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Melayani Dengan Setulus Hati

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BANK BRI
Melayani Dengan Setulus Hati

The Largest, Spreading Across the Nation

Annual Report 2011

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ANNUAL REPORT 2011 | PT BANK RAKYAT INDONESIA (PERSERO) Tbk.

The Largest, Spreading Across the Nation

55.21 million
MSME business*
*source: Kementerian Koperasi & UMKM

BRI's focus on micro, small and medium business segment, represents the backbone of Indonesian economy with a potential market size of 55.21 million MSME businesses. From that amount, roughly two-third have not been reached by the banking service.

7,975
Operating Units

BRI operates the largest branch services network in Indonesia. A total of 7,975 operating units serve the public down to the most remote corners of the country, all of which are linked on a real-time online bases. BRI is present from Sabang to Merauke, from villages to cities, from traditional markets to the modern superblock malls.

7,292
ATM units

BRI continues to develop e-channel services. Its ATM network grew from 1,262 units in 2007 to 7,292 units in 2011. The growth of this e-channel delivery is followed by an increase in the number of service features from 155 features in 2007 to 742 features in 2011.

36 million
Customer Accounts

BRI has the largest customer base in Indonesia, more than 36 million customer accounts as of year-end 2011, with customer deposits that are dominated by low-cost funds. In 2011, low-cost funds accounted for more than 60% of total third-party funds, with the highest growth shown by savings products.

Rp
15.09 trillion
Net Profit

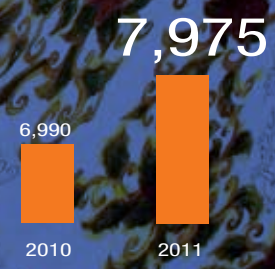
Supported by prime human resources, reliable technology systems, extensive service network, large customer base, the right business strategy and efficient operations, BRI succeeded in maintaining its profitability. BRI's consolidated net profit in 2011 amounted to Rp15.09 trillion, an increase of 31.52% from Rp11.47 trillion in 2010.

Foreword

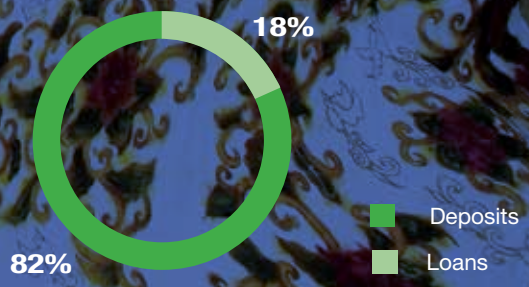
BRI has the **largest** customer base of more than 36 million customer accounts that are served by e-channel network and 7.975 BRI operating units that are spread across the far reaches of Indonesia as of year-end 2011.

BRI operates seven tiers of services outlets from the Head Office to 18 Regional Offices , 431 Branch Offices (Including BRI New York Agency and BRI Hong Kong Rep. Office), 502 sub-branch offices, 4,849 BRI Units, 870 cash outlets and 1,304 Teras BRI.

BRI's Network



Composition of Accounts



BRI IN BRIEF

PT Bank Rakyat Indonesia (Persero) Tbk. ("BRI", "Bank", or "Company") is the oldest commercial bank in Indonesia, established on 16 December 1895 in Purwokerto, Central Java. As the oldest bank, BRI continues to serve the micro, small and medium business segment (MSME) consistently. In 2003 BRI went public and continued its commitment towards the MSME up until now.

The Government of the Republic of Indonesia is the majority shareholder of BRI with 56.75% share, while the general public shareholder hold the remaining 43.25% of share. Supported with years of experience and solid capabilities in banking services, especially in the UMKM segment, for seven years in a row BRI successfully maintains its position as the bank with the biggest profit and holds second position in terms of asset within the nation banking industry. This achievement is a testimony of the effort and hard working of all the people of BRI, who continuously innovate and develop banking products and services for all business segments.

With its reputation as a bank that serves the micro segment and deeply rooted within the Indonesian communities, BRI continually develops its services to suit the needs of the Indonesian people. This is evident in the continuous efforts of BRI to align its business with the recent demographic trend or urbanization which results in the emergence of satellite cities as the new economic hub all over Indonesia.

While remaining focus on the MSME segment, BRI unceasingly develops various consumer banking products and institutional services aimed at customer living in city area. This efforts are supported by unrelenting development of BRI's network and now BRI is the biggest bank in Indonesia in terms of network, with 7,975 operating units, including BRI New York Agency and BRI Hong Kong Representative Office, all of them linked real time on-line. Other than developing conventional operating units, BRI also continuously develops e-banking services that give customer access to BRI's services via internet, telephone, Short Message Service/SMS, as well as via other e-channel services such as Automatic Teller Machine (ATM), Cash Deposit Machine (CDM), Electronic Data Capture (EDC), and KiosK.

In addition to strengthening its network infrastructures and e-banking technology, BRI also strives to provide banking services to small scale businesses at traditional markets all over Indonesia. Since end of 2009, these services has been provided by Teras BRI, through which BRI expects to reach micro and small entrepreneurs in traditional markets that so far have not been touched yet by banking services. As a bank that operates among the people of the fourth most populous nation in the world, BRI always strives to become the first partner for the Indonesian people in their quest to develop their livelihood. This network strength of BRI is expected to support and deliver a sustainable growth in the years ahead, along with the enhancement of quality of live of the Indonesian people.

1895

Started as a mosque-based association whose function was to manage and disburse trusted fund with a very simple scheme to surrounding communities. On 16 December 1895, Raden Aria Wiriatmaja established *De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden.* This organization provided great benefits to people's economy at that time.

After several changes of name, from *Hulp-en Spaarbank der Inlandshe Bestuurs Ambtenareen* (1895), to *De Poerwokertosche Hulp Spaar-en Landbouw Credietbank* or *Volksbank* (1912), in 1912 became *Centrale Kas Voor Volkscredietwezen Algemene* and further changed to *Algemene Volkscredietbank* (AVB) in 1934. During the Japanese occupancy, AVB changed its name to *Syomin Ginko* (1942-1945).

1946

On 22 February 1946, the Government of Indonesia through Government Regulation No. 1 Year 1946, changed the name *Syomin Ginko* to Bank Rakyat Indonesia (BRI). As a state-owned bank at that time, BRI took the role as Government's front liner for the development of the national economy.

1960

The Government of Indonesia changed the name BRI into Bank Koperasi Tani Nelayan (BKTN).

BRI from time to time

1968

In conformity with the Law No. 21 Year 1968, the Government of Indonesia restored the name of Bank Rakyat Indonesia which then became a commercial bank.

1992

Pursuant to the Banking Law No.7 Year 1992, BRI changed its name and legal entity into PT Bank Rakyat Indonesia (Persero).

2003

On 10 November 2003, BRI became a publicly listed company and listed its shares on the Jakarta Stock Exchange/BEJ (now Indonesia Stock Exchange/BEI) with ticker name "BBRI". Currently, BRI is part of LQ-45 equity index and one of blue chip shares in BEI.

2007

Acquired Bank Jasa Artha which then was converted into PT Bank BRISyariah.

2009

Succeeded in connecting all network, 6.480 operating units at that time, in real time on line.

2011

On 11 January 2011, BRI undertook stock split of its nominal value of shares with the ratio of 1:2.

