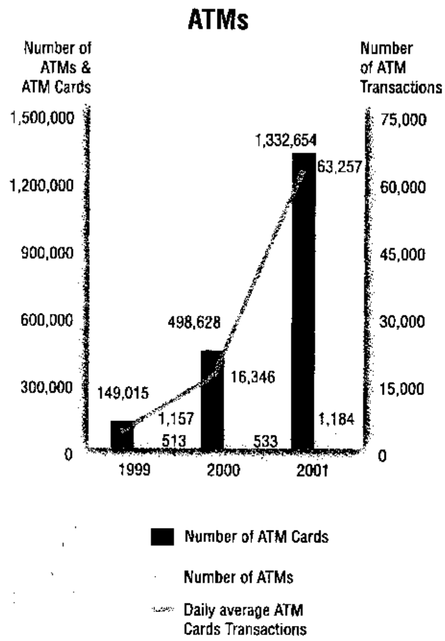


Top-of-Mind survey conducted by AC Nielsen in five large cities, which focused on brand awareness in Indonesia concerning the banking industry, placed Bank Mandiri third in 2001, a substantial improvement from the seventh place ranking Bank Mandiri achieved in 1999.

In 2001, to improve accessibility, Bank Mandiri expanded its network of ATMs, branches and cash outlets. Bank Mandiri's ATM network is one of the largest in Indonesia with 1,184 ATMs, part of over 3,000 ATM's which our customers can access through our arrangements with Indonesia's other state-owned banks.

Bank Mandiri also has a large domestic branch and cash outlet network, with 478 domestic branches and 157 cash outlets as of December 31, 2001. The Bank intends to increase the number of branches and cash outlets in strategic geographic locations throughout the country. The Bank's domestic branches are organized into 10 geographic regions within Indonesia. In Jakarta, Bank Mandiri is in the process of reorganizing its branch network structure so that all branches will provide front office customer services with all back office administrative services provided by the Jakarta City Operations Centre. Over 50% of the Bank's branch network is located in Indonesia's four largest metropolitan areas - Jakarta, Bandung, Surabaya and Medan.

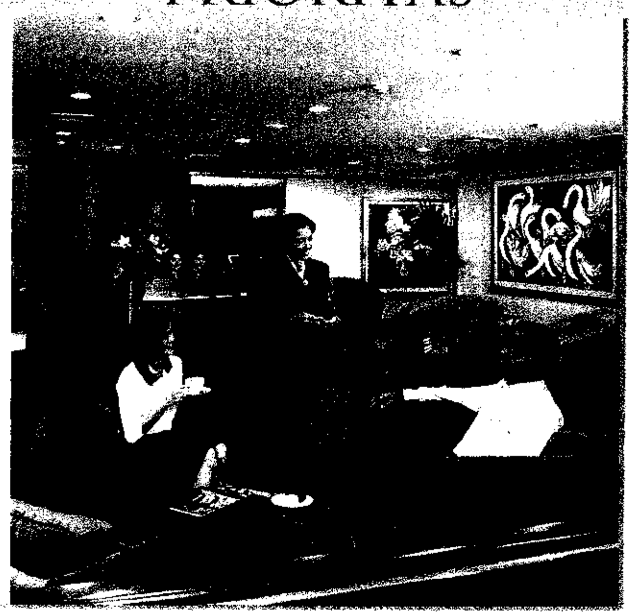
To provide an exclusive products and services for our high-end-customers, we launched *Mandiri*



PRIORITY BANKING

To provide an exclusive products and services for our high-end-customers, we launched *Mandiri Prioritas*, a Priority Banking services. Bank Mandiri opens two priority banking centers in Jakarta in 2001, and plans to expand more of these centers throughout the country in 2002.

BANK MANDIRI PRIORITAS



Prioritas, a Priority Banking services. Bank Mandiri opens two priority banking centers in Jakarta in 2001, and plans to expand more of these centers throughout the country in 2002.

In 2001, the Bank made significant progress in its plans for more value-added products and services including a full range of consumer loan products, mobile and internet banking as well as call center support, all to be introduced in 2002. The introduction of these products and services is in support of realizing the Bank's overall vision to be the trusted and preferred bank in Indonesia.

SME BANKING

The SME sector in Indonesia has grown rapidly over the past few years, largely due to the country's increased exposure to export-related and retail businesses. Based on the latest survey conducted by the Asian Development Bank Technical Assistance in 2001, around 20% of Indonesia's more than 700,000 SMEs use bank financing. This presents many opportunities for more tailored SME financing programs.

In 2001, Bank Mandiri extended IDR2.2 trillion of new credit to SMEs. This is an increase of 36% compared to the same period in 2000. In 2002, the Bank plans to expand its SMEs lending further. In support of this initiative, it has set up three new business centers in Jakarta geared to serve the financing needs of SMEs. The Bank also plans to develop tailored products such as commodity trading and receivables financing schemes targeting customers segment.

In conjunction with Yayasan Dharma Bhakti Astra, Bank Mandiri participated in a Community Development Programme for small businesses in Yogyakarta. This program provides basic business skills to small business operators to develop their business and improve their finance skills.

Bank Mandiri also developed a partnership program with a number of institutions to broaden its SMEs customer base. In 2000, the Bank, in collaboration with the Indonesian Chamber of Commerce (*KADIN*), launched the Integrated Partnership Program (*Program Kemitraan Terpadu*). The program was expanded to 23 provinces in 2001.

The Bank also established a relationship with Unilever Indonesia to support SMEs customers in the consumer product distribution business. In 2001, the Bank developed similar relationships with Tira and Arnott's.

"We are proud to have Bank Mandiri as our partner, a trusted and professionally-managed bank in a constantly changing business environment."
Robert Budi Hartono, President Director of PT Djarum, a customer of Bank Mandiri and one of the legacy bank since 1974.

"Bank Mandiri has succeeded in creating new standard in customer service, support and professionalism."
Johnson Tobing, Priority Banking Customer.

"I am proud to see the transformation at Bank Mandiri. I joined one of the legacy banks in 1948. With the evolution I have seen so far, I am confident that Bank Mandiri will continue to be a key player in Indonesia."
Nyoo Kiem Bie, former employee of a legacy bank and member of the Indonesia Thomas Cup Badminton Team (1958).

We believe that Bank Mandiri operates one of the largest and most sophisticated treasury and capital market operations in Indonesia. The Treasury and Capital Markets Unit provides a variety of treasury products and capital markets services to corporate and institutional customers and also is responsible for the Bank's liquidity as well as managing its investment portfolio. As of December 31,2001, the Unit had 242 corporate and Government-related customers, 22 financial institutions, 87 commercial customers and 384 individual and retail customers. As at the end of 2001, Bank Mandiri maintained a net lender position in the money market for Indonesian Rupiah and US dollars in contrast to being a net borrower for Indonesian Rupiah in 2000.

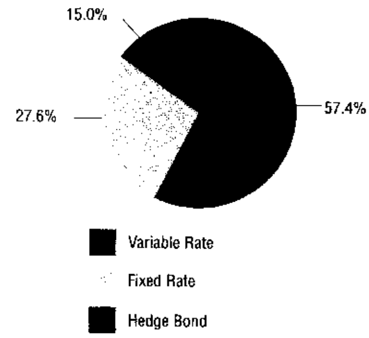
In 2001, the Bank had an average daily turnover of currency trades of approximately IDR842 billion (US$81 million) and in total conducted foreign exchange transactions valued at IDR208 billion (US$20 million). The total money market was IDR301.6 trillion (US$29 billion). The Unit also manages the recapitalization bonds held by Bank Mandiri. As of December 31, 2001, total recapitalization bonds at Bank Mandiri were IDR153.5 trillion, a drop of 13.2% over the same period in 2000. Bank Mandiri sold IDR15.8 trillion of the bonds and exchanged IDR5 trillion for assets held by IBRA.

FINANCIAL INSTITUTIONS AND OVERSEAS NETWORK

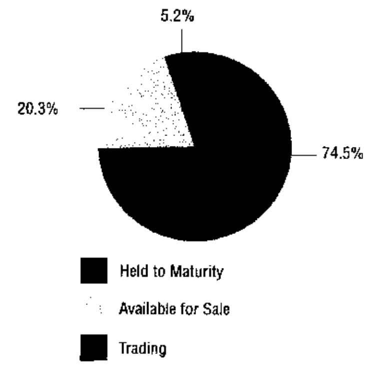
To service the needs of its customers on international trade transactions and to support the Bank's business units in gaining fee-based income, Bank Mandiri currently maintains correspondent relationships with more than 1,000 foreign banks worldwide and 61 domestic banks. Since 2000, Bank Mandiri has been building its reputation in the international financial community by establishing credit lines and cooperating in trade finance with world-class banks in most OECD member countries.

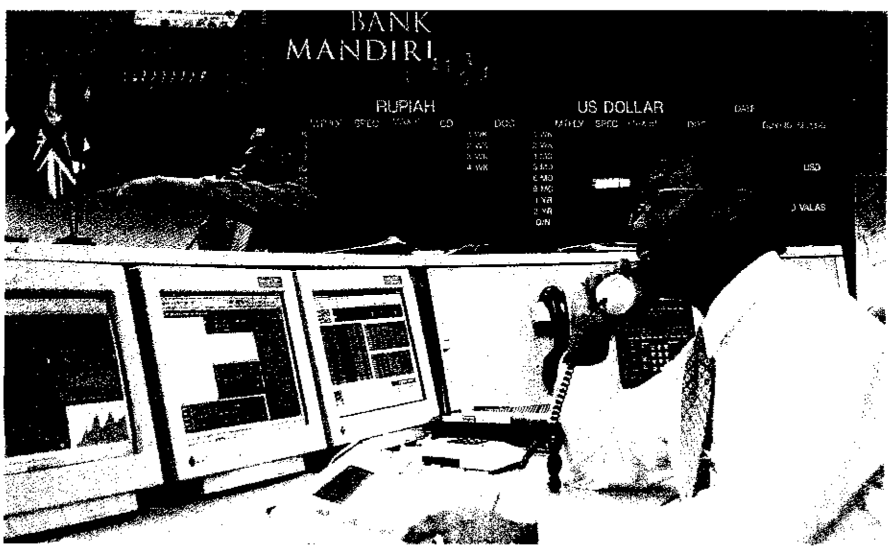
Bank Mandiri also maintains its presence in selective international finance centers. Bank Mandiri is represented by a network of four overseas branch offices in Singapore, Hong Kong, Cayman Islands, Cook Islands and a subsidiary in London. These overseas offices offered a range of products and services to cater to customers' needs in conducting their international business.

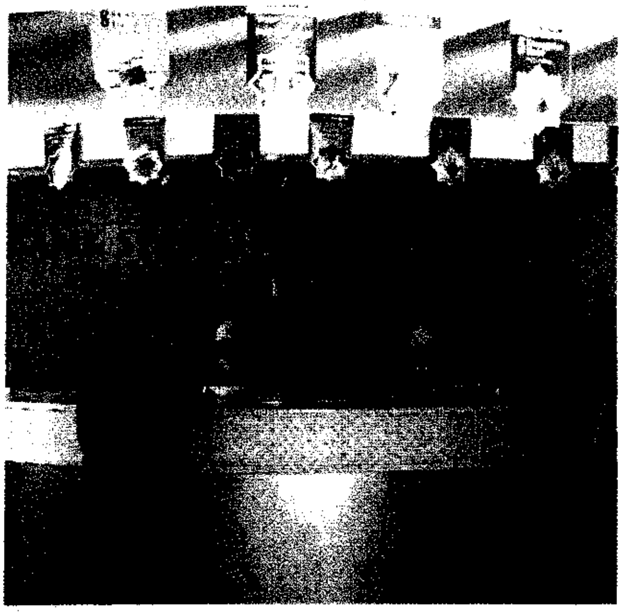
Government Bonds by Type



Government Bonds by Category







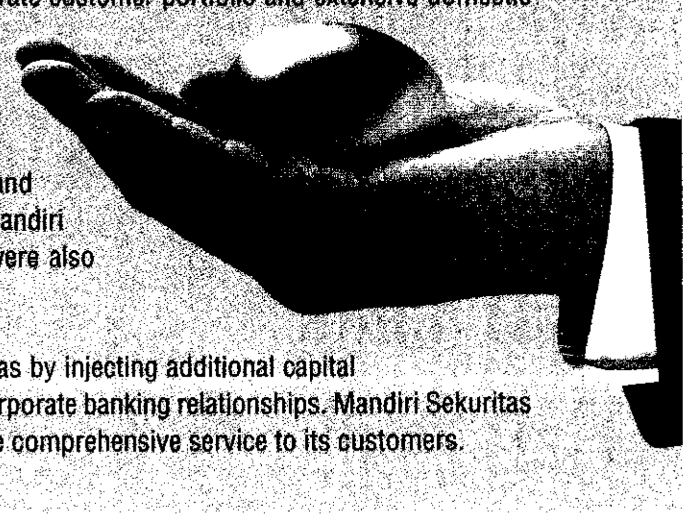
BANK SYARIAH MANDIRI

Bank Syariah Mandiri, the Islamic banking arm of Bank Mandiri, conducts its operations based on sharia principles. It is a wholly owned subsidiary of Bank Mandiri and it offers product and services to meet the needs of Moslem and non-Moslem customers in the country. As of 2001, there were 23 Bank Syariah Mandiri branches in 12 provinces in Indonesia and six cash outlets.

In 2001, Bank Syariah Mandiri served 70,950 customers, an increase of 75% over the same period in 2000. It also collected IDR474.6 billion of third party funding, a substantial 168% increase over 2000. It extended IDR653.1 billion, which consisted of IDR308 billion to corporate firms and IDR345.1 billion to SME business. Bank Syariah Mandiri focuses its lending on several sectors including wholesale, agriculture, industry, retail and housing. In addition, to meet its customers' needs, Bank Syariah Mandiri also introduced new financing products in line with sharia principles including remittances (*hawalah*) and bank guarantee (*kafalah*). In 2002, Bank Syariah Mandiri plans to open 16 branches and 5 cash outlets and obtain a license as a foreign exchange bank.

MANDIRI SEKURITAS

PT Mandiri Sekuritas provides a wide-range of investment banking services, equity and debt capital markets services, as well as investment management services. Incorporated on July 31, 2000, PT Mandiri Sekuritas was created by the merger of PT Exim Securities and PT Bumi Daya Sekuritas, two of the Bank's subsidiary operations, and PT Merincorp Securities, one of the Bank's affiliates. In growing its business, Mandiri Sekuritas will leverage the strong corporate customer portfolio and extensive domestic and international network of Bank Mandiri.



In 2001, trading of equities and fixed income products contributed more than half of the firm's total revenue. Broking and investment banking activities accounted for 13.4% and 13.2% of the firm's total revenue, respectively. In 2001, Mandiri Sekuritas also launched new mutual fund products that were also offered to Bank Mandiri's customers.

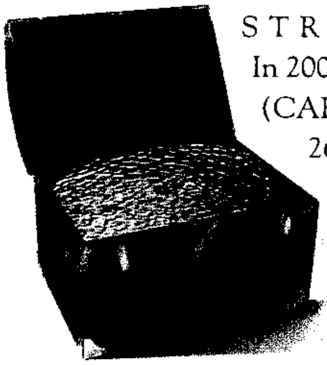
In 2002, Bank Mandiri plans to strengthen Mandiri Sekuritas by injecting additional capital and improving its organization to leverage its substantial corporate banking relationships. Mandiri Sekuritas will also strengthen its Research Division to provide a more comprehensive service to its customers.

"We have focused on enhancing our operating platform and culture to enable us to compete successfully and grow in a sound and prudent manner."

E.C.W. Neloe,
President Director & CEO

STRONG CAPITAL
SOUND TECHNOLOGY
PRUDENT BANKING
COMPETENT PEOPLE

In the short time since Bank Mandiri began operations, it has progressively built its reputation as the trusted and preferred bank in Indonesia. To ensure that it has strong foundations to support continued long-term growth, the Bank has implemented a series of initiatives centered on three key areas - strong capital, sound technology and prudent banking, with the support of professional people.



STRONG CAPITAL

In 2001, the Capital Adequacy Ratio (CAR) at Bank Mandiri reached 26.4%, significantly higher than the 8% requirement of Bank Indonesia, which requirements are primarily based on the capital adequacy accord reached by the Basel Committee of the Bank for International Settlements standards in 1988, with some modifications.

SOUND TECHNOLOGY

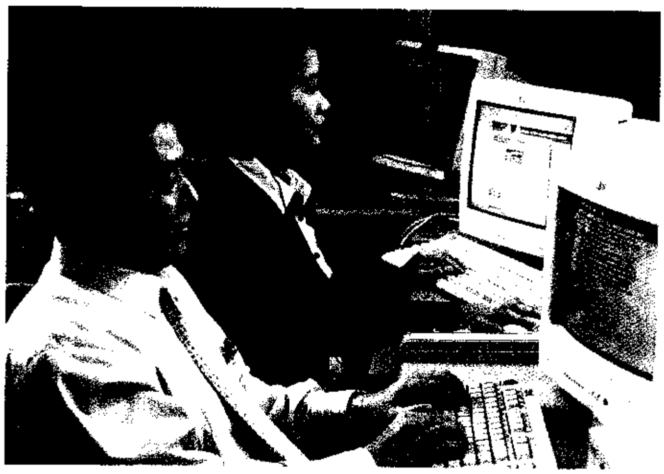
A comprehensive review of the Bank's technology program was conducted in 2001 by two independent consultants: Accenture and Financial Services Volunteer Corps (FSVC). Following the review, Bank Mandiri embarked upon a three-year program to enhance its technology platform in support of the Bank's growth strategy. The Bank allocated US$200 million for its information technology capital expenditure. Of this amount, the Bank spent US$74 million in 2001. The three-year program that will be completed in 2003 will improve the Bank's information technology infrastructure, delivery systems, management information systems and core banking systems. In addition, Bank Mandiri has begun work on a system known as the Enterprise Mandiri Advanced System (eMAS) as part of the Bank's information technology strategic plan to enhance the Bank's competitive edge as a universal bank.

In March 2001, Bank Mandiri completed the integration of the nine branch technology platforms inherited from the four legacy banks into one operating platform. The single technology platform facilitated the Bank's transition to one standardized process, product, operation and accounting system. The Bank also strengthened its IT disaster recovery facilities. In 2001, the Bank commenced preparations for mobile banking and internet banking services to be introduced in 2002.

At the operational level, Bank Mandiri implemented Real Time Gross Settlement and introduced Interbranch Transaction Systems that enhanced the efficiency of the back office operations at the branch level. The Bank also consolidated branch-based bills processing into 11 Bill Processing Centers, further improving efficiency.

In addition, Bank Mandiri began developing its Performance Management System (PMS) that will measure in detail the profitability of individuals and business units. The system, to be introduced in June 2002 with the assistance of Booz Allen Hamilton Consultant, will generate four types of reports that will assess the performance of business units, customer accounts, product lines and service levels. This valuable input will enhance the decision-making process of managers as they implement the Bank's strategic initiatives.

An independent IT Steering Committee has been set-up to ensure proper implementation of the IT development plan and that it remains consistent with the overall business objectives of the Bank.



As a commercially oriented entity, Bank Mandiri is committed to prudent banking based on international best practices. This includes seeking to adhere to strict corporate governance principles, comprehensive compliance and audit processes, sound risk management and effective management of non-performing loans.

CORPORATE GOVERNANCE AND COMPLIANCE

As one of the largest banks in Indonesia, Bank Mandiri is responsible for building a commercially sound institution that can perform its critical financial intermediary function in the economy. The Bank's management has acknowledged that Bank Mandiri must operate on commercial principles supported by sound corporate governance mechanisms in line with the best international practices. The application of good corporate governance requires commitment in promoting transparency and accountability to its various stakeholders.

Following the establishment of Bank Mandiri, the management has taken several important initiatives to promote good corporate governance such as new corporate governance and compliance policies, codes of conduct, Board of Directors guidelines, and management contracts relating to corporate governance milestones. These initiatives provide strong foundations for future growth at the Bank. Bank Mandiri was also one of the founders of the Indonesian Institute of Good Corporate Governance.

An office of compliance was established which adopted best practices with regard to managing risk, and this has become a benchmark for other banks in Indonesia. The Bank's Compliance Group ensures that adequate internal controls, policies and procedures are implemented by all units and at all levels within the Bank. The Bank also put in place internal control and compliance units at the branch level, accountable to the office of compliance head-office. The Bank's code of conduct serves as a guide for all employees at all levels in their relationships with the Bank's customers, business partners and vendors. The code of conduct makes it clear that the Bank's employees are not permitted to receive gifts from clients or other sources that may influence their impartiality. The code of conduct also addresses other issues such as abuse of authority and inside information.

In addition, the Bank put in place an Audit Committee to supervise and advise the Internal Audit Group and work with Bank Indonesia, the Supreme Audit Agency and external auditors to conduct regular audits of the Bank. The Internal Audit Group consists of over 200 auditors. The Internal Audit Group, located at the Bank's head office reports to the President Director & CEO. The Audit Committee reports to the Bank's Board of Commissioners and comprises a Commissioner of the Bank and two independent professionals. The Bank's Internal Audit Group consists of four Departments: General Audit, Credit Audit, Special Audit and Unit Performance, Policies and Procedures. In 2001, the Bank received ISO 9002 certification in respect to the Bank's internal audit manuals.

To emphasize its commitment to high standards of transparency, the Bank is building its capability to adopt International Accounting Standards in 2001. Bank Mandiri also publishes its financial reports on a monthly basis on Bank Indonesia's website and on a quarterly basis in the domestic newspapers. In addition, Bank Mandiri participates in parliamentary hearings on the development of the banking sector and conducts quarterly press briefings on its results.

In 2001, Bank Mandiri announced to its customers and the general public its Three No's policy: No Delays, No Errors and No Special Payments, signalling the Bank's commitment to promote high standards of professionalism and transparency throughout its operations. Moreover, the management at Bank Mandiri has adopted an open management style to allow greater staff participation in the decision-making process, which contributes to greater sense of accountability.

The good corporate governance practice in Bank Mandiri has been reviewed by independent consultants in 2000. Several improvements based on their review have been implemented in 2001.

The Bank's commitment and consistency in implementing good corporate governance has been well received by members of the investment community. We believe that Bank Mandiri's successful issuance of its Eurobond in 2001 indicates an increased level of trust of Bank Mandiri among members of the investment community. In 2002, Bank Mandiri is more committed to enhancing its corporate governance mechanisms as part of an integrated effort to strengthen the level of trust among the Bank's various stakeholders.

PROACTIVE RISK MANAGEMENT

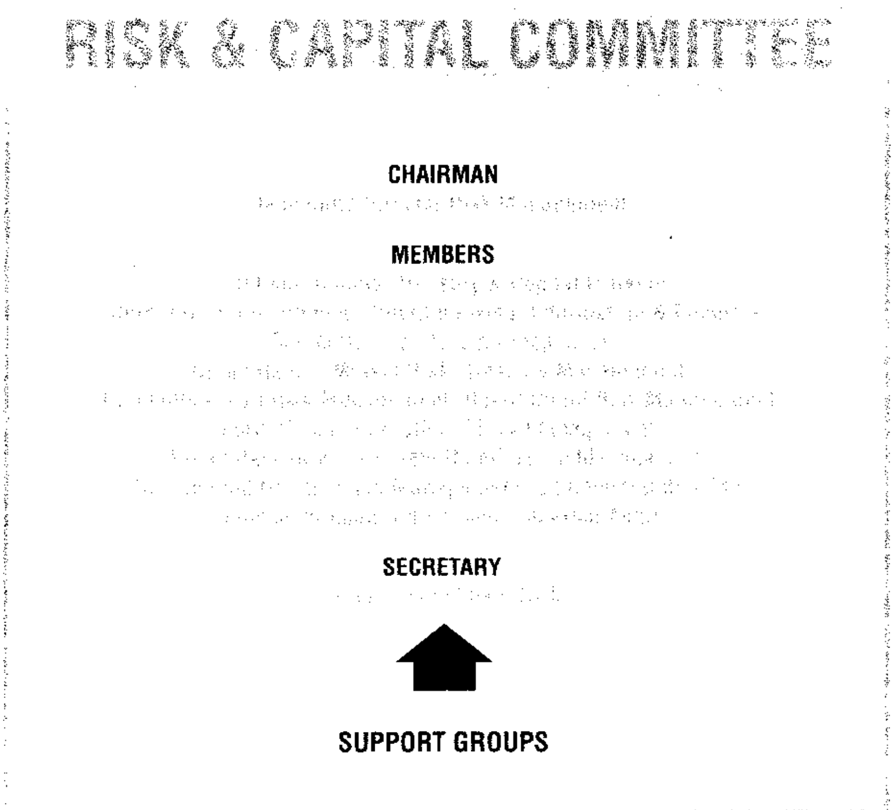
Bank Mandiri is exposed to specific risks associated with the Bank's deposit-taking and lending businesses, the management of portfolio and the external environment. Conservative risk management policies, processes and controls are imperative for the long-term growth of Bank Mandiri. Although the Bank currently meets the standards required by Bank Indonesia, Bank Mandiri has taken steps to further strengthen internal controls as part of the Bank's ongoing commitment to adhere to international best practice standards. The goal in risk management at Bank Mandiri is to ensure that the Bank understands, measures and monitors the various risks that arise and that the Bank adheres, as far as reasonably and practically possible, to the policies and procedures which are established to address these risks.

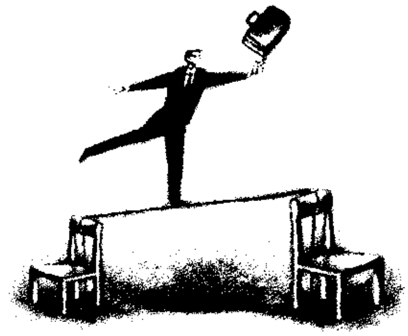
The Bank is primarily exposed to three main risk categories: market risks (including risks associated with movements in interest and exchange rates), credit risks and operational risks (including legal risk). With regard to credit risks, the Bank implements a "four-eye" principle, which requires approval from both the business and risk management units. At the portfolio level, the Bank seeks to ensure an active portfolio management process by introducing the Risk Adjusted Performance Measurement system. We believe that the Bank maintains the concentration of risk at an acceptable level while ensuring a maximum return.

Bank Mandiri has developed an enterprise-wide Risk Management Manual to provide solid foundation and guidelines in managing the three core risk categories. The Bank employs a proactive strategy known as "risk by choice, not by chance". Bank Mandiri determines that the level of risk taken are in accordance with overall policy, risk tolerance and prudent practice as stipulated in the risk manual with the goal of achieving maximum return at a particular level of risk.

In August 2001, the Bank set up an independent and central Risk and Capital Committee to continuously review, monitor and evaluate the Bank's management of its capital, asset and liability risks. The Risk and Capital Committee replaces and consolidates the previous Risk Management Committee and the Assets and Liabilities Committee. The Risk and Capital Committee meets at least twice a month and is responsible directly to the Board of Directors. Its membership includes members of the Board of Directors and the group heads of various business units within the Bank.

Bank Mandiri is also in the process of establishing a pricing monitoring





system called a Fund Transfer Pricing system to better gauge the performance of all business units. The Risk and Capital Committee, together with the Risk Management Unit, is responsible for establishing bank-wide risk management policies, reviewing internal limits, establishing credit policies and interest rates, monitoring the implementation of credit policies and procedures and establishing the criteria for risk identification, measurement and mitigation.

The Bank also made progress in reaching out to the SME and retail sectors to diversify its credit portfolio. To aid this process, the Retail Banking Unit in collaboration with Boston Consulting Group set up a Credit Policy and Analytics Department, in Portfolio and Operational Risk Management Group to develop and maintain scorecards for consumer loans. This Group will be responsible for developing and maintaining a bank-wide credit policy, scorecards and credit rating. The new consumer credit scorecards will replace the existing credit risk scoring sheet for consumer loans.

On October 24, 2001, Bank Mandiri began to participate in the Standard & Poor's risk management benchmark service, a major international risk management initiative to measure risk management practices among participating banks. Through the Standard & Poor's service, Bank Mandiri will be able to gauge its risk management practices as compared to other global and regional commercial banks. Moreover, the service allows for a mutual learning process among participating banks.

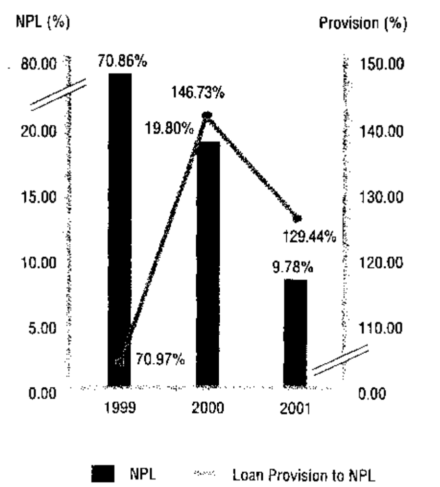
In 2002, the Bank plans to continue to lower its credit risk profile by improving the quality and diversity of the Bank's loan assets and reducing the incidence and impact of the Bank's non-performing loans. In addition, the Bank will continue to monitor the impact of slower economic growth on its loan portfolio. The Risk Management Unit has developed a bank-wide risk management system utilizing various models and tools including the risk adjusted return on capital in anticipation of the new Basle Capital Accord.

In 2002, with the assistance of the Boston Consulting Group, the Bank plans to develop a rating system for both corporate and commercial customers that will allow it to better target more credit worthy and profitable accounts.

MANAGING NON-PERFORMING LOANS

Bank Mandiri has been successful in reducing its level of non-performing loans over the past three years, and will monitor the quality of its credits on a continuous basis. As at the end of 2001, the level of non-performing loans at Bank Mandiri fell to 9.78%, compared to 70.86% and 19.80% in 1999 and 2000, respectively. Additionally, we have a policy of maintaining a conservative provision against non-performing loan exposure, maintaining aggregate loan loss allowances equivalent to 129.44% of total non-performing loans as of December 31, 2001. Bank Mandiri adopts a rigorous 19-step process for problem loan restructuring including interest rate cuts and extension of loan periods. Through its Credit Recovery Group (CRG), the Bank monitors its credit portfolio, starting from the approval process. In 2001, the Group collected IDR6.3 trillion (US$605 million) on principal and interest on non-performing loans. The Bank also maintains 10 regional CRGs across the country, responsible for monitoring the credit performance of consumer and SME clients in regional centers.

NPL and Provision Ratio



COMPETENT PEOPLE

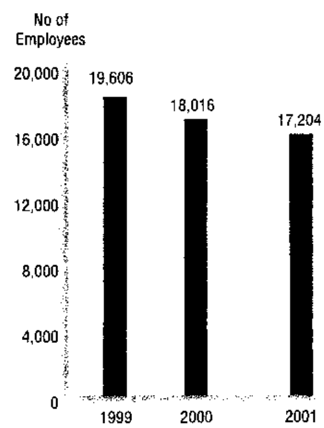
Bank Mandiri has undertaken rigorous efforts to transform the culture of the legacy banks into a culture based on integrity, teamwork and customer focus. Following an in-depth review of the Bank's corporate plan, Bank Mandiri redesigned and launched a new organizational structure in August 2001 to improve operational efficiency, strengthen internal controls and enhance risk management.

The new structure separates the distribution network from business units, allowing the Bank to focus on individual customer segments without reducing service quality to commercial and corporate customers, enhancing overall service quality. In addition, Bank Mandiri has recruited external professionals for several key management positions in the Bank, who have actively contributed to a progressive cultural change.

In 2001, Bank Mandiri established a Personnel Policy Committee to provide input to the management on all aspects related to employees including organizational structure, salary structure, training and career development plans.

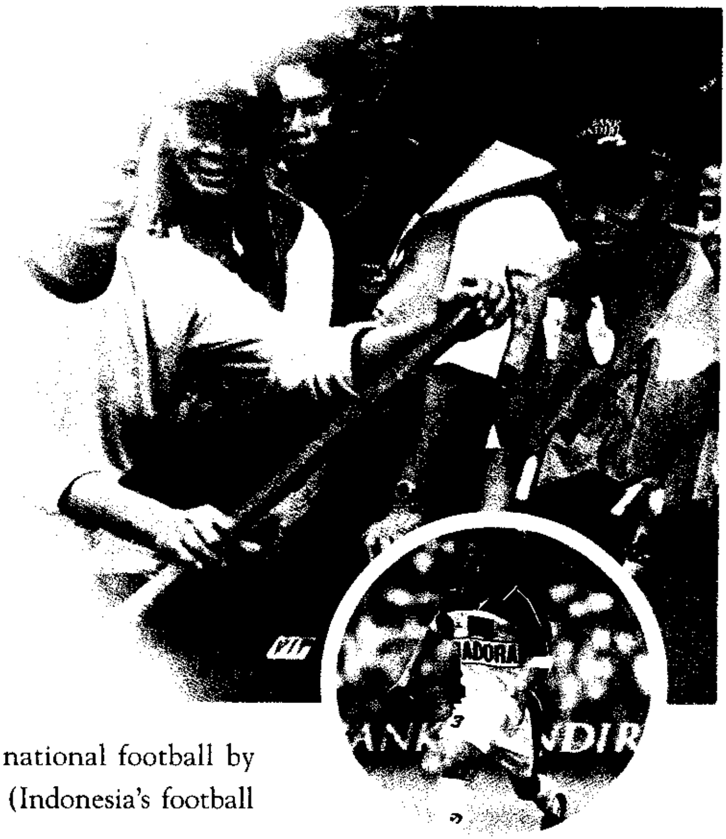
As at the end of 2001, the Bank had 17,204 employees. The Bank continued with its officer development program to nurture talent within the Bank and also launched a new training program in collaboration with Citibank to enhance the selling and service capabilities of its employees.

Number of Employees



RESPONDING TO OUR Communities

Bank Mandiri's mission as one of the leading banks in Indonesia is to be an integral part of the community and to contribute to the needs and well-being of its people and the preservation of the environment.



In 2001, Bank Mandiri participated actively in assisting victims of the natural disasters in West Sumatra, South Sulawesi, North Sumatra and Central Java. In June 2001, Bank Mandiri sponsored a clean river campaign in Jakarta. The Bank also continued its support of the UNICEF national campaign on protection of children from domestic violence.

In 2001, Bank Mandiri continued its support of national football by sponsoring *Liga Indonesia* called *Liga Bank Mandiri* (Indonesia's football league called Bank Mandiri League).

Bank Mandiri is also active in the promotion of small-scale enterprises and cooperatives through the Promotion of Small Scale and Cooperatives (*PUKK*) program. Bank Mandiri provides grants to these enterprises, which in turn creates jobs for many Indonesians. In 2001, Bank Mandiri provided a grant of IDR1.75 billion and extended IDR20.39 billion of loans to the *PUKK* program.

Financial
REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. KEY PERFORMANCE MEASURES

While there are a variety of indicators we use to measure our performance, the following are a few items we consider to be our key performance measures:

Item	As of, and for the year ended, December 31, 2001	2000
Net profit	IDR2,746 billion	IDR1,181 billion
Return on average assets (1)	1.1%	0.5%
Return on average equity (2)	21.5%	8.1%
Net interest margin	3.0%	2.7%
Cost to income ratio (3)	39.9%	31.1%
Capital adequacy ratio (4)	26.4%	31.3%
Non-performing loans ratio (5)	9.8%	19.8%

Note:

(1) Net profit divided by average of the quarterly balances of total assets for the year.

(2) Net profit divided by average of the quarterly balances of total shareholder's equity for the year.

(3) Sum of general and administrative expenses and salaries and employee benefits divided by sum of net interest income and other operating income

(4) Our capital adequacy ratio is calculated on a non-consolidated basis. The capital adequacy ratio is calculated by dividing the Bank's regulatory capital on risk weighted assets. Ratios in the table are based on Bank Indonesia regulations and methods of calculations for each of the years indicated in the table. In each of 2000 and 2001, Bank Indonesia changed the requirements for calculating the capital adequacy ratio. The most recent changes were issued in December 2001. Had we calculated the capital adequacy ratio for the Bank using the guidelines in place in 2000, our capital adequacy ratio for 2001 would have been 27.4%.

(5) Gross non-performing loans divided by total gross loans.

a) Net Profit

Our net profit for 2001 was IDR2,746 billion, 132.5% higher than in 2000. Net profit consists primarily of net interest income/(expense), other operating income and non-operating income less provisions and other operating expenses. Our net profit is affected by a number of factors including our net interest margin (discussed below), provisioning decisions for earning assets, commitments and contingencies and other assets, foreign exchange gains or losses and gain or losses from the decline in value and sale of securities (particularly Government recapitalization bonds).

b) Return on Average Assets

Our return on average assets was 1.1% compared to 0.5% in 2000. This is net profit divided by the average of the quarterly balances of total assets for the year. The improvement in this ratio was due to the percentage of increase in net profit being higher than the increase in total assets.

c) Return on Average Equity

We achieved a return on average equity of 21.5% compared to 8.1% in 2000. This represents net profit divided by the average of the quarterly balance of total shareholder's equity for the year. Shareholder's equity includes issued and fully paid share capital, additional paid-in capital, differences arising from translation of foreign currency financial statements of our offshore operations, unrealized losses on securities (principally Government bonds) available for sale and accumulated losses.

The improvement in this ratio was due to an increase in net profit and a decrease in total shareholder's equity. The decrease in shareholder's equity resulted from the redesignation of certain of our Government recapitalization bonds to our available for sale account and the marking to market of such bonds. In accordance with Indonesian GAAP, the resulting unrealized loss from marking the bonds to market has been reflected in our shareholders' equity.

d) Net Interest Margin

Our net interest margin was 3.0% compared to 2.7% in 2000. Net interest margin is net interest income divided by average interest-earning assets. Our net interest income is affected by changes in interest rates, volume and mix of interest-earning assets and interest-bearing liabilities.

Our net interest margin has continued to improve during the period from December 31, 2000 to December 31, 2001. During each of 2000 and 2001, as we successfully restructured loans which were previously non-performing, grew our loan portfolio with new loans and acquired loans from IBRA in exchange for cash and Government recapitalization bonds, the interest income from our loan portfolio has continued to increase. While interest rates abated substantially in 2000 (with a monthly average of 1-month SBI rate of 12.4%), there was a general upwards trend during 2001 (with a monthly average of 1-month SBI rate of 16.5%). The increase in interest rates in 2001 resulted in a significant increase in interest income from our Government recapitalization bond portfolio (excluding fixed rate bonds) and other earning assets as well as a significant increase in our interest expense (particularly on variable rate deposits and floating rate notes) for that year.

e) Cost to Income Ratio

Our cost to income ratio was 39.9% in 2001, compared to 31.1% in 2000. Cost to income ratio is calculated as the sum of general and administrative expenses and employee salaries and benefits divided by the sum of net interest income/(expense) and other operating income (which includes foreign exchange gains or losses). Although there was an increase in this ratio in 2001 when compared to 2000, our costs as a percentage of income remained within 50.0% (which we view as international best practice) as a result of significantly lower income from foreign exchange gains in 2001 as compared to 2000 (caused by several substantial one-time gains in 2000) and a modus increase in general and administrative expenses for 2001.

f) Capital Adequacy Ratio (Bank only)

Our capital adequacy ratio as of December 31, 2001 was 26.4% compared to 31.3% in the previous year. As we reduce our holdings of Government recapitalization bonds and increase other types of earning assets, such as loans, which carry higher risk-weightings, our capital adequacy ratio has decreased.

This ratio is calculated based on the capital adequacy requirements of Bank Indonesia. The calculation is substantially based on the capital adequacy accord reached by the Basel Committee of the Bank of International Settlements in 1988. A Bank's capital adequacy ratio is calculated by dividing the sum of its Tier I and Tier II capital (as defined under Bank Indonesia regulation) by its risk-weighted assets. Risk-weighted assets consist of all the assets on a Bank's balance sheet, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of asset. Our holding of Government recapitalization bond has significant implications for our capital adequacy ratio as the risk weighting of the Government recapitalization bonds is zero.

g) Non Performing Loans Ratio

Our gross non-performing loans to gross loans at December 31, 2001 was 9.8% compared to 19.8% in 2000. This ratio is determined by dividing our gross non-performing loans by our gross loans. As of December 31, 1999, our non-performing loans ratio was 70.9% due to the Indonesian economic crisis. During each of 2000 and 2001, the quality of our loan portfolio continued to improve as we successfully restructured a significant portion of our non-performing loans and grew our loan portfolio by increasing our new loans. However, a proportion of loans which have been restructured and improved to performing loans, have returned to non-performing loans. As of December 31, 2001, 37.6% of our non-performing loans were restructured loans which had become non-performing loans after such restructuring.

After restructuring a non-performing loan, we may only return such non-performing loan to "current" or "special mention" status and accrue interest in accordance with its new terms after there has been a sustained period of repayment performance in accordance with the restructured contractual terms for at least three months or three consecutive payments, whichever is the longer. However, even where a restructured loan has satisfied this requirement, the Bank may not reclassify the loan as "current" or "special mention" if there remain concerns about the ability of the borrower to meet its payment obligations. The Bank's policy is not to upgrade a restructured loan from "non-performing loan" to "current" or "special mention" until at least three consecutive payments have been made or six months after the restructuring, whichever is longer.

We carry a restructured loan at its nominal value. However, often after we restructure a loan we will extend the term of the loan or charge interest at a lower rate for the initial period of the loan. This means that the present value of the loan, including interest income, based on discounted cash flows, is usually less than the nominal value of the loan after restructuring. Following a restructuring, we make a provision equal to the difference between the present value of the loan and its present value after restructuring. In addition, we will also apply our usual provisioning policies to the loan (based on nominal value). Accordingly, a higher proportion of restructured loans to gross loans indicates a higher provisioning expense.

II. PROFIT AND LOSS

Our profit and loss comprised the following key items :

Description	For the year ended December 31, 2001 (IDR billion)	2000 (IDR billion)	% Change
Net interest income	7,109	6,404	11.0%
Other operating income	1,456	3,942	(63.1)%
Total operating income	**8,565**	**10,346**	**(17.2)%**
Provision / (reversal) for possible losses on earning assets and commitments and contingencies	4,791	(4,815)	199.5%
Provision / (reversal) for possible losses on other assets	(2,343)	5,274	(144.4)%
Net provision / (reversal)	**2,448**	**459**	**433.3%**
(Gain) / loss from decline in value and sale of securities and Government bonds	312	3,589	(91.3)%
General and administrative expenses	1,747	1,350	29.4%
Salaries and employee benefits	1,670	1,863	(10.4)%
Overhead expenses	**3,417**	**3,213**	**6.3%**
Other expenses	743	1,401	(47.0)%
Total other operating expenses	**4,472**	**8,203**	**(45.5)%**
Net non-operating income (expense)	2,205	339	550.4%
Profit before provision for income tax and minority interest	**3,850**	**2,023**	**90.3%**
Provision for income tax	1,104	841	31.3%
Profit before minority interest	**2,746**	**1,182**	**132.3%**
Minority interests in net profit of consolidated subsidiaries	-	1	(100.0)%
Net profit	2,746	1,181	132.5%

a) Net Interest Income

Our net interest income increased by 11.0% to IDR7,109 billion in 2001 from IDR6,404 billion in 2000. The increase in net interest income was principally a result of an increase of 16.9% in total interest income to IDR31,496 billion in 2001 from IDR26,942 billion in 2000, offset by an increase in total interest expenses of 18.7% to IDR24,387 billion in 2001 from IDR20,538 billion in 2000.

Total interest income increased primarily due to an increase in both the interest income generated by Government recapitalization bonds and other securities and the interest income generated by the loan portfolio and other earning assets.

Interest income generated from Government recapitalization bonds increased by 14.1% to IDR23,137 billion in 2001 from IDR20,286 billion in 2000. This increase was primarily due to the increase in SBI rates which increased the interest rates paid on variable rate Government recapitalization bonds. However, interest income from Government recapitalization bonds was not sufficient to cover the Bank's total interest expenses and the proportion of interest income from Government recapitalization bonds decreased from 75.3% of total interest income in 2000 to 73.5% in 2001.

Interest income from loans and other earning assets (excluding Government bonds) increased by 25.4% to IDR8,062 billion in 2001 from IDR6,429 billion in 2000. This increase was principally due to an improved yield on loans and an increase in the volume of loans and placements with Bank Indonesia.

The increase in interest expenses resulted primarily from the increase in volume of deposits and increased interest rates paid on deposits, especially on time deposits, in part offset by decreasing interest expense on fund borrowings, securities issued and subordinated loans. In 2001, interest paid on fund borrowings decreased by 28.7% primarily as a result of the decrease in volume of fund borrowings and interest rate paid on foreign currency fund borrowings. The volume of fund borrowings decreased due to the repayment of fund borrowings, as our deposits increased and we received proceeds from the sale of some of our Government recapitalization bonds.

Interest expense on deposits increased by 28.6% to IDR21,908 billion in 2001 from IDR17,040 billion in 2000 principally as a result of the increase in the volume of deposits and an increase in the interest rate paid on deposits. Total deposits (including deposits from other banks) increased by 19.1% to IDR202,974 billion as of December 31, 2001 from IDR170,481 billion as of December 31, 2000 primarily due to our marketing campaign to attract deposits as well as competitive interest rates on our deposit products. The average cost of deposits increased to 12.1% in 2001 from 10.9% in 2000 primarily as a result of an increase in interest rates on time deposits, in line with the increase on the monthly average of 1-month SBI interest rate to 16.5% in 2001 from 12.4% in 2000.

b) Other Operating Income

Other operating income (comprised of gains on foreign exchange, other fees and commissions and others) amounted to IDR1,456 billion in 2001 compared to IDR3,942 billion in 2000. The decrease was primarily a result of a decrease in the net gain on foreign exchange, partially offset by an increase in other fees and commissions.

The net gain on foreign exchange decreased by 91.7% from a net gain of IDR3,118 billion in 2000 to a net gain of IDR260 billion in 2001. In 2001, the net gain was due principally to the translation of our foreign exchange position reflecting the depreciation of IDR against the USD. In 2000, the net gain was due principally to a net foreign exchange gain of IDR1,454 billion relating to our open foreign exchange position, reversal of provision for foreign exchange losses of IDR907 billion (originally provided for in 1999) and recognition of one-time gain of IDR593 billion from the translation of foreign exchange account receivables related to accreted value of the collateral and effective reduction of principal related to our Subordinated Undated Floating Rate Notes (SUFRNs).

Other fees and commissions increased by 55.2% to IDR475 billion in 2001 from IDR306 billion in 2000 principally due to an increase in fees from foreign currency related services.

Other operating income - others increased by 39.2% to IDR721 billion in 2001 from IDR518 billion in 2000. The primary component of other operating income - others was the accreted value of the collateral and effective reduction of principal related to our SUFRNs, which was IDR327 billion for 2001 and IDR182 billion for 2000.

c) Provision/(Reversal) for Possible Losses on Earning Assets and Commitments and Contingencies

In 2001, net provision for possible losses on earning assets and commitments and contingencies was IDR4,791 billion, principally due to the additional provisions for losses on loans of IDR6,042 billion, offset in part by the reversal of allowance for possible losses on commitments and contingencies of IDR1,913 billion.

These additional provisions were required to cover a total of IDR8,994 billion written-off loans in 2001, offset in part by IDR1,960 billion from loan recoveries on written-off loans. The written-off loans of IDR8,994 billion excludes IDR3,738 billion relating to loans which were transferred to IBRA as part of a recapitalization program based on a Memorandum of Understanding and subsequently repurchased by the Bank through a swap agreement in exchange for Government recapitalization bonds.

In 2000, we made a net reversal of provisions for possible losses on earning assets and commitments and contingencies of IDR4,815 billion, principally due to the Bank's determination following the successful restructuring of certain non-performing loans, the quality of the Bank's loan portfolio as of that date had improved and the level of provisions we had made was in excess of required to adequately and prudently provide for potential losses on the Bank's loan portfolio.

d) Provision/(Reversal) for Possible Losses on Other Assets

In 2000, provision for possible losses on other assets amounted to IDR5,274 billion mainly due to inter-branch open items. For 2001, we made a reversal of provisions for possible losses on other assets of IDR2,343 billion because of the resolution of a significant number of inter-branch open items.

e) (Gain)/Loss from Decline in Value and Sale of Securities and Government Bonds

Loss from the decline in value and sale of securities and Government recapitalization bonds amounted to IDR312 billion in 2001 compared to IDR3,589 billion in 2000.

Loss from the decline in value of securities and Government recapitalization bonds decreased to IDR1,023 billion in 2001 from a loss of IDR3,351 billion in 2000. The loss reflected the requirement to mark to market the Government recapitalization bonds transferred from our held to maturity account to our trading account. We transferred from our held to maturity account to our trading account Government recapitalization bonds amounting to IDR25.1 trillion in 2000 and IDR3.3 trillion in 2001, as part of the Bank's strategy to improve the Bank's mix of interest earning assets and in order to help provide needed liquidity.

In 2001, gain from sale of securities amounted to IDR 711 billion, whereas in 2000, the Bank had a loss from sale of securities (primarily Government recapitalization bonds) of IDR238 billion reflecting a fall in market prices for such securities in 2000. In 2001, the gain of IDR711 billion was largely due to the sales price of the securities we sold being higher than the marked to market value of such securities.

f) Overhead Expenses

Overhead expenses, comprised of general and administrative expenses and salaries and employee benefits, increased by 6.3% to IDR3,417 billion in 2001 from IDR3,213 billion in 2000.

General and administrative expenses increased by 29.4% to IDR1,747 billion in 2001 from IDR1,350 billion in 2000 principally due to increases in communication expenses such as for leased lines, professional fees for consultants and promotion expenses to increase the Bank's deposit base and to increase the level of awareness of the Bank's brand in Indonesia.

Salaries and employee benefits amounted to IDR1,670 billion in 2001 compared to IDR1,863 billion in 2000 primarily due to provision for employee service entitlements in accordance with a decree issued by the Minister of Manpower, amounting to IDR554 billion and IDR240 billion in 2000 and 2001, respectively. Excluding this provision, salaries and employee benefits increased by 9.2% to IDR1,430 billion in 2001 from IDR1,309 billion in 2000.

g) Other Expenses

Other expenses decreased by 47.0% to IDR743 billion in 2001 from IDR1,401 billion in 2000 due to reduced provision expense in 2001 relating to litigation. In 2000, our additional provision for litigation expenses amounted to IDR742 billion. We made a relatively small additional provision for litigation expenses of IDR9 billion in 2001, reflecting our belief that our provisions were sufficient to cover possible litigation expenses as of December 31, 2001.

h) Net Non-Operating Income (Expense)

Net non-operating income (expense) amounted to IDR2,205 billion in 2001, compared to IDR339 billion in 2000. This increase was primarily due to the reversal of surplus provisions for employee voluntary separation schemes and merger costs due to our ability to keep these costs lower than our original estimate and the reversal of a surplus provision for negative equity in subsidiaries.

III. LIQUIDITY

Our business over the last three years has been financed principally from a combination of receipts from interest income, the sale of Government recapitalization bonds and increases in deposits. In addition, we have made use of the inter-bank money market and borrowings from third parties in 2000 and 1999 and raised finance by issuing debt securities. We also maintain liquid reserves, which generally exceed the minimum requirements of Bank Indonesia, in order to manage significant withdrawals of deposits by our customers.

We have principally used the Bank's funds for the expansion of our loan portfolio, the repayment of fund borrowings, the payment of interest expenses and other banking activities.

We manage our liquidity by various means. We seek to generate liquidity by offering competitive interest rates on our deposit accounts to attract further deposits, borrowing from the inter-bank market or through fund borrowings, withdrawing placements with other banks or Bank Indonesia or by selling securities such as SBIs or Government recapitalization bonds.

We also use our Government recapitalization bond portfolio to generate liquidity and improve the balance of our interest earning assets through collateral fund borrowing, sale and repurchase transactions and outright sales. We occasionally exchanged bonds with IBRA for higher yielding assets.

An increase in deposits had a significant impact in our liquidity position in 2001, particularly in the last quarter of that year. Total deposits increased by IDR32.5 trillion, of which IDR5.4 trillion came from other banks. Accordingly, as of December 31, 2001, we had significant excess liquidity, which we placed out into the inter-bank money market and with Bank Indonesia.

The following table sets forth information with respect to the Bank's liquidity position as of December 31, 2001 and 2000.

Description	as of December 31, 2001	2000
Liquid assets (1)	IDR48,565 billion	IDR25,881 billion
Government recapitalization bonds held for trading and available for sale	IDR39,185 billion	IDR21,549 billion
Loan to deposit ratio (2)	25.3%	26.3%
Liquid assets as a percentage of total assets	18.5%	10.2%
Liquid assets as a percentage of deposits (2)	25.5%	15.8%

Note:

(1) Liquid assets consist of cash, current accounts with Bank Indonesia, current accounts with other banks, placements with Bank Indonesia, other banks and financial institutions and securities (excluding Government recapitalization bonds) held in the trading and available for sale portfolio.

(2) Deposits excludes deposits from other banks.

a) Cash Flows from Operating Activities

Our operations generated net cash inflows of IDR29,279 billion and IDR6,303 billion in the years ended December 31, 2001, and 2000, respectively. Bank Mandiri's cash inflow from receipts from interest income increased from 2000 to 2001 reflecting increases in cash receipts from interest payments on our Government recapitalization bonds and interest - earning assets in particular loan, and an improved recovery on our outstanding non performing loan (including written-off loans). In the same period, we experienced an increase in our cash outflow for interest payments reflecting an increase in total volume and interests rate of deposits over this period and an increase in the cash used for the expansion of our loan portfolio.

Net cash inflow from operating activities in 2001 of IDR29,279 billion resulted primarily from cash inflows arising from interest income of IDR31,377 billion and an increase in deposits of IDR32,881 billion. This was partly offset by cash outflows relating to interest expense of IDR24,633 billion and the increase in loans and placements with other banks of IDR14,352 billion and IDR9,224 billion, respectively.

b) Cash Flows from Investing Activities

Our net cash outflow from investing activities in 2001 was IDR17,633 billion compared to net cash outflows from investing activities of IDR14,073 billion in the year ended December 31, 2000. Net cash outflow from investing activities in 2001 of IDR17,633 billion was primarily due to the purchase of securities of IDR15,541 billion, largely relating to the purchase of SBIs from, and placements with, Bank Indonesia.

c) Cash Flows from Financing Activities

In 2001, net cash used to reduce financing obligations was IDR13,779 billion. We generated cash from financing activities of IDR7,019 billion in the year ended December 31, 2000. Net cash used in financing activities in 2001 was primarily used to repay fund borrowings of IDR11,373 billion and to redeem securities of IDR1,304 billion.

For further detail, please refer to our statement of cash flow in our consolidated Financial Statement

IV. FINANCIAL CONDITION

Description	as of December 31, 2001 (IDR billion)	2000 (IDR billion)	% Change
Total Assets	262,291	253,355	3.5%
Total Gross Loans	48,186	43,023	12.0%
Total Deposits [1]	190,446	163,375	16.6%
Total Liabilities	251,511	239,089	5.2%
Total Shareholder's equity	10,777	14,262	(24.4)%

1) *Excluding deposits from other banks*

Our total assets increased by 3.5% to IDR262,291 billion as of December 31, 2001 from IDR253,355 billion as of December 31, 2000 principally as a result of an increase in net loans, securities and placements with other banks, partially offset by a decrease in Government bonds.

a) Securities

Securities, which comprised of placements with Bank Indonesia, SBIs and other securities, increased to IDR24,007 billion as of December 31, 2001 from IDR8,430 billion as of December 31, 2000 primarily due to our need to invest excess liquidity generated by an increase of deposits and our receipt of sale proceeds of Government recapitalization bonds.

b) Government Bonds

Government bonds decreased to IDR153,493 billion as of December 31, 2001 from IDR176,895 billion as of December 31, 2000. The decrease was primarily due to the sale of IDR15,787 billion of Government recapitalization bonds to generate liquidity and marking to market of IDR37,686 billion of Government recapitalization bonds transferred to the available for sale account. As of December 31, 2001 the unrealized loss from marking to market of our Government Recapitalization bonds in our available for sale account amounted to IDR5,016 billion.

The following table sets forth the composition of our Government recapitalization bonds as of December 31, 2001 and 2000.

Type of Bonds	as of December 31, 2001 (IDR billion)	2000 (IDR billion)	% Change
Variable rate bonds	88,161	101,099	(12.8)%
Fixed rate bonds	42,337	51,277	(17.43)%
Hedge bonds	22,995	24,519	(6.2)%
Total Government bonds	153,493	176,895	(13.2)%

c) Loan

Total Loans outstanding as of December 31, 2001 (Bank only) amounted to IDR47,200 billion, an increase of 11.4% from IDR42,388 billion as of December 31, 2000. In 2001, Bank Mandiri extended IDR12,882 billion of new loans, acquired loans from IBRA of IDR2,907 billion and had a foreign currency translation of IDR1,741 billion. During the same period, the Bank received loan repayments of IDR3,724 billion, wrote off loans of IDR8,994 billion and transferred loans to IBRA of IDR3,738 billion. We repurchased the transferred loans through a swap agreement in exchange for Government recapitalization bonds.

d) Liabilities

Total liabilities increased by 5.2% to IDR251,511 billion as of December 31, 2001 from IDR239,089 billion as of December 31, 2000 principally as a result of an increase in total deposits and deposits from other banks. This increase was partially offset by a decrease in fund borrowings, other liabilities, securities issued, estimated losses on commitments and contingencies and subordinated loans.

e) Deposits

Total deposits increased to IDR190,446 billion as of December 31, 2001 from IDR163,375 billion as of December 31, 2000 and deposits from other banks increased to IDR12,528 billion as of December 31, 2001 from IDR7,106 billion as of December 31, 2000. Such increases were due to our competitive interest rates on our deposit products and the success of our marketing campaigns. The increase in volume of total deposits was derived from our corporate, commercial and consumer customers.

The following table sets forth the composition of our deposits (excluding deposits from other banks) as of December 31, 2001 and 2000.

Type of Deposits	as of December 31, 2001 (IDR billion)	2000 (IDR billion)	% Change
Demand deposits	37,557	35,751	5.1%
Savings	22,305	18,030	23.7%
Time deposits	129,783	109,205	18.8%
Certificate of deposits	801	389	105.9%
Total Deposits	190,446	163,375	16.6%

f) Fund Borrowings

Fund borrowings decreased to IDR18,204 billion as of December 31, 2001 from IDR28,650 billion as of December 31, 2000 primarily due to repayments of IDR fund borrowing of IDR10,455 billion and foreign currency borrowing of IDR 918 billion and partly offset by foreign currency translation of IDR927 billion. This was due to our ability to obtain additional funds from deposits.

g) Shareholder's Equity

Shareholder's equity decreased to IDR10,777 billion as of December 31, 2001 from IDR14,262 billion as of December 31, 2000. This decrease was primarily due to the recognition of unrealized losses on securities available for sale as of December 31, 2001 of IDR5,047 billion up from IDR22 billion as of December 31, 2000. The recognition primarily related to our reclassification of IDR37,686 billion of Government recapitalization bonds from our held to maturity account to our available for sale account as of September 30, 2001. This was partially offset by a decrease in accumulated losses due to our net profit in 2001. The decrease in shareholder's equity due to unrealized losses on Government recapitalization bonds available for sale had no effect on our Tier I capital.

For further detail, please refer to our balance sheet in our consolidated Financial Statement.

V. CAPITAL ADEQUACY RATIO (BANK ONLY)

As of December 31, 2001, the Bank's capital adequacy ratio (CAR) was 26.4% compared to 31.3% as of December 31, 2000. The decrease was primarily due to the increase of risk-weighted assets. Bank Indonesia's new regulation in 2001 requiring investments in shares of stock (excluding debt to equity swaps) to be deducted when determining total capital contributed to the decrease of CAR.

The following table summarizes the Bank's capital adequacy ratios as measured in accordance with Bank Indonesia regulations, on a non-consolidated basis, as of December 31, 2001 and 2000.

Description	as of December 31, 2001	2000	% Change
	(IDR billion, except percentages)		
Tier I Capital	8,850	7,122	24.3%
Tier II Capital	7,257	6,210	16.9%
Investments in shares of stock [1]	(753)	-	-
Total Capital	15,354	13,332	15.2%
Total risk-weighted assets	58,080	42,608	36.3%
Capital Adequacy Ratios:			
Tier I capital adequacy ratio	**15.2%**	**16.7%**	
Total capital adequacy ratio [2]	**26.4%**	**31.3%**	
Minimum capital adequacy ratios required by Bank Indonesia :			
Total Capital	8.0%	4.0%	

Notes:

(1) For 2001, Bank Indonesia regulations require investments in securities (excluding debt to equity swaps) to be deducted when determining the Bank's total capital. For 2000, such requirements were not in force.

(2) Bank Indonesia changed the requirements for calculating the capital adequacy ratio. The most recent changes were issued in December 2001. Had we calculated the capital adequacy ratio for the Bank using the guidelines in place prior to December 2001, and as were used to calculate the bank's capital adequacy ratio for 2000, the ratio for 2001 would have been 27.4%.

VI. OTHER FINANCIAL RATIOS (BANK ONLY)

The following table sets other financial ratios as measured in accordance with Bank Indonesia regulations :

Ratio	as of December 31, 2001	2000
Premises and Equipment to Capital	10.54%	7.62%
Non-Performing Earning Assets	4.71%	5.67%
Allowance for Losses on Earning Assets to Earning Assets	5.82%	8.97%
Compliance for Allowance for Losses on Earning Assets	132.53%	202.22%
Operating Expenses to Operating Income [1]	94.91%	94.46%
Percentage of Lending in Excess of Legal Lending Limit :		
- related party	0.00%	0.00%
- third party	0.00%	3.83%
Percentage Violation of Legal Lending Limit :		
- related party	0.00%	0.00%
- third party	0.00%	0.00%
Reserve Requirement (Rupiah)	5.26%	6.78%
Net Open Position	19.38%	7.56%
Percentage of Small Scale Business Credit to Total Loans	6.26%	6.96%
Percentage of Small Scale Business Credit Debtors to Total Debtors	88.98%	60.05%

(1) (Interest expense + other operating expenses + provision for possible losses on earning assets, commitment and contingencies and other assets) / (interest income + other operating income)

Responsibility for Financial Reporting

This Annual Report and the accompanying financial statements and related financial information, are the responsibility of the management of PT Bank Mandiri (Persero).

Board of Commissioners

Binhadi
Chairman

Soedarjono
Commissioner

Markus Parmadi
Commissioner

Sabana Kartasasmita
Commissioner

Board of Directors

E.C.W. Neloe
President Director and CEO

I Wayan Pugeg
Managing Director & SEVP

Agus Martowardojo
Managing Director & SEVP

EVP Coordinators

I Wayan Agus Mertayasa
EVP Coordinator Corporate Secretary and Compliance

K. Keat Lee
EVP Coordinator Information & Financial

I. Supomo
EVP Coordinator Distribution Network

M. Sholeh Tasripan
EVP Coordinator Corporate & Government

Omar S. Anwar
EVP Coordinator Retail Banking

Consolidated Financial Statements
With Report of Independent Auditors
December 31, 2001 and 2000

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES

Ernst & Young
Hanadi, Sarwoko & Sandjaja

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

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ERNST & YOUNG
Hanadi, Sarwoko & Sandjaja

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Jakarta 12190, Indonesia
P.O. Box 1973, Jakarta 10019

Phone : (021) 515 1960
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Report of Independent Auditors

The Shareholder and the Boards of Directors and Commissioners
PT Bank Mandiri (Persero)

We have audited the accompanying consolidated balance sheets of PT Bank Mandiri (Persero) (herein referred to as "Bank Mandiri") and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of profit and loss, changes in shareholder's equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of Bank Mandiri's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of an overseas branch of Bank Mandiri, which statements reflect assets of Rp24,073,429 million as of December 31, 2000 and interest income of Rp1,844,701 million and a loss before income tax of Rp207,899 million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for such overseas branch, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the 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 report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bank Mandiri and its Subsidiaries as of December 31, 2001 and 2000 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

As discussed in Note 4 to the consolidated financial statements, in 2001 Bank Mandiri changed its method of accounting for certain transactions by adopting Indonesian Statement of Financial Accounting Standards (SFAS) No. 31 (Revised) - "Accounting for Banking Industry", and also changed its method of accounting for income tax from the tax payable method to the deferred tax method in accordance with the adoption of SFAS No. 46 - "Accounting for Income Tax". These changes resulted in the restatement of previously issued financial statements.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Additional Information of parent only financial statements, which statements reflect assets constituting 99.62% and 99.68% of the total consolidated assets as of December 31, 2001 and 2000, respectively, is not intended to present the financial position, results of operations and cash flows of the parent company as a separate entity. Such Additional Information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements under generally accepted accounting principles in Indonesia. Such additional information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Drs. Iman Sarwoko
Public Accountant License No. 98.1.0359

March 14, 2002

The accompanying consolidated financial statements are intended to present the consolidated financial position, consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	Notes	2001	2000 Restated (Note 4)
ASSETS			
Cash		1,735,258	2,050,735
Current Accounts with Bank Indonesia	6	9,895,331	10,940,330
Current Accounts with Other Banks - net of allowance for possible losses of Rp2,461 and Rp10,286 as of December 31, 2001 and 2000, respectively	7	265,423	1,030,582
Placements with Other Banks - net of allowance for possible losses of Rp134,463 and Rp80,597 as of December 31, 2001 and 2000, respectively	8	13,180,172	4,023,232
Securities - net of unamortized interest, unrealized losses from mark to market, allowance for decline in value of securities and allowance for possible losses of Rp1,147,320 and Rp976,831 as of December 31, 2001 and 2000, respectively	9	24,007,282	8,429,857
Government Bonds	10	153,493,218	176,895,296
Trade Documents and Other Facilities - net of allowance for possible losses of Rp2,514,545 and Rp1,798,125 as of December 31, 2001 and 2000, respectively	11	1,413,995	1,082,951
Receivables Arising from Securities Purchased with Agreement to Resell - net of allowance for possible losses of Rp3,051 as of December 31, 2001	12	302,051	-
Derivatives Receivable - net of allowance for possible losses of Rp48 as of December 31, 2001	13	6,534	-
Loans	14		
Related parties		926,833	792,904
Third parties		47,258,953	42,229,635
		48,185,786	43,022,539
Less: Allowance for Possible Losses		(6,098,717)	(12,499,948)
Net		42,087,069	30,522,591
Acceptances Receivable - net of allowance for possible losses of Rp215,406 and Rp8,538 as of December 31, 2001 and 2000, respectively	15	1,582,979	845,231
Investments in Shares of Stock - net of allowance for possible losses of Rp26,377 and Rp363,093 as of December 31, 2001 and 2000, respectively	16	69,276	22,005
Premises and Equipment - net of accumulated depreciation and amortization of Rp1,220,381 and Rp1,464,391 as of December 31, 2001 and 2000, respectively	17	1,727,478	1,119,443
Deferred Tax Assets - net	30	4,817,617	5,922,092
Other Assets	18		
Accrued income		3,124,040	3,302,282
Receivables		3,010,086	2,461,935
Prepaid tax		366,614	366,053
Prepaid expenses		171,262	460,725
Others - net		1,035,310	3,879,365
Total Other Assets		7,707,312	10,470,360
TOTAL ASSETS		**262,290,995**	**253,354,705**

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

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	Notes	2001	2000 Restated (Note 4)
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Other Current Liabilities		62,065	216,615
Deposits			
Demand deposits	19	37,557,461	35,751,479
Savings deposits	20	22,304,803	18,030,147
Time deposits	21	129,782,634	109,204,741
Certificates of deposit - net of unamortized interest of Rp30,894 and Rp1,912 as of December 31, 2001 and 2000, respectively		800,840	388,899
Total Deposits		190,445,738	163,375,266
Deposits from Other Banks			
Demand deposits	22	586,600	548,089
Interbank call money	23	335,001	723,046
Time deposits	24	9,065,198	5,834,512
Certificates of deposit - net of unamortized interest of Rp172,557 as of December 31, 2001	24	2,541,043	-
Total Deposits From Other Banks		12,527,842	7,105,647
Payables Arising from Securities Sold with Agreement to Repurchase	25	-	1,012,056
Derivatives Payable	13	11,976	-
Acceptances Payable	26	1,804,708	853,769
Securities Issued - net of unamortized discount of Rp3,345 and Rp6,753 as of December 31, 2001 and 2000, respectively	27	3,276,695	4,913,851
Fund Borrowings	28	18,204,233	28,650,306
Estimated Losses on Commitments and Contingencies	29	5,284,345	7,010,271
Accrued Expenses		1,405,006	2,011,241
Taxes Payable	30	346,209	336,141
Other Liabilities	31	8,593,324	14,198,592
Subordinated Loans	32	6,390,201	6,352,191
Loan Capital	33	3,159,000	3,053,025
Total Liabilities		251,511,342	239,088,971
Minority Interests in Net Assets of Consolidated Subsidiaries	34	2,868	3,320
Shareholder's Equity	35		
Share Capital - Rp1,000,000 (full amount) par value per share; authorized - 16,000,000 shares; issued and fully paid - 4,251,000 shares		4,251,000	4,251,000
Additional Paid-in Capital		174,962,319	175,092,004
Differences Arising from Translation of Foreign Currency Financial Statements		83,745	138,024
Unrealized Losses on Securities and Government Bonds Available for Sale		(5,047,162)	(22,040)
Premises and Equipment Revaluation Increment		9,788	9,788
Accumulated Losses		(163,482,905)	(165,206,362)
Total Shareholder's Equity		10,776,785	14,262,414
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**262,290,995**	**253,354,705**

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

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
Consolidated Statements of Profit and Loss
For the Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	Notes	2001	2000 Restated (Note 4)
INCOME AND EXPENSES FROM OPERATIONS			
Interest Income	36		
Interest income		31,199,234	26,715,18
Fees and commissions on loan facilities		296,996	226,92
Total Interest Income		31,496,230	26,942,109
Interest Expense			
Interest expense	37	(24,304,232)	(20,523,63
Other financing expenses	38	(82,776)	(14,110)
Total Interest Expense		(24,387,008)	(20,537,74
Net Interest Income		7,109,222	6,404,367
Other Operating Income			
Foreign exchange gain - net	49	260,096	3,118,35
Other fees and commissions		475,180	306,28
Others	45	720,409	518,297
Total Other Operating Income		1,455,685	3,942,94
(Provision)/Reversal of Allowance for Possible Losses on Earning Assets	39	(6,703,896)	2,819,145
Reversal of Allowance for Possible Losses on Commitments and Contingencies	29	1,913,412	1,995,80
Reversal/(Provision) of Allowance for Possible Losses on Other Assets	18	2,342,721	(5,274,382)
Total provision allowance for possible losses - net		(2,447,763)	(459,429)
Other Operating Expenses			
General and administrative expenses	42	(1,746,539)	(1,349,737)
Salaries and employee benefits	43	(1,670,186)	(1,863,221)
Loss from decline in value of securities and Government Bonds	40	(1,022,862)	(3,351,39
Gain/(loss) from sale of securities and Government Bonds	41	710,724	(237,99
Others - net	46	(742,831)	(1,401,372)
Total Other Operating Expenses		(4,471,694)	(8,203,717)
PROFIT FROM OPERATIONS	55	1,645,450	1,684,16
NON-OPERATING INCOME/EXPENSES - NET	47	2,204,988	339,315
PROFIT BEFORE PROVISION FOR INCOME TAX AND MINORITY INTERESTS		3,850,438	2,023,479
PROVISION FOR INCOME TAX	30		
Current Income Tax		-	(311
Deferred Income Tax		(1,104,475)	(840,997
PROFIT BEFORE MINORITY INTERESTS		2,745,963	1,182,171
MINORITY INTERESTS IN NET PROFIT OF CONSOLIDATED SUBSIDIARIES		(206)	(731
NET PROFIT	55	2,745,757	1,181,440
Earnings per share	2ab	0.646	0.278

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

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholder's Equity
For the Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid-Up Capital	Additional Paid-in Capital	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Losses on Securities and Government Bonds Available for Sale	Premises and Equipment Revaluation Increment	Accumulated Losses	Total Shareholder's Equity
Balance as of January 1, 2000		4,251,000	177,749,004	15,587	-	9,788	(173,150,891)	8,874,488
Adjustment to beginning balance	4	-	-	-	-	-	6,763,089	6,763,089
Balance as of January 1, 2000, as restated		4,251,000	177,749,004	15,587	-	9,788	(166,387,802)	15,637,577
Unrealized gains or losses on securities available for sale		-	-	-	(22,040)	-	-	(22,040)
Additional differences arising from the translation of foreign currency financial statements for the year ended December 31, 2000		-	-	122,437	-	-	-	122,437
Return of additional paid in capital to the Government on July 7, 2000	3	-	(2,657,000)	-	-	-	-	(2,657,000)
Net profit for the year ended December 31, 2000, as restated	4	-	-	-	-	-	1,181,440	1,181,440
Balance as of December 31, 2000, as restated		4,251,000	175,092,004	138,024	(22,040)	9,788	(165,206,362)	14,262,414
Unrealized losses on securities and Government Bonds available for sale		-	-	-	(5,025,122)	-	-	(5,025,122)
Proposed return of additional paid-in capital relating to assets transferred to PT Pengelola Harta Tetap Mandiri	17	-	(129,685)	-	-	-	-	(129,685)
Additional differences arising from the translation of foreign currency financial statements		-	-	(54,279)	-	-	-	(54,279)
Net profit for the year ended December 31, 2001		-	-	-	-	-	2,745,757	2,745,757
Dividends	35	-	-	-	-	-	(1,011,219)	(1,011,219)
Allocation for small industry and cooperative fund development (PUKK)	35	-	-	-	-	-	(11,081)	(11,081)
Balance as of December 31, 2001		4,251,000	174,962,319	83,745	(5,047,162)	9,788	(163,482,905)	10,776,785

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

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interest income	31,377,477	25,818,438
Receipts from fees and commissions	772,176	226,921
Payment of interest expense	(24,632,916)	(20,648,065)
Payment of other financing expenses	(82,776)	(14,110)
Foreign exchange loss - net	(652,516)	(4,168,962)
Operational income - others	720,409	590,779
Operational expenses - others	3,496,697	(1,405,556)
Salaries and employee benefits	(1,670,186)	(1,863,221)
General and administrative expenses	(1,772,590)	(812,845)
Non-operational income/(expense) - others	2,100,389	424,235
Operating profit/(loss) before changes in operating activities	9,656,164	(1,852,386)
(Increase)/decrease in operating assets:		
Placements with other banks	(9,223,778)	(1,019,880)
Securities - trading	(448,547)	1,336,338
Sale of Government Bonds	14,200,453	3,755,416
Acceptances receivable	(14,699)	-
Trade documents and other facilities	(654,366)	(614,490)
Loans	(14,351,682)	(6,419,265)
Proceeds from collection of earning assets already written-off	2,279,047	910,406
Other assets	4,927,527	(942,100)
Increase/(decrease) in operating liabilities:		
Demand deposits	1,844,493	16,454,930
Savings deposits	4,274,656	3,724,874
Time deposits	23,808,579	(804,849)
Certificates of deposit	2,952,984	(176,319)
Interbank call money	(388,045)	(5,736,304)
Other current liabilities	(154,551)	(4,496,903)
Taxes payable	10,068	(2,848,033)
Other liabilities	(5,746,034)	563,609
Estimated losses on commitments and contingencies	(3,639,338)	4,345,119
Differences arising from translation of foreign currency financial statements	(54,279)	122,437
Net cash from operating activities	29,278,652	6,302,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities - investing	(15,541,214)	(2,788,133)
Return of Government Bonds	-	2,657,000
Redemption of matured Government Hedge Bonds	13,100,468	10,866,844
Replacement of matured Hedge Government Bonds	(13,100,468)	(10,866,844)
Increase/(decrease) in investments in shares of stock	(19,528)	210,182
Securities purchased with agreement to resell	(305,102)	-
Securities sold with agreement to repurchase	(1,012,056)	(14,000,000)
Acquisition of premises and equipment	(754,936)	(184,372)
Proceeds from sale of premises and equipment	-	31,917
Net cash used in investing activities	(17,632,836)	(14,073,406)

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

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated (Note 4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in minority interests in net assets of consolidated subsidiaries	(367)	(7,858)
(Decrease)/increase in securities issued	(1,303,946)	2,135,837
(Decrease)/increase in fund borrowings	(11,373,003)	4,545,698
(Decrease)/increase in subordinated loans	(88,041)	1,502,198
Decrease in loan capital	(2,700)	-
Proceeds from payable arising from securities sold with agreement to repurchase	-	1,500,000
Payment of dividends	(1,011,219)	-
Reduction of additional paid-in capital	-	(2,657,000)
Net cash (used in)/from financing activities	(13,779,276)	7,018,875
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,133,460)	(751,931)
CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	14,031,933	14,783,864
CASH AND CASH EQUIVALENTS AT END OF YEAR	11,898,473	14,031,933

	2001	2000
Cash and cash equivalents at end of year consists of:		
Cash	1,735,258	2,050,735
Current accounts with Bank Indonesia	9,895,331	10,940,330
Current accounts with other banks	267,884	1,040,868
Total cash and cash equivalents	11,898,473	14,031,933
Activities not affecting cash flows:		
Unrealized losses on available-for-sale securities and Government Bonds	5,028,308	22,040
Governments Bonds swapped with IBRA's loans	5,214,645	-
Reduction in additional paid-in capital	(129,685)	-

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

1. GENERAL

PT Bank Mandiri (Persero) (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.Th98 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 acquisition of almost all shares formerly owned by the Government of the Republic of Indonesia (the "Government") in the former PT Bank Bumi Daya (Persero) ("BBD"), former PT Bank Dagang Negara (Persero) ("BDN"), former PT Bank Ekspor Impor Indonesia (Persero) ("Bank Exim") and former PT Bank Pembangunan Indonesia (Persero) ("Bapindo") (hereinafter collectively referred to as the "Merged Banks"), and by cash payments from the Government.

Bank Mandiri's Articles of Association have been amended several times, most recently by notarial deed No. 48 of Sutjipto, S.H. dated July 10, 2001, concerning the distribution of net profit. This amendment was approved by the Minister of Justice and Human Rights in his decision letter No. C-03458 HT.01.04.TH.2001. Amendment was also made by notarial deed No. 98 of Sutjipto, S.H., dated July 24, 1999, concerning among others, the increase in the share capital of Bank Mandiri by the Government. This amendment was approved by the Minister of Justice in his decision letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and published in Supplement No. 252 of the State Gazette No. 77 dated September 24, 1999.

In accordance with Article 3 of the amended Articles of Association, Bank Mandiri is engaged in commercial banking activities which is commenced on August 1, 1999.

At the Shareholder's Extraordinary General Meeting held on July 24, 1999 and documented by notarial deeds No. 93, 94, 95, 96, 97 and 98 of Sutjipto, S.H., the shareholder of Bank Mandiri, BBD, BDN, Bank Exim and Bapindo approved the merger plan among Bank Mandiri and the Merged Banks. Based on the deed of merger No. 100 dated July 24, 1999 of Sutjipto, S.H., BBD, BDN, Bank Exim and Bapindo were merged into Bank Mandiri. The merger was declared effective by the Chief of the South Jakarta Office of the Department of Industry and Trade in his decision letter No. 09031827089 dated July 31, 1999 (Note 3).

On May 28, 1999, the Government issued Government Regulation No. 52 of 1999 which provided for an increase in the Government's capital participation in Bank Mandiri through Government Bonds to be issued by the Minister of Finance with a value of up to Rp137,800,000 within the framework of the Government's Recapitalization Program. On December 24, 1999, the Government issued Government Regulation No. 97 of 1999 which provided for an increase in the share capital of Bank Mandiri to a maximum of Rp42,200,000 (Note 3).

On April 8, 2000, Bank Mandiri and the Government signed a Management Contract which contained a requirement for Bank Mandiri to return excess additional paid-in capital amounting to Rp2,657,000, or equivalent to 2,657,000 (two million six hundred fifty seven thousand) units, to the Minister of Finance on April 10, 2000, the effective date of the Management Contract (Notes 3, 10 and 59a).

(Amounts in millions of Rupiah, unless otherwise stated)

1. GENERAL (Continued)

Bank Mandiri's head office is located in Jakarta, Indonesia. As of December 31, 2001, Bank Mandiri has 10 domestic regional offices (2000: 10) and 635 domestic branches (2000: 546). As of December 31, 2001, the domestic branches are comprised of 54 "hubs", 424 "spokes" and 157 cash outlets (2000: 54 hubs, 421 spokes and 71 cash outlets). During 2001 and 2000 Bank Mandiri had four offshore branches: Grand Cayman, Cook Islands, Singapore and Hong Kong; and one subsidiary in London, U.K., Bank Mandiri (Europe) Limited ("BMEL").

Based on the Shareholder's Extraordinary General Meeting held on May 17, 2000, E.C.W. Neloe was appointed as President Director of Bank Mandiri and, based on notarial deeds Nos. 76 and 77 of Sutjipto, S.H. dated November 16, 2000, the members of Bank Mandiri's Boards of Commissioners and Directors are as follows:

		As of December 31,	
		2001	2000
Board of Commissioners			
President Commissioner	:	Binhadi	Binhadi
Commissioner	:	Soedarjono	Soedarjono
Commissioner	:	Markus Parmadi	Markus Parmadi
Commissioner	:	Sabana Kartasasmita	Sabana Kartasasmita
Board of Directors			
President Director	:	E.C.W. Neloe	E.C.W. Neloe
Director	:	I Wayan Pugeg	I Wayan Pugeg
Director	:	Agus Martowardojo	Agus Martowardojo

In 2001, the President Director, with the approval of the Board of Commissioners, appointed I Wayan Agus Mertayasa to replace I Wayan Pugeg as Compliance Director of the Bank. The appointment was approved by Bank Indonesia through its letter no. 3/130/DGS/DPIP dated November 5, 2001. The appointment is further awaiting the approval from the Bank's shareholder.

Bank Mandiri's Audit Committee as of December 31, 2001 and 2000 is comprised of:

Audit Committee		2001	2000
Chairman	:	Soedarjono	Soedarjono
Member	:	Soejatna Soenoesoebrata	Soejatna Soenoesoebrata
Member	:	Zulkifli Djaelani	Zulkifli Djaelani

As of December 31, 2001, Bank Mandiri has a total of 17,204 employees (2000:18,016 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements of Bank Mandiri and its Subsidiaries have been prepared in conformity with the Statement of Financial Accounting Standard ("SFAS") No. 31 (Revised), "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.