On 3 March 2011, Acquiring Deed for the shares of PT Bank Agroniaga Tbk was signed by BRI and Dana Pensiun Perkebunan (Dapenbun).

On 16 December 2011, the Instrument of Transfer and Bought and Sold Notes were signed by BRI and PT Asuransi Jiwa BRIngin Jiwa Sejahtera for the shares of BRIngin Remittance Co. Ltd. (Hong Kong).

Company's Vision,Mission and Culture

VISION

"To Become a Leading Commercial Bank that Always Prioritizes Customer Satisfaction"

COMMERCIAL

Since its establishment, BRI consistently raises funds in the form of saving and deposit, disburses the funds in the form of loan, and provides banking services to all business segments as well as individuals. In conducting its business, BRI always strives to deliver optimal return to its shareholders.

FOREFRONT

BRI is one of the biggest bank in Indonesia and also one of the biggest and the most profitable bank in the world that provides micro banking services. Furthermore, BRI possess high quality products and services, continuously innovates to suit the needs of its customers, has long term vision, and recorded financial performances that is above the banking industry's in Indonesia.

SATISFACTION

Customer satisfaction is the number one priority for BRI as a company that provides banking services. The challenge for BRI is to deliver customer satisfaction to all its customers of various business segment. To that end, BRI continuously innovates and develops products to suit banking needs of all its customers.

MISSION

To realizes its vision, BRI establishes three missions to be carried out:

"To undertake the best banking operation, while prioritizing on providing service to the micro, small and medium segment (MSME) with a view to support the improvement of the people's economy".

BRI is committed to maintain its best performance, reflected on its products that focus on servicing the micro, small and medium enterprises (MSME). Servicing the MSME segment will eventually produce a multiplier effect considering that MSME is the backbone and the biggest component of the Indonesian economy. BRI should have the ability to follow the dynamic of this segment, so as to maintain the position as leader in the MSME segment.

"To provide prime services to customers through a vast working network and supported by professional human capital guided by good corporate governance practices"

BRI continuously strives to broaden its market share in the micro, small and medium segment. In order to achieve that target, BRI always provides premium service to fulfill the needs of its customers. With vast network spread across Indonesia, BRI employs professional human resources and management that practices good corporate governance in order to optimized BRI's competitive advantage.

"To provide optimum benefits to all stakeholders "

BRI's mission to provide benefit to stakeholders represent the foundation for every decision maker while considering the cost and benefit implications to all stakeholders. On the other hand, as a good corporate citizen, BRI does not only provide financial benefits but also other non-financial benefits to all stakeholders.

CORPORATE VALUES

BRI espouses the corporate values that form the foundation for the thinking, action and behavior of every individual at BRI, inherent in a corporate culture and projecting a solid and strong character of the Bank. These values are integrity, professionalism, customer satisfaction, leadership and respect for the individual.

As a publicly held company, BRI is fully committed to complying with all prevailing laws and regulations pertaining to banking and the capital markets. This has induced BRI to always prioritize for prudential banking and the interests of stakeholders.

This commitment is also manifested in the form of corporate governance as follows:

- Intensifying the program to instill awareness of risk and a culture of compliance for every employee at all BRI operating units;
- Intensifying improvements to service quality in all working units;
- Extrapolating and monitoring of each progress made by the bank into an activities log book that are easily measurable and accountable for all working units;
- Implementing a policy of rewards and punishments that is firm and just.

FINANCIAL HIGHLIGHTS

Financial Highlights	Year				
	2011	2010	2009	2008	2007
	(in billion Rupiah)				
Balance Sheet					
Total Assets	469,899	404,286	316,947	246,077	203,735
Total Earning Assets	432,647	379,696	299,063	228,781	169,091
Loan - *Gross*	294,515	252,489	208,123	161,108	113,973
Government Bond	8,996	13,626	15,027	16,352	18,223
Third Party Funds	384,264	333,652	255,928	201,537	165,600
- Demand Deposit	76,779	77,364	50,094	39,923	37,162
- Saving	154,133	125,990	104,463	88,077	72,300
- Time Deposit	153,353	130,298	101,371	73,538	56,138
Other Interest Bearing Liability	21,284	17,297	21,284	7,599	6,262
Equity	49,820	36,673	27,257	22,357	19,438
Income Statement					
Interest Income					
- With Government Bond Interest	48,164	44,615	35,334	28,097	23,241
- Without Government Bond Interest	47,050	43,109	33,528	26,166	21,220
Net Interest Income					
- With Government Bond Interest	34,427	32,889	23,049	19,651	16,697
- Without Government Bond Interest	33,313	31,382	21,244	17,721	14,676
Other Operating Income	5,776	5,545	3,270	2,535	1,822
Other Operating Expense	(17,086)	(16,114)	(11,960)	(10,997)	(9,020)
Provision for Impairement Losses	(5,533)	(7,917)	(5,799)	(2,844)	(1,943)
Income Before Tax	18,756	14,908	9,891	8,822	7,780
Net Income	15,088	11,472	7,308	5,958	4,838
Earning per Share (Rp)	628.91	478.36	304.75	248.50	201.82
Financial Ratio					
Capital					
Capital Adequacy Ratio (CAR)*	14.96%	13.76%	13.20%	13.18%	15.84%
Earning Assets					
Earning Assets & Non Performing Assets to Total Earning Assets and Non Performing Asset	1.79%	2.19%	2.59%	N/A	N/A
Non-performing Earning Assets	1.85%	2.24%	2.68%	2.18%	2.22%
Allowance for Possible Losses to Earning Assets	4.51%	4.58%	4.29%	N/A	N/A
Non Performing Loan (NPL Gross)	2.30%	2.78%	3.52%	2.80%	3.44%
Profitability					
R O A	4.93%	4.64%	3.73%	4.18%	4.61%
R O E	42.49%	43.83%	35.22%	34.50%	31.64%
N I M	9.58%	10.77%	9.14%	10.18%	10.86%
Operating Expenses/Operating Income	66.69%	70.86%	77.66%	72.65%	69.80%
Liquidity					
LDR	76.20%	75.17%	80.88%	79.93%	68.80%

Financial Highlights	Year				
	2011	2010	2009	2008	2007
	(in billion Rupiah)				
Compliance					
Violation of Legal Lending Limit (LLL)					
- Related Parties	Nil	Nil	Nil	Nil	Nil
- Third Parties	Nil	Nil	Nil	Nil	Nil
Excess of Legal Lending Limit (LLL)					
- Related Parties	Nil	Nil	Nil	Nil	Nil
- Third Parties	Nil	Nil	Nil	Nil	Nil
Statutory Reserves	9.33%	8.05%	5.90%	5.57%	22.09%
Net Open Position	5.49%	4.45%	5.22%	13.55%	7.90%

Notes : The above financial performance figures represent BRI's consolidated financial report together with subsidiaries (for 2011: PT BRISyariah, PT Bank Agroniaga Tbk., BRIngin Remittance Co. Ltd., while for 2010: PT BRI Syariah). Financial Ratios are of bank only.

* Starting in 2010 included operational risk.