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

<u>Significant Changes in Accounting Policies</u>

SFAS No. 31 (Revised) - "Accounting for Banking Industry"

The consolidated financial statements for the year ended December 31, 2000 have been restated to reflect the changes of SFAS No. 31 (Revised) which is effective January 1, 2001, as follows:

- Acceptances receivable and payable are recorded on the balance sheet at their outstanding balances, net of allowance for possible losses (for acceptances receivable). Prior to January 1, 2001, acceptances receivable and payable were disclosed as off-balance sheet accounts.
- Related allowances for possible losses on off-balance sheet accounts are recognized as "Estimated Losses on Commitments and Contingencies". Prior to January 1, 2001, these were included in "Other Liabilities".
- Temporary investments in debtor companies arising from debt to equity swaps are accounted for at cost regardless of the percentage of ownership. Prior to January 1, 2001, such investments were accounted for under the equity method regardless of the percentage of ownership.
- For purposes of reporting cash flows, placements with other banks with maturities of three months or less at the time of placement are excluded in determining cash equivalents. Prior to January 1, 2001, placements with other banks with maturities of three months or less at the time of placement were reported as cash equivalents.
- The Statement of Commitments and Contingencies was presented as part of the basic consolidated financial statements of the Bank and its Subsidiaries prior to January 1, 2001. Effective January 1, 2001, other commitments and contingencies as at the balance sheet date are disclosed in the notes to consolidated financial statements, and a separate statement of commitments and contingencies is no longer presented.

SFAS No. 31 (Revised) also requires that collections from loans classified as doubtful or loss, whether as payment for principal or interest, are first applied as a reduction of the principal. Any excess amount collected over the outstanding principal is recognized as interest income. Prior to January 1, 2001, collections were first applied as interest income and any excess over the interest due was recognized as a reduction of the principal. This change has been adopted on a prospective basis.

(Amounts in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

SFAS No. 46 – "Accounting for Income Tax"

Effective January 1, 2001, Bank Mandiri and its Subsidiaries adopted SFAS No. 46. This standard requires that deferred corporate tax be provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Previously issued financial statements have been restated as a result of adopting SFAS No. 46 on a retroactive basis.

SFAS No. 55 – "Accounting for Derivatives Instruments and Hedging Activities"

Effective January 1, 2001, Bank Mandiri adopted SFAS No. 55 which requires Bank Mandiri to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through current profit and loss. If the derivative is a hedge, depending on the nature of the hedge, changes in fair value of derivatives are either offset against the change in fair value of assets, liabilities, or from commitments through profit and loss, or recognized as a separate component of equity until the hedged item is recognized in current profit and loss. The ineffective portion of a derivative's change in fair value is recognized in current year's profit and loss.

Under the reporting guidelines prescribed by Bank Indonesia, derivatives receivable and payable are stated at the amount of the unrealized gains or losses from the derivative contracts. The unrealized gains or losses are calculated from the differences between the contract value and the value of the derivative instruments at spot rate as of reporting dates. The value of foreign currency contracts under the reporting guidelines prescribed by Bank Indonesia is determined based on the Reuters spot rate at the closing date.

Statements of Cash Flows

Effective January 1, 2001, the consolidated statements of cash flows present receipts and payments of cash and cash equivalents classified into operating, investing and financing activities, using the direct method. For comparative purposes, the consolidated statements of cash flows for the year 2000 have been reclassified and presented using the direct method.

b. *Principles of Consolidation*

The consolidated financial statements include the financial statements of Bank Mandiri and its majority-owned or controlled Subsidiaries. Significant inter-company balances and transactions have been eliminated.

Subsidiaries included in the consolidated financial statements are as follows:

Name of Subsidiary	Nature of Business	Domicile	Percentage of Ownership 2001	Percentage of Ownership 2000
Bank Mandiri (Europe) Limited	Banking	London	100.00	100.00
PT Asuransi Jiwa Staco Raharja	Insurance	Jakarta	100.00	100.00
PT Bank Syariah Mandiri	Banking	Jakarta	99.99	99.99
PT Usaha Gedung Bank Dagang Negara	Building Management	Jakarta	99.00	99.00
PT Bumi Daya Plaza	Building Management	Jakarta	93.33	93.33
PT Mandiri Sekuritas	Securities	Jakarta	28.49	30.64

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Principles of Consolidation (Continued)

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, UK.

PT Asuransi Jiwa Staco Raharja was established in the Republic of Indonesia on September 30, 1991 based on notarial deed No.179 of Muhani Salim, S.H. dated September 30, 1991. Based on the Extraordinary General Shareholder's Meeting held on January 31, 2002, the name of the Company was changed to PT Asuransi Jiwa Mandiri (Mandiri Life). In accordance with Article 3 of the Company's Articles of Asso ciation, the Company is engaged in life insurance activities. The head office is located in Jakarta.

PT Bank Syariah Mandiri ("BSM"), formerly PT Bank Susila Bhakti, a subsidiary of ex-BDN is engaged in banking activities in accordance with "Syariah" banking principles. BSM has applied "Syariah" banking principles, and also has prepared financial statements for consolidation into theDecember 31, 2001 and 2000 consolidated financial statements of Bank Mandiri in accordance with the same accounting principles applied by Bank Mandiri.

PT Usaha Gedung Bank Dagang Negara was established in the Republic of Indonesia on October 29, 1971 based on notarial deed No.104 of Abdul Latief, S.H. dated October 29, 1971. The Company is engaged in building management and office rental activities, which involve the Company and its subsidiaries' offices, and other offices.

PT Bumi Daya Plaza was established in Jakarta based on notarial deed No. 33 of Ny. Subagyo Reksodipuro, S.H. dated December 22, 1978. The Company is engaged in managing and renting of buildings.

PT Mandiri Sekuritas was established 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. While the share ownership of Bank Mandiri in PT Mandiri Sekuritas is less than 50%, its accounts are consolidated considering of the direct control of Bank Mandiri over the operational and financial activities of PT Mandiri Sekuritas and that the remaining shareholding of 69% of its share capital is indirectly owned by Bank Mandiri through PT Pengelola Investama Mandiri, one of Bank Mandiri's indirect subsidiaries.

The total assets of the Subsidiaries as of December 31, 2001 and 2000 (prior to elimination) amounted to Rp2,653,048 and Rp2,113,675 (as restated) or 1.01% and 0.83% of the total consolidated assets, respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Principles of Consolidation (Continued)

For consolidation purposes, the accounts of the overseas branches and the Subsidiary in London of Bank Mandiri were translated into Rupiah 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) Shareholder's equity accounts - using historical rates.

(4) Statements of cash flows - using the middle rates as published by Bank Indonesia at the balance sheet date, except for profit and loss statement balances which are translated using the average middle rates and shareholder's equity balances which are translated using historical rates.

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

c. Foreign Currency Transactions and Balances

Bank Mandiri maintains its accounting records in Indonesian Rupiah. Transactions in currencies other than Rupiah are recorded at the prevailing rates of exchange in effect on the date of the transactions. At the balance sheet date, all foreign currency monetary assets and liabilities are translated into Rupiah at the middle exchange rates quoted by Bank Indonesia on those dates. The resulting gains or losses are credited or charged to the current year's profit and loss.

As of December 31, 2001 and 2000, the exchange rates used against the Rupiah were as follows (amounts in full Rupiah):

	2001	2000
US Dollar 1	10,400	9,595
Deutsche Mark 1	4,704	4,557
British Pounds Sterling 1	15,081	14,299
Japanese Yen 100	7,918	8,357
Euro 1	9,203	8,912

d. Transactions with Related Parties

Bank Mandiri and its Subsidiaries have transactions with certain related parties.

All significant transactions with related parties, whether or not conducted under similar terms and conditions as those with third parties, are disclosed in Note 58. Transactions between Bank Mandiri and other state-owned/controlled entities including to the Indonesian Bank Restructuring Agency ("IBRA"), are not considered as transactions with related parties under SFAS No. 7 - "Related Party Transactions".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. *Allowance for Possible Losses on Earning Assets and Commitments and Contingencies*

Earning assets consist of current accounts with other banks, placements with other banks, securities, Government Bonds, trade documents and other facilities, receivable arising from securities sold with agreement to repurchase, derivatives receivable, loans, acceptances receivable, investments in shares of stock, and commitments and contingencies with credit-related risk. Placements with other banks, securities, Government Bonds, trade documents and other facilities, receivables arising from securities sold with agreement to repurchase, derivatives receivable, loans, acceptances receivable and investments in shares of stock are defined in Notes 2g, 2h, 2i, 2j, 2k, 2l, 2m, 2o and 2p.

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

A general and specific allowance for possible losses on earning assets and commitments and contingencies is provided based on management's review of the quality of the earning assets at the end of each period and further considering general economic conditions. The determination of the minimum allowance for possible losses on earning assets of Bank Mandiri and Subsidiaries also takes into consideration the guidelines prescribed by Bank Indonesia on the Provision of Allowances for Possible Losses on Earning Assets which prescribes minimum rates of allowance for possible losses on earning assets and commitments and contingencies with credit-related risk as follows:

Classification	Rate
Current *	1%
Special mention	5%
Sub-standard	15%
Doubtful	50%
Loss	100%

* excluding Bank Indonesia Certificates of Indebtedness (SBIs) and Government Bonds.

The above rates of allowances for possible losses are applied as a minimum, to the outstanding balances of earning assets and commitments and contingencies with credit-related risk, net of the value of cash and non-cash collateral, except for earning assets classified as current and special mention for which the rate is applied to the outstanding balance.

The allowance for possible losses for commitments and contingencies with credit-related risk is presented as a liability in the consolidated balance sheet.

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

The classification of earning assets into current, special mention, sub-standard, doubtful and loss is determined based on the evaluation by Management of Bank Mandiri and its Subsidiaries of each borrower's repayment performance, business prospects, financial condition and ability to repay, and consideration of the guidelines prescribed by Bank Indonesia regarding the quality of earning assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. *Cash and Cash Equivalents*

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

g. *Placements with Other Banks*

Placements with other banks represent placements in the form of call money, "fixed-term" placements, time deposits, certificates of deposit and others.

Placements with other banks are stated at their outstanding balances, net of allowance for possible losses.

h. *Securities*

Securities consist of securities traded in the money market such as mutual fund units, Certificates of Bank Indonesia, negotiable certificates of deposit, commercial papers, money market securities, other receivables from Bank Indonesia and securities traded on the stock exchanges such as shares of stocks and 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 profit or loss.

In accordance with SFAS No. 50 - "Accounting for Certain Investments in Securities", the value of securities are stated based on their classification, as follows:

(1) Trading securities are stated at fair value. The unrealized gains/losses resulting from the increase/decrease in fair value are recognized in the current year's profit and loss.

(2) Held-to-maturity securities are stated at cost reduced/increased by the amortization of discount or premium.

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

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 asset. 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 the profit and loss in the year incurred.

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

i. *Government Bonds*

Government Bonds represent bonds issued by the Government in connection with the recapitalization of commercial banks. Government Bonds are stated at nominal value, except for bonds that have become available for trading and for sale, which are stated at fair value, and for hedge bonds which are stated at values determined by the exchange rate of the Rupiah against the U.S. dollar, as published by Reuters on the balance sheet date. The exchange gain or loss arising from the indexation of hedge bonds is charged to the current year's profit and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Trade Documents and Other Facilities

Trade documents and other facilities represent receivables resulting from contracts for trade-related facilities given to customers, which are collectible when due.

Trade documents and other facilities are presented at their outstanding balances, net of allowance for possible losses.

k. Receivables/Payables Arising from Securities Sold/Purchased with Agreement to Repurchase/Resell

Securities sold under repurchase agreements are presented in the consolidated balance sheets as repurchase payables 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 with the period from when the securities were sold until they are repurchased.

Securities purchased with agreement to resell are presented in the consolidated balance sheets as repurchase receivables at their resale price less unamortized interest. The difference between the purchase price and the selling price is treated as unrealized (unamortized) interest income and is recognized as income during with the period from when the securities were purchased until they are sold.

l. Derivatives Receivable and Derivatives Payable

Prior to January 1, 2001, forward and swap contracts were recognized as commitments in the Statements of Commitments and Contingencies at their contracted value or notional amount translated at the rates of exchange prevailing at the balance sheet date. Gains or losses from revaluation of derivative instruments were recognized in the balance sheet (included in other assets or liabilities at gross amount) and reported in profit and loss during each year. In determining the net revaluation gain or loss, forward and swap contracts were revalued based on the current forward rate as of the balance sheet date for the remaining term. Forward and swap contracts were not designated as hedging instruments for accounting purposes. Net interest income or expense on interest rate swaps was accrued based on the terms of the contracts.

Effective January 1, 2001, the Bank and its subsidiaries adopted SFAS No. 55, "Accounting for Derivative Instruments and Hedging Activities". Derivative instruments are recognized in the balance sheet as either assets or liabilities based on the fair value of each contract.

Under the reporting guidelines prescribed by Bank Indonesia, derivatives receivable and payable are stated at the amount of the unrealized gains or losses from the derivative contracts. The unrealized gains or losses are calculated from the differences between the contract value and the value of the derivative instruments on reporting dates. The value of foreign currency contracts under the reporting guidelines prescribed by Bank Indonesia is determined based on the Reuters spot rate at the reporting date. Gains or losses from the derivative instruments, which do not meet the hedging criteria, are recognized in the profit and loss.

As required by SFAS No. 55, the change in the accounting for derivative instruments is applied prospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. *Loans*

Loans represent the provision of money or equivalent receivables under contracts with borrowers, where borrowers are required to repay their debts with interest after a specified period.

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

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

n. *Loan Restructuring*

Bank Mandiri has applied SFAS No. 54 - "Accounting for the Restructuring of Troubled Debt". Loan restructurings may involve a modification of the terms of the loans, conversion of loans into equity or other financial instruments and/or combination of both.

Loss on loan restructurings in respect of modification of term of the loans is 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 restructurings 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.

o. *Acceptances Receivable and Payable*

Acceptances receivable and payable are presented at the amount of the letters of credit or at the realized amount of the letters of credit accepted by the accepting bank.

p. *Investments in Shares of Stock*

Investments in shares of stock represent long-term investments in unlisted companies and temporary investments in debtor companies arising from conversion of loans.

Investments in shares representing ownership interests of 20% to 50%, except for investments in companies arising from debt to equity swaps, are accounted for under the equity method, whereby the 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.

Temporary investments in debtor companies arising from debt to equity swaps are accounted for under the cost method regardless of the percentage of ownership, less an allowance for possible losses. Prior to January 1, 2001, such investments were accounted for under the equity method regardless of the percentage of ownership.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Investments in Shares of Stock (continued)

Any permanent decline in the fair value of investments is deducted from the carrying value of the investments and charged to the current year's profit and loss. The Bank provides for possible losses arising from obligations from investments in shares of stock.

q. Premises and Equipment

Premises and equipment are stated at cost, except for certain premises and equipment used in operations that were revalued in accordance with Government regulations, less accumulated depreciation and amortization. The corresponding revaluation increments were credited to "Premises and Equipment Revaluation Increment" under the shareholder's equity in the balance sheet.

Premises and equipment, except land, are depreciated and amortized using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Landrights	contract term
Buildings	15 - 50
Furniture, fixtures and office equipment	2 - 5
Vehicles	2 - 5

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

The cost of repairs and maintenance is charged to operations as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the current year's profit and loss.

During 1999, the transfer of certain non-core fixed assets to PT Pengelola Harta Tetap Mandiri ("PHTM"), a related party was treated as a transaction under common control in accordance with SFAS No. 38 - "Accounting for Restructuring of Entities under Common Control" (Note 17).

r. Leases

Lease transactions are accounted for in accordance with SFAS No. 30 "Accounting for Leases" which prescribes the criteria for lease transactions. Consistent with SFAS No. 30, lease transactions are classified as capital leases by the lessee when all of the following criteria are met:

(1) The lessee has an option to purchase the leased assets at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement,

(2) Total periodic payments plus residual value fully cover the acquisition cost of leased capital goods plus interest thereon which is the lessor's profit (full pay-out lease) and

(3) The lease period covers a minimum of two (2) years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Leases (continued)

Lease transactions that do not meet any of the above criteria are accounted for using the operating lease method.

Capital leases are stated at the present value of the lease payments at the beginning of the lease term plus the residual value (option price) to be paid at the end of the lease period. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

s. Repossessed Assets

Repossessed assets represent loan collateral that has been acquired in settlement of loans and are included in "Other Assets". Repossessed assets are presented at their net realizable value. Realizable value is the fair value of the repossessed assets less estimated costs of liquidating the assets. Any excess of the loan balance over the value of the repossessed assets, which is not recoverable from the borrower, is charged to the allowance for possible losses. Differences between the estimated realizable value and the proceeds of sale of the repossessed assets are recognized in the profit and loss when incurred.

t. Other Assets

Other assets include accrued income for interest, fees and commissions, receivables, prepaid taxes, prepaid expenses, repossessed assets and other.

Receivables arise from the recognition of the accretion in the realizable value of zero-coupon instruments and deposits placed with highly rated foreign institutions which are attached as security to the Subordinated Undated Floating Rate Notes (SUFRNs) issued by certain legacy banks, and the effective reduction of the principal liability related to another legacy bank's SUFRN. Due to the contracts governing the SUFRNs, Bank Mandiri continues to recognize the original fair value of the SUFRNs as a liability of the Bank (Notes 32 and 33).

Prepaid expenses are amortized over periods during which benefits are realized using the straight-line method.

u. Deposits

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

Savings deposits represent deposits of customers with Bank Mandiri and banking subsidiaries that may only be withdrawn when certain agreed conditions are met, but may not be withdrawn by cheque or other equivalent instruments. These are stated at the amount due to the savings account holders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u. *Deposits (Continued)*

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 agreements between Bank Mandiri and banking subsidiaries and holders of time deposits.

Certificates of deposit represent time deposits with certificates that are negotiable. These are stated at nominal value reduced by unamortized interest. The difference between the present value received and the nominal value (discount) is recognized as interest paid in advance and is amortized over the time periods of the certificates of deposit.

v. *Deposits from Other Banks*

Deposits from other banks represent liabilities to local and overseas banks, in the form of demand deposits, savings deposits, interbank call money with original maturities of 90 days or less, time deposits and certificates of deposit. These are stated at the amount due to the other banks. Deposits from other banks have been reclassified and presented separately (including previously issued financial statements) as a result of adopting SFAS No. 31 (Revised).

w. *Securities Issued*

Securities issued include floating rate notes, which are recorded at their nominal value. Premiums or discounts arising from the issuance of floating rate notes are recognized as deferred expense/income and amortised over the period of the securities. Securities issued which are also held by Bank Mandiri and Subsidiaries are eliminated on consolidation.

x. *Provision for Income Tax*

Effective January 1, 2001, the Bank and its Subsidiaries adopted SFAS No. 46 - "Accounting for Income Tax". SFAS No. 46 requires recognition and measurement of deferred tax assets and liabilities for the expected future tax consequences of events recognized in the financial statements, including tax losses carried forward.

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current tax rates are used to determine deferred income tax. Deferred income tax assets relating to the carry forward of tax losses are recognized to the extent that it is probable that future taxable profit will be available against which such tax losses can be utilized.

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 sheet.

y. *Interest Income and Interest Expense*

Interest income and interest expense are recognized on an the accruals basis. Interest income on non-performing earning assets is not recognized, except to the extent of cash collections received. At the time a credit is classified as non-performing, interest which has been recognized but not yet collected is reversed against interest income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

y. Interest Income and Interest Expense (continued)

Effective January 1, 2001, the Bank and its Subsidiaries adopted SFAS No. 31 (Revised), which requires that all receipts from credits classified as doubtful or loss must be recognized firstly as a deduction of the outstanding principal balance. The excess of receipts over the outstanding principal balance shall be recognized as interest income.

Interest receivable on non-performing assets of Bank Mandiri and Subsidiaries is treated as off-balance sheet and disclosed in the notes to the consolidated financial statements (Note 48).

z. Fees and Commissions

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

aa. Pension Plan

Bank Mandiri established a defined contribution pension plan covering substantially all of its eligible employees from August 1, 1999, and defined benefit pension plans which were derived from each of the Merged Banks' pension plans. The assets from each defined benefit pension plan were carried forward as assets of the Merged Banks' Pension Plans (Note 44).

Bank Mandiri recognizes a provision for employee service entitlements under the Decree of the Minister of Manpower No.KEP-150/Men/2000 dated June 20, 2000, regarding the settlement of labor dismissal and the stipulation of severance pay, gratuity and compensation in companies. Provision is accrued based on the results of an actuarial valuation.

ab. Earnings Per Share

Earnings per share are calculated by dividing the net profit or loss with the weighted average number of shares issued and fully paid up during the related year.

Net profit used in calculating the basic earnings per share was Rp2,745,757 in 2001 and Rp1,181,440 in 2000. The total number of outstanding shares used as the denominator in computing the earnings per share in 2001 and 2000 was 4,251,000.

ac. Segment Information

Bank Mandiri and its Subsidiaries provide information on the following business segments: banking, Syariah banking, securities, insurance and others.

ad. 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.

ae. Presentation

Certain accounts in the 2000 consolidated financial statements have been reclassified to conform with the presentation of accounts in the 2001 consolidated financial statements (Note 4).

3. BANK MANDIRI MERGER AND RECAPITALIZATION

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 Republic of Indonesia's shares of stock in the Merged Banks (Note 35).

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.

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 his decision letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and approved by the Governor of Bank Indonesia in his decision letter No.1/9/KEP.GBI/1999 dated July 29, 1999. The merger was declared effective by the Chief of the South Jakarta Office of the Minister of Industry and Trade in his decision letter No. 09031827089 dated July 31, 1999.

Effective from the date of the merger:

- all of the assets and liabilities of the Merged Banks were transferred to Bank Mandiri, the surviving bank.
- all operations and business activities of the Merged Banks were transferred to and operated by Bank Mandiri.
- Bank Mandiri received additional paid-up capital amounting to Rp1,000,000 (one million Rupiah) or equivalent to one (1) share each representing the remaining share of the Government in the Merged Banks (Note 35).

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, obligations and equity of the Merged Banks.

Recapitalization

In response to the effects of the adverse economic conditions in Indonesia on the banking sector (Note 60), 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. The eligibility of commercial banks for inclusion in the Recapitalization Program is based on requirements and procedures set forth in the Joint Decrees No. 53/KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 of the Minister of Finance and the Governor of Bank Indonesia. Under the Joint Decrees, the Government, among others, shall implement the Recapitalization Program for Commercial Banks with respect to all State-Owned Banks, Regional Development Banks and Commercial Banks that have been taken over by the Indonesian Bank Restructuring Agency ("IBRA").

BANK MANDIRI MERGER AND RECAPITALIZATION (Continued)

Recapitalization (continued)

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

During the period the above-mentioned bonds were not yet issued, Bank Mandiri accounted for such bonds as "Due from the Government" in its balance sheet 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 State Minister for Investment in State-Owned Enterprises in his letter No. S-510/M-PBUMN/1999 dated September 29, 1999.

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 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 Republic of Indonesia in Bank Mandiri within the framework of the Recapitalization Program, the Government of 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 Bonds in two (2) tranches of Rp103,000,000 on October 12, 1999 and Rp75,000,000 on December 28, 1999, so that as of December 31, 1999, the total Government Bonds issued in accordance with the aforementioned Agreements amounted to Rp178,000,000 (Note 10).

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

Based on the legal audit report on the capital structure of PT Bank Mandiri (Persero) issued by Hadiputranto, Hadinoto and Partners dated March 11, 2002, Bank Mandiri should be in no obligation to reduce the additional paid-in capital of the amount of Rp1,412,000, and that there is no legal restriction or obligation to return the excess to the Government, except if required under the Management Contract. Therefore, the excess amount of recapitalization to be retained as additional paid-in capital is subject to the decision of the Minister of Finance.

(Amounts in millions of Rupiah, unless otherwise stated)

4. RESTATEMENTS OF ACCOUNTS ARISING FROM SIGNIFICANT ACCOUNTING CHANGES AND RECLASSIFICATION OF ACCOUNTS

In relation to the implementation of new/revised accounting standards effective January 1, 2001, Bank Mandiri and its Subsidiaries have restated the consolidated financial statements as of December 31, 2000 as follows:

Balance Sheets as of December 31, 2000:

Account Description	As Previously Reported	Restatement	Ref. (*)	Reclassification	Ref. (*)	As Restated
Assets						
Cash and cash equivalents	14,021,647	-		-		14,021,647
Placements with other banks	4,023,232	-		-		4,023,232
Securities	8,429,857	-		-		8,429,857
Government Bonds	175,395,296	1,500,000	A1	-		176,895,296
Trade documents and other facilities	1,082,951	-		-		1,082,951
Loans	30,522,591	-		-		30,522,591
Acceptances receivable	-	853,769	A1	(8,538)	B1	845,231
Investments in shares of stock	22,005	-		-		22,005
Premises and equipment	1,119,443	-		-		1,119,443
Deferred tax assets	-	5,922,092	A3			5,922,092
Other assets	12,088,016	(487,944)	A1	(117,439)	B9	10,470,360
				(1,012,273)	B7	
Total Assets	**246,705,038**	**7,787,917**		**(1,138,250)**		**253,354,705**
Liabilities						
Other current liabilities	216,615	-		-		216,615
Deposits	163,923,355	-		(548,089)	B2	163,375,266
Deposits from other banks	-	-		18,490,750	B2	7,105,647
				(10,685,000)	B10	
				(700,103)	B11	
Payables arising from securities sold with agreement to repurchase	-	1,012,056	A1	-		1,012,056
Acceptances payable		853,769	A1	-		853,769
Securities issued	6,681,618	-		(1,448,845)	B3	4,913,851
				700,103	B11	
				(1,012,272)	B7	
				(6,753)	B9	
Fund borrowings	34,459,122	-		(17,942,661)	B2	28,650,306
		-		1,448,845	B3	
				10,685,000	B10	
Estimated losses on commitments and contingencies	-	-		(8,538)	B1	7,010,271
				7,018,809	B4	
Obligations under capital lease	9,749	-		(9,749)	B6	-
Accrued expenses	2,011,241	-		-		2,011,241
Taxes payable	371,716	-		(35,575)	B5	336,141
Other liabilities	21,171,263	-		(7,018,809)	B4	14,198,592
				9,749	B6	
				814	B8	
				35,575	B5	
Subordinated loans	6,462,878	-		(110,687)	B9	6,352,191
Loan capital	3,053,025	-		-		3,053,025
Total Liabilities	238,360,582	1,865,825		(1,137,436)		239,088,971
Minority Interests in Net Assets of Consolidated Subsidiaries	3,320	-		-		3,320
Shareholder's Equity	8,341,136	5,922,092	A3	(814)	B8	14,262,414
	246,705,038	**7,787,917**		**(1,138,250)**		**253,354,705**

(*) Refer to Notes 4 (A) and 4 (B)

(Amounts in millions of Rupiah, unless otherwise stated)

4. RESTATEMENTS OF ACCOUNTS ARISING FROM SIGNIFICANT ACCOUNTING CHANGES AND RECLASSIFICATION OF ACCOUNTS (Continued)

A. *Significant Accounting Changes*

The consolidated financial statements for the year ended December 31, 2000 have been restated to reflect the changes from new/revised Indonesian SFAS (refer to Note 2(a) for the summary of accounting changes) as follows:

SFAS No. 31 (Revised) - Accounting for the Banking Industry

A.1 Prior to January 1, 2001, acceptances receivable and payable, and payables arising from securities sold with agreement to repurchase, were reported as off-balance sheet accounts. Bank Mandiri has made a retroactive adjustment to recognize these accounts in the December 31, 2000 balance sheet.

A.2 Bank Mandiri made retroactive adjustments to the Statement of Cash Flows for the year ended December 31, 2000, as follows:

	As Previously Reported	As Restated	Difference
Cash and cash equivalents, December 31, 2000	29,579,564	14,031,933	(15,547,631)

SFAS No. 46 – "Accounting for Income Tax"

A.3 The consolidated financial statements for the year ended December 31, 2000 have been restated with the adoption of SFAS No. 46.

The effect of this restatement on the 2000 balances was as follows:

	As Previously Reported	As Restated	Difference
Accumulated losses as of January 1, 2000	(173,150,891)	(166,387,802)	6,763,089
Net profit	2,022,437	1,181,440	840,997

(Amounts in millions of Rupiah, unless otherwise stated)

4. RESTATEMENTS OF ACCOUNTS ARISING FROM SIGNIFICANT ACCOUNTING CHANGES AND RECLASSIFICATIONS (Continued)

B. Reclassification of Accounts

Certain accounts have been reclassified to conform with the presentation of accounts in the 2001 consolidated financial statements, and also in relation to the application of SFAS No. 31 (Revised), as follows:

- B.1 To present separately the allowance for possible losses for acceptances receivable as a contra asset account and reclassify from "Estimated Losses on Commitments and Contingencies".
- B.2 To separately present and reclassify deposits from other banks from "Fund Borrowings" and "Time Deposits" to "Deposits from Other Banks".
- B.3 To reclassify certain "Securities Issued" to "Fund Borrowings".
- B.4 To separately present and reclassify "Estimated Losses on Commitments and Contingencies" from "Other Liabilities".
- B.5 To reclassify certain accruals from "Taxes Payable" to "Other Liabilities".
- B.6 To reclassify and present the lease payable to "Other Liabilities".
- B.7 To present "Securities Issued" net of securities held by the Bank which were previously recognized under "Other Assets".
- B.8 To reclassify "Paid-in Capital in Excess of Par Value" to "Other Liabilities".
- B.9 To reclassify unamortised discount on securities issued from "Other Assets" to "Securities Issued" and "Subordinated Loans".
- B.10 To reclassify collaterized fund borrowings from "Deposits from Other Banks" to "Fund Borrowings".
- B.11 To reclassify interbank call money with original maturities of more than 90 days from "Deposits from Other Banks" to "Securities Issued".

5. CASH AND CASH EQUIVALENTS

	2001	2000
Cash	1,735,258	2,050,735
Current accounts with Bank Indonesia	9,895,331	10,940,330
Current accounts with other banks	267,884	1,040,868
	11,898,473	14,031,933

6. CURRENT ACCOUNTS WITH BANK INDONESIA

	2001	2000
Rupiah	8,044,403	9,025,947
United States Dollar	1,850,928	1,914,383
	9,895,331	10,940,330

The current accounts with Bank Indonesia are primarily maintained to meet the minimum legal reserve requirements of Bank Indonesia of 5% and 3% of Rupiah and US Dollar deposits, respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

7. CURRENT ACCOUNTS WITH OTHER BANKS

a. By Currency:

	2001	2000
Rupiah	5,095	8,223
Foreign currency:		
Citibank NA, New York	63,416	162,068
Bank of Tokyo Mitsubishi Corporation	27,462	17,630
Sumitomo Mitsui Banking Corporation	22,314	-
United Overseas Bank, Singapore	21,530	8,305
Bank One International, New York	18,300	-
American Express Bank, New York	14,395	19,113
Bank of New York, New York	12,804	265,795
Standard Chartered Bank, New York	2,482	50,423
First Union Bank International, New York	1,416	213,125
Bank of California, New York	-	147,043
Deutsche Bank, Frankfurt	-	51,760
Others - with balances below Rp13,000	78,670	97,383
Total foreign currency	262,789	1,032,645
Total	267,884	1,040,868
Less: Allowance for possible losses	(2,461)	(10,286)
	265,423	1,030,582

b. By Collectibility:

	2001	2000
Current	267,884	1,040,868
Less: Allowance for possible losses	(2,461)	(10,286)
	265,423	1,030,582

c. By Related and Non-related Party:

	2001	2000
Non-related party	267,884	1,040,868
Related party	-	-
Total	267,884	1,040,868
Less: Allowance for possible losses	(2,461)	(10,286)
	265,423	1,030,582

d. Annual Average Interest Rates for the Year:

	2001	2000
Rupiah	1.36%	1.89%
Foreign currency	1.15%	1.42%

(Amounts in millions of Rupiah, unless otherwise stated)

7. CURRENT ACCOUNTS WITH OTHER BANKS (Continued)

e. *Movements of Allowance for Possible Losses on Current Accounts with Other Banks:*

	2001	2000
Balance at beginning of year	10,286	47,687
Reversal for the year	(14,936)	(42,312)
Others	7,111	4,911
Balance at end of year	2,461	10,286

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

f. The current account with Nordea Merita Bank Plc, Finland, amounting to Rp2,960 is used as cash collateral for a bank guarantee issued in favor of a borrower of Bank Mandiri (Note 50).

8. PLACEMENTS WITH OTHER BANKS

a. *By Type and Currency:*

	2001	2000
Rupiah		
Call money:		
Panin Bank	245,000	-
Bank Mega	100,000	-
Bank Bukopin	40,000	-
OCBC-NISP Bank	25,000	-
Others	24,500	-
	434,500	-
"Fixed-term" placements:		
Bank Mega	-	33,535
Others	168	28,895
	168	62,430
Others	2,672	-
Total Rupiah	437,340	62,430

(Amounts in millions of Rupiah, unless otherwise stated)

8. PLACEMENTS WITH OTHER BANKS (Continued)

a. By Type and Currency (continued):

	2001	2000
Foreign Currency		
Call Money:		
Banco National Dellavoro (Singapore and London)	260,000	182,305
Bank Internasional Indonesia, Jakarta	197,600	-
Societe Generale, Hongkong	182,000	38,380
Bank Negara Indonesia, London	179,430	-
Lloyds Bank, London	158,600	-
Overseas Union Bank, Singapore	135,200	-
Commerzbank, Singapore	91,000	-
Hongkong Shanghai Bank Corporation, London	76,763	41,080
Bank One International, London	10,400	96,909
Chase Manhattan Bank	-	2,139,685
First Union Bank	-	233,158
DBS Bank, Singapore	-	47,975
The Toronto Dominion Bank	-	93,206
BNP Paribas (Singapore and Hongkong)	-	163,115
Philippine National Bank, Manila	-	33,103
Banque Francaisse	-	24,931
Hypo Hongkong	-	64,212
Bayerische Hypovereinsbank AG	-	196,673
Others	509,977	175,651
	1,800,970	3,530,383
"Fixed-term" placements:		
JP Morgan Chase Bank, New York	9,667,320	-
BNP Paribas, Hong Kong	135,328	-
DBS Bank, Singapore	101,826	-
Standard Chartered Bank, Singapore	25,870	-
Bayerische Hypovereinsbank AG	-	18,999
Deutsche Bank AG, Germany	-	17,824
Union Bank of California	-	14,392
Others	905,352	-
	10,835,696	51,215
Time deposits:		
Tokai Bank, Singapore	145,738	-
Indosesische Overzeese Bank, Singapore	48,926	-
Standard Chartered Bank, Singapore	34,868	-
Others	10,410	180,587
	239,942	180,587
Others	687	279,214
Total foreign currency	12,877,295	4,041,399
Total placements with other banks	13,314,635	4,103,829
Less: Allowance for possible losses	(134,463)	(80,597)
	13,180,172	4,023,232

(Amounts in millions of Rupiah, unless otherwise stated)

8. PLACEMENTS WITH OTHER BANKS (Continued)

b. *By Collectibility:*

	2001	2000
Current	13,314,467	4,103,661
Loss	168	168
Total	13,314,635	4,103,829
Less: Allowance for possible losses	(134,463)	(80,597)
	13,180,172	4,023,232

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

d. Annual Average Interest Rates for the Year:

	2001	2000
Rupiah	14.31%	11.00%
Foreign currency	4.29%	7.23%

e. The placements with other banks are for the periods ranging from 1 to 180 days and 1 to 90 days in 2001 and 2000, respectively.

f. As of December 31, 2001 and 2000, there are no placements with other banks that were blocked and pledged against fund borrowings of Bank Mandiri and its Subsidiaries.

g. Movements of Allowance for Possible Losses on Placements with Other Banks:

	2001	2000
Balance at beginning of year	80,597	59,726
Provision for the year	66,838	718,834
Others	(12,972)	(697,963)
Balance at end of year	134,463	80,597

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

(Amounts in millions of Rupiah, unless otherwise stated)

9. SECURITIES

	2001	2000
a. By Purpose:		
Held-to-maturity	23,989,973	8,725,022
Trading	518,609	108,256
Available-for-sale	646,020	573,410
	25,154,602	9,406,688
Less: Unamortized interest	(28,916)	(35,881)
Unrealized losses from mark to market	(31,753)	(22,040)
Allowance for decline in value of securities	(22,433)	(191,900)
Allowance for possible losses	(1,064,218)	(727,010)
	24,007,282	8,429,857
b. By Type and Currency:		
Rupiah:		
Bank Indonesia call money	22,325,000	7,150,000
Certificates of Bank Indonesia	370,132	5,000
Wadiah Certificate of Bank Indonesia	196,250	248,000
Mandatory convertible bonds	1,018,810	-
Bonds	360,057	430,419
Investments in mutual fund units	43,687	567
Medium term notes	12,876	14,628
Others	19,993	25,662
	24,346,805	7,874,276
Foreign currency:		
Floating rate notes	293,645	1,027,986
Money market securities	100,160	173,657
Bonds	161,067	202,413
Floating rate certificates of deposit	30,047	-
Credit linked notes receivable	10,252	47,975
Exchange offer loans	153,516	-
Others	59,110	80,381
	807,797	1,532,412
	25,154,602	9,406,688
Less: Unamortized interest	(28,916)	(35,881)
Unrealized losses from mark to market	(31,753)	(22,040)
Allowance for decline in value of securities	(22,433)	(191,900)
Allowance for possible losses	(1,064,218)	(727,010)
	24,007,282	8,429,857

(Amounts in millions of Rupiah, unless otherwise stated)

9. SECURITIES (Continued)

c. *By Collectibility:*

	2001	2000
Current	24,103,946	9 192 617
Loss	1,050,656	214,071
	25,154,602	9,406,688
Less: Unamortized interest	(28,916)	(35,881)
Unrealized losses from mark to market	(31,753)	(22,040)
Allowance for decline in value of securities	(22,433)	(191,900)
Allowance for possible losses	(1,064,218)	(727,010)
	24,007,282	8,429,857

d. *By Issuer:*

December 31, 2001

Issuer	Type	Maturity Date	Interest Rate	Rating*)	Nominal Value
Rupiah:					
Held-to-Maturity					
Bank Indonesia	Bank Indonesia call money	various	15.34%	n/a	22,325,000
Bank Indonesia	Wadiah Certificates of BI	various	12.53%	n/a	196,250
PT Garuda Indonesia	Mandatory convertible bonds	11/15/06	4.00%	n/a	1,018,810
Perusahaan Listrik Negara	Bonds	08/08/07	13.16%	idB	2,000
PT Bahana Pembinaan Usaha Indonesia	Mutual funds	02/16/02	-	-	315
PT Danareksa (Persero)	Mutual funds	02/16/02	-	-	318
Mega Capital Indonesia	Mutual funds	undated	-	-	41,058
PT Pentasena Arthatama	Mutual funds	undated	-	-	1,996
PT Semen Gresik	Medium term notes	04/29/02	-	n/a	12,876
Others	various	various	-	-	15,887
					23,614,510
Trading					
Bank Indonesia	Certificates of Bank Indonesia	various	16.00-17.75%	n/a	370,132
Others	various	various		n/a	9,493
					379,625
Available-for-Sale					
Bank Tabungan Negara	Bonds	07/18/02	14.15%	idBB-	3,880
Bank DKI	Bonds	06/18/04	13.67%	idBB+	35,434
Astra International	Bonds	06/30/05 - 06/30/06	14.38-15.00%	idB+	30,083
Duta Pertiwi	Bonds	04/17/02 - 08/04/02	14.44-15.50%	idBBB	54,608
Perusahaan Listrik Negara	Bonds	11/15/01 - 08/08/07	13.90-13.94%	idB	171,937
Citra Marga Nushapala Pertiwi	Bonds	03/05/04	16.00%	idBB	11,000
Mayora Indah	Bonds	07/18/04	14.65%		45,728
					352,670
Total Rupiah					24,346,805

(Amounts in millions of Rupiah, unless otherwise stated)

9. SECURITIES (Continued)

d. By Issuer (continued):

December 31, 2001 (Continued)

Issuer	Type	Maturity Date	Interest Rate	Rating*)	Nominal Value
Foreign currency:					
Held-to-Maturity					
Renong Berhard	Bonds	06/30/06	12.70%		17,733
Astra International	Bonds	05/10/06 – 09/29/06			9,763
Bunas Finance	Bonds	05/10/06			4,160
Charoen Pokphand	Floating rate notes	12/31/02	4.95%		14,941
Srithai Superware	Floating rate notes	04/28/05	5.00%		17,475
BNI, Hongkong	Floating rate notes	08/22/05	4.25%		144,564
PT Perkebunan Nusantara	Promissory notes	06/03/00			20,800
HSBC, Hongkong	Floating rate CD	02/12/02	3.74%	Aa3	19,080
Bank of China, Hongkong	Floating rate notes	07/17/02	2.89%	Baa1	19,114
Deutsche Bank, Frankfurt	Floating rate notes	03/02/06	2.18%		41,553
Hypovereinsbank, Munich	Floating rate notes	07/12/04	2.53%		36,399
Others					29,881
					375,463
Trading					
Republic of Indonesia	Bonds	11/27/06	7.75%		98,098
Bank Rakyat Indonesia	Floating rate CD	11/03/02	3.78%		10,967
Bank Rakyat Indonesia	Floating rate notes	03/11/02	7.75%		19,599
ING, Indonesia	Credit link note	12/07/03			10,320
					138,984
Available-for-Sale					
Bank Negara Indonesia	Exchange offer loans	06/05/02 - 06/01/05	4.38-4.88%		153,516
Republic of Indonesia	Bonds	01/8/06	7.75%		31,312
Government of Singapore	Treasury Bills	01/10/02			29,162
Others	various	various			79,360
					293,350
Total foreign currency					807,797
Total securities					25,154,602
Less: Unamortized interest					(28,916)
Unrealized losses from mark to market					(31,753)
Allowance for decline in value of securities					(22,433)
Allowance for possible losses					(1,064,218)
					24,007,282

*) Based on rating issued by rating agencies including Pefindo and Moody's.