SHARE HIGHLIGHTS

SHARE PRICE*

Year	Share Price				Number of Shares (shares)	Volume Transaction (unit)	Amount		Market Cap (Rp Trillion)
	Open	High	Low	Close			Frequency	Volume (Rp Trillion)	
	(Rp)								
2010	4,125	5,325	4,100	5,250	24,669,162,000	3,762,749,000	266,530	34.21	129.57
Quarter I	4,125	4,175	4,100	4,125	24,659,705,000	1,062,146,500	64,824	8.12	101.76
Quarter II	4,575	4,875	4,750	4,750	24,659,705,000	974,020,500	52,479	8.29	114.72
Quarter III	5,000	5,025	4,925	5,000	24,659,705,000	847,616,500	62,115	8.19	123.35
Quarter IV	5,300	5,325	5,200	5,250	24,669,162,000	878,965,500	87,112	9.61	129.57
2011	5,250	7,250	4,525	6,750	24,669,162,000	9,245,899,500	620,745	56.58	164.85
Quarter I	5,250	5,375	4,525	5,750	24,669,162,000	2,561,502,500	151,173	13.90	140.43
Quarter II	5,750	6,600	5,650	6,500	24,669,162,000	1,961,571,500	123,095	12.30	158.75
Quarter III	6,500	7,250	5,000	5,850	24,669,162,000	2,812,699,500	187,527	18.02	142.87
Quarter IV	5,850	7,050	5,150	6,750	24,669,162,000	1,910,126,000	158,950	12.36	164.85

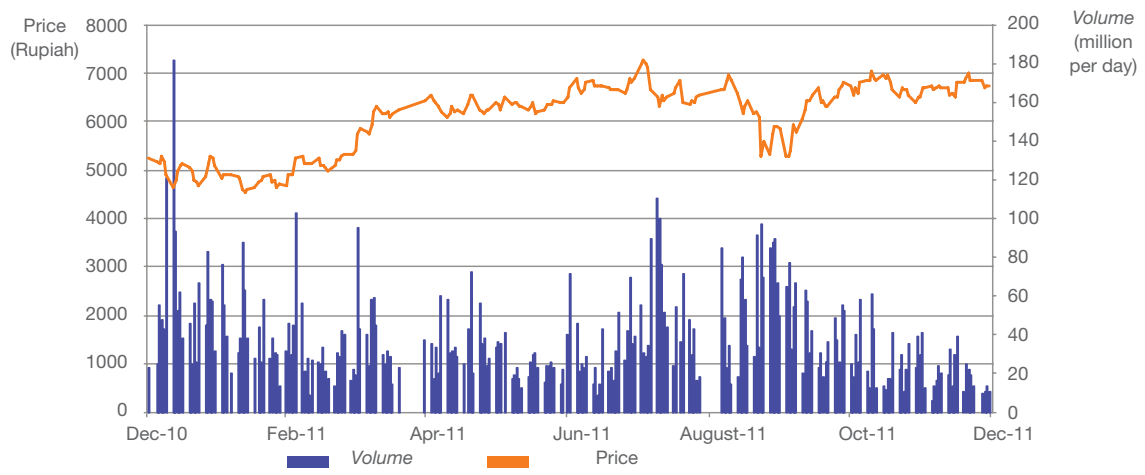
* Share prices presented here are prices after 1:2 stock split. Stock split was exercised on 11 January 2011.

DIVIDEND PAYMENT

Year	Net Income (Billion Rp)	Dividend (Billion Rp)	Dividend per Share (Rp)*	Dividend Pay Out Ratio (%)	Payment Date
2003**	2,579	990	42.10	75.01	23 July 2004
2004	3,633	1,816	76.47	50.00	5 July 2005
2005	3,808	1,904	78.09	50.00	10 July 2006
2006	4,257	2,129	86.52	50.00	2 July 2007
2007	4,838	2,419	98.17	50.00	7 July 2008
2008	5,958	2,085	84.41	35.00	3 July 2009
2009	7,308	2,192	88.91	30.00	1 July 2010
2010	11,472	2,294	93.01	20.00	15 June 2011

* Dividend of each share is dividend after 1:2 stock split.
** From net profit of second half-year (1 July 2003 - 31 December 2003) in the amount of Rp1.32 trillion, net profit of first half-year was capitalized.

BRI STOCK PRICE AND TRANSACTION VOLUME



BONDS HIGHLIGHTS

To support its business expansion, on 23 December 2009 BRI issued Rupiah Subordinated Debt with duration of 5 years and interest rate of 10.95%.

Fitch affirms AA (Double A; *Stable Outlook*) rating upon issuance of Rupiah Subordinated Debt II. Total of funds raised from issuance of this Rupiah Subordinated Debt II amounted to Rp2 trillion.

The proceed of the public offering of the Rupiah Subordinated Debt II, after deduction of issuing cost, was used by the Company as supplementary capital in accordance with the regulation of Bank Indonesia; and all was used for loan expansion based on prudential banking principle.

On 11 January 2010, BRI exercised buy option over Rupiah Subordinated Debt I with fixed interest rate for Rp500 billion.

POSITION BY 2010

No	Type	Issuance Date	Duration	Amount	Maturity	Coupon	Rating	Listing
1.	Subordinated Debt I *	9 Jan 2004	10 years	Rp500 billion	9 Jan 2014 (with buyback option on 9 Jan 2010)	13.50% p.a. (year 1 to 6); 23.5% p.a. (year 7 to 10); paid quarterly	Id AA+ (Pefindo)	Surabaya Stock Exchange
2.	Subordinated Debt II	22 Dec 2009	5 years	Rp2 trillion	22 Dec 2014	10,95% p.a. (year 1 to 5); paid quarterly	AA (idn) (Fitch)	Indonesia Stock Exchange

* Bought back on 11 January 2010 (9 January 2010 was a Saturday)

POSITION BY 2011

No	Type	Issuance Date	Duration	Amount	Maturity	Coupon	Rating	Listing
1.	Subordinated Debt II	22 Dec 2009	5 years	Rp2 trillion	22 Dec 2014	10.95% p.a. (year 1 to 5) paid quarterly	AA (idn); RWN (Fitch)	Indonesia Stock Exchange

REPORT OF THE BOARD OF COMMISSIONERS

BUNASOR SANIM
President Commissioner/Independent Commissioner

"The national economic condition that continues to strengthen and inspire our confidence, together with hard works and support from management and all employees of BRI, contributed to the performance of the Bank in 2011. "

Assalamualaikum Wr. Wb.

Praises be to Allah SWT, God Almighty, for His blessing and benevolence that have enabled Bank Rakyat Indonesia (the Bank) to perform exceedingly well in 2011.

Based on macro economic indicators, Indonesian economy on year 2011 grew relatively promising despite the global economic turmoil that was caused by unresolved debt crisis in Europe and weakening of US economy. Inflation was pressed under low level of 3,79%, the composite stock price index rose by 3.20%, the economy itself grew by 6.5% and the value of Rupiah appreciated relatively to year 2010, while Indonesia's balance of payment shows substantial surplus.

This national economic condition that continues to strengthen and inspire our confidence, contributed to the performance of the Bank in 2011 that showed improvements respectively to year 2010. This was all captured in this year's key indicators and financial ratios, such as the total assets of Rp469.90 trillion that increased by 16.23%, total loan outstanding of Rp294.51 trillion that grew by 16.64%, total third-party funds of Rp384.26 trillion that expanded by 15.17%, a net interest income of Rp34.43 trillion that rose by 4.68%, a net profit after tax of Rp15.09 trillion that went up by 31.52%, and a gross non performing loan ratio of 2.30% that improved from 2.78% in 2010.

In addition, the Bank's service network which is supported by advanced and fully reliable information technology had expanded during the year to a total of 985 offices, comprising of 18 Branch Offices, 32 Sub Branch Offices, 200 BRI Units, 48 Cash Offices and 687 BRI Teras. The Board of Commissioners expresses its appreciation and commendation to the BOD as well as all employees and stakeholders for their tireless efforts and support throughout 2011 in enabling the Bank to perform better in 2011 than in the previous year.

The Indonesian economy in 2012 is predicted to have good prospects and become an attractive destination for global investor on account of the investment grade rating that Indonesia has recently received from two international rating agencies. In line with that, the Board of Commissioners is optimistic that the Bank's performance in 2012 will experience growth compared to year 2011, especially in activities related to international businesses as well as new business developments.

Efforts to enhance the performance of the Bank in 2012 will require the support of all stakeholders especially the staffs and all of employees throughout the country. Several strategic initiatives that have been formulated will need to be executed flawlessly by the relevant parties and work units. This is primarily related to the increased competition in the micro, small and medium-sized enterprise (MSME) market segment as well as non-bank financial products; while also diminishing or eliminating altogether the gap that usually arises when the speed of business expansion could not be matched by the fulfilment of supporting resources, thereby compromising service quality.

Furthermore, all of the Bank's operational activities has to be done based on good corporate governance principles, with the orientation of creating customer satisfaction, internal control and risk management that all can be done in compliance with prevailing rules and regulations, while all employees also adhere fully to the Bank's Code of Ethics in executing their duties and responsibilities.

The Bank's annual theme for 2012, "The Best Bank in Indonesia with Superior Good Corporate Governance Practices," is in line with the concern of the Board of Commissioners in light of the increasingly dynamic and competitive banking industry, and also in light of the Bank's status as a publicly listed company that requires all employees, regardless of their posts throughout the country, to fully implement the principles of good corporate governance in their respective duties.

As an organ of the Bank, the Board of Commissioners constantly strives to enhance the quality of its supervisory control over the Bank, while working together in harmony with the Board of Directors in 2012 as mandated by the Articles of Association of the Bank and guided by the prevailing relevant laws and regulations.

May Allah SWT, God Almighty, continues to bless us and provide us with His strength, guidance and benevolence. Amen.

Wassalamualaikum Wr. Wb.,

Bunasor Sanim
President Commissioner/Independent Commissioner

REPORT ON THE SUPERVISORY DUTIES OF BOARD OF COMMISSIONERS

Foreword

As the Bank's Board of Commissioners commitment to its main duties, which is essentially a supervisory role, this Report on the Supervisory Duties of the Board of Commissioners throughout the year 2011 is presented in the Bank's Annual Report. This report is a broad outline from the execution of supervisory duties by the Board of Commissioners, so that stakeholders can retrieve relevant information on the activities of the Board of Commissioners in its supervisory role.

The supervision duties of the Board of Commissioners was executed in accordance with the task, duties and responsibilities of the Board of Commissioners as stipulated in the articles of association of the Bank and prevailing regulations; and was meant for conformity and consistency of the implementation of the Company's business activities with RKAP (Work Plan and Company Budget) which was established at the beginning of the year, the implementation of the principles of good corporate governance and risk management in all units, and the optimization of the Company's operational activities in providing banking services.

Supervisory duties by the Board of Commissioners, in principle, were done through active supervision such as regular discussions on the Bank's periodic performance, and also field visits to regional offices. Additionally, the Board of Commissioners undertook evaluation and analysis of the Bank's operational activities through various reports directed to the Board of Commissioners. In discharging its duties, the Board of Commissioners were assisted by the Audit Committee, Risk Management Monitoring Committee and Nomination and Remuneration Committee.

The Report on the Supervisory Duties of the Board of Commissioners presented on this annual report covers general topics on supervisory recommendation and the Bank's performance in 2011.

Supervisory Recommendation

Qualitatively, supervisory recommendations by the Board of Commissioners were as follows:

1. **Lending**

   The utilization or disbursement of loan facilities that have been approved need careful attention, in that the disbursement is in line with financing need of the borrower. In this case, the role of the business unit as the loan provider needs to increase its monitoring of the borrower's business while also evaluating the feasibility of the loan disbursement by the borrower in question. Although the NPL ratio at year-end 2011 had declined from the previous year, the absolute amount of NPL in 2011 remained fairly high, thereby requiring the full efforts and attention of the Board of Directors to continuously reduce NPL in 2012.

   With respect to loan expansion by year-end 2012, we regard this as quite optimistic considering the continuing concern over the global crisis especially in Europe that may impact on weaker demands from affected European countries, and the expected slow down in the economic growth of several Asian countries in 2012. With that in mind, the Board of Commissioners has requested the Management to be highly selective in loan expansion for 2012, especially to borrowers whose products are primarily marked for the export markets. Thus, in addition to observing the principles of prudent and selectivity when loan facilities are to be increased, it is imperative that the monitoring of the borrower's performance should also be increased. Especially with regard to borrowers who had received loan in foreign currency denomination, monitoring should focus on the volatility of the Rupiah exchange rate against several major foreign currencies.

   Efforts to increase the amount of collection on loan that has been written-off should become the attention of the relevant operating units and undertaken in line with the prevailing rules and regulations.

2. Funding

Efforts to increase low-cost funds have always been recommended by the Board of Commissioners as a way to manage more competitive interest rates for the customers compared to other banks. The opportunity for the Bank to increase its low cost funding is widely open in line with the expanding service network and increased promotion. The ratio of low-cost funds to total third party funds as of year-end 2011 was 60.09% and this need to be increased further in 2012 in order to make the Bank's interest rate even more competitive. The growth target for third party funds by year-end 2012 should be pursued continuously throughout the year in order to support the growth target for loan expansion.

3. Revenues and Expenses

Other sources of income in addition to the interest income needs to be enhanced in order to intensify the Bank's income structure and to optimize current investments. These other sources of income consist of activities involving trade finance, remittance, bank guarantee, cash management, and transactional account by capitalizing on branch network. In the meantime, on the expenses side, attention is necessary in order to achieve efficiency especially in managing non-interest expenses that are controllable.

The target for fee based income in 2012 should be pursued optimally through the right strategy and effective measures. Also, it is recommended to constantly implement interest rate policies for both funding and lending that are in line with the prevailing interest rate of competing banks. Non-interest operating expenses that are deemed controllable should be managed efficiently such that the ratio of Operating Expense to Operating Income in 2012 would be lower than the previous year. Expenses for promotional activities in 2012 should be harnessed effectively with the strong focus on growing third party funds.

4. Capitalization

The plan to issue sub debt in 2012 should be based upon thorough analysis and undertaken in line with the prevailing laws and regulations as well as with the most favorable terms and conditions for the Bank, especially with regard to the determination of coupon rates.

5. Human Capital and Information Technology

Improvements in the areas of human capital management and infrastructure (IT and non IT) should be reevaluated periodically in order to achieve better result of the Bank's business plan with the support of competent and adequate personnel as well as reliable IT system that can provide quality services to satisfy the customer. The reliability and safety of IT network should be constantly enhanced. In addition, it has been recommended that every policy established by the Board of Directors should be understood and carried out by every operating unit at all level of the organization.