(Amounts in millions of Rupiah, unless otherwise stated)

9. SECURITIES (Continued)

d. By Issuer (continued):

December 31, 2000

Issuer	Type	Maturity Date	Interest Rate	Rating*)	Nominal Value
Rupiah:					
Held-to-Maturity					
Bank Indonesia	Bank Indonesia call money	various	10.87-11.11%	n/a	5,000
Bank Indonesia	Certificates of Bank Indonesia	various	14.62%	n/a	7,150,000
Bank Indonesia	Wadiah Certificates of BI	various		n/a	248,000
Perusahaan Listrik Negara	Bonds	08/08/07		idB	2,000
PT Garuda Indonesia	Promissory notes	09/18/98		n/a	7,500
PT Semen Gresik	Medium term notes	04/29/02		n/a	14,628
Others	various	various			3,982
					7,431,110
Trading					
Others	various	various		n/a	23,418
					23,418
Available-for-Sale					
Bank Tabungan Negara	Bonds	07/22/01 - 07/18/02	12.76-14.15%	idCCC	10,320
Bank DKI	Bonds	06/18/04	13.36%	idBB	35,434
Astra International	Bonds	06/30/05 - 06/30/06	12.94%	idB+	36,853
Duta Pertiwi	Bonds	04/17/02 - 08/04/02	14.25-15.50%	idBBB-	54,608
Perusahaan Listrik Negara	Bonds	08/21/01 - 08/08/07	13.60-18.34%	idB	186,937
Perum Pegadaian	Bonds	06/12/01	13.88%	idA+	4,000
Barito Pasific	Bonds	07/10/02	15.00%		21,366
Citra Marga Nushapala Pertiwi	Bonds	03/05/04	16.00%	idBB	11,000
Marga MDL Sakti	Bonds	06/30/01	13.63%		13,135
Mayora Indah	Bonds	07/18/04	14.65%	idBB	45,728
Bahadana	Floating rate notes	07/08/07			367
					419,748
Total Rupiah					7,874,276
Foreign currency:					
Held-to-Maturity					
HSBC, Hongkong	Flotating rate CD	02/12/02	6.86%		18,577
Republic of Indonesia	Bonds	08/01/06	7.75%		23,532
Perusahaan Listrik Negara	Bonds	08/08/07	13.40%	idB	1,986
Indover, Amsterdam	Floating rate notes	01/14/02	7.10%		479,492
BNI, Hongkong	Floating rate notes	10/25/01 - 08/22/05	7.63-8.03%		309,432
Charoen Pokphand	Floating rate notes	12/31/02			19,190
Bank of China	Floating rate notes	07/17/02	6.62%		18,452
PT Perkebunan Nusantara	Promissory notes	06/03/00			95,950
Bank Central Asia	Credit linked notes	08/25/00	11.00%		47,975
Asian Development Bank	Bonds	10/12/01	6.52%		18,577
International Holding Ltd.	Shares				9,152
Deutsche Bank, Frankfurt	Floating rate notes	03/02/06	2.18%		38,347
Bank Rakyat Indonesia	Floating rate notes				26,557
Hypovereinsbank, Munich	Floating rate notes	07/12/04	2.53%		33,581
State Bank of Saurashtra	Commercial bills		4.45%		27,727
Dena Bank	Commercial bills		2.83%		36,177
Oriental Bank Commercial Mumbai	Commercial bills				26,758
Punjab National Bank	Commercial bills		2.69 – 3.05%		10,873
Others					51,577
					1,293,912
Trading					
BNI	Floating rate notes	02/15/07	7.63%		17,655
APP Global	Floating rate notes	10/04/01	10.75%		38,380
Government of Singapore	Treasury bills	02/01/01	2.31%		28,803
					84,838

*) Based on rating issued by rating agencies including Pefindo and Moody's.

(Amounts in millions of Rupiah, unless otherwise stated)

9. SECURITIES (Continued)

d. By Issuer (continued):

December 31, 2000 (continued)

Issuer	Type	Maturity Date	Interest Rate	Rating*)	Nominal Value
Foreign currency (continued):					
Available-for-Sale					
Bank Negara Indonesia	Floating rate notes	02/14/01-10/21/01			90,698
Staco International	Floating rate notes	06/05/01	6.89%		15,351
Srithai Superware	Floating rate notes	04/28/05	5.00%		17,598
Renong Berhard	Bonds	06/30/06	12.70%		19,190
Others					10,825
					153,662
Total foreign currency					1,532,412
Total securities					9,406,688
Less: Unamortized interest					(35,881)
Unrealized losses from mark to market					(22,040)
Allowance for decline in value of securities					(191,900)
Allowance for possible losses					(727,010)
					8,429,857

*) Based on rating issued by rating agencies including Pefindo and Moody's.

e) By Period:

	2001	2000
Rupiah:		
Less than 1 year	22,972,872	7,489,313
1 - 5 years	1,147,054	212,660
Over 5 years	226,879	172,303
	24,346,805	7,874,276
Foreign currency:		
Less than 1 year	267,900	1,202,987
1 - 5 years	519,097	196,698
Over 5 years	20,800	132,727
	807,797	1,532,412
	25,154,602	9,406,688
Less: Unamortized interest	(28,916)	(35,881)
Unrealized losses from mark to market	(31,753)	(22,040)
Allowance for decline in value of securities	(22,433)	(191,900)
Allowance for possible losses	(1,064,218)	(727,010)
	24,007,282	8,429,857

(Amounts in millions of Rupiah, unless otherwise stated)

9. SECURITIES (Continued)

f. *By Type of Issuer:*

	2001	2000
Government	23,020,793	7,542,009
Banks	563,465	1,019,145
Other companies	1,570,344	845,534
	25,154,602	9,406,688
Less: Unamortized interest	(28,916)	(35,881)
Unrealized losses from mark to market	(31,753)	(22,040)
Allowance for decline in value of securities	(22,433)	(191,900)
Allowance for possible losses	(1,064,218)	(727,010)
	24,007,282	8,429,857

g. *By Related and Non-related Party:*

	2001	2000
Related party	-	6,524
Non-related party	25,154,602	9,400,164
	25,154,602	9,406,688
Less: Unamortized interest	(28,916)	(35,881)
Unrealized losses from mark to market	(31,753)	(22,040)
Allowance for decline in value of securities	(22,433)	(191,900)
Allowance for possible losses	(1,064,218)	(727,010)
	24,007,282	8,429,857

h. *The annual average interest rates are as follows:*

	2001	2000
Rupiah	14.13%	10.01%
Foreign currency	4.37%	7.51%

i. *Movements of allowance for possible losses on securities:*

	2001	2000
Balance at beginning of year	727,010	654,380
Provision/(reversal) for the year	83,723	(162,610)
Recoveries	318,900	-
Write-offs	(110,212)	(226,710)
Others	44,797	461,950
Balance at end of year	1,064,218	727,010

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

(Amounts in millions of Rupiah, unless otherwise stated)

10. GOVERNMENT BONDS

This account consists of bonds stated at nominal value (except for trading and available for sale portfolio and hedge bonds) issued by the Government to Bank Mandiri in connection with its Recapitalization Program in 1999, with details as follows:

	2001	2000
Held-to-maturity, at cost	114,307,546	155,346,699
Available-for-sale, at fair value	31,170,372	-
Trading, at fair value	8,015,300	21,548,597
	153,493,218	176,895,296

In the context of the Recapitalization Program as discussed in Note 3 to the consolidated financial statements, the Minister of Finance subscribed to additional paid in capital in Bank Mandiri. The subscription was paid by crediting Bank Mandiri's account in Bank Indonesia which was simultaneously used to purchase Government Bonds issued by the Government. This recapitalization was carried out in two tranches, on October 12, 1999 for Rp103,000,000 and on December 28, 1999 for Rp75,000,000.

The Government Bonds may be used by Bank Mandiri to settle obligations but may not be used to increase assets (Note 59a), except for Government Bonds classified for trading purposes based on prevailing regulations.

Based on maturity date, the Government Bonds are as follows:

	2001	2000
Held-to-maturity:		
Less than 1 year	13,244,606	12,259,420
1 - 5 years	26,342,821	49,373,432
5 - 10 years	74,720,119	93,713,847
	114,307,546	155,346,699
Available-for-sale:		
Less than 1 year	-	-
1 - 5 years	25,959,041	-
5 - 10 years	5,211,331	-
	31,170,372	-
Trading:		
Less than 1 year	-	-
1 - 5 years	1,863,511	14,526,688
5 - 10 years	6,151,789	7,021,909
	8,015,300	21,548,597
	153,493,218	176,895,296

(Amounts in millions of Rupiah, unless otherwise stated)

10. GOVERNMENT BONDS (Continued)

The details of Government Bonds are as follows:

December 31, 2001

	Serial No.	Nominal	Interest Rate per Annum	Maturity Date	Interest Payment Frequency
Held-to-Maturity					
Fixed Rate Bonds	FR0002	17,294,112	14.00%	6/15/2009	6 months
	FR0005	2,950,813	12.25%	7/15/2007	6 months
		20,244,925			
Variable Rate Bonds	VR0006	1,676,207	SBI 3 months	12/25/2004	3 months
	VR0007	1,667,148	SBI 3 months	4/25/2005	3 months
	VR0008	3,654,948	SBI 3 months	11/25/2005	3 months
	VR0009	4,796,813	SBI 3 months	3/25/2006	3 months
	VR0010	4,796,813	SBI 3 months	10/25/2006	3 months
	VR0011	6,710,550	SBI 3 months	2/25/2007	3 months
	VR0012	6,710,550	SBI 3 months	9/25/2007	3 months
	VR0013	8,700,534	SBI 3 months	1/25/2008	3 months
	VR0014	9,320,030	SBI 3 months	8/25/2008	3 months
	VR0015	11,516,765	SBI 3 months	12/25/2008	3 months
	VR0016	11,516,765	SBI 3 months	7/25/2009	3 months
		71,067,123			
Hedge Bonds	HB0009	2,220,000	SIBOR + 2%	3/25/2002	3 months
	HB0010	2,220,000	SIBOR + 2%	6/25/2002	3 months
	HB0011	2,220,000	SIBOR + 2%	9/25/2002	3 months
	HB0012	2,220,000	SIBOR + 2%	12/25/2002	3 months
	HB0033	2,903,791	SIBOR + 2%	6/25/2003	3 months
	HB0034	2,482,445	SIBOR + 2%	3/25/2003	3 months
	HB0036	1,216,582	SIBOR + 2%	3/25/2004	3 months
	HB0049	3,227,996	SIBOR + 2%	3/25/2003	3 months
Hedge bonds at nominal value		18,710,814			
Add: Increase in value due to indexation of hedge bonds		4,284,684			
Hedge bonds at indexed value		22,995,498			
Total Held-to-Maturity		114,307,546			

(Amounts in millions of Rupiah, unless otherwise stated)

10. GOVERNMENT BONDS (Continued)

December 31, 2001

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Available-for-sale						
Fixed Rate Bonds	FR0004	1,289,255	12.13%	983,186	2/15/2006	6 months
	FR0006	5,417,601	16.50%	4,993,945	9/15/2004	6 months
	FR0007	11,714,601	10.00%	9,131,532	9/15/2004	6 months
	FR0008	849,947	16.50%	772,432	5/15/2005	6 months
	FR0009	34,523	10.00%	25,547	5/15/2005	6 months
		19,305,927		15,906,642		
Variable Rate Bonds	VR0006	3,000,000	SBI 3 months	2,779,200	12/25/2004	3 months
	VR0007	2,000,000	SBI 3 months	1,840,600	4/25/2005	3 months
	VR0008	2,000,000	SBI 3 months	1,822,200	11/25/2005	3 months
	VR0009	2,000,000	SBI 3 months	1,813,200	3/25/2006	3 months
	VR0010	2,000,000	SBI 3 months	1,797,200	10/25/2006	3 months
	VR0011	1,500,000	SBI 3 months	1,342,050	2/25/2007	3 months
	VR0012	1,500,000	SBI 3 months	1,333,200	9/25/2007	3 months
	VR0013	1,250,000	SBI 3 months	1,106,250	1/25/2008	3 months
	VR0014	630,504	SBI 3 months	554,780	8/25/2008	3 months
	VR0015	500,000	SBI 3 months	438,750	12/25/2008	3 months
	VR0016	500,000	SBI 3 months	436,300	7/25/2009	3 months
		16,880,504		15,263,730		
		36,186,431		31,170,372		
Trading						
Fixed Rate Bonds	FR0002	8,295,292	14.00%	6,151,789	6/15/2009	6 months
	FR0006	36,000	16.50%	33,185	9/15/2004	6 months
		8,331,292		6,184,974		
Variable Rate Bonds	VR0005	999	SBI 3 months	954	5/25/2004	3 months
	VR0007	1,987,800	SBI 3 months	1,829,372	4/25/2005	3 months
		1,988,799		1,830,326		
		10,320,091		8,015,300		

December 31, 2000

	Serial No.	Nominal	Interest Rate per Annum	Maturity Date	Interest Payment Frequency
Held-to-Maturity					
Fixed Rate Bonds	FR0002	14,024,457	14.00%	6/15/2009	6 months
	FR0004	2,789,255	12.13%	2/15/2006	6 months
	FR0005	2,950,813	12.25%	7/15/2007	6 months
	FR0006	5,417,601	16.50%	9/15/2004	6 months
	FR0007	11,714,600	10.00%	9/15/2004	6 months
	FR0008	849,947	16.50%	5/15/2005	6 months
	FR0009	1,912,381	10.00%	5/15/2005	6 months
		39,659,054			

(Amounts in millions of Rupiah, unless otherwise stated)

10. GOVERNMENT BONDS (Continued)

December 31, 2000

	Serial No.	Nominal	Interest Rate per Annum	Maturity Date	Interest Payment Frequency
Held-to-Maturity					
Variable Rate Bonds	VR0003	2,860,590	SBI 3 months	6/25/2003	3 months
	VR0004	360,590	SBI 3 months	1/25/2004	3 months
	VR0006	4,676,207	SBI 3 months	12/25/2004	3 months
	VR0007	3,667,148	SBI 3 months	4/25/2005	3 months
	VR0008	5,654,948	SBI 3 months	11/25/2005	3 months
	VR0009	6,796,813	SBI 3 months	3/25/2006	3 months
	VR0010	6,796,813	SBI 3 months	10/25/2006	3 months
	VR0011	8,210,550	SBI 3 months	2/25/2007	3 months
	VR0012	8,210,550	SBI 3 months	9/25/2007	3 months
	VR0013	9,950,534	SBI 3 months	1/25/2008	3 months
	VR0014	9,950,534	SBI 3 months	8/25/2008	3 months
	VR0015	12,016,764	SBI 3 months	12/25/2008	3 months
	VR0016	12,016,764	SBI 3 months	7/25/2009	3 months
		91,168,805			
Hedge Bonds	HB0005	2,220,000	SIBOR + 2%	3/25/2001	3 months
	HB0006	2,220,000	SIBOR + 2%	6/25/2001	3 months
	HB0007	2,220,000	SIBOR + 2%	9/25/2001	3 months
	HB0008	2,220,000	SIBOR + 2%	12/25/2001	3 months
	HB0009	2,220,000	SIBOR + 2%	3/25/2002	3 months
	HB0010	2,220,000	SIBOR + 2%	6/25/2002	3 months
	HB0011	2,220,000	SIBOR + 2%	9/25/2002	3 months
	HB0012	2,220,000	SIBOR + 2%	12/25/2002	3 months
Hedge bonds at nominal value		17,760,000			
Add: Increase in value due to indexation of hedge bonds		6,758,840			
Hedge bonds at indexed value		24,518,840			
Total Held-to-Maturity		155,346,699			

	Serial No.	Nominal	Interest Rate per Annum	Fair Value	Maturity Date	Interest Payment Frequency
Trading						
Fixed Rate Bonds	FR0002	8,343,792	14.00%	7,021,909	6/15/2009	6 months
	FR0006	1,538,462	16.50%	1,492,308	9/15/2004	6 months
	FR0007	3,936,538	10.00%	3,103,928	9/15/2004	6 months
		13,818,792		11,618,145		
Variable Rate Bonds	VR0003	1,000,000	SBI 3 months	930,500	6/25/2003	3 months
	VR0004	3,500,000	SBI 3 months	3,193,750	1/25/2004	3 months
	VR0005	4,416,207	SBI 3 months	4,034,377	5/25/2004	3 months
	VR0007	1,987,800	SBI 3 months	1,771,825	4/25/2005	3 months
		10,904,007		9,930,452		
		24,722,799		21,548,597		

10. GOVERNMENT BONDS (Continued)

Of the total trading portfolio, Government Bonds amounting to Rp1,500,000, were sold directly to Bank Mega and Deutsche Bank that were repurchased by Bank Mandiri on several dates through to February 1, 2001 for Rp1,012,056.

In 1999 variable and fixed rate bonds totaling Rp14,000,000 or Rp7,000,000, respectively, were sold directly to Bank Indonesia and are required to be repurchased by Bank Mandiri in July 2000 and September 2000.

Beginning February 1, 2000, FR0001, VR0001, VR0002 and VR0005 bonds became available for trading in the secondary market based on Bank Indonesia's Letter No. 2/15/DPM dated January 26, 2000 on "Government Bonds Trading Agreement" that were followed by FR0002 bonds in June 2000 based on Bank Indonesia Circular Letter No. 2/14/DPNP dated June 27, 2000. Bank Indonesia issued Circular Letter No. 2/26/DPM dated December 8, 2000 increasing the percentage of the Government Bonds that may be traded in the secondary market to 25% of the total of such bonds, and approved that FR0006, FR0007, FR0008 and FR0009 bonds could be classified as trading for trading. Government Bonds become available for trading based on Bank Indonesia Circular Letter No. 3/6/DPM dated February 9, 2001 and thus VR0006, VR0008, VR00010, VR00012, VR0014, and VR0016 bonds became available for trading. Accordingly, Government Bonds amounting to Rp3,251,180 and Rp37,686,431 were transferred from "Held-to-Maturity" to "Trading" and "Available for Sale" in 2001.

Government Bonds are pledged against certain fund borrowings for RpNil and Rp11,400,000 as of December 31, 2001 and 2000, respectively, and are classified as trading portfolio (Note 28).

Receipt from sales of Government Bonds sold to third parties during 2001 amounted to Rp14,200,453 (nominal value: Rp15,787,100).

In September 2001, Bank Mandiri agreed to swap certain of its Government Bonds for IBRA loans totaling Rp5,214,645 (Notes 59d and 59e).

The outstanding Government Bonds include hedge bonds amounting to Rp22,995,498 that have a nominal value of Rp18,710,814 and the effect of indexation of Rp4,284,684 as of December 31, 2001. Hedge bonds are stated at the balance sheet date based on the indexation of the exchange rate of the Rupiah to the US Dollar as published by Reuters. The original base rate of the hedge bonds at the time of issuance was Rp7,200 (full amount) that was revised by Bank Indonesia per BI Circular Letter No. 2/195/DPM dated March 6, 2000 to Rp7,008 (full amount). The indexed rate of the hedge bonds as of December 31, 2001 and 2000 is Rp10,400 (full amount) and Rp9,675 (full amount), respectively.

The Bank recorded a gain from sale of Government Bonds amounting to Rp394,852 and incurred a loss of Rp263,770 during 2001 and 2000, respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

11. TRADE DOCUMENTS AND OTHER FACILITIES

a) *By Type and Currency:*

	2001	2000
Rupiah:		
Export bills	696	246
Discounted export bills	42,678	5,435
Others	146,997	183,334
	190,371	189,015
Foreign currency:		
Export bills	857,282	366,304
Discounted export bills	2,542,688	1,146,074
Others	338,199	1,179,683
	3,738,169	2,692,061
Total	3,928,540	2,881,076
Less: Allowance for possible losses	(2,514,545)	(1,798,125)
	1,413,995	1,082,951

b) *By Collectibility:*

	2001	2000
Current	1,522,565	1,147,007
Loss	2,405,975	1,734,069
Total	3,928,540	2,881,076
Less: Allowance for possible losses	(2,514,545)	(1,798,125)
	1,413,995	1,082,951

c) *By Maturity:*

	2001
Less than 1 month	1,079,930
1 - 3 months	239,432
Over 3 months	2,609,178
Total	3,928,540
Less: Allowance for possible losses	(2,514,545)
	1,413,995

(Amounts in millions of Rupiah, unless otherwise stated)

11. TRADE DOCUMENTS AND OTHER FACILITIES (Continued)

d) *Movements of Allowance for Possible Losses on Trade Documents and Other Facilities:*

	2001
Balance at beginning of year	1,798,125
Provision for current year	323,322
Write offs	(15,002)
Others	408,100
Balance at end of year	2,514,545

Management believes that the allowance for possible losses on trade documents and other facilities is adequate.

e) Discounted export facilities amounted to Rp2,731,310 and Rp1,151,509 as of December 31, 2001 and 2000, respectively, with average interest rates per annum of 5.93% and 7.88% for 2001 and 2000, respectively.

12. RECEIVABLES ARISING FROM SECURITIES PURCHASED WITH AGREEMENTS TO RESELL

December 31, 2001

Type	Counterparty	Start	Mature	Nominal value	Unrealized Interest Income	Net Value
GB FR0002	PT Bank Internasional Indonesia	12/11/01	01/11/02	198,964	1,188	200,152
GB VR0009	PT Bank Internasional Indonesia	12/11/01	01/11/02	56,212	336	56,548
GB VR0013	PT Bank Internasional Indonesia	12/11/01	01/11/02	48,115	287	48,402
						305,102
Less: Allowance for possible losses						(3,051)
						302,051

Movements of allowance for possible losses on receivables arising from securities purchased with agreements to resell:

	2001
Balance at beginning of year	-
Provision for the year	3,051
Balance at end of year	3,051

(Amounts in millions of Rupiah, unless otherwise stated)

13. DERIVATIVES RECEIVABLE AND PAYABLE

In conducting its daily operations, Bank Mandiri and its Subsidiaries enter into forward and cross currency swap agreements with customers. These forward and cross currency swap transactions enable the customers to transfer, modify or reduce their foreign exchange risks. As part of the Bank's risk management policy, it covers these derivative contracts written for customers with opposite forward and cross-currency swap agreements from other financial institutions. These opposite forward and cross-currency swap agreements have approximately similar notional amounts and maturities to the original derivative contracts written for customers.

As of December 31, 2001, none of Bank Mandiri's derivative transactions are designated as hedging instruments for accounting purposes. Accordingly, all gains and losses resulting from these derivative transactions are recorded in current year's profit and loss. During the year ended December 31, 2001, the period of forward and cross currency transactions ranged from 3-97 days.

As of December 31, 2001, a summary of derivative transactions is as follows:

Transactions	Notional Amount (Contract)	Value at spot (Note 2l)	Derivatives Receivable	Derivatives Payable
Bank only				
Non-related party				
Cross currency:				
1. Forward - buy				
US Dollar	225,018	217,657	587	7,948
2. Forward - sell				
US Dollar	78,502	77,257	1,806	562
3. Swap - buy				
US Dollar	186,382	187,200	1,580	762
4. Swap - sell				
US Dollar	186,469	187,200	835	1,565
			4,808	10,837
Subsidiary				
Related party				
1. Forward - buy				
US Dollar	613	613	-	-
Non-related party				
Cross currency:				
1. Forward - buy				
US Dollar	146,762	147,849	1,774	687
2. Swap - buy				
US Dollar	93,093	92,641	-	452
			1,774	1,139
Total			6,582	11,976
Less: Allowance for possible losses			(48)	
			6,534	11,976

Movements of allowance for possible losses on derivative receivables:

	2001
Balance at beginning of year	-
Provision for the year	48
Balance at end of year	48

(Amounts in millions of Rupiah, unless otherwise stated)

13. DERIVATIVES RECEIVABLES AND PAYABLES (Continued)

SFAS No. 55 "Accounting for Derivative Instruments and Hedging Activities" is effective January 1, 2001. The outstanding balance of derivative instruments as of December 31, 2000 is comprised of:

Interest Rate Swap Option

BDN entered into an interest rate swap option agreement with Merrill Lynch Capital Services Inc. on October 31, 1995 which generally involves the exchange of floating rate interest payment obligations without exchange of the underlying principal amounts. The agreement matures on November 11, 2002, subject to adjustment in accordance with the Modified Following Business Day Convention. There had been no actual exchange of cash flows between the counter-parties during the term of the contract, however Merrill Lynch had the option of receiving fixed rate interest payments from Bank Mandiri. The notional principal amount, which is used to express the volume of the transaction, amounts to US$180,000,000 (full amount). The transaction relates to the FRNs issued by BDN amounting to US$180,000,000 (full amount) (Note 27).

The contract was terminated upon mutual agreement between Merrill Lynch and Bank Mandiri on March 9, 2001. Realized losses amounting to Rp23,868 were incurred by Bank Mandiri as a result of the termination of the swap option agreement on March 9, 2001, of which unrealized losses of Rp18,470 were recognized as of December 31, 2000.

Cross Currency Swap

BDN entered into a cross currency swap agreement with Merrill Lynch Capital Services Inc. on June 2, 1997 which provides for the exchange of US$4,936,240 (full amount) with Rp12,000 on April 29, 2001, the maturity date of the agreement. The contract was terminated upon mutual agreement between Merrill Lynch and Bank Mandiri on March 9, 2001. Realized gains amounting to Rp40,575 were earned by Bank Mandiri as a result of the termination of the cross currency swap agreement, of which unrealized gains of Rp38,824 were recognized through to December 31, 2000. The transaction underlying this contract relates to the purchase of Medium Term Notes of PT Semen Gresik.

14. LOANS

A. Detail of loans:

a) By Currency:

	2001	2000
Rupiah	27,718,862	21,946,059
Foreign currency	20,466,924	21,076,480
Total	48,185,786	43,022,539
Less: Allowance for possible losses	(6,098,717)	(12,499,948)
	42,087,069	30,522,591

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

A. Detail of loans (continued):

b) By Type:

	2001	2000
Rupiah:		
Investment	9,809,750	6,419,263
Working capital	12,219,746	8,940,197
Government program (Note 14B.c)	1,248,314	2,579,119
Export	2,506,641	1,574,421
Consumer	688,850	481,426
Syndicated	872,224	1,287,816
Employees	306,866	348,089
Others	66,471	315,728
	27,718,862	21,946,059
Foreign currency:		
Investment	7,545,092	6,285,537
Working capital	4,615,962	6,317,966
Government program (Note 14B.c)	57,076	57,570
Export	3,990,143	1,860,420
Consumer	43,981	-
Syndicated	3,797,388	6,482,476
Employees	175	549
Others	417,107	71,962
	20,466,924	21,076,480
Total	48,185,786	43,022,539
Less: Allowance for possible losses	(6,098,717)	(12,499,948)
	42,087,069	30,522,591

c) By Economic Sector:

	2001	2000
Rupiah:		
Manufacturing	12,153,818	6,901,539
Agriculture	4,504,498	4,705,222
Trading, restaurant and hotel	3,355,450	4,215,212
Construction	1,604,290	1,459,971
Other services	1,622,120	1,366,558
Transportation, warehousing and communications	1,487,152	1,019,438
Electricity, gas and water	135,720	167,640
Social services	188,137	146,259
Mining	95,176	235,856
Others	2,572,501	1,728,364
	27,718,862	21,946,059

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

A. Detail of loans (continued):

c) By Economic Sector (continued):

	2001	2000
Foreign currency:		
Manufacturing	11,118,555	11,358,389
Agriculture	1,080,991	472,462
Trading, restaurant and hotel	2,110,727	3,430,817
Construction	1,255,969	329,851
Other services	1,439,446	1,475,070
Transportation, warehousing and communications	679,822	1,762,611
Electricity, gas and water	363,576	739,194
Social services	15,881	6,079
Mining	1,316,843	200,601
Others	1,085,114	1,301,406
	20,466,924	21,076,480
Total	48,185,786	43,022,539
Less: Allowance for possible losses	(6,098,717)	(12,499,948)
	42,087,069	30,522,591

d) By Period:

	2001	2000
Rupiah:		
Less than 1 year	4,415,594	7,952,358
1 - 2 years	2,176,475	2,008,821
2 - 5 years	5,891,350	1,934,907
Over 5 years	15,235,443	10,049,973
	27,718,862	21,946,059
Foreign currency:		
Less than 1 year	4,499,884	6,919,268
1 - 2 years	1,430,053	2,274,683
2 - 5 years	4,100,152	1,691,672
Over 5 years	10,436,835	10,190,857
	20,466,924	21,076,480
Total	48,185,786	43,022,539
Less: Allowance for possible losses	(6,098,717)	(12,499,948)
	42,087,069	30,522,591

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

A. Detail of loans (continued):

e) By Collectibility:

	2001	2000
Current	30,818,511	19,153,518
Special mention	12,655,129	15,350,356
Sub-standard	2,561,479	3,395,600
Doubtful	966,132	1,864,289
Loss	1,184,535	3,258,776
Total	48,185,786	43,022,539
Less: Allowance for possible losses	(6,098,717)	(12,499,948)
	42,087,069	30,522,591

B. Significant information related to loans:

a. The annual average interest rates for the year:

	2001	2000
Rupiah	17.80%	18.02%
Foreign currency	9.10%	9.97%

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

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

d. The syndicated loans represent loans provided to customers under syndication agreements with other banks. Bank Mandiri's share as lead manager in syndicated loans ranged from 41% to 78% and 53.63% to 87.48% of the total syndicated loans in 2001 and 2000, respectively. Bank Mandiri's total participation in syndicated loans ranged from 0.43% to 54.00% and 0.50% to 67.00% of the total syndicated loans in 2001 and 2000, respectively.

e. The loans to Bank Mandiri employees consist of interest-bearing loans at 6% per annum in 2001 and 2000, which are intended for the acquisition of vehicles, houses and other personal property, and are repayable within 1 to 20 years through monthly payroll deductions.

f. Loans to related parties amounted to Rp926,833 and Rp792,904 as of December 31, 2001 and 2000, respectively, or 0.35% and 0.31% of total assets in 2001 and 2000, respectively. Details of loans given to related parties are as follows:

	2001	2000
Related parties due to debt equity swaps:		
PT Semen Kupang (Persero)	304,081	190,658
PT Sentral Star Knitting	58,162	54,146
PT Kertas Padalarang	6,000	6,745
PT Pann Multi Finance	5,417	6,915
	373,660	258,464

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

B. Significant information related to loans (continued):

f. Loans to related parties (continued):

	2001	2000
Related parties:		
Republic of Indonesia	303,806	280,174
PT Staco Bosowa Finance	67,636	12,000
PT Estika Sedaya Finance	66,042	60,308
PT Stacomitra Sedaya Finance	69,843	58,012
PT Bayu Beringin Lestari	37,100	44,600
PT Estika Jasa Kelola	7,323	23,272
PT Trans Java Gas Pipeline	-	51,753
PT Plaza Purimas Hotel	-	2,310
PT Staco Duta Agung	-	653
PT Staco Tiga Berlian Finance	-	386
Employees	1,423	972
	553,173	534,440
	926,833	792,904

g. As of December 31, 2001 and 2000, total loans and non-cash loans facilities which had been restructured amounting to Rp28,412,619 and Rp31,738,650, respectively. As of December 31, 2001 and 2000, total loans and non-cash loans facilities in the process of restructuring amounted to Rp3,427,107 and Rp4,543,584, respectively. Total loans restructured through debt-to-equity swap participations amounted to RpNil and Rp50,000 during 2001 and 2000, respectively, and through conversion of loans to Mandatory Convertible Bonds (MCBs) amounting to Rp1,018,810 in 2001 and RpNil in 2000 (Note 9.d.). The agreed restructuring schemes comprised of reduction of interest rates, rescheduling of past due interest, extension of the maturity dates and extension of the periods of payment of past due interest.

h. As of December 31, 2000, Bank Mandiri had loans to a third party group that exceeded the Legal Lending Limit (LLL) based on prevailing Bank Indonesia regulations. The excess over the LLL amounts to approximately Rp525,530 or 3.83% of capital as defined by Bank Indonesia. In view of the excess over the limit, Management reported its plan to Bank Indonesia to rectify the excess which included:

- Restructuring the third party group loans which exceed the LLL to reduce the loan principal within 5 years through 2005.
- Increase Bank Mandiri's equity through improvement of performance.

As of December 31, 2001, Bank Mandiri has not exceeded the LLL.

i. Loss category loans which were transferred to IBRA as required under the recapitalization program amounted to Rp3,737,546 and Rp18,645,779 in 2001 and 2000, respectively. These loans were fully provided for prior to the transfer. The loans transferred on September 4, 2001 were repurchased back on the same date through Government Bonds (Notes 59.c and 59.d).

j. On September 6, 2001, the Bank purchased (swapped) loans which were previously transferred to IBRA in 1999 amounting to Rp1,178,370, for Government Bonds (Note 59.e).

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

B. Significant information related to loans (continued):

k. Movements of allowance for possible losses on loans:

	2001	2000
Balance at beginning of year	12,499,948	22,131,786
Provision/(reversal) for the year	6,041,703	(3,132,557)
Loan recoveries	1,960,147	910,406
Write-offs	(12,732,638)	(8,790,272)
Others	(1,670,443)	1,380,585
Balance at end of year	6,098,717	12,499,948

As explained in Note 2, an allowance for possible losses is provided based on the review and evaluation of the collectibility and realizable value of the respective loan balances at the end of the year. In determining the minimum amount of allowance for possible loan losses, Bank Mandiri takes into account Bank Indonesia regulations on allowances for possible losses on earning assets.

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

l. Bank Mandiri's internal control and lending policy is as follows:

Bank Mandiri has developed written credit policies and guidelines which specify the procedures for credit analysis, credit approval, monitoring and supervision and credit restructuring. Accordingly, the Bank attempts to maintain the quality of assets through credit analysis and periodic review of credit status, portfolio diversification, sufficient collateral and internal controls.

No credit decision can be made unless it is approved by a minimum of two persons. Further, to protect against loan losses, the Bank's policy is to have loans fully secured by collateral pledged in favour of the Bank.

Bank Mandiri pursues diversification in the credit portfolio among a variety of industry or economic sectors, loan types and debtors to minimize credit risk. Industry limits are based on the Bank's strategic plan, target sectors, current economic conditions, government policy, funding sources and growth projections. Exceptions to the certain industry or borrowers exposure limits are reported to the Board of Directors and an action plan is devised to reduce the concentration.

Bank Mandiri's credit policy also satisfactorily establishes the authority standards and framework for managing, operating, monitoring and administering the loan portfolio. The policy is reviewed and approved by the Board of Directors on an annual basis, and it is amended as needed to incorporate changes in the Bank's policy and new banking regulations.

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

B. Significant information related to loans (continued):

m. A summary of non-performing loans based on economic sector and related minimum allowance for possible losses based on Bank Indonesia regulation, are as follow:

December 31, 2001	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Manufacturing	870,128	283,589
Trade	356,792	152,019
Business services	86,995	35,767
Others	1,086,060	479,445
	2,399,975	950,820
Foreign currency:		
Manufacturing	642,995	138,658
Trade	773,948	345,081
Business services	475,289	259,150
Others	419,939	248,095
	2,312,171	990,984
Total	4,712,146	1,941,804

December 31, 2000	Non-performing Loans	Minimum Allowance for Possible Losses
Rupiah:		
Manufacturing	1,272,041	698,389
Trade	992,958	420,756
Business services	477,821	188,880
Others	1,895,532	1,035,855
	4,638,352	2,343,880
Foreign currency:		
Manufacturing	1,431,535	661,314
Trade	747,766	206,346
Business services	429,809	239,301
Others	1,271,203	805,424
	3,880,313	1,912,385
Total	8,518,665	4,256,265

n. Bank Mandiri entered into several loan-channeling agreements with several international financial institutions. (Note 57).

o. There was no capitalized interest receivable for the years ended December 31, 2001 and 2000.

(Amounts in millions of Rupiah, unless otherwise stated)

14. LOANS (Continued)

B. Significant information related to loans (continued):

p. Transfer to IBRA of Category 5 Loans with balances below Rp5,000 and loans written-off prior to legal merger.

Under the Decree of Ministry of Finance No. 53/KMK.017/1999 and Governor of Bank Indonesia No.31/12/KEP.GBI/1999 dated February 8, 1999 regarding the transfer of problem assets to IBRA in 1999, Bank Mandiri was required to transfer all its loss category loans and written-off loans for RpNil consideration to IBRA. However, prior to the transfer of assets, there was a joint decision dated March 31, 1999 between the Ministry of Finance, IBRA and others directors of the legacy banks agreeing to transfer only the loans with principal above Rp5,000. This decision was then supported by Article 2.1 of the Asset Transfer Agreement between the legacy banks and IBRA dated March 31, 1999, and Article 3.2 of the Addendum on Temporary Recapitalization Agreement dated December 28, 1999, agreeing to transfer only the loans above Rp5,000.

Details of loss loans with balances below Rp5,000 and loans written-off prior to legal merger to be transferred to IBRA are as follows:

Loss category below Rp5,000	Rp1,631,633
Loans written-off before legal merger	9,535,220
	Rp11,166,853

The Bank is currently awaiting a decision from the Ministry of Finance regarding the status of the above loans.

15. ACCEPTANCES RECEIVABLE

a. *By Currency:*

	2001	2000
Rupiah:		
Related party	-	-
Non-related party	51,039	41,880
	51,039	41,880
Foreign currency:		
Related party	-	-
Non-related party	1,747,346	811,889
	1,747,346	811,889
Total	1,798,385	853,769
Less: Allowance for possible losses	(215,406)	(8,538)
	1,582,979	845,231

(Amounts in millions of Rupiah, unless otherwise stated)

15. ACCEPTANCES RECEIVABLE (Continued)

b. *By Maturity:*

	2001
Rupiah:	
Less than 1 month	28,318
1 - 3 months	16,467
3 - 6 months	6,245
6 - 12 months	9
Over 12 months	-
	51,039
Foreign currency:	
Less than 1 month	212,638
1 - 3 months	859,577
3 - 6 months	673,744
6 - 12 months	1,387
Over 12 months	-
	1,747,346
Total	1,798,385
Less: Allowance for possible losses	(215,406)
	1,582,979

c. *By Collectibility:*

	2001	2000
Current	886,303	853,769
Special Mention	853,500	-
Sub-standard	-	-
Doubtful	58,582	-
Loss	-	-
Total	1,798,385	853,769
Less: Allowance for possible losses	(215,406)	(8,538)
	1,582,979	845,231

d. *Movements of Allowance for Possible Losses on Acceptables Receivable:*

	2001	2000
Balance at beginning of year	8,538	16,672
Provision (reversal) for the year	227,890	(8,538)
Write-offs	(22,984)	404
Others	1,962	-
Balance at end of year	215,406	8,538

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

(Amounts in millions of Rupiah, unless otherwise stated)

16. INVESTMENTS IN SHARES OF STOCK

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

	2001	2000
Equity method of accounting	8,106	380,113
Cost method of accounting	87,547	4,985
Total	95,653	385,098
Less: Allowance for possible losses	(26,377)	(363,093)
	69,276	22,005

The details of investments in shares of stock as of December 31, 2001 are as follows:

Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
Equity Method:					
PT Sarana Bersama Pembiayaan Indonesia	Holding company	34.00	2,278	2,881	5,159
PT Bapindo Bumi Sekuritas	Securities trading	26.19	2,750	197	2,947
PT Exim SB Leasing	Financing	50.00	25,000	(25,000)	-
					8,106
Cost Method:					
PT Semen Kupang [a]	Manufacturing	59.70	45,023		45,023
PT Sri Thai [a]	Manufacturing		23,055		23,055
PT Kertas Padalarang [a]	Pulp and paper	51.50	9,530		9,530
PT Kustodian Sentral Efek Indonesia	Security custodian	16.00	4,800		4,800
PT Pisita Wisata [a]	Tourism	16.00	658		658
PT Mega Guna Concrete [a]	Construction	24.00	200		200
Maskapai Pelayaran Laut	Shipping	8.50	95		95
PT Bursa Efek Surabaya	Stock exchange	2.22	75		75
PT Bursa Efek Jakarta	Stock exchange	0.50	60		60
PT Pemeringkat Efek Indonesia	Security rating	4.29	429		429
Others					3,622
					87,547
Total					95,653
Less: Allowance for possible losses					(26,377)
					69,276

a) These investments, regardless of percentage of ownership, represent restructured loans through debt to equity participations (Note 14). Such investments are temporary investments for up to a maximum of five (5) years based on Bank Indonesia regulations. Accordingly, such investments are accounted for using the cost method regardless of the percentage of ownership, effective January 1, 2001.