With regard to the personnel recruitment plan in 2012, it should be prepared well in advance in order to achieve the targeted personnel recruitment while also executing better monitoring of the entire process. In addition, personnel competencies should constantly be raised not only through training and educational programs relevant to the respective duties, but also through instilling a culture of supervision and coaching by operating unit heads.

6. Internal Control

The audit findings of internal and external auditors has to be in significant attention of, and followed up by the relevant operating units. The Board of Directors needs to ensure that follow-up actions by the relevant units should be carried out consistently and that audit findings of a similar nature should not recur in the same operating unit in the future.

In regards to the internal audit plan for 2012 which will be carried out by Bank's Internal Audit Unit, the plan needs to be in line with the audit plan that has been approved by the Board of Directors and Board of Commissioners. The Board of Directors should ensure the prerequisites and competence of the auditors including all the supporting tools and equipments required to undertake the task.

7. Equity Participation

Equity participation in subsidiary companies should be based on a strategy to develop the subsidiaries effectively, synergistically and mutually beneficial. In addition, adequate supervision should be exercised on the business plan execution of the subsidiary companies in order to achieve their target.

8. Capital Expenditure

Capital expenditure realization in regards to physical infrastructure development that supports the Bank's operation should be the concern of all related operating units. The budget for Capital Expenditure should be fully utilized in order to enhance the quality of service to customer.

9. **Office Network**

The opening of new operating unit especially BRI Unit and Teras BRI should be well coordinated among the relevant directorates who are responsible with the establishment and operations of BRI Unit and Teras BRI. This is to ensure the operational efficiency of both BRI Unit and Teras BRI. Same thing also applies for EDC equipment disbursement, the realization has to be in possible maximum impact.

The target for branch network expansion in 2012 should go hand in hand with the enhancement of coordination quality between directorates or with relevant operating units since early 2012 to achieve better synchronization and anticipate all barriers toward target achievement. Such coordination includes:

- Human capital, with regard to manpower analysis, formation establishment and fulfilment of that formation through active coordination and interdependencies between the Human Capital Management Division, Business Development and Strategic Planning Division, Micro Business Network Division and Retail Business Network Division. The employee formation for BRI Unit should require the attention of the Board of Directors in consideration of the relatively high loan expansion target for the micro business in 2012.

- Information technology, with regards to e-channel procurement, should be undertaken between the Technology and Information System Division, the Logistics and Fixed Asset Management Division, the Micro Business Network Division, the Retail Business Network Division, and the user operating unit.

- Supporting logistic, in relation to the acquisition of land, building, office fixtures and equipments should be carried out between the Logistic and Fixed Asset Management Division and the user operating unit.

10. **Partnership Program and Community Development (PKBL)**

Optimizing the disbursement and utilisation of the PKBL funds requires the attention of all relevant operating units while also adhering to prevailing regulations. In addition, the record-keeping and accountability for the disbursement and utilisation of the associated funds, should be undertaken properly within the generally accepted accounting standard.

For the year 2012, fund disbursement for the partnership program should still be undertaken selectively, mentoring and monitoring of the funds beneficiaries should be executed flawlessly in order to ultimately turn these beneficiaries into KUR or Kupedes borrower. Whereas the use of funds for the community development program should be directed to projects or activities that enhances the corporate image of the Bank as well as capacity building for the beneficiary communities.

BANK PERFORMANCE IN 2011

The opinion of the Board of Commissioners with respect to the performance of the Bank in 2011 are as follows:

1. **Financial**

The financial performance of the Bank as of year-end 2011, compared to the corresponding period of the previous year, showed improvement as seen by the increase and improvement of several parameters, namely:

a. Total Asset amounted to Rp469.90 trillion, an increase of Rp65.61 trillion, or 16.23%, from Rp404.29 trillion as of end of December 2010. The increase mainly arose from loan disbursement of Rp42.03 trillion and non earning asset of Rp14.63 trillion.

b. Total loan disbursement amounted to Rp294.51 trillion, an increase of Rp42.03 trillion or 16.64% from Rp252.49 trillion at end of December 2010.

c. Third party funds amounted to Rp384.26 trillion, an increase of Rp50.61 trillion or 15.17% from Rp333.65 trillion at end of December 2010. The ratio of low-cost fund versus high-cost fund by December 2011 was 60.09% : 39.91%.

d. Gross non performing loan ratio was 2.32%, an improvement from the position in December 2010 of 2.79%.

e. Net interest income reached Rp34.43 trillion, an increase of Rp1.54 trillion or 4.68%, from Rp32.89 trillion at year-end 2010.

f. Net income after tax for financial year 2011 amounted to Rp15.09 trillion, an increase of Rp3.62 trillion, or 31.52%, from that of the previous year.

g. Loan to Deposit Ratio was 76.20%, an increase from 75.17% at the end of December 2010.

The increase in financial performance that is reflected in the above key indicators was the results of operations by the Bank's management and employees who executed all of the work plans and activities contained in the Bank's Budget and Business Plan for 2011. The budget and business plan contained the main qualitative and quantitative business targets, the formulation of which began with a thorough SWOT analysis of the Bank vis-a-vis its business development. The role of the Board of Commissioners as an organ of the Bank in connection with the budget and business plan was to provide the approval and endorsement of the Bank's budget and business plan prior to making it the target guidelines for all rank-and-file of the Bank. That particular role was executed judiciously by the Board of Commissioners through extensive discussions and adjustments in order to ensure a realistic budget and business plan.

2. **Risk Profile**

The result of BRI's risk profile indicates a low to moderate risk level with several parameters of inherent risks that can still be mitigated and stay within tolerable levels. However, certain items that showed relatively high risk should be carefully monitored and mitigated. In general, the quality of the risk management implementation is deemed capable for risk mitigation.

3. **Good Corporate Governance (GCG)**

The rating on the implementation of Good Corporate Governance (GCG) continued to improve from the previous year. This was reflected from the GCG self assessment that produced a composite score of 1.30, better than the composite score of 1.45 of the previous year. The Board of Commissioners and Board of Directors are firmly committed to implementing GCG in every activity of the Bank.

4. **Profitability**

The profitability of the Bank remained strong as evident from the net profit of Rp15.09 trillion in 2011. The domination of loan within the Bank's earning assets structure especially in retail and micro loans represent one of the pillars for profitability, in which most of the loan disbursement have relatively low risk-weighted asset. Profitability was also boosted by improvements in the quality of loan, thus inducing lower loan loss provisioning expenses.

5. **Capitalization**

Capital adequacy ratio (CAR) was realized at 14,96% (after adjusting for credit risk, market risk and operational risk), well above the minimum CAR requirement of 8.00% by Bank Indonesia. The CAR ratio is dominated by Tier-1 capital amounting to 91.39%, such that the ratio of Tier-1 capital to total risk-weighted asset was 13.67%. This showed that the composition of the Bank's capital is extremely sound, being dominated by Tier-1 capital that was mainly derived from net profit.

On the other hand, with the 20% dividend payout ratio over the net profit from financial year 2010 that was distributed to the shareholders in 2011, this will enlarge the retained earning that serves as an important capital component in the calculation of CAR.

6. **Non-performing Loans and Extracomptables**

Restructuring and/or remediation of non-performing loans including loan that has been written-off, in principle has been undertaken with best efforts such that the realization of gross NPL as of year-end 2011 as low as 2.32%, whereas net NPL was 0.42%.

We are pleased to submit the above report on the supervisory duties of the Board of Commissioners on the Bank's business operation of 2011.

The Board of Commissioners
PT Bank Rakyat Indonesia (Persero) Tbk.

PROFILE OF THE BOARD OF COMMISSIONERS

Bunasor Sanim
President Commissioner/ Independent Commissioner

Indonesian citizen, 66 years old. Appointed as Independent Commissioner of BRI on 19 May 2005, as President Commissioner of BRI on 30 May 2006 and re-appointed for second period on 28 April 2011. Currently also a lecturer for the undergraduate and graduate programs at Bogor Agriculture University (IPB). Also active in several organizations, including as member of Expert Board of the Indonesian Association of Muslim Intellectuals (ICMI), member of Advisory Board of the Indonesian Agriculture Economic Association (PERHEPI), member of Advisory Board of the International Center for Analysis of Finance and Economic (InterCAFE), First Chairman of the Indonesian Fertilizer Board (DPI) and First Chairman of Indonesian Organic Agriculture Society (MAPORINA). He was once the Consortium Coordinator on Agriculture and Natural Resources of SEARCA-SEAMEO (1989-2002) and Senior Scientist Partnership, for the cooperation between IPB and University of Gottingen (Jerman).

Earned his bachelor's degree in Agriculture Social Economics from Bogor Agriculture University (IPB) in 1972, Master of Science in Agricultural Economics in 1982 and Ph.D in Resources Economics in 1986, both from the University of the Philippines at Los Banos. He pursues Post Doctoral Program at Harvard Institute of International Development (HIID), Harvard University, Cambridge, USA (June-July 1994).

Hermanto Siregar
Commissioner

Indonesian citizen, 48 years old. Appointed as Commissioner of BRI since 28 April 2011. Previously, he was Independent Commissioner of PT Permodalan Nasional Madani (PNM) (2007), President Commissioner of PT PNM (2008-2011), Secretary General of PERHEPI (2007-2011), member of Forum of Statistic Society (2007-2009), Secretary General of Asia Pasific Agricultural Policy Forum (2007-2009) and Academy Director of Management & Business Post Graduate Program at Bogor Agriculture University (2005-2008). Curently also hold position as Vice Dean for Resources and Development and Professor of Economics at Bogor Agriculture University, member of the National Economic Committee of the Republic of Indonesia, Chairman of the Indonesian Agriculture Economic Association (PERHEPI), and

Earned his degree in Enginering from Bogor Agriculture University (IPB) in 1986, Master of Economics in Agriculture Economics from New England University, Amidale Australia (1991), and Ph.D in Economics from Lincoln University, New Zealand (2003).

Agus Suprijanto
Commissioner

Indonesian Citizen, 58 years old. Appointed as Commissioner of BRI since 22 May 2007. Currently, he is also the Director General of Treasury of the Ministry of Finance. Previously, he was Acting Head of Fiscal Policy Agency of the Ministry of Finance (2010). Expert staff of the Minister of Finance for the State Revenue (2008), Head of the Center of Policy Analysis and Harmonization, Ministry of Finance (2007), Specialized Staff for Minister of Finance in State Revenue, Ministry of Finance (2008) and Interim Officer of Head of Fiscal Policy, Ministry of Finance (2010), and Director of Foreign Loan and Grant Management, Directorate General of Treasury, Ministry of Finance (2006),

He earned his bachelor's degree in Law from the Udayana University, Denpasar (1985), Master of Arts in international economics (1991), and Ph.D in Econometrics (1995), both from University of Colorado, Boulder, USA.

Heru Lelono
Commissioner

Indonesian Citizen, 56 years old. Heru Lelono has been appointed as Commissioner of BRI since 20 May 2010. Currently, he is also the Expert Staff for the President of the Republic of Indonesia. Previously, he held several managerial positions including Managing Director of PT Telesera Rajawali Corp. (1995-1998) and Director of Business Development of PT Bukit Jaya Abadi, Surabaya (1993-1995).

He earned his diploma's degree in Architecture from the Catholic University of Soegijapranata, Semarang (1983).

Aviliani
Independent Commissioner

Indonesian Citizen, 50 years old. Aviliani has been reappointed as Independent Commissioner of BRI since 20 May 2010. Currently, she is also the Secretary of National Committee on Economics (KEN), Chairman of Indonesia Society of Independent Commissioners (ISICOM), Committee member of the National Bank Association (Perbanas), member of the Expert Board of the Sharia Economics Society (MES), Committee member of the Indonesian Association of Economics Graduates (ISEI), Advisor of the Indonesian Chamber of Commerce (KADIN) in field of Coorporative Relationship Indonesia-Singapore, Advisor of Asosiasi Emiten Indonesia, and Expert Board of the Indonesian Association of Muslim Intellectuals (ICMI),

Previously, she served as assistant chief II Finance & HR Department Perbanas (2000-2002), General Secretary of Consortium Service Agency PTS Indonesia (2000-2003), Head of Management Department, Faculty of Economics, Paramadina University, Jakarta (2002-2005), Lecture in Management STIE Perbanas and other Universities (1986-2005), Director of Institute for Development of Economics and Finance (INDEF) (2004-2005) and BRI Independent Commisioner (2005-2010).

She earned her bachelor's degree in Economics from the University of Atmajaya, Jakarta (1985) and master degree in business administration from the University of Indonesia, Jakarta (1995). She is currently pursuing her Doctorate Degree in Business Management at the Bogor Agriculture University.

Adhyaksa Dault
Independent Commissioner

Indonesian Citizen, 48 years old. Adhyaksa Dault has been appointed the Independent Commissioner of BRI on 20 May 2010. Previously, he was the State Minister of Youth and Sport of the Republic of Indonesia (2004-2009) and also Commissioner in several companies (1999-2002).

He earned his bachelor's degree in Law from the University of Trisakti, Jakarta (1989), a master's degree in Community Development from the University of Indonesia, Jakarta (1999) and also a doctorate degree in Marine Science and Technology from the Bogor Agriculture University (2007).

BOARD OF COMMISSIONERS

From left to right:
Heru Lelono, Adhyaksa Dault, Aviliani, Hermanto Siregar, Bunasor Sanim, Agus Suprijanto

MESSAGE FROM THE PRESIDENT DIRECTOR

SOFYAN BASIR
President Director

"The year 2011 was a consolidation year for BRI, after having outpaced the average growth rates of the national banking industry over the past five years".

Assalamualaikum Wr. Wb.

All praises be to God Almighty, for it is with His blessing that BRI was able to navigate through 2011 with results that surpassed those of the previous year. On behalf of the Board of Directors of BRI, allow me to present highlights of the Bank's achievements in 2011 to shareholders and other stakeholders.

The Global Economic Condition

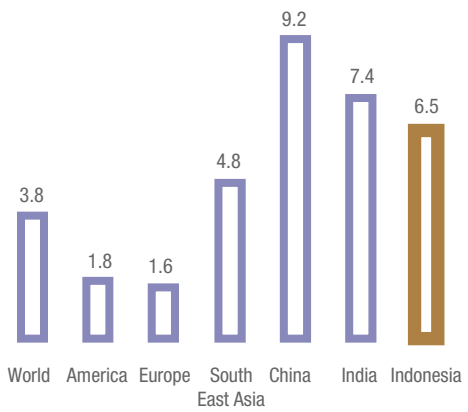
The year 2011 witnessed the reemergence of uncertainties in the global economy, mainly triggered by the sovereign debt crisis of the Eurozone region and the slow recovery of the US economy, the largest importer in the world. These conditions affected a slow down in the pace of growth of the global economy, from approximately 3.9% in 2010 to 3.8% in 2011.