(Amounts in millions of Rupiah, unless otherwise stated)

16. INVESTMENTS IN SHARES OF STOCK (Continued)

The details of investments in shares of stock as of December 31, 2000 are as follows:

Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Retained Earnings/ (Accumulated Losses)	Carrying Value
Equity Method:					
PT Pabrik Gula Rajawali III [a)]	Plantation	66.67	400,000	(107,878)	292,122
PT Semen Kupang [a)]	Manufacturing	59.70	50,000	(4,977)	45,023
PT Kertas Padalarang [a)]	Pulp and paper	51.50	26,500	(16,970)	9,530
PT Sarana Bersama Pembiayaan Indonesia	Holding company	34.00	2,278	2,881	5,159
PT Bapindo Bumi Sekuritas	Securities trading	26.19	2,750	574	3,324
PT Exim SB Leasing	Financing	50.00	25,000	(23,187)	1,813
Others [a)]		-	23,291	(149)	23,142
					380,113
Cost Method:					
PT Kustodian Sentral Efek Indonesia	Securities custodian	16.00	4,800		4,800
PT Bursa Efek Surabaya	Stock exchange	2.22	75		75
PT Bursa Efek Jakarta	Stock exchange	0.50	60		60
PT Pemeringkat Efek Indonesia	Security rating	0.03	50		50
					4,985
Total					385,098
Less: Allowance for possible losses					(363,093)
					22,005

a) These investments represent restructured loans through debt to equity participations (Note 14). Such investments are temporary investments for up to a maximum of five (5) years based on Bank Indonesia regulations. Accordingly, such investments are accounted for using the equity method regardless of the percentage of ownership.

b. Classification of investments in shares of stock by collectibility is as follows:

	2001	2000
Current	69,951	22,223
Sub-standard	-	-
Loss	25,702	362,875
Total	95,653	385,098
Less: Allowance for possible losses	(26,377)	(363,093)
	69,276	22,005

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

(Amounts in millions of Rupiah, unless otherwise stated)

16. INVESTMENTS IN SHARES OF STOCK (Continued)

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

	2001	2000
Balance at beginning of year	363,093	323,767
Provision (reversal) for the year	(27,743)	969
Write-offs	(312,479)	-
Others	3,506	38,357
Balance at end of year	26,377	363,093

17. PREMISES AND EQUIPMENT

	2001	2000
Cost or valuation	2,947,859	2,583,834
Less: Accumulated depreciation and amortization	(1,220,381)	(1,464,391)
Net book value	1,727,478	1,119,443

Movements in 2001	Beginning Balance	Additions	Deductions	Reclassifications	Adjustments	Ending Balance
Cost or Valuation						
Land	258,707	-	-	239	69,199	328,145
Buildings	983,123	1,514	(1)	2,879	31,754	1,019,269
Furniture, fixtures and office equipment	1,142,291	273,503	(169)	88,172	(94,433)	1,409,364
Vehicles	53,083	7,459	(861)	-	(29,293)	30,388
Construction in progress	129,698	263,270	-	(91,290)	(140,985)	160,693
Total	2,566,902	545,746	(1,031)	-	(163,758)	2,947,859
Leased assets	16,932	-	(16,932)	-	-	-
Total cost	2,583,834	545,746	(17,963)	-	(163,758)	2,947,859
Accumulated Depreciation and Amortization						
Land rights	4,391	-	-	-	(4,391)	-
Buildings	425,620	44,566	-	-	(17,529)	452,657
Furniture, fixtures and office equipment	973,161	204,417	(156)	-	(432,291)	745,131
Vehicles	45,569	8,627	(376)	-	(31,227)	22,593
Total	1,448,741	257,610	(532)	-	(485,438)	1,220,381
Leased assets	15,650	1,282	(16,932)	-	-	-
Total accumulated depreciation and amortization	1,464,391	258,892	(17,464)	-	(485,438)	1,220,381

(Amounts in millions of Rupiah, unless otherwise stated)

17. PREMISES AND EQUIPMENT (Continued)

December 31, 2001	Ending Balance
Net Book Value	
Land	328,145
Buildings	566,612
Furniture, fixtures and office equipment	664,233
Vehicles	7,795
Construction in progress	160,693
Total	1,727,478
Leased assets	-
	1,727,478

Construction in progress as of December 31, 2001 is comprised of:

Product and license - core banking	147,455
Software base - 24	11,230
Others	2,008
	160,693

The construction in progress is approximately 39% completed as of December 31, 2001.

Movements in 2000	Beginning Balance	Additions	Deductions	Reclassi-fications	Adjustments	Ending Balance
Cost or Valuation						
Land and landrights	263,638	-	(5,039)	108	-	258,707
Buildings	987,009	236	(8,784)	1,818	2,844	983,123
Furniture, fixtures and office equipment	1,062,224	36,373	(20,156)	55,007	8,843	1,142,291
Vehicles	52,299	3,945	(3,682)	-	521	53,083
Construction in progress	42,813	143,818	-	(56,933)	-	129,698
Total	2,407,983	184,372	(37,661)	-	12,208	2,566,902
Leased assets	15,676	-	-	-	1,256	16,932
Total cost	2,423,659	184,372	(37,661)	-	13,464	2,583,834
Accumulated Depreciation and Amortization						
Landrights	912	3,479	-	-	-	4,391
Buildings	379,640	45,934	(1,743)	-	1,789	425,620
Furniture, fixtures and office equipment	776,241	191,637	(2,477)	-	7,760	973,161
Vehicles	45,199	3,213	(3,181)	-	338	45,569
Total	1,201,992	244,263	(7,401)	-	9,887	1,448,741
Leased assets	10,894	4,756	-	-	-	15,650
Total accumulated depreciation and amortization	1,212,886	249,019	(7,401)	-	9,887	1,464,391

(Amounts in millions of Rupiah, unless otherwise stated)

17. PREMISES AND EQUIPMENT (Continued)

December 31, 2000	Ending Balance
Net Book Value	
Land and landrights	254,316
Buildings	557,503
Furniture, fixtures and office equipment	169,130
Vehicles	7,514
Construction in progress	129,698
Total	1,118,161
Leased assets	1,282
	1,119,443

Depreciation and amortization of premises and equipment charged to profit and loss amounted to Rp258,892 and Rp249,019 in 2001 and 2000, respectively (Note 42).

During 2000 and 2001, the Bank has performed a complete physical check of its fixed assets. The differences resulting from the physical check have been recognized in respective year's profit and loss.

The Merged Banks entered into a "Memoranda of Agreement on the Transfer of Assets" on July 29, 1999 with PT Pengelola Harta Tetap Mandiri ("PHTM"), a related company owned by PT Usaha Gedung Bank Dagang Negara and PT Bumi Daya Plaza, for the transfer of certain land and buildings. As part of the restructuring of Bank Mandiri, the assets, which were mostly comprised of non-core fixed assets of the Merged Banks, were transferred to PHTM primarily to be managed and sold, consistent with the purpose of PHTM's establishment. These assets were sold to PHTM for a consideration of Rp100 (in full Rupiah amount) each or a total nominal value of Rp64,100 (in full Rupiah amount). The net book value of the land and buildings transferred to PHTM amounted to RpNil and Rp129,685, respectively. Based on the Shareholder's General Meeting on December 20, 2000, prior to the sale of any assets held by PHTM, approval from Bank Mandiri's shareholder is required and cash proceeds from the sale of assets held by PTHM will be placed in an escrow account and its use requires approval from Bank Mandiri's shareholder.

The transfer of these assets to PHTM is considered as a transaction between entities under common control, under SFAS No. 38 - "Accounting for Restructuring of Entities under Common Control". Therefore, the assets have been recognised as Other Assets - Assets Available for Sale and no gain or loss is reflected in the consolidated financial statements of Bank Mandiri, as if no transfer of assets had taken place. Based on the Shareholder's Extraordinary General Meeting on January 16, 2002, the shareholder approved the return of additional paid-up capital through the return of Government Bonds amounting to Rp129,685 representing the loss previously recognized by Bank Mandiri at the time of recapitalization.

As of December 31, 2001, Bank Mandiri and Subsidiaries have insured their premises and equipment (excluding land rights) against physical loss/damage for a total coverage amount of Rp1,373,998. Management believes that the sum insured is adequate to cover the possibility of losses arising in relation to premises and equipment.

(Amounts in millions of Rupiah, unless otherwise stated)

18. OTHER ASSETS

	2001	2000
Accrued income	3,124,040	3,302,282
Receivables	3,010,086	2,461,935
Prepaid tax	366,614	366,053
Prepaid expenses	171,262	460,725
Others - net	1,035,310	3,879,365
	7,707,312	10,470,360

Accrued Income
Accrued Income is primarily comprised of accrued interest receivable from placements, securities, Government Bonds, loans and accrued fees and commissions.

Receivables
Receivables from the accretion in realizable value of the zero coupon instruments and deposits placed with foreign institutions which serve as security for certain SUFRNs issued by Bank Exim, Bapindo dan BDN, and the effective reduction in the principal liability of the SUFRNs as follows:

	2001	2000
SUFRNs classified as subordinated loans (Note 32)	1,957,086	1,616,270
SUFRNs classified as loan capital (Note 33)	1,053,000	845,665
	3,010,086	2,461,935

Prepaid Tax
Prepaid tax as of December 31, 2001 and 2000 is primarily comprised of refundable corporate income tax installments.

Prepaid Expenses
Prepaid Expenses consists of payments made in advance mostly relating to rent and insurance.

Others
This consists of the following:

	2001	2000
Rupiah:		
Inter-branch accounts - net	563,158	-
Assets available for sale	129,685	129,685
Office supplies	62,432	57,700
Interest refundable by the Government	24,702	105,447
Receivables from customer transactions	22,260	31,337
Deferred charges	14,000	11,399
Others	527,865	1,058,212
Total Rupiah	1,344,102	1,393,780

(Amounts in millions of Rupiah, unless otherwise stated)

18. OTHER ASSETS (Continued)

Others (continued)
This consists of the following:

	2001	2000
Foreign currency:		
Inter-branch accounts net	3,263,810	8,042,485
Others	834,228	574,341
Total foreign currency	4,098,038	8,616,826
Total	5,442,140	10,010,606
Less: Allowance for possible losses	(4,406,830)	(6,131,241)
	1,035,310	3,879,365

The allowance for possible losses amounting to Rp4,406,830 and Rp6,131,241 as of December 31, 2001 and 2000, respectively, is primarily to cover possible losses arising from inter-branch accounts. The inter-branch accounts consist of open items among branches and Head Office, and include differences in the balance of current accounts with Bank Indonesia per Bank and per Bank Indonesia. Bank Mandiri's management is of the opinion that the provision is adequate to cover possible losses arising from inter-branch open items, and for other assets.

Movements of allowance for possible losses on other assets:

	2001	2000
Balance at beginning of year	6,131,241	2,611,703
Reversal for the year	(2,342,721)	5,274,382
Others	618,310	(1,754,844)
Balance at end of year	4,406,830	6,131,241

19. DEPOSITS – DEMAND DEPOSITS

a. *By Currency and Related and Non-related Party:*

	2001	2000
Rupiah:		
Related party	23,452	43,622
Non-related party	31,182,465	30,999,702
	31,205,917	31,043,324
Foreign currency:		
Related party	353	3,511
Non-related party	6,351,191	4,704,644
	6,351,544	4,708,155
	37,557,461	35,751,479

(Amounts in millions of Rupiah, unless otherwise stated)

19. DEPOSITS – DEMAND DEPOSITS (Continued)

b. *Annual Average Interest Rates for the Year:*

	2001	2000
Rupiah	6.69%	5.00%
Foreign currency	2.75%	2.75%

c. Demand deposits pledged by borrowers as collateral as of December 31, 2001 amounted to Rp27,448.

20. DEPOSITS – SAVINGS DEPOSITS

a. *By Type and Currency:*

	2001	2000
Rupiah:		
Mandiri Saving	22,038,845	14,899,573
Tabungan Mudharabah	181,889	84,712
Tabungan Mapan	30,349	-
Tabungan Mandiri Haji	45,185	13,198
Tabungan BDN	-	1,416,755
Tabungan Jumbo	-	520,528
Exim Save	-	364,119
Tabungan Budaya	-	373,501
Tabungan Exim	-	148,033
Tabungan Mitra	-	111,804
Tabungan Pelajar	-	10,197
Tabungan BDN Pas	-	-
Others (each below Rp10,000)	8,535	87,727
	22,304,803	18,030,147

b. As of December 31, 2001 and 2000, Bank Mandiri has savings deposits from related parties amounting to Rp38,172 and Rp105,689, respectively, or 0.17% and 0.59% of total savings deposits, respectively (Note 58).

c. Annual average interest rates of Rupiah savings deposits were 11.00% and 8.13% for 2001 and 2000, respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

21. DEPOSITS – TIME DEPOSITS

a. *By Currency:*

	2001	2000
Rupiah	106,242,554	87,628,879
Foreign currency	23,540,080	21,575,862
	129,782,634	109,204,741

b. *By Period:*

	2001	2000
Rupiah:		
1 month	58,317,026	48,580,375
3 months	28,120,784	17,169,667
6 months	4,484,145	6,667,168
12 months	2,888,886	782,679
Over 12 months	12,431,713	14,428,990
	106,242,554	87,628,879
Foreign currency:		
1 month	19,094,729	16,251,914
3 months	2,302,405	1,749,694
6 months	1,417,980	1,086,607
12 months	689,033	1,961,454
Over 12 months	35,933	526,193
	23,540,080	21,575,862
	129,782,634	109,204,741

c. *By Maturity:*

	2001
Rupiah:	
1 month	61,575,237
3 months	27,050,967
6 months	3,168,154
12 months	1,991,961
Over 12 months	12,456,235
	106,242,554
Foreign currency:	
1 month	18,728,913
3 months	3,565,629
6 months	808,908
12 months	415,335
Over 12 months	21,295
	23,540,080
	129,782,634

(Amounts in millions of Rupiah, unless otherwise stated)

21. DEPOSITS – TIME DEPOSITS (Continued)

d. *Annual Average Interest Rates For the Year:*

	2001	2000
Rupiah	15.62%	12.53%
Foreign currency	5.42%	5.85%

e. As of December 31, 2001 and 2000, related party time deposits amounted to Rp1,753,118 and Rp340,373, respectively, or 1.35% and 0.31% of the total time deposits, respectively (Note 58).

f. As of December 31, 2001 and 2000, time deposits which are frozen and blocked as collateral for bank guarantees and loan and working capital facilities, amounted to Rp492,272 and Rp90,218, respectively.

22. DEPOSITS FROM OTHER BANKS – DEMAND DEPOSITS

a. *By Related and Non-related Party:*

	2001	2000
Non-related party:		
Rupiah	533,265	534,348
Foreign currency	53,335	13,741
	586,600	548,089

b. *Annual Average Interest Rates For the Year:*

Rupiah	6.69%	5.00%
Foreign currency	2.75%	2.75%

23. DEPOSITS FROM OTHER BANKS – INTERBANK CALL MONEY

a. *By Currency:*

	2001	2000
Rupiah	335,001	695,000
Foreign currency	-	28,046
	335,001	723,046

(Amounts in millions of Rupiah, unless otherwise stated)

23. DEPOSITS FROM OTHER BANKS – INTERBANK CALL MONEY (Continued)

b. By Maturity:

	2001	2000
Rupiah:		
Less than 1 month	335,001	695,000
1 - 2 months	-	-
2 - 3 months	-	-
	335,001	695,000
Foreign currency:		
Less than 1 month	-	28,046
1 - 2 months	-	-
2 - 3 months	-	-
	-	28,046
	335,001	723,046

c. Annual Average Interest Rates For the Year:

	2001	2000
Rupiah	16.26%	13.34%
Foreign currency	5.72%	8.47%

24. DEPOSITS FROM OTHER BANKS – TIME DEPOSITS AND CERTIFICATES OF DEPOSIT

Time Deposits

a. By Currency:

	2001	2000
Rupiah	8,973,040	5,302,997
Foreign currency	92,158	531,515
	9,065,198	5,834,512

b. By Period:

	2001	2000
Rupiah:		
Less than 1 month	4,433,749	3,143,660
3 months	4,121,210	745,368
6 months	35,435	553,357
12 months	368,301	104,399
Over 12 months	14,345	756,213
	8,973,040	5,302,997

(Amounts in millions of Rupiah, unless otherwise stated)

24. DEPOSITS FROM OTHER BANKS – TIME DEPOSITS AND CERTIFICATES OF DEPOSIT (Continued)

b. *By Period (Continued):*

	2001	2000
Foreign currency:		
Less than 1 month	44,436	503,655
3 months	42,120	27,851
6 months	5,602	9
12 months	-	-
Over 12 months	-	-
	92,158	531,515
	9,065,198	5,834,512

c. *Annual Average Interest Rates For the Year:*

	2001	2000
Rupiah	15.62%	13.03%
Foreign currency	5.42%	8.20%

Certificates of Deposit

Certificates of deposit and the annual average interest rate for 2001 is 15.62%. The terms are as follows:

	2001
Rupiah:	
1 month	265,050
3 months	1,152,550
6 months	484,000
12 months	812,000
Total	2,713,600
Less: Unamortized interest	(172,557)
	2,541,043

25. PAYABLES ARISING FROM SECURITIES SOLD WITH AGREEMENT TO REPURCHASE

December 31, 2000

Counter party	Commencement date	Maturity date	Nominal	Remark
Deutsche Bank	Nov 27, 2000	Jan 22, 2001	512,056	Government Bonds VR0002
PT Bank Mega	Dec 22, 2000	Jan 11, 2001	125,000	Government Bonds VR0005
PT Bank Mega	Dec 22, 2000	Jan 18, 2001	125,000	Government Bonds VR0005
PT Bank Mega	Dec 22, 2000	Jan 25, 2001	125,000	Government Bonds VR0005
PT Bank Mega	Dec 22, 2000	Feb 01, 2001	125,000	Government Bonds VR0005
			1,012,056	

The above bonds were repurchased by Bank Mandiri on the maturity dates.

(Amounts in millions of Rupiah, unless otherwise stated)

26. ACCEPTANCES PAYABLE

a. *By Currency:*

	2001	2000
Rupiah	51,039	41,880
Foreign currency	1,753,669	811,889
	1,804,708	853,769

b. *By Maturity:*

	2001
Rupiah:	
Less than 1 month	28,318
1 - 3 months	16,467
3 - 6 months	6,245
6 - 12 months	9
Over 12 months	-
	51,039
Foreign currency:	
Less than 1 month	218,961
1 - 3 months	859,577
3 - 6 months	673,744
6 - 12 months	1,387
Over 12 months	-
	1,753,669
	1,804,708

27. SECURITIES ISSUED

By Type and Currency:

	2001	2000
Rupiah	205	-
Foreign currency:		
Floating Rate Notes (FRNs) and Floating Rate Certificates of Deposit (FRCDs)	3,243,240	4,220,501
Trade facilities	12,675	-
Interbank call money	23,920	700,103
	3,280,040	4,920,604
Less: Unamortized discount	(3,345)	(6,753)
	3,276,695	4,913,851

(Amounts in millions of Rupiah, unless otherwise stated)

27. SECURITIES ISSUED (Continued)

Details of FRNs and FRCDs are as follows:

December 31, 2001

Type/ ISIN No.	Arranger	Maturity Date	Tenor (month)	Interest Rate Per Annum	Nominal Amount US$ (full amount)	Nominal Amount Rupiah equiv.
FRCD BEII (XS0075737402)	West LB Asia Pacific Ltd., Singapore	Apr. 29, 2002	60	2.8600%	20,000,000	208,000
FRCD BEII (XS0075053024)	West LB Asia Pacific Ltd., Singapore	Apr. 29, 2002	60	2.8600%	45,000,000	468,000
FRN Bapindo (XS0057274648)	London Forfaiting Cyprus	May 21, 2002	84	3.2500%	6,000,000	62,400
EURO Bonds	Hongkong Shanghai Bank Corporation Ltd.	Dec 13, 2006	72	7.8300%	125,000,000	1,300,000
FRN BEII (XS0059737162)	Daiwa Securities Ltd., Hongkong	Sep. 14, 2005	120	3.8625%	130,000,000	1,352,000
FRN BDN (XS0061292263)	Merryl Lynch Securities, Hongkong	Nov. 10, 2005	120	2.7900%	180,000,000	1,872,000
					506,000,000	5,262,400
Less: Securities issued and held by Bank Mandiri and Subsidiaries					(194,150,000)	(2,019,160)
					311,850,000	3,243,240
Less: Unamortized discount					(321,635)	(3,345)
					311,528,365	3,239,895

Bank Mandiri had included put/call options for early redemption for a number of FRNs issued. Until the end of 2001, the creditors had exercised those options amounting to US$158,500,000 (full amount). The un-exercised options amounting to US$310,000,000 (full amount) will mature on various dates through November 2002.

(Amounts in millions of Rupiah, unless otherwise stated)

27. SECURITIES ISSUED (Continued)

Details of FRNs and FRCDs are as follows:

December 31, 2000

Type/ ISIN No.	Arranger	Maturity Date	Tenor (month)	Interest Rate Per Annum	Nominal Amount US$ (full amount)	Nominal Amount Rupiah equiv.
FRN BDN (XS0101970746)	Merryll Lynch Securities, Hongkong	June 7, 2001	60	7.3813%	24,000,000	230,280
FRN BDN (USG72965AA77)	Bankers Trust New York, USA	Sep 7, 2001	60	7.9800%	2,000,000	19,190
FRCD BEII (XS0075737402)	West LB Asia Pacific Ltd., Singapore	Apr. 29, 2002	60	7.3600%	20,000,000	191,900
FRCD BEII (XS0075053024)	West LB Asia Pacific Ltd., Singapore	Apr. 29, 2002	60	7.3600%	45,000,000	431,775
FRN Bapindo (XS0057274648)	London Forfaiting Cyprus	May 17, 2002	84	7.7500%	6,000,000	57,570
FRN BEII (XS0069449063)	Fuji International Finance, Luxembourg	Oct. 10, 2003	84	7.4325%	22,000,000	211,090
FRN Bapindo	London Forfaiting	Oct. 22, 2003	84	7.5000%	79,000,000	758,005
(XS0070281489)	Cyprus					
FRN BDN (XS007134029)	Daiwa Securities Ltd., Hongkong	Nov. 26, 2003	84	7.2700%	57,500,000	551,713
FRN BEII (XS0059737162)	Daiwa Securities Ltd., Hongkong	Sep. 14, 2005	120	7.6125%	130,000,000	1,247,350
FRN BDN (XS0061292263)	Merryl Lynch Securities, Hongkong	Nov. 10, 2005	120	7.5331%	180,000,000	1,727,100
					565,500,000	5,425,973
Less: Securities issued and held by Bank Mandiri and Subsidiaries					(125,635,435)	(1,205,472)
					439,864,565	4,220,501
Less: Unamortized discount					(703,765)	(6,753)
					439,160,800	4,213,748

(Amounts in millions of Rupiah, unless otherwise stated)

28. FUND BORROWINGS

	2001	2000
Rupiah:		
Bank Indonesia (a)	1,773,724	1,951,212
Bank Ekspor Indonesia (b)	1,759,183	1,142,866
Borrowings from other banks (d)	-	10,685,000
Others	63,830	272,645
	3,596,737	14,051,723
Foreign currencies:		
Bank Ekspor Indonesia (b)	1,176,402	497,196
Exchange Offer Loans (c)	11,437,225	12,101,755
Others (e)	1,993,869	1,999,632
	14,607,496	14,598,583
	18,204,233	28,650,306

(a) Bank Indonesia

This account represents credit facilities obtained from Bank Indonesia that were re-loaned to Bank Mandiri customers and which bear interest at rates ranging from 3% to 10% per annum. The details of this account are as follows:

	2001	2000
Rupiah:		
Investment Loans (KI)	802,569	1,577,098
Small-Scale Investment Loans (KIK)	474,276	194,704
Small-Scale Working Capital Loans (KUK) - KKPA	496,811	116,743
Government Guarantee	-	61,946
Working Capital Loans (KMK)	68	721
	1,773,724	1,951,212

Fund borrowings from Bank Indonesia will mature on various dates, the latest being in 2017. The related facilities re-loaned to customers are collateralized by assets amounting to Rp3,936,656.

(b) Bank Ekspor Indonesia

This account represents credit facilities for export working capital obtained from Bank Ekspor Indonesia based on the facility agreement No. 064/PPF/12/2000 dated December 12, 2000 between PT Bank Ekspor Indonesia (Persero) and PT Bank Mandiri (Persero). The agreement is for the period from December 20, 2000 until December 19, 2001, and was extended to December 19, 2002. The facilities were re-loaned to Bank Mandiri customers and bear interest at market rates.

(Amounts in millions of Rupiah, unless otherwise stated)

28. FUND BORROWINGS (Continued)

(c) *Exchange Offer Loans*

In accordance with the Government's debt restructuring program for banks, Bank Mandiri exchanged certain non-Rupiah denominated obligations obtained from foreign banks, for new borrowings from with extended maturities and guaranteed by Bank Indonesia pursuant to the exchange offer memorandum in the Master Loan Agreement as follows:

	2001		2000	
	US$ (in full amount)	Rp Equivalent	US$ (in full amount)	Rp Equivalent
Exchange Offer Loan I	54,492,165	566,806	214,814,405	2,061,144
Exchange Offer Loan II	1,045,154,863	10,870,419	1,046,442,001	10,040,611
	1,099,647,028	11,437,225	1,261,256,406	12,101,755

Exchange Offer Loan I (with original maturities before April 1, 1999) will become due in four (4) tranches every August 25 from 1999 to 2002, Exchange Offer Loan II (with original maturities before January 1, 2002) will mature in four (4) tranches every June 1 from 2002 to 2005. These borrowings bear interest calculated every six months equal to six-months LIBOR for the period plus an applicable margin determined for each maturity period.

(d) *Borrowings from Other Banks*

	2001	2000
Panin Bank, Jakarta	-	6,500,000
Bank Central Asia, Jakarta	-	3,000,000
Standard Chartered Bank, Jakarta	-	500,000
Bank Negara Indonesia, Jakarta	-	500,000
Bank Tugu, Jakarta	-	185,000
	-	10,685,000

The borrowings from other banks have various tenors of up to one year and are collateralized by Government Bonds.

(e) *Others*

	2001	2000
Foreign currency:		
Direct off-shore loans	1,412,575	1,502,243
Trade facilities	-	2,081
Others	581,294	495,308
	1,993,869	1,999,632

Other borrowings will mature through 2009.

(Amounts in millions of Rupiah, unless otherwise stated)

29. 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:

	2001	2000
Rupiah:		
Outstanding irrevocable letters of credit	185,269	718,765
Bank guarantees	1,693,760	1,550,624
Repurchase agreements	-	1,012,056
Standby letters of credit	30,000	-
	1,909,029	3,281,445
Foreign currency:		
Outstanding irrevocable letters of credit	5,769,982	5,222,512
Bank guarantees	2,738,241	2,877,448
Standby letters of credit	3,533,866	2,162,256
Commitment and contingency payables to a foreign branch of a local bank (Note 48)	2,908,049	-
Others	-	21,655
	14,950,138	10,283,871
Total	16,859,167	13,565,316

b. By Collectibility:

	2001	2000
Current	11,918,846	9,616,340
Special mention	796,851	594,846
Sub-standard	1,168,710	114,814
Doubtful	-	12,480
Loss	2,974,760	3,226,836
Total	16,859,167	13.565,316
Less: Allowance for possible losses	(5,284,345)	(7,010,271)
Net commitments and contingencies	11,574,822	6,555,045

c. Movements of estimated losses on commitments and contingencies:

	2001
Balance at beginning of year	7,010,271
Reversal for the year	(1,913,412)
Write-offs	(262,908)
Others	450,394
Balance at end of year	5,284,345

(Amounts in millions of Rupiah, unless otherwise stated)

30. TAXES PAYABLE

Taxes payable consist of the following:

	2001	2000
Bank Mandiri		
Income Taxes:		
Employee income tax - Article 21	26,859	43,761
Withholding tax - Article 23/26	313,147	163,527
Corporate income tax - Article 29	-	110,348
Value added tax	-	12,435
Land and building tax	40	1,361
Others	2,250	-
	342,296	331,432
Others - Subsidiaries	3,913	4,709
	346,209	336,141

Corporate income tax expense consists of:

	2001	2000
Current income tax expense		
Bank Mandiri only	-	-
Subsidiaries	-	311
	-	311
Deferred income tax expense:		
Bank Mandiri only	1,104,475	836,714
Subsidiaries	-	4,283
	1,104,475	840,997
Total	1,104,475	841,308

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

(Amounts in millions of Rupiah, unless otherwise stated)

30. TAXES PAYABLE (Continued)

Current income tax expenses

The reconciliation between profit before corporate income tax as shown in the statements of profit and loss and income tax computations and the related income tax expense for Bank Mandiri and Subsidiaries' is as follows:

	2001	2000
Profit before income tax - Bank Mandiri only	3,850,232	2,022,437
Add/(deduct) permanent differences:		
(Non-taxable income)/ non-deductible expenses	(1,535,615)	4,831,841
(Non-taxable Income)/non-deductible loss on investments in mutual funds	(8,054)	79,479
Non-deductible write-off of securities	-	22,220
Non-taxable gain on investments in shares	(32,727)	(33,410)
Non-deductible write off of loan/(non-taxable adjustment on provision for loan losses)	8,532,668	(7,907,461)
Non-taxable adjustment on provision for losses on earning assets other than loans	(306,102)	-
Non-taxable adjustment on provision for estimated losses on commitments and contingencies	(187,566)	-
Others	566,064	(564,050)
Add/(deduct) temporary differences:		
Allowable tax depreciation (over)/under financial statement depreciation	(473,600)	159,497
Financial statement provision for personnel expenses over allowable tax provision	314,925	753,850
Financial statement provision for losses on earning assets other than loan	983,247	1,301,770
Financial statement provision for loan losses (under)/over allowable tax provision	(5,097,050)	8,168,807
Financial statement provision for estimated losses on commitments and contingencies (under)/over allowable tax provision	(1,725,846)	2,349,230
Financial statement provision for losses arising from legal cases over allowable tax provision	155,826	-
Others	(632,011)	1,545,413
Taxable income	4,404,391	12,729,623
Less: Utilization of tax loss carry-forwards	(4,404,391)	(12,729,623)
Corporate income tax expense - current	-	-
Payment of income tax:		
Income tax article 25	-	(363,351)
Corporate income tax prepaid	-	(363,351)

The tax reconciliation for the year ended December 31, 2000, was as reported in the Bank's tax return.

(Amounts in millions of Rupiah, unless otherwise stated)

30. TAXES PAYABLE (Continued)

	2001	2000
Subsidiaries		
Estimated taxable income	-	34,930
Estimated income tax expense	-	311
Less: Income tax payments	-	-
Corporate income tax payable	-	311

Under current Indonesian tax regulations, tax losses may be carried forward and utilized to offset taxable income for up to five (5) years after the year in which the tax loss was incurred.

Under the Indonesian taxation laws, Bank Mandiri and its Subsidiaries submit tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within 10 years after the date of the tax filings (5 years for tax years prior to 1995).

Based on a letter No.S-188/PJ.42/2000 of the Directorate General of Taxes to Bank Mandiri dated May 25, 2000, the Tax Office confirmed that the tax loss carry forward of Bank Mandiri for the period from August 1, 1999 to December 31, 1999 amounting to Rp26,992,926 can be utilized/applied against future taxable income of Bank Mandiri through 2004. On November 20, 2001, the Bank received the final tax assessment based on the Directorate General of Taxes letter No. 00127/406/99/051/01, indicating an adjusted tax loss carry forward of Rp21,893,728 for the period ended December 31, 1999. The estimated tax loss carry forward as of December 31, 2001 and 2000 were Rp4,759,712 and Rp9,164,103, respectively.

Bank Mandiri's corporate income tax for 2000 is currently being audited by the tax authorities.

Income tax payable - Article 29 above consists of the following tax assessments in respect of legacy banks:

Year	2001	2000
1996	-	60,938
1997	-	49,410
	-	110,348

(Amounts in millions of Rupiah, unless otherwise stated)

30. TAXES PAYABLE (Continued)

The reconciliation between estimated income tax expense, calculated using a tax rate of 30% based on commercial profit before estimated income tax and estimated income tax as reported in the Statements of Profit and Loss for the years ended December 31, 2001 and 2000 are as follows:

	2001	2000
Profit before estimated corporate income tax	3,850,232	2,022,437
Estimated income tax expense at the tax rate of 30%	1,155,070	606,731
Tax effect of permanent differences:		
(Non-taxable income)/non-deductible expenses	(460,686)	1,449,552
(Non-taxable Income)/non-deductible loss on investments in mutual funds	(2,416)	23,844
Non-deductible write-off of securities	-	6,666
Non-taxable gain on investments in shares	(9,818)	(10,023)
Non-deductible write off of loan/(non-taxable adjustment on provision for loan losses)	2,559,800	(2,372,238)
Non-taxable adjustment on provision for losses on earning assets other than loans	(91,831)	-
Non-taxable adjustment on provision on estimated losses on commitments and contingencies	(56,270)	-
Others	169,819	(169,214)
Change in valuation allowance	(3,688,651)	1,301,396
Correction on tax losses carried forward as a result of tax assessment related to 1999	1,529,458	-
Estimated deferred income tax expense reported in the statements of profit and loss	1,104,475	836,714
Subsidiaries	-	4,283
	1,104,475	840,997

(Amounts in millions of Rupiah, unless otherwise stated)

30. TAXES PAYABLE (Continued)

Deferred tax assets

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

	2001	2000
Bank Mandiri		
Deferred tax assets:		
Allowance for estimated losses on commitments and contingencies	1,585,304	2,103,057
Allowance for possible loan losses	921,527	2,450,642
Allowance for possible losses on earning assets other than loans	1,187,432	892,458
Allowance for possible losses arising from legal cases	504,221	457,473
Provision for personnel expenses	320,632	226,155
Net book value of fixed assets	-	47,849
Others	-	189,603
	4,519,116	6,367,237
Tax losses carried forward - 1999	2,957,371	4,278,688
Correction on tax losses carried forward as a result of tax assessment related to 1999	(1,529,458)	-
Tax losses carried forward	1,427,913	4,278,688
Deferred tax assets	5,947,029	10,645,925
Valuation allowance	(1,070,935)	(4,759,586)
Net deferred tax assets	4,876,094	5,886,339
Deferred tax liability:		
Net book value of fixed assets	(94,230)	-
Net deferred tax assets - Bank Mandiri	4,781,864	5,886,339
Net deferred tax assets - Subsidiaries	35,753	35,753
Total net deferred tax assets	4,817,617	5,922,092

Management believes that the valuation allowances relating to deferred tax assets as of December 31, 2001 and 2000 are adequate. Deferred tax assets arising from tax loss carry forwards that existed on December 31, 2001 and 2000 amounted to Rp1,427,913 and Rp4,278,688, respectively, prior to valuation allowance.

(Amounts in millions of Rupiah, unless otherwise stated)

31. OTHER LIABILITIES

	2001	2000
Rupiah:		
Provision for employee service entitlements (Note 44)	793,631	553,851
Accrued merger and reorganization costs	543,816	1,883,443
Provision for possible losses on legal cases (Note 59.f)	380,610	407,606
Provision arising from obligations from investments in stock	368,111	1,105,061
Unearned income	324,223	305,600
Accrued bonus and incentives	184,774	220,000
Accrued expenses for Government premium guarantees	130,748	-
Due to the Government arising from the return of additional paid-in capital (Note 17)	129,685	-
Guarantee deposits	116,904	110,818
Inter-branch accounts - net	-	3,974,832
Others	2,634,690	2,524,505
	5,607,192	11,085,716
Foreign currency:		
Provision for possible losses on legal cases (Note 59.f)	1,248,000	1,117,302
Guarantee deposits	635,289	583,997
Unearned income	75,250	285,479
Others	1,027,593	1,126,098
	2,986,132	3,112,876
	8,593,324	14,198,592

Movements of certain provisions in other liabilities in 2001:

	Provision for Possible Losses on Legal Cases	Provision for Employee Service Entitlements	Accrued Merger and Reorganization Cost	Total
Balance as of January 1, 2001	1,524,908	553,851	1,883,443	3,962,202
Provision during the year	112,039	239,780	-	351,819
Reversal for unused provision credited in current year	-	-	(995,393)	(995,393)
Amount utilized during the year	(8,337)	-	(341,718)	(350,055)
Reclassifications	-	-	(2,516)	(2,516)
Balance as of December 31, 2001	1,628,610	793,631	543,816	2,966,057

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS

	2001	2000
Two-Step Loans (TSLs)		
(a) Nordic Investment Bank (NIB)	432,945	456,203
(b) Export-Import Bank of Japan (EBJ)	295,999	367,856
(c) Asian Development Bank (ADB)	69,996	105,127
(d) International Bank for Reconstruction and Development (IBRD)	73,320	102,355
(e) ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)	127,828	138,944
(f) ASEAN Japan Development Fund - Export-Import Bank of Japan (AJDF-EBJ)	8,435	9,560
(g) Islamic Development Bank (IDB)	-	1,562
(h) Kreditanstalt fur Wiederaufbau, Frankfurt (KFW)	97,260	78,982
	1,105,783	1,260,589
Bank Indonesia	2,064,859	2,064,859
Investment Fund Account (RDI) ex-Two-Step Loans	805,443	738,680
Others	2,414,116	2,288,063
	6,390,201	6,352,191

Two - Step Loans

(a) Nordic Investment Bank (NIB)

This account represents a credit facility obtained from NIB through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
Nordic Investment Bank I	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	March 23, 1988 - July 15, 2002 with the 1st installment on January 15, 1993.
Nordic Investment Bank II	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	December 10, 1990 - July 15, 2005 with the 1st installment on January 15, 1996.
Nordic Investment Bank III	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	August 4,1993 - August 15, 2008 with the 1st installment on February 15, 1999.
Nordic Investment Bank IV	To promote and finance high priority investments in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	April 15, 1997 - February 28, 2017 with the 1st installment on August 31, 2002.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

Two-Step Loans (TSLs)

The annual interest rate on the NIB I facility is 1.75% above the interest rate charged by NIB to the Government of the Republic of Indonesia or the interest rate charged on channeling loans to customers less 6%, whichever is higher.

The interest rate on the NIB II facility is based on the past six-months average interest rate for three-month Certificates of Bank Indonesia which should:

- Not be higher than the average interest rate for three-month time deposits for the past six months in the five state-owned banks.
- Not be lower than the interbank interest rate to the Government of the Republic of Indonesia plus 1.75%.

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

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

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

This account represents credit facilities obtained from the Export-Import Bank of Japan through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
EBJ-TSL I	To finance private sector projects included in Priority Scale List from/or approved by the Investment Coordinating Board.	July 7, 1988 - January 15, 2005 with the 1st installment on July 15, 1992.
EBJ-TSL II	To finance private and state-owned company projects in sectors prioritized by the Government and export-oriented.	October 14, 1989 - October 1, 2004 with the 1st installment on April 1, 1993.
EBJ-TSL III	To finance private and state-owned company projects in sectors prioritized by the Government and export-oriented.	January 21, 1991 - July 15, 2005 with the 1st installment on January 15, 1994.
EBJ-TSL IV	To finance projects which help to increase investments in the private sector and export-oriented.	January 28, 1992 - January 15, 2007 with the 1st installment on July 15, 1995.
EBJ-TSL V	To finance small-scale industry, primarily manufacturing sector and export-oriented.	May 27, 1992 - March 15, 2003 with the 1st installment on September 15, 1994.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

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

The interest rate on the credit facilities from EBJ-TSL I and EBJ TSL II is based on the weighted average interest rate for customers' deposits in the participating banks as determined by Bank Indonesia every six (6) months, less 1%.

The interest rate on the credit facilities from EBJ-TSL III, IV and V is based on the floating interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month Certificates of Bank Indonesia, which should:

- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks and not be lower than the interest rate on EBJ loans plus 4% for EBJ-TSL III.
- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks for EBJ-TSL IV and V.

(c) Asian Development Bank (ADB)

This account represents credit facilities from the ADB through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
ADB Fishery I	Finance government projects in funding credit for fishery projects.	July 23, 1986 - June 15, 2000 with the 1st installment on December 15, 1989.
ADB Fishery II	Finance government projects in funding credit for fishery projects.	December 19, 1991 - September 15, 2006 with the 1st installment on March 15, 1995.
ADB Perkebunan Nusantara XII (formerly Nescoco Plasma) and Nescoco Inti	Finance government projects in funding credit for plantation projects.	February 15, 1989 - September 15, 2008 with the 1st installment on March 15, 1995.
ADB Agro Industry	Finance industrial sector.	May 13, 1988 - September 15, 2002 with the 1st installment on March 15, 1991.
Second Bapindo Project	Finance all industrial sectors which have high socio-economic value and carried out by private sector.	December 28, 1987 - May 1, 2002 with the 1st installment on November 1, 1990.
Development Financing Loan Project	Finance industrial sector prioritizing manufacturing products for non-oil export, agrobased industry, employee-centred programs and earning foreign exchange.	January 10, 1990 - January 15, 2005 with the 1st installment on July 15, 1993.

The ADB Fishery I credit facility has been fully paid in 2000 and had an interest rate of 11.4% per annum.

32. SUBORDINATED LOANS (Continued)

(c) Asian Development Bank (ADB) (Continued)

For the ADB Fishery I credit facility, the variable interest rate was determined every six months based on the lower of:

- Average interest rate for the six (6) months ending three months before the interest payment period, for three-month Certificates of Bank Indonesia; and,
- Average interest rate for the six (6) months ending three (3) months before the interest payment period, for three-month time deposits in five state-owned banks.

The interest rate on the ADB Fishery II facility shall not be lower than the annual interest rate charged by the ADB to the Government of the Republic of Indonesia plus 4% per annum.

Drawdowns of the ADB facilities are repayable within fifteen (15) years from the first drawdown (inclusive of a 4-year grace period for ADB Fishery I and a 3-year grace period for ADB Fishery II facilities) and are repayable in twenty-two (22) semi-annual installments starting December 15, 1989 for ADB Fishery I and twenty-four (24) semi-annual installments starting March 15, 1995 for ADB Fishery II projects.

In 2000, the ADB Nescoco Plasma loan was transferred to ADB PT Perkebunan Nusantara XII. The annual interest rates on the ADB Perkebunan Nusantara XII and ADB Nescoco Inti facilities are 9.50% and 10.00%, respectively.

The interest rate on the ADB Agro Industry facility is the interest rate charged by the ADB to the Government of the Republic of Indonesia plus 1.75% or the interest rate for depositors' interest rate less 5.00% per annum, whichever is higher.

The interest rate on the Second Bapindo Project facility is 1.75% per annum above the interest rate charged by ADB to the Government of the Republic of Indonesia or the interest rate for depositors less 5.00% per annum, whichever is higher.

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

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

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

This account represents credit facilities obtained from IBRD through Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
Industrial Restructuring Program (IRP)	Finance restructuring for investment projects for engineering, pulp, paper and textile sub-sector projects.	July 27, 1989 - October 1, 2003 with the 1st installment on April 1, 1992.
Export Development Program II (EDP II)	Finance Export Development Project II.	September 20, 1988 - February 15, 2003 with the 1st installment on August 15, 1991.
Small and Medium Industrial Program (SMIEP)	Finance manufacturing industrial projects, agro-based and the related industry (including transportation and cold storage).	July 27, 1989 - October 1, 2003 with the 1st installment on April 1, 1992.
Financial Sector Development Project (FSDP)	Finance Financial Sector Development Projects.	February 1, 1993 - September 15, 2007 with the 1st installment on March 15, 1998.
Tree Crops Processing Project (TCPP)	Finance development of Palm Oil mills.	February 23, 1989 - June 1, 2001 with the 1st installment on June 1, 1994.
Agricultural Financing Project (AFP)	Finance production sector projects and agriculture animal husbandry, fishery and forestry industries.	January 10, 1992 - December 1, 2006 with the 1st installment on June 1, 1995.
IBRD Loan No. 2277 V Project	Finance development projects (specific development projects).	September 29, 1983 - February 1, 2003 with the 1st installment on August 1, 1985.

For the IRP, EDP II and SMIEP credit facilities, the principal amount is repayable to the Government of the Republic of Indonesia within fifteen (15) years inclusive of a 3-year grace period from the time the agreement becomes effective. The interest rate on the IRP, EDP II and SMIEP credit facilities is determined every six (6) months by Bank Indonesia and should not be lower than the interest rate charged by IBRD to the Government plus 1.75% per annum.

The interest rate on the FSDP credit facility is 0% per annum. The FSDP credit facility is repayable on March 15 and September 15 of every year.

The interest rate for the TCPP facilities is 10% per annum.

The interest rate on the AFP facility is computed based on a variable interest rate for a period of six (6) months, at the lower of:

- Six-months average interest rate for three-month Certificates of Bank Indonesia.
- Six-months average interest rate for three-month time deposits in five state-owned banks.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

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

The interest rate on the AFP facility shall not be lower than the interest rate charged by IBRD to the Government plus 2% per annum.

The interest rate on the Loan No. 2277 V Project facility is based on the interest rate charged by IBRD to the Government subject to a maximum of 11% per annum.

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

This account represents a credit facility obtained from AJDF-OECF through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance projects in Indonesia. The details of these facilities are as follows:

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

The drawdowns on the above AJDF-OECF facilities are repayable within twenty (20) years after the first drawdown (inclusive of a 5-year grace period), in thirty (30) 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 (6) months based on the prevailing average interest rate for the past six (6) months for three-month Certificates of Bank Indonesia, less 5% per annum.

The SSI facility is subject to a variable interest rate determined every six (6) month based on the prevailing average interest rate for the six (6) months for three-month Certificates of Bank Indonesia, less 2.5% per annum.

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

This account represents a credit facility obtained from the AJDF-EBJ through the Government of the Republic of Indonesia, via the Ministry of Finance of the Republic of Indonesia, which re-lent the proceeds to participating banks to finance investment projects and working capital requirements of small-scale industries. The credit facility which amounts to Rp9,560 is repayable in twenty four (24) semi-annual installments within fifteen (15) years after the date of the first drawdown (inclusive of a 3-year grace period), with the first installment starting December 15, 1997.

The facility is subject to an interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month Certificates of Bank Indonesia.

32. SUBORDINATED LOANS (Continued)

(g) Islamic Development Bank (IDB)

This account represents a credit facility from the IDB through Bank Indonesia to finance the development of textile factory projects in Indonesia.

The IDB facility bears an administration fee of 11% per annum, and is repayable in sixteen (16) semi-annual installments within ten years (August 22, 1991 - May 15, 2001) with the first installment on November 15, 1993.

The IDB facility was fully paid on May 15, 2001.

(h) Kreditanstalt fur Wiederaufbau (KfW)

This account represents a credit facility from KfW through Bank Indonesia (BI) to finance export contracts denominated in Deutsche Marks (DEM) with a maximum of DEM250,000,000 (full amount) for the supply of capital goods, investments in infrastructure projects such as transportation, energy or communications projects, and transfer of new technologies to be concluded between buyers domiciled in Indonesia and exporters domiciled in the Federal Republic of Germany.

Prior to importing supplies from the Germany, the buyer shall sign an Individual Loan Agreement (ILA) with the 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 DEM 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 DEM353,000 (full amount) on which the resulting credit element would be DEM300,000 (full amount).

The terms and conditions, as set out in the subordinated loan agreement No. SLA-1079/DP3/1998 dated September 24, 1998, are as follows:

- The loan tenor shall be 4 (four) years, exclusive of a 6 (six) months grace period, from the signing date of ILA, which can be renewed until 8 (eight) or 10 (ten) years depending upon each ILA;
- The loan principal repayment shall be made in 8 (eight) equal installments on June 15 and December 15 annually starting 6 (six) months after the grace period of each ILA;
- The interest rate is calculated at 2.5% per annum above the Commercial Interest Reference Rate including Bank Indonesia fees of 0.15%, net of tax, which shall be payable semi-annually on 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;
- A penalty of 2% per annum above the interest rate explained in point c) in the event of late payment.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

(h) Kreditanstalt fur Wiederaufbau (KfW) (Continued)

KfW through BI advanced Bank Mandiri an amount of EUR8,862,569 in line with the import of equipment for the modernization of a Hot Strip Mill, Roughing Mill Motor and Stand F4 Rear Motor Drives System and related services from Siemens AG, Erlangan, Germany, to PT Krakatau Steel which has entered into 2 (two) ILAs with BI and KfW, as follows (in full amounts):

Loan no.	Facility	Used Facility	Unused Facility	Repayment Period
F3137/1	EUR7,859,450	EUR6,650,450	EUR1,209,000	January 13, 2000 - December 15, 2006 with the 1st installment on June 15, 2001, which was extended to August 30, 2002.
F3137/2	EUR3,917,911	EUR3,917,911	EURNil	March 3, 2000 - June 15, 2006 with the 1st installment on December 31, 2001.

Bank Indonesia

This account represents a loan arising from the conversion of Bank Indonesia liquidity used to improve the capital structure of BBD, BDN, Bapindo and PT Bank Syariah Mandiri (a Subsidiary). The details of this facility as of December 31, 2001 and 2000 are as follows:

Bank	Repayment Period	2001 Amount (Rupiah)	2000 Amount (Rupiah)	Interest Rate
Bapindo	March 31, 1995 - March 31, 2004 with 1st installment on June 30, 2002	1,296,000	1,296,000	5% per annum
BDN	March 31, 1993 - March 31, 2014	736,859	736,859	Calculated quarterly, as follows: • the first 5 years at 1% per annum • the second 5 years at 3% per annum • the third 5 years at 6% per annum • the fourth 5 years at 14% per annum
PT Bank Syariah Mandiri*)	January 31, 1994 - January 31, 2014	32,000	32,000	Calculated quarterly, as follows: • the first 5 years at 1% per annum • the second 5 years at 3% per annum • the third 5 years at 6% per annum • the fourth 5 years at 14% per annum
Total		2,064,859	2,064,859	

*) The subsidiary bank has requested Bank Indonesia to convert the loan into a syariah subordinated loan with "wadiah" principles for which approval from Bank Indonesia is pending.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

Investment Fund Account (RDI) ex Two-Step Loans

This account represents a credit facility from the Government of the Republic of Indonesia originating from the installment payments of Two-Step Loans as follows:

		2001	2000
(a)	RDI Loan ex-Export-Import Bank of Japan (EBJ)	278,558	258,225
(b)	RDI Loan ex-International Bank for Reconstruction and Development (IBRD)	229,893	223,319
(c)	RDI Loan ex-Asian Development Bank (ADB)	214,826	187,559
(d)	RDI Loan ex-ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)	22	22
(e)	RDI Loan ex-Nordic Investment Bank (NIB)	82,144	69,555
		805,443	738,680

(a) RDI Loan ex-Export-Import Bank of Japan (EBJ)

The EBJ I and EBJ II facilities are charged with administration fees based on the weighted average interest rate for debtor deposits of the participating state banks determined by Bank Indonesia every six (6) months, less 1% per annum.

The EBJ III, EBJ IV and EBJ V facilities are charged with administration fees based on the floating interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month certificates of Bank Indonesia, which should:

- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks and not be lower than the interest rate of Exim Bank of Japan to the Government of the Republic of Indonesia plus 4% per annum for the EBJ III facility.
- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks for the EBJ IV facility.
- Be the lower of the interest rate for the past six months of three-month Certificates of Bank Indonesia and the six-months average interest rate for time deposits in five state-owned banks for the EBJ V facility.

32. SUBORDINATED LOANS (Continued)

Investment Fund Account (RDI) ex Two-Step Loans (Continued)

(b) RDI Loan ex-International Bank for Reconstruction and Development (IBRD)

The AFP facility is charged with an administration fee based on a variable interest rate determined every six (6) months based on the lower of the:

- Average interest rate for the past six (6) months of three-month certificates of Bank Indonesia.
- Average interest rate for the past six (6) months of three-month time deposits in five state-owned banks.

The administration fee for the AFP facility should not be lower than the interest rate on loans charged by IBRD to the Government of the Republic of Indonesia plus 2% per annum.

The IRP and SMIEP facilities are charged with an administration fee based on the higher of the interest rate on:

- The interest rate on credits charged by the IBRD to the Government plus 1.75% per annum.
- Weighted average interest rate on time deposits of participant banks.

The Bapindo V Project facility is charged with an administration fee based on the interest rate charged by the IBRD to the Government of the Republic of Indonesia, subject to a maximum of 11% per annum.

(c) RDI Loan ex-Asian Development Bank (ADB)

The Second Bapindo Project (SBP) is charged with an administration fee of 1.75% per annum above the interest rate charged by the ADB to the Government of the Republic of Indonesia or interest charged on loans to customers less 5% per annum, whichever is higher.

The Development Finance Loan Project (DFLP) facility is charged with a variable administration fee determined by Bank Indonesia every six (6) months based on the weighted average interest rate on customer deposits in a Foreign Exchange Bank and should not be lower than the interest rate of the ADB plus 1.75% per annum.

(d) RDI Loan ex-ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)

This facility is charged with an administration fee based on the variable interest rate for the past six (6) months for three-month Certificates of Bank Indonesia and is payable on April 15 and October 15 of every year from the disbursement of loans, less 5% per annum.

(e) RDI Loan ex-Nordic Investment Bank (NIB)

The NIB I facility is charged with an administration fee of 1.75% per annum above the interest rate charged by the NIB to the Government of the Republic of Indonesia or interest charged on loans to customers less 6% per annum whichever is higher, and is payable on April 15 and October 15 of every year from the withdrawal of loans.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

Investment Fund Account (RDI) ex Two-Step Loans (Continued)

(e) RDI Loan ex-Nordic Investment Bank (NIB) (Continued)

The NIB II facility is charged with an administration fee based on average interest rate on the three-month Certificates of Bank Indonesia for six (6) months with the following conditions:

a) Not higher than the average interest rate on three-month time deposits for six (6) months in the five state-owned banks;
b) Not lower than the interest rate charged by the NIB to the Government of the Republic of Indonesia based on the loan agreement no. PIL-12/1987 dated December 21, 1987 and Addendum No. I dated November 6, 1990, plus 1.75% per annum.

The NIB III facility is charged with an administration fee based on a variable interest rate for the past six (6) months on three-month Certificates of Bank Indonesia for six (6) months and is payable on April 15 and October 15 of every year after the withdrawal of loans.

Others

Subordinated Loans - Others of Rp2,414,116 and Rp2,288,063 as of December 31, 2001 and 2000, respectively, are comprised of Subordinated Undated Floating Rate Notes ("SUFRNs") issued by legacy banks with details as follows:

Issue	Subscriber	2001 Original Amount (in full amount)	2000 Original Amount (in full amount)	2001 Rupiah Equivalent	2000 Rupiah Equivalent
Bank Exim	Puri International Limited	US$125,000,000	US$125,000,000	1,300,000	1,199,375
Bapindo	Mitra Sejati International (MSI)	US$125,000,000	US$125,000,000	1,300,000	1,199,375
		US$250,000,000	US$250,000,000	2,600,000	2,398,750
Less: Unamortized discount		(US$9,013,046)	(US$11,535,870)	(93,735)	(110,687)
		US$240,986,954	US$238,464,130	2,506,265	2,288,063
Less: Securities issued and held by the Bank		(US$8,860,565)	-	(92,149)	-
Total		US$232,126,389	US$238,464,130	2,414,116	2,288,063

Bank Exim SUFRNs

Under a Subscription Agreement dated July 24, 1990 and Trust Deed dated July 27, 1990, Bank Exim issued SUFRNs with an aggregate nominal value of US$125,000,000 (full amount) through its Cayman Islands Branch to Puri International Limited ("PIL"), a special purpose vehicle incorporated in the Cayman Islands, in exchange for cash of US$90,255,000 (full amount).

The aggregate nominal value of the Bank Exim SUFRNs (US$125,000,000 (full amount)) and accrued interest thereon is recognized as a liability at December 31, 2001 and 2000 because Bank Mandiri assumed all of Bank Exim's assets and liabilities from the date of the merger (Note 3). The Bank Exim SUFRNs are perpetual as they have no stated maturity date.

Interest on the Bank Exim SUFRNs is calculated based on their aggregate nominal value at 1.1% per annum above the 6 (six) month LIBOR interest rate through July 27, 2005, and following that date, interest is calculated based on their aggregate nominal value at 0.0001% per annum. While the Bank Exim SUFRNs remain outstanding, accrued interest is due and payable semi-annually in arrear at the end of each interest period in July and January.

32. SUBORDINATED LOANS (Continued)

Bank Exim SUFRNs (continued)

To fund its purchase of the Bank Exim SUFRNs, in July 1990 PIL entered into a Purchase Agreement and a Deferred Sale Agreement with investors represented by Japan Leasing (Hong Kong) Ltd. (now represented by STB Leasing Co., Ltd.) under which PIL sold and repurchased certain property on deferred payment terms, proceeds from which were used to fund the purchase of the Bank Exim SUFRNs amounting to US$90,255,000 (full amount) and to make a deposit (the "Deposit") of US$34,745,000 (full amount) with BNP Paribas (formerly Banque National de Paris) ("BNP"). The terms of the Deposit are set out in a deposit agreement dated July 24, 1990 (the "Deposit Agreement"). The Deposit Agreement provides that on maturity of the Deposit in July 2005, BNP will repay PIL US$125,000,000 (full amount) comprising the original US$34,745,000 (full amount) plus accrued interest of US$90,255,000 (full amount). The Deposit formed the collateral for the repurchase of the property by PIL under the Deferred Sale Agreement.

In September 1998 PIL entered into a Sale Agreement with ING Bank N.V., Tokyo Branch ("ING") under which PIL sold US$13,000,000 (full amount) of Bank Exim SUFRNs to ING, and additionally and together with Bank Exim and Japan Leasing (Hong Kong) Ltd., agreements were amended to transfer US$3,613,480 (full amount) of the Deposit that was placed on deposit in BNP to the account of ING with BNP (the "ING Deposit"). ING granted Bank Exim a first priority pledge over the ING Deposit.

The terms and conditions of the Bank Exim SUFRNs provide for redemption of their aggregate nominal value upon the occurrence of several events including mandatory redemption if the Republic of Indonesia ceases beneficially to own at least 51 per cent of the issued voting capital of Bank Mandiri.

If Bank Mandiri were required to redeem the Bank Exim SUFRNs prior to the interest payment date falling in July 2005 and made repayment in full then, subject to the prior discharge by PIL of its obligations under the Purchase Agreement, the Deferred Sale Agreement and other related agreements to STB Leasing Co., Ltd, and the investors (who hold a first priority interest in the Deposit), the Bank would become entitled to the Deposit pursuant to a Second Deposit Pledge Agreement dated July 24, 1990.

The accreted value of the Deposit and the ING Deposit is recognized by Bank Mandiri as an other asset (Note 18) on the basis that Bank Mandiri has been granted a second priority pledge in respect of the Deposit held on account of PIL and has been granted a first priority pledge in respect of the ING Deposit held on account of ING under the terms of a Collateral Agreement dated July 24, 1990 and a Supplemental Agreement to Collateral Agreement dated September 24, 1998 (the "Collateral Agreement"), in respect of the Deposit held on account of PIL, and under the terms of a Deposit Pledge Agreement dated September 24, 1998 in respect of the ING Deposit held on account of ING, Bank Mandiri has an option to purchase the Bank Exim SUFRNs for a total consideration of US$3,000 (full amount), subject to the following: Bank Mandiri's option under the Collateral Agreement is subject to the prior discharge in full by PIL of its obligations to STB Leasing Co., Ltd. and to the investors under the Purchase Agreement, the Deferred Sale Agreement and other related agreements. Bank Mandiri's option under the Deposit Pledge Agreement is subject to (i) the prior receipt by ING of an amount equal to the principal amount of the Bank Exim SUFRNs held by ING together with all accrued interest thereon, and (ii) discharge in full by Bank Exim of all costs and expenses reasonably incurred by ING in its performance of its obligations under the Deferred Pledge Agreement. As there is no legal right of offset until this option to purchase is exercised, Bank Mandiri has recognized the accreted value of the Deposit and the ING Deposit as an other asset instead of offsetting the asset against the aggregate nominal value of the Bank Exim SUFRNs.

The asset recognized by Bank Mandiri for the accreted value of the Deposit and ING Deposit amounted to Rp975,000 and Rp777,318 as of December 31, 2001 and 2000, respectively.

32. SUBORDINATED LOANS (Continued)

Bapindo SUFRNs

Under a Subscription Agreement dated December 18, 1990 and a Trust Deed dated December 21, 1990, Bapindo issued SUFRNs with an aggregate nominal value of US$125,000,000 (full amount) through its Cook Islands Branch to Mitra Sejati International Ltd. ("MSI"), a special purpose vehicle incorporated in the Cayman Islands, in exchange for cash of US$87,500,000 (full amount).

The aggregate nominal value of the Bapindo SUFRNs (US$125,000,000 (full amount)) and accrued interest thereon are recognized as liabilities at December 31, 2001 and 2000 as Bank Mandiri assumed all of Bapindo's assets and liabilities from the date of the merger (Note 3). The Bapindo SUFRNs are perpetual as they have no stated maturity date. Interest on the Bapindo SUFRNs is calculated based on their aggregate nominal value at the following rates:

- Through to the interest payment reference date ("IPRD") falling in December 1995 - 1.1% per annum above the 6 (six) month LIBOR interest rate ("LIBOR");
- From the IPRD falling in December 1995 through to the IPRD falling in December 2000 - 1.0% per annum above LIBOR;
- From the IPRD falling in December 2000 through to the IPRD falling in December 2005 – 5.2% per annum plus a percentage of LIBOR declining from 23% to 19%; and
- From the IPRD falling in December 2005 at 0.0001% per annum.

While the Bapindo SUFRNs remain outstanding, interest is due and payable semi-annually in arrear at the end of each interest period in June and December.

To fund its purchase of the Bapindo SUFRNs, in December 1990 MSI entered into a Purchase Agreement with investors represented by Japan Leasing (Hong Kong) Ltd. (now represented by STB Leasing Co., Ltd.) under which MSI transferred its rights to certain property to investors in exchange for US$87,500,000 (full amount). Simultaneously, MSI entered into a Deferred Sale Agreement with the investors whereby MSI immediately repurchased the rights to that same property for US$87,500,000 (full amount) to be repaid by MSI in 30 semi-annual principal installments, together with accrued interest.

The scheduled interest payments to MSI from Bank Mandiri on the Bapindo SUFRNs is to enable MSI to pay its principal and interest obligations due under the Deferred Sale Agreement. The principal payments from MSI to the investors and amortized discount on the Bapindo SUFRNs are recognized by Bank Mandiri as other assets (Note 18) on the basis that, under the terms of a Note Repurchase Letter dated December 18, 1990, Bank Mandiri has an option to purchase the Bapindo SUFRNs at anytime after making all scheduled payments due to MSI in respect of the Bapindo SUFRNs through December 2005 for a total consideration of US$3,000 (full amount) because repayments of principal by MSI to the investors under the Deferred Sale Agreement should have totaled US$87,500,000 (in full amount). As there is no legal right of offset until this option to purchase is exercised, Bank Mandiri recognized the payments from MSI to investors as an other asset instead of offsetting the asset against the aggregate nominal value of the Bapindo SUFRNs.

The terms and conditions of the Bapindo SUFRNs provide for redemption of their aggregate nominal value upon the occurrence of several events including mandatory redemption if the Republic of Indonesia ceases directly to own at least 100 per cent of the capital of Bank Mandiri or any law enacted which provides for the Republic of Indonesia to cease beneficially to own 100% of the capital of Bank Mandiri.

(Amounts in millions of Rupiah, unless otherwise stated)

32. SUBORDINATED LOANS (Continued)

Bapindo SUFRNs (continued)

If the Bapindo SUFRNs are redeemed before Bank Mandiri has the right to purchase the Bapindo SURFNs, in accordance with the Note Repurchase Letter, MSI will be required to call the aggregate nominal value of the Bapindo SUFRNs of US$125,000,000 (full amount) and accrued interest thereon. Should this occur, the asset recognized by Bank Mandiri for the principal payments from MSI to the investors and amortized discount on the Bapindo SUFRNs, that amounted to Rp982,086 and Rp838,952 as of December 31, 2001 and 2000, respectively, may not be recoverable because there are no terms in the agreements requiring either MSI or the investors to repay these amounts to Bank Mandiri. Management has certain plans and intentions that, if executed, will likely provide for an early redemption.

33. LOAN CAPITAL

This account consists of the following:

	2001	2000
Rupiah:		
Conversion of Liquidity from Bank Indonesia (KLBI)	1,755,000	1,755,000
Foreign currency:		
Subordinated Undated Floating Rate Notes	1,404,000	1,295,325
Other	-	2,700
	3,159,000	3,053,025

The conversion of liquidity from Bank Indonesia represents the conversion of fund borrowings from Bank Indonesia to former Bapindo with 0% interest based on the Subordinated Loan Agreements No. 28/SUG/UKU/PMK and No. 28/549/UKU/PMK dated November 6, 1995 and letters from the Minister of Finance of the Republic of Indonesia No. S-618/MK.017/1995 dated October 26, 1995 and No. 28/547/UKU/PMK dated November 6, 1995. Based on Bank Indonesia regulation No. 23/1999 dated May 17, 1999, Bank Indonesia is not allowed to provide loans to other banks with zero interest; thus, requiring Bank Mandiri to pay back this subordinated loan on demand. Negotiation is on-going with Bank Indonesia for the terms of repayment.

BDN SUFRNs

Under a Subscription Agreement dated November 26, 1990 and a Trust Deed dated November 29, 1990, BDN issued SUFRNs with an aggregate nominal value of US$135,000,000 (full amount) through its Cayman Islands Branch to Badaneg Ltd. ("Badaneg"), a special purpose vehicle incorporated in the Cayman Islands, in exchange for cash of US$97,200,000 (full amount).

The aggregate nominal value of the BDN SUFRNs is recognized as loan capital as approved by Bank Indonesia in its letter No.27/295/BPBI/AdBI dated November 7, 1994, and accrued interest thereon is recognized as a liability at December 31, 2001 and 2000 because Bank Mandiri assumed all of BDN's assets and liabilities from the date of the merger (Note 3). The BDN SUFRNs are perpetual as they have no stated maturity date.

Interest on the BDN SUFRNs is calculated based on their aggregate nominal value at 1.1% per annum above the 6 (six) month LIBOR interest rate through November 30, 2005, and following this date interest is calculated based on their aggregate nominal value at 0.001% per annum. While the BDN SUFRNs remain outstanding, accrued interest is due and payable semi-annually in arrear at the end of each interest period in May and November.

(Amounts in millions of Rupiah, unless otherwise stated)

33. LOAN CAPITAL (Continued)

BDN SUFRNs (continued)

To fund its purchase of the BDN SUFRNs, in November 1990 Badaneg entered into a Purchase Agreement and a Deferred Sale Agreement with investors represented by Japan Leasing (Hong Kong) Ltd. (now represented by STB Leasing Co., Ltd.) under which Badaneg sold and repurchased certain property on deferred payment terms, proceeds from which were used to fund the purchase of the BDN SUFRNs for US$97,200,000 and the purchase of US$135,000,000 (full amount) of zero coupon bonds issued by IMI Bank (International) unconditionally and irrevocably guaranteed as to payment of interest and principal by Istituto Mobiliare Italiano (the "Zero Coupon Bonds") in exchange for cash of US$37,800,000 (full amount). The Zero Coupon Bonds formed the collateral for the repurchase of the property under the Deferred Sale Agreement.

The Zero Coupon Bonds bear compound interest such that, after 15 years, the maturity value of the Zero Coupon Bonds would amount to US$135,000,000 (full amount) thereby enabling Badaneg to fulfill its obligations under the Deferred Sale Agreement.

The terms and conditions of the BDN SUFRNs provide for redemption of their aggregate nominal value upon the occurrence of several events including mandatory redemption if the Republic of Indonesia ceases directly to own at least 51 per cent of the issued voting capital of Bank Mandiri.

If Bank Mandiri were required to redeem the BDN SUFRNs prior to the interest payment date falling in November 2005 and to make repayment in full then, pursuant to the terms of a Collateral Agreement dated November 26, 1990 between BDN, acting through its Cayman Islands Branch, Badaneg and STL Investment (Panama) S.A., Badaneg is, subject to the prior discharge by Badaneg of its obligations to STB Leasing Co., Ltd. and the investors under the Purchase Agreement, the Deferred Sale Agreement and other related agreements, obliged to transfer the Zero Coupon Bonds to the Bank for no consideration.

The accreted value of the Zero Coupon Bonds is recognized by Bank Mandiri as an other asset (Note 18) on the basis that Bank Mandiri has a right to the Zero Coupon Bonds and that under the terms of the Collateral Agreement, Bank Mandiri has an option, subject to the prior discharge by Badaneg of its obligations to STB Leasing Co., Ltd. and the investors under the Purchase Agreement, the Deferred Sale Agreement and other related agreements, to purchase the BDN SUFRNs for a total consideration of US$3,000 (full amount). As there is no legal right of offset until this option to purchase is exercised, Bank Mandiri has recognized the accreted value of the zero coupon bonds as an other asset instead of offsetting the asset against the aggregate nominal value of the BDN SUFRNs.

The asset recognized by Bank Mandiri for the accreted value of Zero Coupon Bonds amounted to Rp1,053,000 and Rp845,665 as of December 31, 2001 and 2000, respectively.

34. MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES

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

	2001	2000
Yayasan Dana Pensiun Bank Dagang Negara	676	677
Dana Pensiun Bank Bumi Daya	2,192	2,643
	2,868	3,320

(Amounts in millions of Rupiah, unless otherwise stated)

35. SHAREHOLDER'S EQUITY

	2001	2000
Share capital	4,251,000	4,251,000
Additional paid-in capital	174,962,319	175,092,004
Differences arising from translation of foreign currency financial statements	83,745	138,024
Unrealized losses on securities and Government Bonds available for sale	(5,047,162)	(22,040)
Premises and equipment revaluation increment	9,788	9,788
Accumulated losses	(163,482,905)	(165,206,362)
	10,776,785	14,262,414

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 nominal value of Rp1,000,000 (full amount) per share. The issued and fully paid capital amounting to Rp4,251,000 as of December 31, 2001 and 2000 is wholly-owned by the Government of the Republic of Indonesia.

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

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

Based on the amendments to the Articles of Association of Bank Mandiri covered by notarial deed No. 98 of Sutjipto, S.H., dated July 24, 1999, the shareholder resolved to increase the paid-up capital of Bank Mandiri from Rp4,000,000 to Rp4,251,000 to be entirely paid for by the Republic of Indonesia. The increase of Rp251,000 was effected through the conversion of additional paid capital to share capital.

The additional paid-in capital mainly represents additional capital arising from the Recapitalization Program (Note 3). The State Minister for Investments and State-Owned Enterprises Development, in his letter No. S-510/M-PBUMN/1999 dated September 29, 1999, stated approval from the shareholder to utilize the additional paid-in capital of the Government of the Republic of Indonesia in Bank Mandiri, as provided for under Government Regulation No. 52 of 1999, to eliminate the negative equity of Bank Mandiri, consisting of the negative equity of the Merged Banks as of July 31, 1999 and losses incurred from the beginning of the merger until the end of 1999 (Note 3). As of December 31, 2001, such approval has not yet been implemented pending further approval by the Government.

Premises and equipment revaluation increment of Rp9,788 as of December 31, 2001 and 2000 relates to the revaluation increment of premises and equipment of PT Usaha Gedung BDN and PT Bumi Daya Plaza, subsidiaries of Bank Mandiri. Premises and equipment of PT Usaha Gedung BDN which were acquired prior to September 12, 1986 have been revalued on January 1, 1987 based on Government Regulation No. 45 dated October 2, 1986.

(Amounts in millions of Rupiah, unless otherwise stated)

35. SHAREHOLDER'S EQUITY (continued)

Pursuant to the resolution of the Shareholder during its extraordinary general meeting held on June 27, 2001, the shareholder approved the distribution/allocation of the 2000 net profit (prior to restatement) as follows:

Dividends	1,011,219
General reserve	500,000
Specific reserve	500,137
Small industry and cooperative fund development (PUKK)	11,081
	2,022,437

Based on the Ministry of Finance letter No.S-607/MK.6/2001 dated October 18, 2001, the dividends were paid on October 30, 2001 and November 29, 2001. The allocation for PUKK of Rp11,082 is taken up in "Other Liabilities".

36. INTEREST INCOME

Interest income was derived from the following:

	2001	2000
Government Bonds	23,137,103	20,286,302
Loans	5,786,670	5,142,830
Securities	1,709,924	746,162
Placements with other banks	364,114	303,710
Provisions and commissions and others	296,996	226,921
Others	201,423	236,184
	31,496,230	26,942,109

37. INTEREST EXPENSE

This account represents interest costs incurred on the following:

	2001	2000
Time deposits	17,607,477	14,087,890
Saving deposits	2,158,280	1,687,442
Demand deposits	2,142,645	1,264,314
Fund borrowings	1,508,046	2,159,904
Securities issued	315,127	521,044
Subordinated loans	443,905	659,817
Loan capital	94,717	89,180
Others	34,035	54,041
	24,304,232	20,523,632

38. OTHER FINANCING EXPENSES

Other financing expenses amounting to Rp82,776 and Rp14,110 for the years ended December 31, 2001 and 2000, respectively, comprised mainly of financing expenses arising from maintaining the Bank's current depositors.

(Amounts in millions of Rupiah, unless otherwise stated)

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

This account consists of the following:

	2001	2000
Provision/(reversal of allowance) for possible losses:		
Current accounts with other banks (Note 7e)	(14,936)	(42,312)
Placements with other banks (Note 8g)	66,838	718,834
Securities (Note 9i)	83,723	(162,610)
Trade documents and other facilities (Note 11d)	323,322	(192,931)
Receivables arising from securities purchased with agreement to resell (Note 12)	3,051	-
Derivatives receivable (Note 13)	48	-
Loans (Note 14B(k))	6,041,703	(3,132,557)
Acceptances receivable (Note 15d)	227,890	(8,538)
Investments in shares of stock (Note 16c)	(27,743)	969
	6,703,896	(2,819,145)

40. LOSS FROM DECLINE IN VALUE OF SECURITIES AND GOVERNMENT BONDS

Loss from decline in value of securities and Government Bonds amounting to Rp1,022,862 and Rp3,351,397 for 2001 and 2000, respectively, arose from the trading portfolio.

41. (LOSS)/GAIN FROM SALE OF SECURITIES AND GOVERNMENT BONDS

Gain from sale of securities and Government Bonds amounting to Rp710,724 and loss of Rp237,990 for 2001 and 2000, respectively, arose from the trading portfolio.

(Amounts in millions of Rupiah, unless otherwise stated)

42. GENERAL AND ADMINISTRATIVE EXPENSES

	2001	2000
Rent	328,538	275,125
Communications	289,789	165,623
Depreciation and amortization of premises and equipment (Note 17)	258,892	249,019
Professional fees *	107,125	12,908
Promotion	169,309	79,869
Repairs and maintenance	151,879	143,404
Transportation	96,987	58,812
Office supplies	95,132	92,464
Rental of office equipment	80,097	129,815
Electricity, water and gas	53,565	60,072
Research and development	2,328	4,848
Others	112,898	77,778
	1,746,539	1,349,737

* Professional fees include audit and tax services amounting to Rp5,687 and Rp3,502 for the years ended December 31, 2001 and 2000, respectively.

The Bank has deferred the expenses relating to the proposed Initial Public Offering, that will be offset against proceeds of the share offering.

43. SALARIES AND EMPLOYEE BENEFITS

	2001	2000
Salaries, wages and pension expenses (Notes 2aa and 44)	797,498	955,391
Employee service entitlements in accordance with the Decree of The Minister of Manpower No. Kep-150/Men/2000 (Note 44)	239,780	553,851
Employee benefits in kind	202,317	109,658
Holidays, leave, vacations and related entitlements	157,127	47,398
Tax allowances	69,484	26,716
Training and development	48,968	39,860
Honoraria	2,442	9,761
Others	152,570	120,586
	1,670,186	1,863,221

In accordance with the Decree of the Minister of Manpower No.Kep-150/Men/2000 dated June 20, 2000, regarding the Settlement of Labor Dismissal and the Stipulation of Severance Pay, Gratuity and Compensation in Companies, Bank Mandiri has adopted an accounting policy to recognize a provision for employee service entitlements based on an actuarial valuation as of December 31, 2001 issued by PT Jasa Aktuaria Pensiun dan Asuransi, a registered actuary in Indonesia (Note 44). The expense recognized in the statement of profit and loss amounted to Rp239,780 and Rp553,851 for the years ended December 31, 2001 and 2000, respectively.

Total salaries and allowances of the Boards of Directors and Commissioners, and Executive Officers amounted to Rp39,727 and Rp26,425 for years ended December 31, 2001 and 2000, respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

44. PENSION PLAN AND SEVERANCE

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

a. One defined contribution pension plan or the Bank Mandiri Pension Plan, Dana Pensiun Pemberi Kerja-Program Pensiun Iuran Pasti (DPPK-PPIP) created on August 1, 1999. The members are active employees of Bank Mandiri. The Bank Mandiri Pension Plan Regulation was legalized based on the decision letters of the Minister of Finance of the Republic of Indonesia No. KEP/300/KM.017/1999 dated July 14, 1999 and was included in the Addendum to the State Gazette of the Republic of Indonesia No. 62 dated August 3, 1999 and Bank Mandiri's Directors' Resolution No. 004/KEP.DIR/1999 dated April 26, 1999.

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

   The President Director and the members of the Supervisory Board of Dana Pensiun Bank Mandiri ("DPBM") are active employees of Bank Mandiri; therefore, in substance Bank Mandiri has control over DPBM. As a consequence, transactions between DPBM and Bank Mandiri are considered related party transactions. DPBM invests some of its financial resources in Bank Mandiri time deposits, which balance as of December 31, 2001 and 2000 are Rp139,650 and Rp59,900, respectively. The interest rates on these times deposits are similar to those of arm-length transactions.

   The Bank paid pension contributions totaling Rp55,127 and Rp53,584 for the years ended December 31, 2001 and 2000, respectively.

b. Four employer defined benefit pension plans, Dana Pensiun Pemberi Kerja-Program Pensiun Manfaat Pasti (DPPK-PPMP) are derived from the respective pension plans of the Merged Banks, namely Dana Pensiun Bank Mandiri Satu or DPBM I (BBD), DPBM II (BDN), DPBM III (Bank Exim) and DPBM IV (Bapindo). The regulations of the respective pension plans were legalized by the Minister of Finance of the Republic of Indonesia in his decision letters No. KEP-394/KM.017/1999, No. KEP-395/KM.017/1999, No. KEP-396/KM.017/1999 and No. KEP-397/KM.017/1999 dated July 14, 1999. The assets of the respective pension plans were derived from the pension plan assets of the Merged Banks. The working period used as the basis for the computation of pension benefits represents the working period of employees in the pension plans until July 31, 1999. The basic salary used as the basis for the calculation of pension benefits is the Active Employee Salary (GPA), which is basic salary multiplied by the index in the pension plan as of July 31, 1999.

   The calculation of net asset value and pension liabilities is based on the actuarial report of PT Jasa Aktuaria Pensiun dan Asuransi as of December 31, 2001 with the following assumptions:

	DPBM I	DPBM II	DPBM III	DPBM IV
Actuarial date	December 31, 2001	December 31, 2001	December 31, 2001	December 31, 2001
Frequency of actuarial valuation	4 years	4 years	1 year	1 year
Interest rate	9% per annum	9% per annum	9% per annum	9% per annum
Expected rate of return of plan assets	9%	9%	9%	9%
Expected of rates of salary increase	Nil	Nil	Nil	Nil

(Amounts in millions of Rupiah, unless otherwise stated)

44. PENSION PLAN AND SEVERANCE (Continued)

	DPBM I	DPBM II	DPBM III	DPBM IV
Salary and working period used	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999
Mortality rate table	CSO-1958 Modified	CSO-1958 Modified	CSO-1958 Modified	CSO-1958 Modified
Ill-health retirement rate	0.3% of mortality rate	0.3% of mortality rate	0.3% of mortality rate	0.3% of mortality rate
Actuarial method	Accrued benefit method	Accrued benefit method	Accrued benefit method	Accrued benefit method
Normal pension age	56/52/48 years depending on the strata	56 years for all strata	56 years for all strata	56 years for all strata
Maximum Defined Benefit amount	80% of latest gross pension salary (PhDP)	80% of latest gross pension salary (PhDP)	60% of latest gross pension salary (PhDP)	60% of gross pension salary (PhDP)

Based on the audited financial statements of the respective pension plans (DPBM) as of December 31, 2001, the pension liabilities and net assets value as of December 31, 2001 are as follows:

	DPBM I	DPBM II	DPBM III	DPBM IV
Pension liabilities	863,722	853,009	487,678	154,408
Net assets value	1,054,947	1,036,978	550,466	318,241
Surplus	191,225	183,969	62,788	163,833

One defined contribution pension program (Program Pensiun Pasti) for permanent employees of PT Bank Syariah Mandiri ("BSM"), a subsidiary. The members are employees under the age of fifty-six years. The program, which commenced in August 2000, is managed by Principal Indonesia Financial Institution Pension Fund (*"Dana Pensiun Lembaga Keuangan Principal Indonesia"*, abbreviated as *DPLK-PI*). The employee's pension contribution is 5%, whilst the employer contributes 10% of the monthly employee's Gross Pension Salary (PhDP). The total cash contributions received by DPLK-PI amounted to Rp1,368 and Rp1,073, as of December 31, 2001 and 2000, respectively.

Decree of the Minister of Manpower No. Kep-150/Men/2000

The calculation of provision for employee service entitlement is based on the actuarial report of PT Jasa Aktuaria Pensiun dan Asuransi as of December 31, 2001. The assumptions used were as follows:

a. The calculation is based on Decree of the Minister of Manpower No. Kep-150/Men/2000 dated June 20, 2000 Kepmenaker No. Kep1-150/Men/2000 regarding "The Settlement of Labor Dismissal and the Stipulation of Severance Pay, Gratuity and Compensation in Companies".
b. Actuarial date is December 31, 2001
c. Actuarial method is projected unit credit method
d. Employee age is calculated as of December 31, 2001
e. Employee working period is calculated from the employment date up to actuarial date.
f. Normal pension age is 56 years
g. Interest rate is 12% per annum

Based on the actuarial report, Bank Mandiri recognized a provision amounting to Rp793,631 as of December 31, 2001.