However, what was still encouraging is the fact that developing countries especially those in Asia and South East Asia regions still posted promising economic growth. The economy of China and India grew 9.2% and 7.4%, respectively, whereas the entire ASEAN region as an emerging economy posted growth of 4.8%. This brought a sense of hope for sustainable economic growth prospects in the nations of this region, especially for Indonesia as the largest economy in ASEAN today.

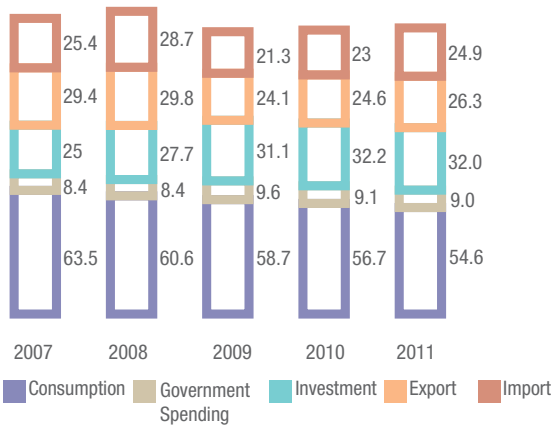
The Indonesian Economic Condition

In line with the economic growth in South East Asia, the Indonesian economy grew by 6.5% in 2011, higher than the growth of 6.1% in 2010. This Gross Domestic Product (GDP) growth was mainly attributed to increases in household consumption that grew by 4.7%, investments that increased by 8.8%, and exports that rose by 13.6% despite the uncertain global economic condition of 2011.

Economic Growth (%)



GDP Growth by Expenditure (%)



A positive factor that continues to shield Indonesia from the storm of global financial crises is the composition of GDP that is largely dominated by domestic consumption, in which household consumption expenditure accounted for 54.6% of the total GDP. Whereas government expenditure accounted for 9.0%, investment accounted for 32.0%, and export and import accounted for 26.3% and 24.9% of GDP, respectively.

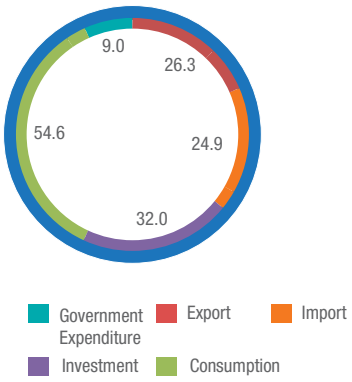
Robust economic growth is often followed by growing inflationary pressure. In that context, we should appreciate the policies of the government of Indonesia in managing macro economic conditions in such a way as to maintain the rate of inflation at a reasonable level. The average inflation rate in 2011 could be maintained at 3.79%, well below the inflation rate of 6.96% that was recorded at the end of 2010. The decline indicates that there has not been an overheating of the economy commonly associated with an overly rapid economic growth.

Strong macro economic policies, strengthened even further by a dynamic micro economy, have created an increasingly conducive investment climate. This has been underscored by the return of Indonesia to an investment grade rating at the end of 2011, which is expected to draw more foreign investments to Indonesia especially Foreign Direct Investment (FDI).

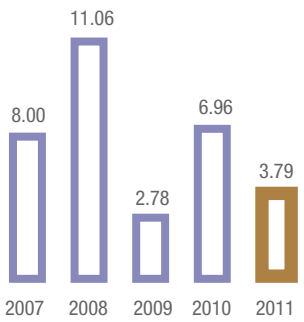
Indonesia's foreign currency reserves continued to rise, reaching up to USD110.123 billion as of year-end 2011, while the Rupiah exchange rate was largely stable at around Rp9,000 to the US Dollar. Throughout 2011, the Composite Stock Price Index of the Indonesia Stock Exchange remained positive, rising by 3.2% to 3,821.99 representing one of the few stock market indices in the world that performed positively.

MACRO ECONOMIC CONDITIONS

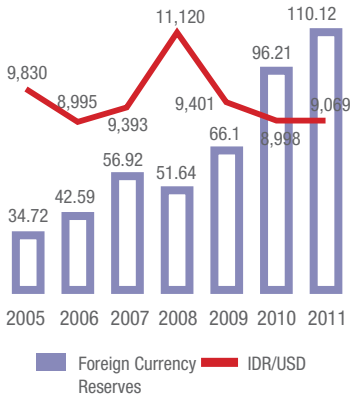
Composition of GDP
(%)



Inflation
(%)



Exchange Rate & Foreign Currency Reserves
(in Rupiah & USD billion)