(Amounts in millions of Rupiah, unless otherwise stated)

45. OTHER OPERATING INCOME - OTHERS

	2001	2000
Accretion in the realizable value of the security and effective reduction of principal related to SUFRNs	327,313	182,366
Administration fee	44,492	66,112
Others	348,604	269,819
	720,409	518,297

46. OTHER OPERATING EXPENSES - OTHERS

	2001	2000
Insurance premiums on customer guarantees	515,461	480,365
Provision for legal expenses	8,709	741,693
Others	218,661	179,314
	742,831	1,401,372

47. NON-OPERATING INCOME/(EXPENSES) - NET

	2001	2000
Reversal of over provision for merger costs, investments and employee benefits	1,942,404	-
Gain on sale of premises and equipment	1,282	1,657
Penalties	(97,733)	(21,062)
Others - net	359,035	358,720
	2,204,988	339,315

The provision related to merger costs was adjusted in 2001 as a result of Bank Mandiri's annual evaluation of the estimated remaining costs related to the merger.

(Amounts in millions of Rupiah, unless otherwise stated)

48. COMMITMENTS AND CONTINGENCIES

	2001	2000 Restated (Note 4)
COMMITMENTS		
Commitment Receivables:		
Unused fund borrowing facilities	834	289,018
Unrealized spot foreign currencies bought (Note 49)	296,971	250,531
Forward foreign currency bought (Note 49)	-	660,561
Cross currency swap receivables (Note 49)	-	232,225
Commitment receivables arising from usance letters of credit paid at sight ("UPAS") transactions	1,513,162	-
Others	46,152	44,566
Total Commitment Receivables	1,857,119	1,476,901
Commitment Payables:		
Unused loan facilities granted	6,562,550	8,068,940
Outstanding irrevocable letters of credit	5,955,251	5,941,277
Unrealized spot foreign currencies sold (Note 49)	608,711	447,318
Forward foreign currency sold (Note 49)	-	607,017
Cross currency swap payables (Note 49)	-	180,277
Commitment payable arising from UPAS transactions	2,723,719	-
Others	94,954	3,185
Total Commitment Payables	15,945,185	15,248,014
Commitment Payables - Net	(14,088,066)	(13,771,113)
CONTINGENCIES		
Contingent Receivables:		
Guarantees received from other banks (Note 50)	1,262,660	1,783,355
Unrecognized interest income	3,647,261	7,035,444
Others	153,090	19,142
Total Contingent Receivables	5,063,011	8,837,941
Contingent Payables:		
Guarantees issued in the form of:		
Bank guarantees (Note 50)	4,432,001	4,428,072
Standby letters of credit (Note 50)	3,563,866	2,162,256
Others	-	856
Options on foreign currency sold (Note 13)	-	18,140
Others	187,775	36,194
Total Contingent Payables	8,183,642	6,645,518
Contingent Payables - Net	(3,120,631)	2,192,423
COMMITMENTS AND CONTINGENCIES - NET	(17,208,697)	(11,578,690)

(Amounts in millions of Rupiah, unless otherwise stated)

48. COMMITMENTS AND CONTINGENCIES (Continued)

In 1996, the Bank (BDN and Bank Exim) and other syndicated banks have entered into a syndicated loan agreement with PT Semen Bosowa Maros (SBM) to finance the construction of a cement factory. The loan draw down was executed through usance letters of credit paid at sight ("UPAS L/C") which were opened and paid by PT Bank Negara Indonesia'46 ("BNI") Singapore Branch. On October 12, 1997, Bank Mandiri (BDN), as syndicated agent, issued a "Debit Authorization" authorizing BNI'46 Singapore to claim irrevocably and unconditionally the payment as the UPAS L/Cs mature.

As of December 31, 2001, the balance of UPAS L/Cs (principal and interest) opened and paid by BNI Singapore amounting to US$262 million or equal to Rp2,723,719 is recognized by Bank Mandiri as off-balance sheet under "Commitment Payable Arising from UPAS Transactions". Consequently, Bank Mandiri recognized under off-balance sheet accounts "Commitment Receivables arising from UPAS transactions" for Rp1,513,162 representing the syndicated banks' portion of 55.5%.

49. FOREIGN CURRENCY TRANSACTIONS

Effective January 1, 2001, forward and cross currency swap transactions are presented as derivatives receivable. Bank Mandiri has made a prospective adjustment using value based on Bank Indonesia middle exchange rate at the balance sheet date, from the date of commitment on balance sheet date as of December 31, 2001 (Note 13).

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2001 are as follows:

	2001 Spot-Bought		2001 Spot-Sold	
Original Currency	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
United States Dollars	21,652,303	225,184	55,297,449	575,093
Other		71,787		33,618
		296,971		608,711

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2000 are as follows:

	2000 Spot-Bought		2000 Spot-Sold	
Original Currency	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
United States Dollars	25,203,648	241,829	46,200,000	443,289
Other		8,702		4,029
		250,531		447,318

(Amounts in millions of Rupiah, unless otherwise stated)

49. FOREIGN CURRENCY TRANSACTIONS (Continued)

Details of outstanding forward foreign currency bought and sold transactions as of December 31, 2000 are as follows:

	2000 Forward-Bought		2000 Forward-Sold	
Original Currency	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
United States Dollars	61,463,091	589,738	50,554,794	485,073
Singapore Dollars	3,465,000	19,195	3,463,000	19,182
Euros	55,095	491	13,800	123
Other		51,137		102,639
		660,561		607,017

Details of outstanding cross currency swap transactions (purchase and sale positions) as of December 31, 2000 are as follows:

	2000 Swap-Purchase		2000 Swap-Sale	
Original Currency	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
United States Dollars	4,936,240	47,364	18,788,615	180,277
Euros	7,000,000	62,383		
British Pounds Sterling	3,000,000	42,898		
Australian Dollars	5,750,000	30,582		
Canadian Dollars	4,650,000	29,709		
Hong Kong Dollars	12,000,000	14,763		
Swedish Kroner	4,500,000	4,526		
		232,225		180,277

The period for foreign currency transactions ranged from 12 to 1,784 days in 2000.

Note 13 to consolidated financial statements provides a description of the outstanding options of Rp18,140 as of December 31, 2000.

50. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT

Bank Guarantees Received

Bank guarantees received amounting to Rp1,262,660 and Rp1,783,355 as of December 31, 2001 and 2000, respectively, are obtained from foreign banks to serve as collateral for loans, letters of credit or counter guarantees issued by Bank Mandiri.

(Amounts in millions of Rupiah, unless otherwise stated)

50. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT (Continued)

Bank Guarantees Issued

Bank guarantees issued amounting to Rp4,432,001 and Rp4,428,072 as of December 31, 2001 and 2000, respectively, consist of the following:

	2001	2000
Issued to:		
PT PLN (Persero)	207,372	-
PT Adhi Karya	143,057	108,401
PT Wijaya Karya	103,450	-
PT Dirgantara Indonesia	103,124	-
PT Pelindo I	100,573	92,788
PT Pembangunan Perumahan (Persero)	68,724	51,535
PT Brantas Abipraya	55,442	-
GT Kabel Indonesia	44,955	-
PT Bank BNI (Persero)	-	191,321
PT Tripatra Engineers	-	164,240
PT Marga Mandala Sakti	-	150,000
PT Chandra Asri	-	46,854
Others (below Rp 44,000)	3,605,304	3,622,933
	4,432,001	4,428,072

The bank guarantees issued to PT Bank BNI (Persero) were to facilitate risk sharing agreements for a PT Perusahaan Listrik Negara ("PLN") (Persero) project, for construction of buildings and harbours, for manufacturing of chemicals, and others. The bank guarantees are given for periods ranging from 3 months to 3 years. Bank Mandiri has not issued any bank guarantees to related parties in 2001 and 2000. Bank guarantees issued amounting to Rp2,960 as of December 31, 2001 are collateralized by the balance of a Bank Mandiri current account with other banks for the same amount (Note 7).

Standby Letters of Credit ("SBLC")

	2001	2000
PLN	1,405,069	1,293,642
PT Garuda Indonesia	1,040,000	-
PT Perusahaan Gas Negara	706,351	429,665
PT Kaltim Methanol	166,296	23,988
PT Pelni	164,736	189,981
PT Bisma Narendra	37,234	44,167
PT Citra Jimbaran Indah Hotel	30,000	-
Others	14,180	180,813
	3,563,866	2,162,256

Based on the Risk Sharing Agreement No. 11 dated February 16, 1993 that was legalized by Mr. Soedarno S.H., notary in Jakarta, Bank Mandiri, together with PT Bank BNI (Persero) and PT Bank BRI (Persero) agreed to issue Standby Letters of Credit to PT Perusahaan Listrik Negara (Persero) for 20 (twenty) years starting April 1, 1993 until March 31, 2013. The maximum SBLC facility amounts to US$300,943,500 (full amount), of which 60.476% represents Bank Mandiri's portion. The amount utilized as of December 31, 2001 and 2000 amounted to US$223,399,000 (full amount), and US$222,939,120 (full amount), respectively, of which Bank Mandiri's portion amounts to US$135,102,815 (full amount) and US$134,824,662 (full amount), respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

50. BANK GUARANTEES RECEIVED AND ISSUED AND STANDBY LETTERS OF CREDIT (Continued)

Based on the Issuance Agreement of Standby Letters of Credit (SBLC) dated September 14, 2001, that was legalized by Imas Fatimah S.H., notary in Jakarta, Bank Mandiri agreed to issue SBLC of US$100,000,000 (full amount) to PT Garuda Indonesia (Persero) for 3 (three) years commencing on November 2, 2001 through to November 2, 2004 (with annual extensions). The issuance of the SBLC is in connection with the agreed loan restructuring schemes between Bank Mandiri and PT Garuda Indonesia (Persero) on September 14, 2001. The restructuring agreement also provides for the conversion of loans equivalent to US$103,000,000 (full amount) into 5-year Mandatory Convertible Bonds (MCBs) (refer to Note 14g). The issuance of SBLC and conversion of loans into MCBs was approved and guaranteed by the Committee on Financial Sector Policy (KKSK) through its Decision Letter No Kep.02/K.KKSK/11/2000 dated November 3, 2000 and the Minister of Finance through its Decision Letter No. SR-653/MK.05/2001 dated July 20, 2001.

51. MATURITY PROFILE

December 31, 2001

Description	Total	< 1 mth	1 mth - 3 mths	>3 mths < 6 mths	>6 mths < 12 mths	>12 mths
Assets						
Cash	1,735,258	1,735,258	-	-	-	-
Current accounts with Bank Indonesia	9,895,331	9,895,331	-	-	-	-
Current accounts with other banks - net	265,423	265,423	-	-	-	-
Placements with other banks - net	13,180,172	12,987,773	163,372	29,027	-	-
Securities - net	24,007,282	22,906,552	66,860	114,190	129,828	789,852
Government Bonds	153,493,218	-	6,589,041	-	6,589,041	140,315,136
Trade documents - net	1,413,995	1,058,331	234,643	121,021	-	-
Receivables arising from securities purchased with agreement to resell - net	302,051	302,051	-	-	-	-
Derivatives receivable - net	6,534	4,760	1,774	-	-	-
Loans - net	42,087,069	2,442,866	3,621,266	6,064,424	7,263,063	22,695,450
Acceptances receivable - net	1,582,979	218,057	774,951	588,583	1,388	-
Investments in shares - net	69,276	-	-	-	-	69,276
Premises and equipment - net	1,727,478	-	-	-	-	1,727,478
Deferred tax assets - net	4,817,617	-	-	-	-	4,817,617
Accrued income	3,124,040	3,124,040	-	-	-	-
Receivables	3,010,086	-	-	-	-	3,010,086
Prepaid tax	366,614	-	-	-	-	366,614
Prepaid expenses	171,262	-	-	-	-	171,262
Others - net	1,035,310	-	-	-	-	1,035,310
Total	**262,290,995**	**54,940,442**	**11,451,907**	**6,917,245**	**13,983,320**	**174,998,081**

(Amounts in millions of Rupiah, unless otherwise stated)

51. MATURITY PROFILE (Continued)

December 31, 2001

Description	Total	< 1 mth	1 mth - 3 mths	>3 mths < 6 mths	>6 mths < 12 mths	>12 mths
Liabilities						
Other current liabilities	62,065	62,065	-	-	-	-
Demand deposits	37,557,461	37,557,461	-	-	-	-
Savings	22,304,803	22,304,803	-	-	-	-
Time deposits	129,782,634	80,304,150	30,616,596	3,977,062	2,407,296	12,477,530
Certificates of deposit	800,840	391,540	260,075	60,475	87,600	1,150
Deposits from other banks						
- Demand deposits	586,600	586,600	-	-	-	-
- Interbank call money	335,001	335,001	-	-	-	-
- Time deposits	9,065,198	4,478,185	4,163,330	41,037	368,301	14,345
- Certificates of deposit	2,541,043	252,243	961,800	515,000	812,000	-
Derivatives payable	11,976	11,976	-	-	-	-
Acceptances payable	1,804,708	247,279	876,044	679,989	1,396	-
Securities issued	3,276,695	-	-	520,312	-	2,756,383
Fund borrowings	18,204,233	1,382,002	418,112	2,121,519	1,661,444	12,621,156
Estimated losses on commitments and contingencies	5,284,345	-	-	-	-	5,284,345
Accrued expenses	1,405,006	1,405,006	-	-	-	-
Taxes payable	346,209	346,209	-	-	-	-
Other liabilities	8,593,324	-	-	-	-	8,593,324
Subordinated loans	6,390,201	-	4,507	220,738	409,602	5,755,354
Loan capital	3,159,000	-	-	-	-	3,159,000
Total	**251,511,342**	**149,664,520**	**37,300,464**	**8,136,132**	**5,747,639**	**50,662,587**

52. NET OPEN POSITION

The Net Open Position ("NOP") ratio of Bank Mandiri (Bank only) is 19.38% and 7.56% as of December 31, 2001 and 2000, respectively. The NOP ratio is calculated based on total absolute amount of each of the foreign currency open position over the Bank's capital in accordance with the Bank Indonesia guidelines.

The Net Open Position by currency of Bank Mandiri (Bank only) as of December 31, 2001 is as follows:

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position
United States Dollars	155,676,365*)	155,283,771	392,594
Singapore Dollars	2,355,156	1,565,079	790,077
Euros	1,603,465	1,608,002	(4,537)
Japanese Yen	1,044,413	1,679,675	(635,262)
British Pounds Sterling	408,008	312,932	95,076
Deutsche Marks	386,222	601,562	(215,340)
French Francs	113,265	89,768	23,497
Hongkong Dollars	-	560,539	(560,539)
Malaysian Ringgit	-	190,447	(190,447)
Australian Dollars	99,287	106,666	(7,379)

*) Including hedge bonds amounting to Rp22,995,498.

(Amounts in millions of Rupiah, unless otherwise stated)

52. NET OPEN POSITION (Continued)

The Net Open Position by currency of Bank Mandiri (Bank only) as of December 31, 2001 is as follows (Continued):

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position
Nederland Guilders	63,878	56,383	7,495
Swiss Francs	51,355	24,681	26,674
Others (each below Rp20,000)	71 041	44,211	26,830
Total			(251,261)
Total absolute open position			2,975,747
Total capital (Note 53)			15,353,692
NOP			19.38%

The Net Open Position by currency of Bank Mandiri (Bank only) as of December 31, 2000 is as follows:

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position
United States Dollars	207,073,014 **)	206,886,588	186,426
Hong Kong Dollars	898,866	714,194	184,672
French Francs	765,750	784,583	(18,833)
Japanese Yen	2,687,577	2,683,601	3,976
Dutch Guilders	894,909	880,843	14,066
Malaysian Ringgit	107,757	256,410	(148,653)
Euros	916,538	1,123,359	(206,821)
Singapore Dollars	924,167	858,922	65,245
British Pounds Sterling	776,002	738,464	37,538
Canadian Dollars	86,200	55,307	30,893
Deutsche Marks	2,212,421	2,237,068	(24,647)
Swiss Francs	133,813	115,555	18,258
Italian Lira	23,705	25,711	(2,006)
Belgian Francs	32,284	27,320	4,964
Swedish Kroner	64,172	48,005	16,167
Danish Kroner	43,652	34,968	8,684
Australian Dollars	317,970	295,285	22,685
New Zealand Dollars	30,570	32,875	(2,305)
Others	54,613	43,843	10,770
Total			201,079
Total absolute open position			1,007,609
Total capital (Note 53)			13,332,058
NOP			7.56%

**) Including hedge bonds amounting to Rp24,518,840.

(Amounts in millions of Rupiah, unless otherwise stated)

52. NET OPEN POSITION (Continued)

The Bank's foreign exchange trading is governed both by an internal set of trading policies and by an overall net open position limit set by Bank Indonesia regulations.

In order to facilitate the Bank's foreign currency risk management, the Bank has centralized the operational management of the Bank's foreign exchange position within its Treasury Management Group, which is required to follow the policies and procedures set by its Risk Capital Committee.

The Bank's foreign exchange revenue is derived principally from customer-related transactions. Currently, the Bank generally does not engage in proprietary trading, although as a matter of internal policy, it is not prevented from doing so should it determine it is appropriate in the future.

The Bank's non Rupiah liabilities are denominated principally in US Dollars and consist primarily of deposits and fund borrowings. To comply with net open position regulations, the Bank holds US Dollar denominated assets consisting primarily of Bank placements and loans.

53. CAPITAL ADEQUACY RATIO

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 both core ("Tier I") capital and supplementary ("Tier II") capital. The CAR of Bank Mandiri (Bank only) as of December 31, 2001 and 2000 is 26.44% and 31.29%, respectively, and is calculated as follows:

	2001	2000
Capital:		
Tier I (*)	8,849,942	7,122,266
Tier II	7,256,965	6,209,802
Less:		
Investments in subsidiaries (**)	(753,215)	-
Total capital	15,353,692	13,332,068
Total Risk-Weighted Assets	58,079,575	42,608,079
CAR	26.44%	31.29%

(*) Excludes the impact of deferred tax assets of Rp4,817,617 and unrealized losses on securities and Government Bonds available for sale of Rp5,047,162 as of December 31, 2001.

(**) Based on Bank Indonesia regulation No. 3/21/PBI/2001 dated December 13, 2001, Bank Indonesia revised the calculation of CAR effective the issuance date of the regulation to exclude investments in subsidiaries from the bank's capital.

Bank Indonesia requires banks in Indonesia to have a minimum CAR of 8% and 4% as of December 31, 2001 and 2000, respectively.

54. NON-PERFORMING ASSETS TO TOTAL EARNING ASSETS

Non-performing earning assets to total earning assets are 4.71% and 5.63% as of December 31, 2001 and 2000, respectively.

(Amounts in millions of Rupiah, unless otherwise stated)

55. SEGMENT INFORMATION

Information concerning the business segments of Bank Mandiri and its Subsidiaries is as follows:

	Profit from Operations	
	2001	2000
Bank	1,687,877	1,715,682
Bank Syariah	14,054	(160)
Securities	(52)	(1,140)
Insurance	1,901	2,142
Others	3,155	1,528
Total	1,706,935	1,718,052
Elimination	(61,485)	(33,888)
Consolidated	1,645,450	1,684,164

	Net Profit	
	2001	2000
Bank	2,771,230	1,191,292
Bank Syariah	16,744	10,633
Securities	5,520	369
Insurance	1,901	2,142
Others	11,663	7,359
Total	2,807,058	1,211,795
Elimination	(61,301)	(30,355)
Consolidated	2,745,757	1,181,440

	Total Assets	
	2001	2000
Bank	262,553,991	253,573,910
Bank Syariah	951,629	625,705
Securities	62,475	94,169
Insurance	16,584	13,141
Others	369,239	350,473
Total	263,953,918	254,657,398
Elimination	(1,662,923)	(1,302,693)
Consolidated	262,290,995	253,354,705

56. CUSTODIAL AND TRUST OPERATIONS

Custodial Operations

Bank Mandiri renders custodial services since 1959 (legacy banks: BDN, BEII, BBD and Bapindo). As a result of the merger, 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. The Custodial Services Business ("CSB"), which is part of the Securities Services Department (the "SSD") of Bank Mandiri, provides a full range of custodial services such as:

a. Settlement and handling services for scrip and scripless trading transactions;
b. Registration of securities to Biro Administrasi Efek, and splitting and merging of securities;
c. Safekeeping of securities and other valuable assets;
d. Corporate action services related to the rights on the securities;
e. Proxy services for its customers' shareholders meetings and obligation holders meetings;
f. International services i.e. American Depository Receipts (ADR) and Global Depository Receipts (GDR), which are required by entities listed on the domestic and overseas exchanges (dual listing);
g. Sub-registry services for settlement of transactions of Indonesian recapitalization bonds (Government Bonds); and
h. Escrow Agent.

Bank Mandiri has 144 and 123 custodial customers as of December 31, 2001 and 2000, respectively. The customers are primarily pension funds, insurance companies, banks, securities and other private companies.

As of December 31, 2001 and 2000, CSB has 24 and 27 permanent employees, respectively.

Total custodial fees and commissions earned in 2001 and 2000 amounted to Rp6,791 and Rp6,604, respectively.

Bank Mandiri carries insurance on custodial services against safekeeping and transit loss under blanket policies amounting to approximately US$25,000,000 (full amount). Management is of the opinion that the insurance coverage is adequate to cover possible loss from safekeeping and transit risks.

Trust Operations

Bank Mandiri has been rendering trustee services since 1983 (legacy banks: Bank Exim, BDN, BBD and Bapindo). The operating license for trustee services was renewed and re-registered to BAPEPAM as stipulated in No. 17/STTD-WA/PM/1999 dated October 27, 1999. The Trustee Services Business ("TSB"), which is part of Securities Services Department ("SSD") of Bank Mandiri, provides a full range of the following services:

a. Providing documentation support to bond issuers in complying with required documents for issuance;
b. Monitoring performance of issuers and compliance against required documentation as stipulated in trustee agreements on behalf of bond holders;
c. Facilitating bond holders meetings;
d. Following up the result of bond holders meetings as required and necessary;
e. Executing the results of bond holders meetings as required and necessary;
f. Providing information on issuer's performance as requested by BAPEPAM or bond holders;
g. Managing the sinking fund and other collateral as required by the bond's issuance.
h. Paying agent for supporting bond issuance, shares, MTNs and others.

(Amounts in millions of Rupiah, unless otherwise stated)

56. CUSTODIAL AND TRUST OPERATIONS (Continued)

Trust Operations (continued)

Bank Mandiri has 21 and 22 trustee customers as of December 31, 2001 and 2000, respectively. As of December 31, 2001 and 2000 the total value of bonds issued amounted to Rp5,140,350 and Rp5,759,242, respectively, while the sinking funds managed on behalf of bond issuers amounted to Rp39,780 and Rp71,300, respectively.

Fees earned from trust operations amounted to Rp5,925 and Rp7,968 for the years ended December 31, 2001 and 2000, respectively.

57. CHANNELING LOANS

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

	2001	2000
Government:		
Electricity, gas and water	10,810,036	13,456,892
Transportation and communications	8,034,952	8,302,595
Industry	633,735	768,006
Agriculture	285,209	283,728
Mining	190,506	207,672
Construction	22,265	27,404
Others	124,996	157,713
	20,101,699	23,204,010

Bank Mandiri has been appointed to administer channeling loans in various foreign currencies received by the Government of Indonesia from various bilateral and multirateral financing institutions, such as, The Export Import Bank of Japan, ASEAN Japan Development Fund, Overseas Economic Cooperation Fund, International Bank for Reconstruction and Development, Nordiska Investeringbanken, Kreditanstalt Fur Wiederaufbau, Sumitomo, US AID, Barclays Bank, Bank of China, CN Lyonnais, Unibank, Bank of Austria, Ryobhin Hong Kong, Export Finance and Insurance Cooperation - Australia, Mitsubishi Corporation, Chartered West LB, Banque Indosuez, Hitachi Zosen, NEC Corporation, Banque Francais du Comm, US Exim Bank, and Banque Paribas for financing projects in Indonesia.

Channeling loans are not recognized in the consolidated balance sheets as the credit risk is not borne by the Bank or its Subsidiaries. Bank Mandiri's responsibilities under the above arrangement include, among others, the collection from borrowers and the payment to the government of principal, interest and other charges and the maintenance of loan documentation. As compensation, Bank Mandiri receives an annual administration fee which varies from 0.15% - 0.4% of the loan balances.

(Amounts in millions of Rupiah, unless otherwise stated)

58. 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 related parties as follows:

	2001	2000
Government Bonds (Note 10)	153,493,218	176,895,296
Loans (Note 14)	926,833	792,904
Interest refundable by the Government (Note 18)	24,702	105,447
Securities (Note 9)	-	6,524
Total assets from related parties	154,444,753	177,800,171
Total assets	262,290,995	253,354,705
Percentage of assets from related parties to total assets	58.88%	70.18%

	2001	2000
Deposits - demand deposits (Note 19)	23,805	47,133
Deposits - savings deposits (Note 20)	38,172	105,689
Deposits - time deposits (Note 21)	1,753,118	340,373
Due to the Government arising from the return of additional paid-in capital (Note 31)	129,685	-
Other liabilities - obligations under capital lease (Note 31)	-	9,749
Total liabilities to related parties	1,944,780	502,944
Total liabilities	251,511,342	239,088,971
Percentage of liabilities to related parties to total liabilities	0.77%	0.21%
Salary and allowances of the Boards of Directors and Commissioners and Executive Officers (Note 43)	39,727	26,425

b. *Transactions with the Government of the Republic Indonesia*

- In May 1999, the Government implemented a recapitalization program for Bank Mandiri by issuing Government Bonds (Notes 3 and 10).
- In connection with the recapitalization, Bank Mandiri entered into a management contract with the Government in April 2000 (Note 59a).
- The Committee on Financial Sector Policy (KKSK) and the Minister of Finance approved and guaranteed the issuance of standby letters of credit and conversion of loans of PT Garuda Indonesia to Mandatory Convertible Bonds (Note 50).

c. *Transfer of Certain Investments and Non-core Fixed Assets*

In 1999 certain investments in shares of stock and certain non-core fixed assets of Bank Mandiri were transferred to PT PIM and PT PHTM, related companies, respectively (Notes 16 and 17).

59. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. *Management Contract*

On April 8, 2000, a Management Contract was signed between the Government and Bank Mandiri in connection with the recapitalization of Bank Mandiri as described in Note 3. The Management Contract provides for, among others, the requirements and milestones to be fulfilled by Bank Mandiri in accordance with its Business Plan, which include, the following:

1. Obligations to be fulfilled by Bank Mandiri, among others:

   - The Government Bonds can only be used by Bank Mandiri to settle liabilities and cannot be used to acquire assets, except for Government Bonds classified as trading based on prevailing regulations.
   - Reducing overhead costs.
   - Settlement of unreconciled/open items and reconciliation of inter-branch transactions derived from the Merged Banks.
   - Special audit of high risk and material un-reconciled open items.
   - Implementation of an automated monitoring system over the use of funds and liquidity of Bank Mandiri.
   - Implement policy of reporting according to Bank Indonesia regulations.
   - Take any action as required in respect of the Credit Portfolio to comply with Bank Indonesiaís requirements, especially for Legal Lending Limit (LLL).
   - Agreed to syndicate the current outstanding corporate loans that exceed Legal Lending Limit (LLL) and participate in syndication activities to support other banks in resolving Legal Lending Limit (LLL) problems.
   - Bank Mandiri agreed to improve its Net Open Position based on the prevailing regulations and prepare a plan to acquire assets denominated in U.S. dollars.
   - Bank Mandiri and the Minister of Finance agreed to undertake actions needed to accelerate the privatization process of Bank Mandiri by issuing shares to the public. The offering is planned by the second quarter of 2002.

   If Bank Mandiri defaults on its commitments as stipulated in the management contract, the consequences are:

   - Replacement of Boards of Directors and Commissioners
   - Adjust the milestones if the reasons for non achievement are beyond the control of Bank Mandiri

59. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

a. *Management Contract (continued)*

2. Management and Performance of Bank Mandiri, among others:

   - The Boards of Directors and Commissioners are required to perform their tasks conscientiously in line with the requirements prescribed in the Business Plan, Performance Plan and Performance Milestones.

   - The Compliance Director is required to undertake actions needed for Bank Mandiri to fully comply with Bank Indonesia regulations, the prevailing law, agreements, and commitments with Bank Indonesia and monitor the success of the implementation of the Bank Recapitalization Program based on the agreed Business Plan, without prejudice to the responsibilities of the Boards of Directors and Commissioners of Bank Mandiri. The results of this function's activities should be submitted quarterly to the Minister of Finance not later than two (2) weeks after the end of each quarter.

3. Corporate Governance for Bank Mandiri, among others:

   - The Governance of Bank Mandiri is to be conducted by its Boards of Directors and Commissioners in accordance with the Articles of Association of Bank Mandiri and prevailing laws.

   - The members of the Boards of Directors and Commissioners must not have conflicts of interest in the decision making process involved in governing Bank Mandiri.

b. *Government Bond Purchase Agreement*

In December 1999, Bank Mandiri entered into an agreement with Bank Indonesia, whereby Bank Mandiri was required to purchase Rp14,000,000 worth of Government Bonds on June 28, 2000, consisting of Rp7,000,000 of fixed rate bonds and Rp7,000,000 of variable rate bonds. On June 28, 2000 Bank Mandiri repurchased Rp7,000,000 of bonds, and obtained approval from Bank Indonesia to extend the period of repurchase of the remaining Rp7,000,000 of bonds for three months. On September 26, 2000 Bank Mandiri repurchased the remaining Rp7,000,000 of recapitalization bonds and paid the related accrued interest.

c. *Earning Assets Transfer Agreement*

In 1999, Bank Mandiri entered into an Earning Assets Transfer Agreement with IBRA. Under the agreement, Bank Mandiri agreed to transfer to IBRA its loss category earning assets for RpNil consideration.

In 2000, Bank Mandiri has transferred its loss category earning assets to IBRA on two (2) occasions: April 3, 2000 and December 21, 2000, as follows:

April 3, 2000

Under a Decree of Minister of Finance No. S-25/MK.01/2000 dated February 1, 2000 and Governor of Bank Indonesia No.2/7/KEP.GBI/2000 dated March 31, 2000 regarding the transfer of problem assets to IBRA, on April 3, 2000, the Bank entered into a Second Phase (Phase 2) of the Earning Assets Transfer Agreement with IBRA involving Rp21,867,184. Under the agreement, the Bank is required to transfer all its problem assets for RpNil value to IBRA (assets rated as loss under Bank Indonesia criteria and or with a provision more than 50%) together with the related interest, penalties and claims that may be received by the Bank in the future. In accordance with the agreement, the Bank is liable to bear the cost of liabilities which may arise in the future, relating to the transferred assets.

(Amounts in millions of Rupiah, unless otherwise stated)

59. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

c. Earning Assets Transfer Agreement (Continued)

Detail of assets transferred to IBRA as of April 3, 2000 are as follows:

Loans	Rp14,169,892
Commercial papers	629,441
Off balance sheet accounts	1,555,687
Interest and penalties	5,112,164
Participation	400,000
	Rp21,867,184

To manage the administration of the transferred assets, Bank Mandiri has been appointed by IBRA as the Temporary Assets Administrator for a 3-month period (automatically rolled over for a subsequent period 3 months, unless advised by IBRA in writing). Under the Temporary Assets Administration Agreement, the Merged Banks should perform the administration activities described below:

a. Normal collection activities such as issuing invoices and receiving payments.
b. Monitoring and supervision such as correspondence with debtors, recording and updating loan information (principal, interest and penalties).
c. Recommend loan workout strategies, with such strategies to be approved by IBRA.
d. Loan information gathering to determine the loan rescue strategy, such as restructuring, discounted settlement and litigation action.
e. Account maintenance to maintain and improve the asset values, such as the completeness and the security of loan documentation and its collateral.
f. Other administrative activities such as paying taxes, insurance or issuing invoices in relation to accounts management.

The Merged Banks are not allowed to restructure loans i.e. provide a discount for settlement of amounts (interest, penalties and or principal) which should be paid by the borrower, change the credit period and initiate litigation before the Merged Banks perform an analysis of the loans and prepare a written loan workout recommendation for IBRA.

The Temporary Assets Administration Agreement was terminated on July 25, 2000.

Based on notarial deed No. 102 dated December 21, 2000 of Mr. Teddy Anwar, S.H., SpN. and in accordance with a Decree of the Minister of Finance No. S-25/MK.01/2000 dated February 1, 2000 and Regulation of Bank Indonesia No. 2/11/PBI/2000 dated March 31, 2000 regarding the transfer of problem assets to IBRA, Bank Mandiri has transferred its problem assets amounting to Rp6,944,516 to IBRA for RpNil value (assets rated as loss under Bank Indonesia criteria and or with a provision more than 50%) together with the related interest, penalties and claims that may be received by the Bank in the future. In accordance with the agreement, Bank Mandiri is liable to bear the cost of liabilities which may arise in the future, relating to the transferred loans.

(Amounts in millions of Rupiah, unless otherwise stated)

59. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

c. *Earning Assets Transfer Agreement (Continued)*

Details of assets transferred to IBRA on December 21, 2000 are as follows:

Loans	4,475,887
Commercial papers	130,616
Off balance sheet	447,678
Interest and penalties	1,890,335
	6,944,516

No Temporary Assets Administration Agreement was signed in respect of the above assets.

September 4, 2001

Following preliminary discussions of Bank Mandiri with IBRA regarding the transfer and repurchase back of certain non performing loans on January 26, 2001, based on notarial deed No. 6 dated September 4, 2001 of Mr. Teddy Anwar, S.H., SpN. and in accordance with the Decree of the Minister of Finance No. S-25/MK.01/2000 dated February 1, 2000 and joint decision letter of the Committee of Policy and Finance Sector (KKSK) No. KEP.02/K.KKSK/02/2001 dated February 15, 2001 and the Decree of the Minister of Finance No. SR-110/MK.06/2001 dated May 4, 2001, Bank Mandiri transferred certain of its non-performing loans amounting to Rp4,587,313 to IBRA for RpNil value (assets rated as loss under Bank Indonesia criteria) together with the related interest, penalties and claims that may be received by the Bank in the future. In accordance with the agreement, Bank Mandiri is liable to bear the cost of liabilities which may arise in the future relating to the transferred assets.

Details of assets transferred to IBRA on September 4, 2001 are as follows:

Loans	3,737,546
Commercial papers	15,625
Off balance sheet accounts	262,747
Participation	20,357
Interest and penalties	551,038
	4,587,313

No Temporary Assets Administration Agreement was signed in respect of the above assets.

d. *Swap Agreement for Earning Assets Transferred in September 4, 2001 and Government Bonds with IBRA*

Based on notarial deed Nos. 7 and 8 dated September 4, 2001 of Mr. Teddy Anwar, S.H., SpN. and in accordance with Bank Mandiriís letter to IBRA No. Dir.CRU/044/II/2001 dated February 28, 2001, and joint decision letter of Committee of Policy and Finance Sector (KKSK) No. KEP.02/K.KKSK/02/2001 dated February 15, 2001 and Decree of the Minister of Finance No. SR-110/MK.06/2001 dated May 4, 2001, Bank Mandiri has repurchased (swapped) all the assets previously transferred (including the related penalties and interest) on September 4, 2001 to IBRA for Government Bonds totaling Rp4,036,275 (Seri FR0007 of Rp2,458,417 and Seri FR0009 of Rp1,577,858, respectively).

e. *Swap Agreement for Loan Purchase and Government Bonds with IBRA*

Based on notarial deed Nos. 17 and 18 dated September 6, 2001 of Mr. Teddy Anwar, S.H., SpN., Bank Mandiri has purchased (swapped) loans of Rp2,129,391 (including penalties and interest of Rp951,021) for Government Bonds totaling Rp1,178,370 (Government Bonds Seri FR0007).

59. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

f. *Contingent Liabilities*

In the ordinary course of business, the Bank is a defendant in various litigation and claims with respect to matters such as contractual compliance, government regulations and taxes. Although there can be no assurance, Bank Mandiri believes that based on information currently available, that the ultimate resolution of these legal proceedings would not likely have a material adverse effect on the results of its operations, financial position or liquidity. As of December 31, 2001 and 2000, Bank Mandiri has provided an allowance (included in "Other Liabilities") for several pending lawsuits filed against Bank Mandiri amounting to Rp1,628,610 and Rp1,524,908, respectively (Note 31). The Bank's total potential exposure arising from outstanding lawsuits as of December 31, 2001 and 2000 amounted to Rp4,105,485 and Rp4,139,029, respectively. Management believes that the allowance is adequate to cover possible losses arising from pending litigation.

The Bapindo Hong Kong Branch (now Bank Mandiri Hong Kong Branch) has tax losses of approximately US$27,000,000 (full amount) as of December 31, 1999. It has applied to the Inland Revenue Department ("IRD") of Hong Kong for approval for the utilization of the tax losses against the taxable profits of Bank Mandiri's Hong Kong Branch. However, no final agreement has been obtained from the IRD as of the date of this report. The potential tax liabilities which would amount to approximately US$2,700,000 (full amount) should the tax losses not be approved for utilization by Bank Mandiri's Hong Kong Branch, have been fully provided for by Bank Mandiri at the head office level.

60. ADVERSE ECONOMIC CONDITIONS

The adverse economic conditions in Indonesia, which started in the second half of 1997, have been characterized by volatile foreign currency exchange rates, high interest rates, tight liquidity and lack of public confidence in the country's banking system. These conditions, combined with political instability, have significantly affected the banking services sector, including the operations of Bank Mandiri and its Subsidiaries. The adverse economic conditions have also involved declining prices in shares listed on the Indonesian stock exchanges, tightening of available credit and reduced economic activity. Also, the liquidation and suspension of operations of numerous domestic banks in Indonesia has resulted in a decline in public confidence in the country's banking system, placing more pressure on the liquidity and survival of the banking sector.

To regain public confidence in the banking system, the Indonesian Government has guaranteed certain obligations of domestic banks as discussed in Note 61. Moreover, on December 31, 1998, the Government issued Regulation No. 84 of 1998 concerning the Recapitalization of Commercial Banks. By virtue of 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, concerning the implementation of the recapitalization program for commercial banks and the decision letter of the Steering Committee for the Recapitalization Program of Commercial Banks dated March 12, 1999, Bank Mandiri was included in the recapitalization program. In addition, the implementation of the recapitalization program is one of the commitments of the Government of the Republic of Indonesia in its Letters of Intent with the International Monetary Fund.

There can be no assurance as to whether the Indonesian Government will continue to implement these reforms or whether regulations or reforms will be modified, revoked, diluted or strengthened. The strategies and policies of the Government are uncertain.

60. ADVERSE ECONOMIC CONDITIONS (Continued)

The adverse economic and political conditions have resulted in uncertainty with respect to the ability of Bank Mandiri's and its Subsidiaries' customers to fulfill their obligations when they mature, and may decrease the value of loan collateral, thereby significantly increasing the credit risks inherent in their lending portfolios. Furthermore, the adverse economic conditions have affected Bank Mandiri's and its Subsidiaries' cost of funds. While the economy has shown signs of recovery since the middle of 1999 as reflected in a general decline in interest rates and lower inflation rates, uncertainties as to the ongoing economic situation still exist. Such uncertainties may affect future operations, the recoverability of Bank Mandiri's and its Subsidiaries' assets and their ability to pay their obligations when they mature.

In response to these conditions, the measures which Bank Mandiri and its Subsidiaries have implemented, or plan to implement include:

- As discussed in Note 3 to the consolidated financial statements, the Government of the Republic of Indonesia issued Government Bonds totaling approximately Rp178 trillion (full amount) in 1999 to increase its investment in shares of stock of Bank Mandiri. Upon recapitalization, Bank Mandiri fulfilled the minimum CAR requirement of Bank Indonesia and has a positive shareholder's equity position as of December 31, 2001 and 2000. On July 7, 2000, Rp2,657,000 of the excess recapitalization funding was returned to the Government in the form of Government Bonds.

- As discussed in Note 59 to the consolidated financial statements, in 2001 and 2000, Bank Mandiri and its Subsidiaries transferred earning assets classified as loss to IBRA based on Asset Transfer Agreements. Such assets have been written off prior to their transfer to IBRA.

- In connection with the recapitalization, Bank Mandiri and its Subsidiaries have prepared a business plan that is regularly reviewed and re-assessed by Management. Currently, Bank Mandiri plans to focus its business primarily in improving the funding mix and product mix of its retail activity funding; focus on export oriented and natural resources-based businesses; improve the composition of loans between corporate and small and medium enterprises; and provide trade finance, cash management and investment banking services to increase fee-based income. During 2001 and 2000, Bank Mandiri has implemented and continued to implement the provisions of the business plan, which include:

  a. Restructuring of non-performing loans for debtors with prospects and transferring non-prospective loans classified as loss to IBRA.

  b. Settlement of loans granted to related parties that have exceeded the legal lending limit.

  c. Managing the Net Open Position (NOP) in order to meet the regulatory NOP limit.

  d. Overcoming liquidity risk by rolling over offshore borrowings, increasing retail funding and maintaining major customers by offering competitive interest rates and services.

  e. Efficiency improvement measures, as follows:
     (i) Rationalizing the number of employees.
     (ii) Optimizing office networking and extending retail credits.
     (iii) Redesigning branch operations.
     (iv) Optimizing the usage of the existing fixed assets.
     (v) Controlling overhead costs through improved monitoring mechanisms.
     (vi) Designing an effective organization structure.

  f. Improvement of products and service quality to meet customers' needs.

  g. Transferring the management of non-viable subsidiaries to PT PIM a related party, for resale and restructuring of subsidiaries with good prospects.

60. ADVERSE ECONOMIC CONDITIONS (Continued)

Our assets are concentrated in certain sectors, industries, business and in the Government and, if any large assets become non-performing or if there are any financial difficulties encountered in sectors, industries, business or by the Government in which our assets are concentrated, the quality of our total asset portfolio could be materially adversely affected which could have a material adverse effect on our financial condition and results of operations

As of December 31, 2001 and 2000 Government Bonds represented the majority of our total assets and interest payments received on our Government Bonds accounted for the majority of our revenues for the years then ended. Any delay or default in the payment of interest or principal when due will have a material adverse effect on our financial condition and results of operations.

- As discussed in Note 3 to the consolidated financial statements, Bank Mandiri entered into a Management Contract with the Indonesian Government on April 8, 2000. The Management Contract provides the requirements and milestones to be fulfilled by Bank Mandiri in accordance with its Business Plan and the Government of the Republic of Indonesiaís recapitalization.
- Bank Mandiri plans to privatize by issuing shares to the public before the end of the second quarter of 2002, the proceeds of which will be used to strengthen the capital base, improve liquidity and develop the business.

The accompanying consolidated financial statements include the effects of the adverse economic conditions to the extent they can be determined and estimated. Recovery of the economy depends on the monetary, fiscal and other measures that have been and will be undertaken by the Indonesian Government to achieve economic recovery, which actions are beyond the control of Bank Mandiri and its Subsidiaries. It is not possible to determine the future effects a continuation of the adverse economic conditions may have on Bank Mandiriís and its Subsidiariesí liquidity, earnings and realization of their earning assets, including the effects from their customers, creditors, shareholder and other stakeholders. The ultimate effect of these uncertainties on the stated amounts of assets and liabilities at the balance sheet date cannot presently be determined. Related effects will be reported in the consolidated financial statements as they become known and can be estimated.

61. GOVERNMENT GUARANTEE OF OBLIGATIONS OF LOCALLY INCORPORATED BANKS

Based on the Decree of the Minister of Finance No. 26/KMK.017/1998 dated January 28, 1998, which was replaced by Minister of Financeís Decree No. 179/KMK.017/2000 dated May 26, 2000, the Government of the Republic of Indonesia is guaranteeing certain obligations of locally incorporated banks namely demand deposits, savings, time deposits and deposits on call, bonds, marketable securities, inter-bank placements, fund borrowings, swaps/hedges/futures, derivative and contingent liabilities such as bank guarantees, standby letters of credit and other liabilities, excluding subordinated loans and 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 decided upon by IBRA within six months from the maturity of this guarantee. 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 Decree of the Head of IBRA No. 1035/BPPN/0401.

The Head of IBRA issued Decree No. SK-1036/BPPN/0401 in 2001 that provides for specific operational guidance in respect of the Government of the Republic of Indonesiaís Guarantee of obligations of locally incorporated banks.

PT BANK MANDIRI (PERSERO)
INDEX TO ADDITIONAL INFORMATION
DECEMBER 31, 2001 AND 2000

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PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY **APPENDIX 1**
Balance Sheets
December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated
ASSETS		
Cash	1,711,812	2,042,339
Current Accounts with Bank Indonesia	9,871,164	10,929,297
Current Accounts with Other Banks - net of allowance for possible losses of Rp2,461 and Rp10,286 as of December 31, 2001 and 2000, respectively	246,043	1,018,484
Placements with Other Banks - net of allowance for possible losses of Rp134,462 and Rp80,597 as of December 31, 2001 and 2000, respectively	13,295,081	4,018,000
Securities - net of unamortized interest, unrealized losses from mark to market, allowance for decline in value of securities and allowance for possible losses of Rp1,144,469 and Rp938,448 as of December 31, 2001 and 2000, respectively	23,576,532	7,933,392
Government Bonds	153,493,218	176,895,296
Trade Documents and Other Facilities - net of allowance for possible losses of Rp2,514,545 and Rp1,798,125 as of December 31, 2001 and 2000, respectively	1,413,996	1,082,951
Receivables Arising from Securities Purchased with agreement to Resell - net of allowance for possible losses of Rp3,051 as of December 31, 2001	302,051	-
Derivatives Receivable - net of allowance for possible losses of Rp48 as of December 31, 2001	4,760	-
Loans		
Related parties	926,833	792,904
Third parties	46,272,682	41,594,711
	47,199,515	42,387,615
Less: Allowance for Possible Losses	(6,034,650)	(12,446,264)
Net	41,164,865	29,941,351
Acceptances Receivable - net of allowance for possible losses of Rp215,406 and Rp8,383 as of December 31, 2001 and 2000, respectively	1,581,217	829,904
Investments in Shares of Stock - net of allowance for possible losses of Rp26,377 and Rp363,093 as of December 31, 2001 and 2000, respectively	841,059	752,664
Premises and Equipment - net of accumulated depreciation and amortization of Rp1,086,515 and Rp1,330,865 as of December 31, 2001 and 2000, respectively	1,617,731	1,016,110
Deferred Tax Assets - net	4,781,863	5,886,339
Other Assets		
Accrued income	3,113,413	3,302,708
Receivables	3,010,086	2,461,935
Prepaid tax	363,516	363,471
Prepaid expenses	158,592	455,507
Others - net	753,871	3,613,977
Total Other Assets	7,399,478	10,197,598
TOTAL ASSETS	**261,300,870**	**252,543,725**

PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY **APPENDIX 1**

Balance Sheets (Continued)
December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Other Current Liabilities	25,488	171,062
Deposits		
Demand deposits	37,401,359	35,719,833
Savings deposits	22,118,081	17,958,338
Time deposits	129,508,207	108,944,457
Certificates of deposit - net of unamortized interest of Rp30,894 and Rp1,912 as of December 31, 2001 and 2000, respectively	800,840	388,899
Total Deposits	189,828,487	163,011,527
Deposits from Other Banks		
Demand deposits	586,600	548,089
Interbank call money	335,001	723,046
Time deposits	9,063,998	5,834,512
Certificates of deposit - net of unamortized interest of Rp172,557 as of December 31, 2001	2,541,043	-
Total Deposits From Other Banks	12,526,642	7,105,647
Payables Arising from Securities Sold with Agreement to Repurchase	-	1,012,056
Derivatives Payable	10,837	-
Acceptances Payable	1,802,946	838,287
Securities Issued - net of unamortized discount of Rp3,345 and Rp6,753 as of December 31, 2001 and 2000, respectively	3,318,295	4,945,435
Fund Borrowings	18,249,580	28,678,525
Estimated Losses on Commitments and Contingencies	5,284,345	7,010,346
Accrued Expenses	1,394,684	1,915,689
Taxes Payable	342,296	331,432
Other Liabilities	8,362,404	14,097,627
Subordinated Loans	6,450,351	6,320,191
Loan Capital	3,159,000	3,050,325
Total Liabilities	250,755,355	238,488,149
Shareholder's Equity		
Share Capital - Rp1,000,000 (full amount) par value per share; authorized - 16,000,000 shares; issued and fully paid - 4,251,000 shares	4,251,000	4,251,000
Additional Paid-in Capital	174,962,319	175,092,004
Differences Arising from Translation of Foreign Currency Financial Statements	(8,052)	70,659
Unrealized Losses on Securities and Government Bonds Available for Sale	(5,047,162)	(22,040)
Differences Arising from Transactions Between Entities Under Common Control	(129,685)	(129,685)
Accumulated Losses	(163,482,905)	(165,206,362)
Total Shareholder's Equity	10,545,515	14,055,576
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**261,300,870**	**252,543,725**

PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY **APPENDIX 2**

Statements of Profit and Loss
Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated
INCOME AND EXPENSES FROM OPERATIONS		
Interest Income		
Interest income	30,974,190	26,593,520
Fees and commissions on loan facilities	269,032	208,878
Total Interest Income	31,243,222	26,802,398
Interest Expense		
Interest expense	(24,205,737)	(20,479,090)
Other financing expenses	(81,944)	(14,110)
Total Interest Expense	(24,287,681)	(20,493,200)
Net Interest Income	6,955,541	6,309,198
Other Operating Income		
Foreign exchange gain - net	258,558	3,118,727
Other fees and commissions	470,624	304,724
Others	696,544	478,125
Total Other Operating Income	1,425,726	3,901,576
(Provision)/Reversal of Allowance for Possible Losses on Earning Assets	(6,702,736)	2,820,111
Reversal of Allowance for Possible Losses on Commitments and Contingencies	1,913,412	1,995,808
Reversal of Allowance /(Provision) for Possible Losses on Other Assets	2,342,721	(5,274,382)
Total provision allowance for possible losses - net	(2,446,603)	(458,463)
Other Operating Expenses		
General and administrative expenses	(1,672,355)	(1,283,361)
Salaries and employee benefits	(1,594,802)	(1,807,453)
Loss from decline in value of securities and Government Bonds	(1,022,862)	(3,351,397)
Gain/(loss) from sale of securities and Government Bonds	710,724	(237,990)
Others - net	(693,012)	(1,370,600)
Total Other Operating Expenses	(4,272,307)	(8,050,801)
PROFIT FROM OPERATIONS	1,662,357	1,701,510
NON-OPERATING INCOME/EXPENSES - NET	2,187,875	316,644
PROFIT BEFORE PROVISION FOR INCOME TAX	3,850,232	2,018,154
PROVISION FOR INCOME TAX		
Current Income Tax	-	-
Deferred Income Tax	(1,104,475)	(836,714)
NET PROFIT	2,745,757	1,181,440

APPENDIX 3

PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY
Statements of Changes in Shareholder's Equity
Years ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	Issued and Fully Paid-Up Capital	Additional Paid-in Capital	Paid in Capital in Excess of Par Value	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Losses on Securities and Government Bonds Available for Sale	Differences arising from Transactions between Entities under Common Control	Accumulated Losses	Total Shareholder's Equity
Balance as of January 1, 2000	4,251,000	177,749,004	814	15,587	-	(129,685)	(173,150,891)	8,735,829
Adjustment to beginning balance	-	-	-	-	-	-	6,763,089	6,763,089
Reclassification of paid in capital in excess of par value to other liabilities	-	-	(814)	-	-	-	-	(814)
Balance as of January 1, 2000, as restated	4,251,000	177,749,004	-	15,587	-	(129,685)	(166,387,802)	15,498,104
Unrealized losses on securities available for sale	-	-	-	-	(22,040)	-	-	(22,040)
Additional differences arising from the translation of foreign currency financial statements for the year ended December 31, 2000	-	-	-	55,072	-	-	-	55,072
Return of additional paid in capital to the Government on July 7, 2000	-	(2,657,000)	-	-	-	-	-	(2,657,000)
Net profit for the year ended December 31, 2000, as restated	-	-	-	-	-	-	1,181,440	1,181,440
Balance as of December 31, 2000, as restated	4,251,000	175,092,004	-	70,659	(22,040)	(129,685)	(165,206,362)	14,055,576
Unrealized losses on securities and Government Bonds available for sale	-	-	-	-	(5,025,122)	-	-	(5,025,122)
Additional differences arising from the translation of foreign currency financial statements for the year ended December 31, 2001	-	-	-	(78,711)	-	-	-	(78,711)
Proposed return of additional paid in capital relating to assets transferred to PT Pengelola Harta Tetap Mandiri	-	(129,685)	-	-	-	-	-	(129,685)
Net profit for the year ended December 31, 2001	-	-	-	-	-	-	2,745,757	2,745,757
Dividends	-	-	-	-	-	-	(1,011,219)	(1,011,219)
Allocation for small industry and cooperative fund development (PUKK)	-	-	-	-	-	-	(11,081)	(11,081)
Balance as of December 31, 2001	4,251,000	174,962,319	-	(8,052)	(5,047,162)	(129,685)	(163,482,905)	10,545,515

PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY **APPENDIX 4**
Statements of Cash Flows
Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interest income	31,163,485	25,693,756
Receipts from fees and commissions	739,656	208,878
Payment of interest expense	(24,726,743)	(20,698,263)
Payment of other financing expenses	(81,943)	(14,110)
Foreign exchange loss - net	(653,420)	(4,171,292)
Operational income - others	696,544	549,042
Operational expenses - others	3,547,968	(1,373,456)
Salaries and employee benefits	(1,594,802)	(1,807,453)
General and administrative expenses	(1,420,855)	(746,469)
Non-operational income - others	2,083,276	401,563
Operating profit/(loss) before changes in operating activities	9,753,166	(1,957,804)
(Increase)/decrease in operating assets:		
Placements with other Banks	(9,343,919)	(1,418,784)
Securities - trading	(92,734)	1,367,039
Sale of Government Bonds	14,200,453	3,755,416
Acceptance receivables	(14,544)	-
Trade documents and other facilities	(654,367)	(614,490)
Loans	(14,010,718)	(6,088,902)
Proceeds from collection of earning assets already written-off	2,279,047	910,406
Other assets	4,951,544	(910,302)
Increase/(decrease) in operating liabilities:		
Demand deposits	1,720,037	16,418,239
Savings deposits	4,159,743	3,678,739
Time deposits	23,793,236	(893,240)
Certificates of deposit	2,952,984	(176,320)
Interbank call money	(388,045)	(5,736,304)
Other current liabilities	(145,574)	(4,505,446)
Taxes payable	10,864	(2,849,580)
Other liabilities	(5,875,985)	546,422
Estimated losses on commitments and contingencies	(3,639,413)	4,345,182
Differences arising from translation of foreign currency financial statements	(78,711)	55,072
Net cash from operating activities	29,577,064	5,925,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities - investing	(15,962,743)	(2,784,052)
Return of Government Bonds	-	2,657,000
Redemption of matured Government Hedge Bonds	13,100,468	10,866,844
Replacement of matured Government Hedge Bonds	(13,100,468)	(10,866,844)
(Decrease)/Increase in investments in shares of stock	(60,651)	206,598
Securities purchased with agreement to resell	(305,102)	-
Securities sold with agreement to repurchase	(1,012,056)	(14,000,000)
Acquisition of premises and equipment	(748,523)	(178,536)
Proceeds from sale of premises and equipment	-	31,917
Net cash used in investing activities	(18,089,075)	(14,067,073)

APPENDIX 4

PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY
Statements of Cash Flows (Continued)
Years Ended December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in securities issued	(1,293,930)	2,167,421
(Decrease)/increase in fund borrowings	(11,355,875)	4,995,664
Increase in subordinated loans	4,109	1,391,510
Proceeds from payable arising from securities sold with agreement to repurchase	-	1,500,000
Payment of dividends	(1,011,219)	-
Reduction of additional paid-in capital	-	(2,657,000)
Net cash (used in)/from financing activities	(13,656,915)	7,397,595
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,168,926)	(744,135)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,000,406	14,744,541
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11,831,480**	**14,000,406**

	2001	2000 Restated
Cash and cash equivalents at end of year consists of:		
Cash	1,711,812	2,042,339
Current accounts with Bank Indonesia	9,871,164	10,929,297
Current accounts with other banks	248,504	1,028,770
Total cash and cash equivalents	11,831,480	14,000,406

	2001	2000 Restated
Activities not affecting cash flows:		
Unrealized losses on available-for-sale securities and Government Bonds	5,028,308	22,040
Government Bonds swapped with IBRA's loans	5,214,645	-
Reduction in additional paid-in capital	(129,685)	-

PT BANK MANDIRI (PERSERO) - PARENT COMPANY ONLY **APPENDIX 5**
Commitments and Contingencies
December 31, 2001 and 2000
(Amounts in millions of Rupiah, unless otherwise stated)

	2001	2000 Restated
COMMITMENTS		
Commitment Receivables:		
Unused fund borrowing facilities	2	289,018
Unrealized spot foreign currencies bought	296,971	250,531
Forward foreign currency bought	-	511,860
Cross currency swap receivables	-	232,225
Commitment receivables arising from usance letters of credit paid at sight ("UPAS") transactions	1,513,162	-
Others	46,152	44,566
Total Commitment Receivables	1,856,287	1,328,200
Commitment Payables:		
Unused loan facilities granted	6,560,343	8,066,016
Outstanding irrevocable letters of credit	5,801,520	5,798,855
Unrealized spot foreign currencies sold	608,711	447,318
Forward foreign currency sold	-	458,153
Cross currency swap payables	-	180,277
Commitment payable arising from UPAS transactions	2,723,719	-
Others	94,954	3,185
Total Commitment Payables	15,789,247	14,953,804
Commitment Payables - Net	(13,932,960)	(13,625,604)
CONTINGENCIES		
Contingent Receivables:		
Guarantees received from other banks	1,262,660	1,687,405
Unrecognized interest income	3,647,261	7,035,444
Others	153,090	19,142
Total Contingent Receivables	5,063,011	8,741,991
Contingent Payables:		
Guarantees issued in the form of:		
Bank guarantees	4,399,263	4,419,559
Standby letters of credit	3,563,866	2,162,256
Others	-	-
Options on foreign currency sold	-	18,140
Others	186,867	-
Total Contingent Payables	8,149,996	6,599,955
Contingent Payables - Net	(3,086,985)	2,142,036
COMMITMENTS AND CONTINGENCIES - NET	(17,019,945)	(11,483,568)

Corporate
DATA

Binhadi (CHAIRMAN)

Chairman of Bank Mandiri since 1999, and PT Bank Syariah Mandiri since 1999.

Chairman of Bank Mandiri Merger Committee (1998-2000). Managing Director of Bank Indone (1983-1993). President Director of PT Niaga Management Company (1994-1999). Non Execu Director of Niaga Finance Company, Hong Kong (1996-1999). Chairman of Fiormvest Bank (19 1994). A Career banker with Bank Indonesia (1957-1993).

Degree in Business Administration from 17 Agustus 1945 University, Jakarta (1964). Various bank courses including Advanced Management Course for Bankers, Wharton School, Philadelphia, U (1975) and Central Bank Course, The International Monetary Fund, Washington, USA (198

Soedarjono (COMMISSIONER)

Commissioner of Bank Mandiri since 1998.

Chairman of the Indonesian Institute of Accountants (1994-1998). Chairman of the State Fina and Development Audit Board (BPKP) (1993-1998). Chairman of the State Board for Export F Services and Financial Data Processing (1991-993). Deputy Chairman of BPKP (1990-1991).

Civil service career with the Ministry of Finance of the Republic of Indonesia (1969-1999).

Degree in Economics with Accounting major from University of Indonesia, Jakarta (1965).

Chairman of the Audit Committee of Bank Mandiri.

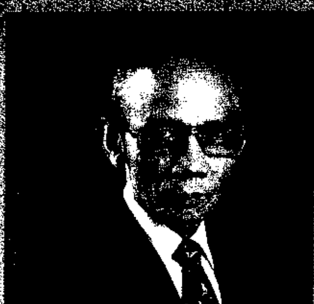
Markus Parmadi (COMMISSIONER)

Commissioner of Bank Mandiri since 1998.

Previously Managing Director of Lippo Group, Executive Chairman of Lippo Securities and P Director of Lippo Bank (1990-1998). Director of Bank Central Asia (1983-1990). Vice Presi Citibank N.A., Jakarta (1971-1983).

Faculty of Engineering and Faculty of Economics, University of Indonesia, Jakarta.

Sabana Kartasasmita (COMMISSIONER)



Commissioner of Bank Mandiri since 1999.

Advisor to the Minister of Research and Technology (1997-1998). Ambassador of Indonesia to and Luxemburg (1994-1997). Secretary General, the Indonesia Academy of Sciences (1 Assistant to the State Minister for Research and Technology (1973-1983). Member of the State Advisory Council (1983-1988). Began his career with the state-owned tin mining company, Timah, in 1961 where he served as Junior Director of Sales and Marketing (1965-1968) and Dir Finance (1968-1973).

Ph.D. from the Faculty of Economics and Social Studies, Köln University, West Germany (1961

BOARD OF DIRECTORS

E.C.W. Neloe

President Director & CEO of Bank Mandiri since 2000.

Managing Director of Bank Dagang Negara (1991-1998), Chairman of BDN Bank AG, Dusseldorf, Germany (1994-1999), Managing Director of Bank Duta (1990), Chief Representative of Bank Dagang Negara Representative Office Hong Kong and Managing Director of [illegible] International Finance Limited, Hong Kong (1987-1990). A career banker who rose through the ranks of Bank Dagang Negara (1966-1998).

Degree in Business Management from Krisnadwipayana University, Jakarta ([illegible]). Various banking and management courses including the Pacific Rim Bankers Program, University of Washington, Seattle, USA (1990) and East Asian Leadership, Harvard University, Boston, USA ([illegible]).

Chairman of the IPO Steering Committee.

I Wayan Pugeg (MANAGING DIRECTOR & SEVP)

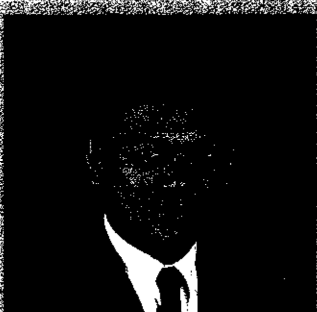
Managing Director & SEVP of Bank Mandiri since 1999.

Managing Director of Bank Dagang Negara ([illegible]), Acting General Manager Bank Dagang Negara New York, New York Agency, New York, USA ([illegible]), [illegible] Bank, [illegible] Pendana Finance and Bina Usaha Indonesia. Joined Bank Dagang Negara from Citibank N.A., Jakarta (1975).

Degree in Accountancy from Gajah Mada University, Yogyakarta ([illegible]). Various banking and management courses including the Pacific Rim Bankers Program, University of Washington, Seattle, USA (1991).

Chairman of the Risk & Capital Committee.

Agus Martowardojo (MANAGING DIRECTOR & SEVP)



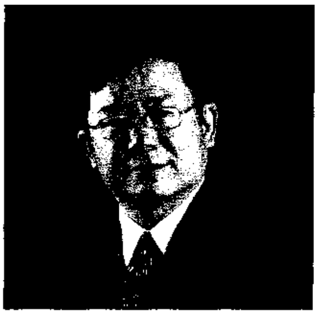
Managing Director & SEVP of Bank Mandiri since 1999.

President Director of Bank Ekspor Impor Indonesia (December 1998 - July 1999), President Director of Bank Bumiputera (1995-1998), Vice President Corporate Banking Group of Bank Niaga ([illegible]), International Loan Officer of Bank of America NT & SA, Jakarta ([illegible]).

Degree in Economics from University of Indonesia, Jakarta ([illegible]). Various banking and management courses including at the State University of New York, Buffalo, USA, Stanford University, Stanford, USA and the Institute of Banking & Finance, Singapore.

Chairman of the Personnel Policy Committee.

K. KEAT LEE (EXECUTIVE VICE PRESIDENT COORDINATOR INFORMATION & FINANCIAL)



Executive Vice President Coordinator Information & Financial since August 1, 2001.

Executive Vice President & Chief Financial Officer (September 1, 1999-July 31, 2001).

Project Advisor Andersen Consulting, Jakarta (1999), Group Senior Manager, ANZ Banking Group/CFO Esanda Group, Australia (1988-1998). Director/Manager Victoria Auditor General, Australia (1984-1988). Consultant Arthur-Andersen, Australia (1979-1984).

Bachelor of Commerce from University of Melbourne, Australia (1979). Chartered Accountant Australia (1982). Master of Business Administration from Monash University, Melbourne, Australia (1988).

Chairman of the IT Committee and Secretary of the IPO Steering Committee.

I. SUPOMO (EXECUTIVE VICE PRESIDENT COORDINATOR DISTRIBUTION NETWORK)

Executive Vice President Coordinator Distribution Network since August 1, 2001. Executive Vice President Branch Coordinator (July 31, 1999-July 31, 2001).

Managing Director of Bank Dagang Negara (1998-1999). Chairman of BDN Bank AG Dusseldorf, Germany (1999). A career banker who rose through the ranks of Bank Dagang Negara (1974-1999).

Doctor of Philosophy (Ph.D.) from University of Colorado at Boulder, USA (1988). Various international courses including banking at Harvard University, USA (1984), Strategic Management at McKinsey & Company, London (2001) and Leadership Course at Stanford Graduate School of Business, USA (2001).

Member of the Indonesian Economist Association (ISEI) and the National Board of the Indonesian Bankers Institute (IBI).

M. SHOLEH TASRIPAN (EXECUTIVE VICE PRESIDENT COORDINATOR CORPORATE & GOVERNMENT)

Executive Vice President Coordinator Corporate & Government since August 1, 2001. Senior Vice President Corporate Banking (July 3, 2000-July 31, 2001).

Managing Director of Bank Ekspor Impor Indonesia (August 1, 1997-December 2, 1998). A career banker who rose through the ranks of Bank Ekspor Impor Indonesia (1978-1999).

Degree in Business Management from University of Diponegoro, Semarang (1978). Post Graduate degree in International Management from Prasetiya Mulya Post Graduate Institute, Jakarta (1997). Various banking and management courses including Executive Program at University of California, Berkeley Executive Education, California, USA (1991), and World Economic Forum, Hong Kong (2001).

OMAR S. ANWAR (EXECUTIVE VICE PRESIDENT COORDINATOR RETAIL BANKING)

Executive Vice President Coordinator Retail Banking since August 1, 2001. Senior Vice President Products and Business Development (July 1999-July 31, 2001).

Vice President of ABN Amro Bank, Jakarta (1998-1999). Deputy Director of Bimantara Citra, Tbk, Jakarta (1997-1998). Vice President of Citibank, N.A., Jakarta (1989-1997). Accounting Coordinator, Huffco Indonesia (1983-1989).

Bachelor of Science degree in Accounting from University of Maryland, College Park, Maryland, USA (1980). Master of Business Administration in Finance from George Washington University, Washington DC, USA (1982, full scholarship). Various banking and management courses including the McKinsey Retail Strategy Workshop, London, United Kingdom (2000).

I WAYAN AGUS MERTAYASA (EXECUTIVE VICE PRESIDENT COORDINATOR CORPORATE SECRETARY AND COMPLIANCE)

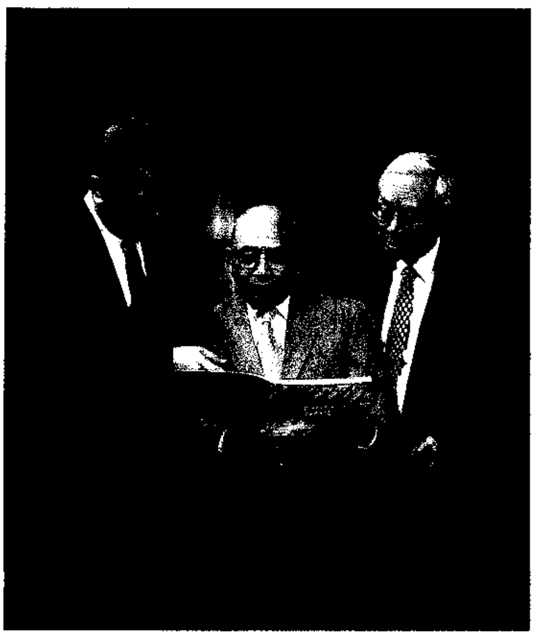
Executive Vice President Coordinator Corporate Secretary and Compliance since August 1, 2001. Executive Vice President Risk Management (July 31, 1999-July 31, 2001).

Managing Director of Bank Pembangunan Indonesia (1994-1999). General Manager of Bank Bumi Daya New York Agency, New York (1993-1994). Chief Representative of Bank Bumi Daya Representative Office, Hong Kong and Chief Executive of Bumi Daya International Finance, Hong Kong (1992-1993). General Manager of Bank Bumi Daya, Los Angeles Agency (1991-1992). A career banker who started as a Credit Analyst at Bank Bumi Daya and later rose to Deputy and Branch Manager in various domestic branches (1973-1992).

Degree in Business Management from University of Brawijaya, Malang (1973). Attended various banking and management courses in Indonesia and abroad.

Member of Board of Commissioners in several Indonesia companies related to the Bank (1997-present).

AUDIT COMMITTEE



From right to left :

Soedarjono (CHAIRMAN)

Soejatna Soenoesoebrata (MEMBER)

Zulkifli Djaelani (MEMBER)

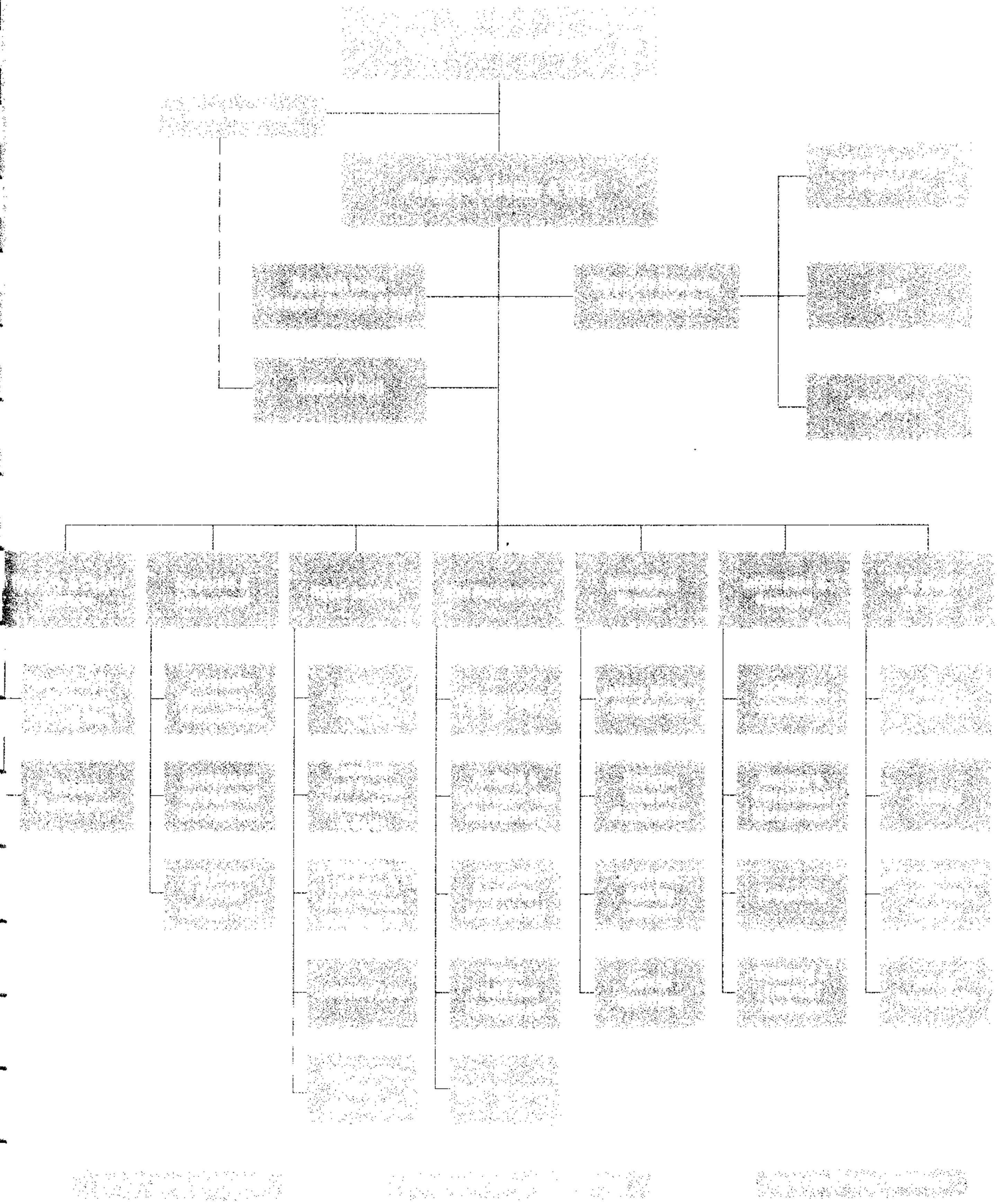
ASSISTANT TO THE PRESIDENT DIRECTOR & CEO

Prof. DR. Nopirin

SENIOR MANAGEMENT

A Noor Ilham	EVP Procurement & Fixed Assets Services
Agam P. Napitupulu	EVP Human Resources
Bambang Sabariman	EVP Assets Management
Heru Ratna Azimada	EVP Training
J.B. Kendarto	EVP Financial Institutions & Overseas Network Management
Abdul Rachman	SVP Government Relationship Management
Andreas E. Susetyo	SVP Information Technology
Hadi R. Pane	SVP Internal Audit
Jonker Sihombing	SVP Treasury Management
Nimrod Sitorus	SVP Strategy & Performance Management
Sigit Pramono	SVP Credit Recovery
Ventje Rahardjo	SVP Commercial Banking
Arry Basuseno	VP Portfolio & Operational Risk Management
Bien Subiantoro	VP Electronic Banking Channels
C. Paul Tehusijarana	VP Compliance
Djaman Sumadidjaja	VP Office of Corporate Secretary
Fachrudin Yasin	VP Corporate Relationship Management
Hartati	VP Accounting
Herry D. Pohan	VP Corporate Product Management
Honggo Widjojo	VP Jakarta Network Management
Kemal Imam Santoso	VP Consumer Card Product Management & Sales
Kostaman Thayib	VP Consumer Liabilities & Other Product Management
Kustiawan	VP Regional Network Management
Martin P. H. Panggabean	VP Economic & Financial Research
Muhammad Isa	VP Legal
Pardi Sudradjat	VP Market Risk
Riyani T. Bondan	VP Retail Credit Risk Management
Roy A. Ilham	VP Corporate Credit Risk Management
Sarastri Baskoro	VP Consumer Loan
Sasmita	VP Central Operations

ORGANIZATIONAL STRUCTURE



*ncludes Bank Mandiri (Europe) Limited London

• CORPORATE

ASSET PRODUCTS
Cash Collateral Loan
Channelling Loan
Investment Loan
Structured Finance
Syndicated Loan
Two-Step Loan
Working Capital Loan

LIABILITIES PRODUCTS
Demand Deposit (IDR & USD)
Deposit on Call (IDR & USD)
Negotiable Certificate of Deposit
Time Deposits (IDR & USD)

AGENCY SERVICES
Arranger (Syndication)
Escrow Agent
Facility Agent
Security Agent

TRADE FINANCE/TRADE SERVICES
Bank Guarantee
Confirming & Refinancing L/C
IDB - Export Financing Scheme
IDB - Import Trade Financing Operations
Rediscounted Export Bill
Refinancing Working Capital
Trade Financing
- Forfaiting
- Nippon Export & Investment Insurance
- Scheme GSM 102
- UPAS
- USDA Collateral

Trade Services :
- Advising L/C
- Bill Discount
- Issuance L/C & Amendment
- Negotiation

CASH MANAGEMENT
Cash Management Bank Services
Cash Management Customized
- Cash Disbursement
- Pooling Account / Cash Collection

Cash Management Service Standard
- Electronic Fund Transfer
- Electronic Payment Order
- Inquiry Cash Management

CUSTODIAL SERVICES
Securities Safekeeping and Administration
Transaction Handling
Corporate Action
Proxy
Information and Reporting

DEPOSITORY
Client Relationship
Competitive Interest Rate
On Line Access
Settlement Bank for Jakarta Stock Exchange

TRUST SERVICES
Trustee Service
Paying Agent
Facility/Collateral Agent
Escrow Agent

FIXED INCOME SECURITIES
Assets Swaps
Bonds Outright Sale/Purchase
Collateralized Fund Facility
Repo & Reverse Repo

MONEY MARKET
Interest Rate Swaps
SBI Auctions & Repo

OTHER SERVICE
Financial Advisory

FOREIGN EXCHANGE
Banknotes Sale/Purchase
Currency Forward
Currency Options
Currency Swaps
Spot, Today, Tomorrow for IDR/USD and major currencies

• COMMERCIAL

ASSET PRODUCTS
Cash Collateral Loan
Channelling Loan
Investment Loan
Programming Loan (KKPA, KKP, PUKK)
Small Business Loan (KUK)
Working Capital Loan

LIABILITIES PRODUCTS
Demand Deposit (IDR & USD)
Deposit on Call (IDR & USD)
Negotiable Certificate of Deposit
Time Deposits (IDR & USD)

FOREIGN EXCHANGE
Banknotes Sale/Purchase
Currency Forward
Currency Options
Currency Swaps
Spot, Today, Tomorrow for IDR/USD and major currencies

TRADE FINANCE
Bank Guarantee
Confirming & Refinancing L/C
IDB - Import Financing Scheme
IDB - Import Trade Financing Operations
Issuance L/C & Amendment
Rediscounted Export Bill
Refinancing Working Capital
Trade Financing
- Forfaiting
- UPAS
- USDA Collateral

Trade Services
- Advising L/C
- Bill Discount
- Issuance L/C & Amendment
- Negotiation

CASH MANAGEMENT
Cash Management Service Customized
- Cash Disbursement
- Pooling Account / Cash Collection

Cash Management Service Standard
- Electronic Fund Transfer
- Electronic Payment Order
- Inquiry Cash Management

FIXED INCOME SECURITIES
Bonds Outright Sale/Purchase
Collateralized Fund Facility
Repo & Reverse Repo

MONEY MARKET
SBI Auctions & Repo

OTHER SERVICE
Bank Reference

• CONSUMER

ASSET PRODUCTS
Home Loan
Corporate Employees Loan
Cash Collateral Loan
Multipurpose Loan

LIABILITIES PRODUCTS
Demand Deposit (IDR & USD)
Deposit on Call (IDR & USD)
Haj Saving Account
Negotiable Certificate of Deposit
Saving Account
Time Deposits (IDR & USD)

CARD PRODUCTS
ATM
Credit Card - Visa
Debit Card - Master Card

FOREIGN EXCHANGE
Banknotes Sale/Purchase
Currency Options
Spot, Today, Tomorrow for IDR/USD and major currencies

MONEY MARKET
SBI Auctions & Repo

OTHER SERVICES
Bank Reference
Bill Payment
Clearing
Collection
Mandiri Travellers Cheque
Money Changer (Banknotes)
Payroll Package
Remittance
Safe Deposit Box
Travellers Cheque

• PRIORITY BANKING

Dedicated Personal Bankers
Upscale Premises
Executive Lounge in Airport
Exclusive Loyalty Programs
Airport Handling Services
Flexible ATM Limit
Safe Deposit Box Facility
Travel Related Services

DOMESTIC

Head Office
Plaza Mandiri
Jl. Jend. Gatot Subroto Kav. 36-38
Jakarta 12190
Tel. : (021) 526 5045
526 5095 (Hunting)
Fax. : (021) 526 5008, 526 5017
http://www.bankmandiri.co.id

Regional Office I (Medan)
Jl. Imam Bonjol No. 7
Medan 20112
Tel. : (061) 415 3396, 567 985
Fax. : (061) 415 3273
Number of Branches : 68

Regional Office II (Palembang)
Jl. Kapten A. Rivai No. 1008
Palembang 30135
Tel. : (0711) 367 781, 372 814
Fax. : (0711) 310 992, 364 008-9
Number of Branches : 53

Regional Office III (Jakarta-Kota)
Jl. Lapangan Stasiun No. 2
Jakarta 11110
Tel. : (021) 692 2004, 260 0500
Fax. : (021) 692 2006
Number of Branches : 87

Regional Office IV (Jakarta-Thamrin)
Jl. M.H. Thamrin No. 5
Jakarta 10340
Tel. : (021) 230 0412, 390 7789
Fax. : (021) 230 1088
Number of Branches : 90

Regional Office V (Jakarta-Sudirman)
Jl. Jend. Sudirman Kav. 54-55
Jakarta 12190
Tel. : (021) 526 6566 ext . 8710-15
Fax. : (021) 526 7371
Number of Branches : 81

Regional Office VI (Bandung)
Jl. Soekarno Hatta No. 486
Bandung 40266
Tel. : (022) 420 9330, 420 9331
Fax. : (022) 424 0658
Number of Branches : 47

Regional Office VII (Semarang)
Jl. Pemuda No. 73
Semarang 50139
Tel. : (024) 352 0487, 351 7349
Fax. : (024) 352 0485
Number of Branches : 49

Regional Office VIII (Surabaya)
Jl. Basuki Rahmat No. 129-137
Surabaya 60271
Tel. : (031) 531 6760 - 66
Fax. : (031) 531 6776
Number of Branches : 77

Regional Office IX (Banjarmasin)
Jl. Lambung Mangkurat No. 3
Banjarmasin 70111
Tel. : (0511) 514 03, 514 05
Fax. : (0511) 667 19, 522 49
Number of Branches : 33

Regional Office X (Makassar)
Jl. R. A. Kartini No. 12-14
Makassar 90111
Tel. : (0411) 323 547, 329 097
Fax. : (0411) 329 095
Number of Branches : 50