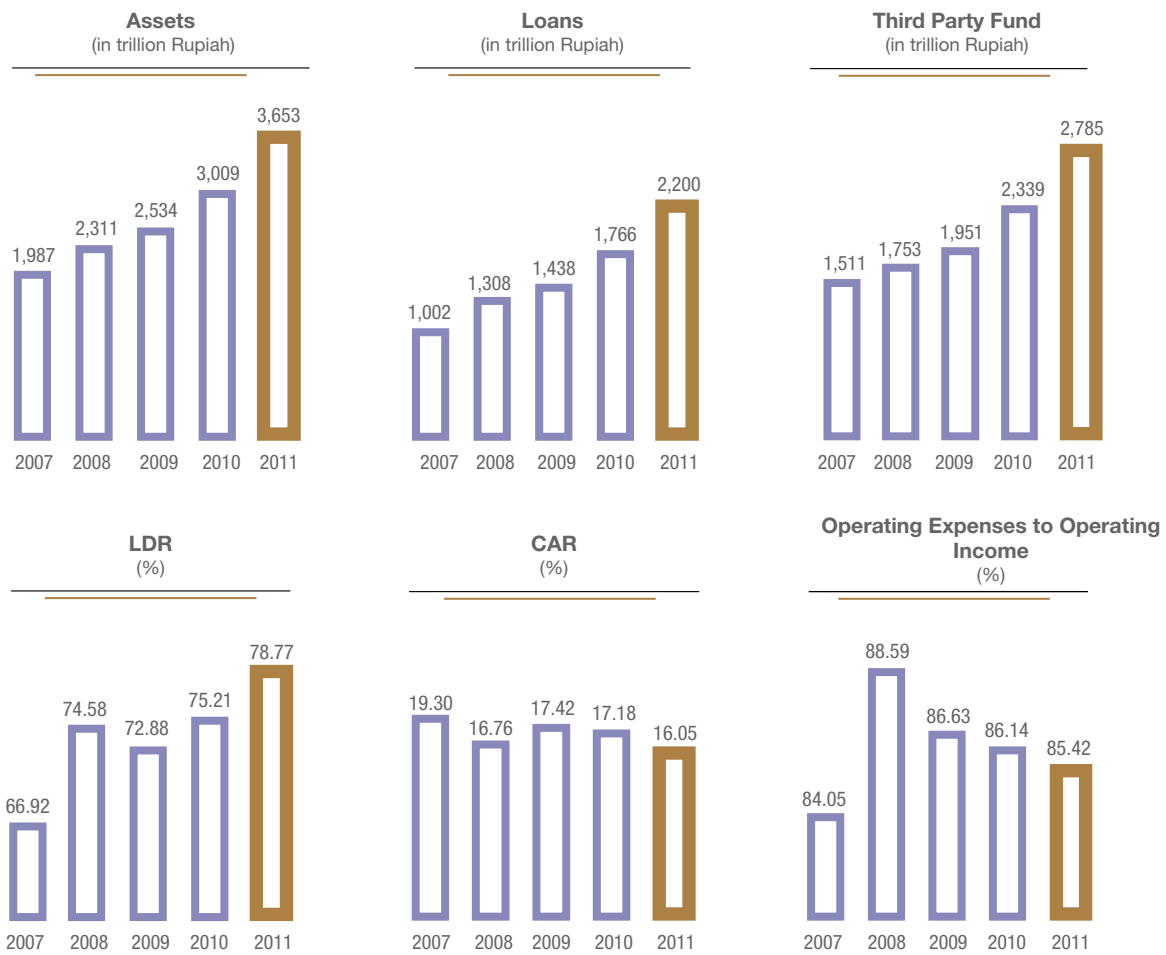


Indonesian Banking Industry

With continuous Indonesian economy improvement, the Indonesian banking industry continued to exhibit positive trends. Total assets of the national banking industry increased by Rp643.98 trillion, or 21.40%, to Rp3,653 trillion as of year-end 2011. Likewise for deposit and loan, which grew by 19.07% and 24.59%, respectively, such that as of 31 December 2011 total third party funds within the banking system reached Rp2,784.91 trillion, whereas total outstanding loan was Rp2,200.09 trillion. As a result, the national banking industry loan to deposit ratio (LDR) in year end 2011 was 78.77%, up from 75.21% in 2010.

In terms of loan quality, there was quality improvement as indicated by the improving non-performing loan (NPL) ratio, from 2.56% in 2010 to 2.17% in 2011. The banking efficiency rate also continued to improve, as seen from the ratio of Operating Expense to Operating Income that improved from 86.14% in 2010 to 85.42% in 2011. Meanwhile, the capital adequacy ratios of the Indonesian banking industry remained solid, as measured from the average Capital Adequacy Ratio of 16.05% as of 31 December 2011.

PERFORMANCE OF INDONESIAN BANKING INDUSTRY



The Performance of BRI in 2011

The year 2011 was a consolidation year for BRI, after having outpaced the average growth rates of the national banking industry over the past five years. This consolidation focused on the resolution of NPL that had increased in the previous year, especially in the small and medium market segments. Precision in strategy implementation, followed up with the strong commitment and hard work of all of the employees and BRI management, resulted an outstanding performance.

In 2011, BRI posted a net profit of Rp15.09 trillion, an increase of 31.52% from Rp11.47 trillion in 2010. The increase was attributed to the growth of high quality loan as well as from NPL improvement, which declined from 2.78% in 2010 to 2.30% in 2011. BRI's total loan grew 16.64% from Rp252.49 trillion at year end 2010 to Rp294.51 trillion at year end 2011.

In the micro market segment, which represents one of the Bank's core businesses, BRI undertook revitalization in terms of network, customer base and product development. The revitalization was performed to achieve sustainable growth in BRI's micro business segment, this also serve as one of BRI's effort to accelerate the financial inclusion process in Indonesian economy.

In terms of service network, throughout 2011 BRI added 687 Teras, bringing the total number of BRI Teras to 1,304 outlets. On top of that, BRI also increased the number of BRI Unit offices by 200 offices in 2011, bringing the total number of BRI Unit to 4.849 offices. The conventional service network still need to be expanded because for micro businesses, inter-personal relationship is still the preferred norm of engagement. However, in anticipation of technological advances going forward, the development of the micro business will also put forward IT-based business developments, among others by developing features in savings products and other services that will encourage micro banking customers to be more familiar with the e-banking service. Eventually this can be expected to increase the Bank's operational efficiency as well as fee based income.

In terms of customer, the revitalization was reflected from the BRI's Micro KUR growth. Throughout 2011, BRI disbursed a total of Rp29.95 trillion of micro KUR loans, with an outstanding of Rp11.20 trillion as at year's end. For BRI, aside from promoting the grass-root economy, KUR also serves as a training ground for the future commercial micro borrowers with lower risk level but still acceptable by the Bank. Micro KUR borrowers are embryos for BRI's commercial micro borrowers.

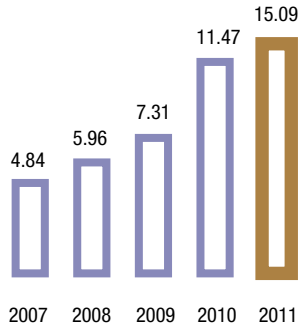
In terms of product development, during 2011, it has been developed product features in both loan product (Kupedes) and saving product (Simpedes), which essentially represent the efforts of BRI to provide products that are suitable with the needs of micro customers.

Being in revitalization stage, BRI's micro loan in year 2011 was not growing as high as in the years before. But on the other hand, BRI was able to expand its customer base, while also ensuring sustainable growth for the micro business for many years to come.

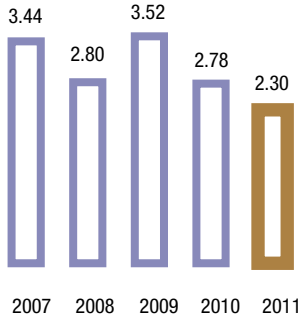
In the corporate segment, growth was reasonably high in 2011. Moreover, the growth represented a highly selective and quality growth. The growth in corporate lending was largely aimed at prime State-Owned Enterprises (SOE), with several strategic considerations. Another consideration was the opportunity to undertake the cross-selling of BRI other products and services, as well as achieving a trickle down business to small and medium scale businesses through the so-called closed demand-supply chain financing scheme. The corporate lending expansion in 2011 will serve as a foundation for the development of sound micro, small and medium loan segments in 2012. Another strategic consideration was lower capital charge for loan for SOE's will give benefit for BRI.

Therefore, the three aspects behind the corporate loan expansion of BRI were (i) selective targeting, (ii) trickle down business to the MSME segments, and (iii) more effective capital utilization.

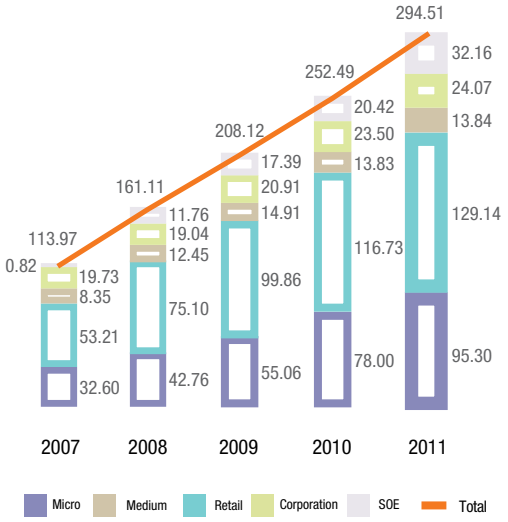
Net Profit
(in trillion Rupiah)



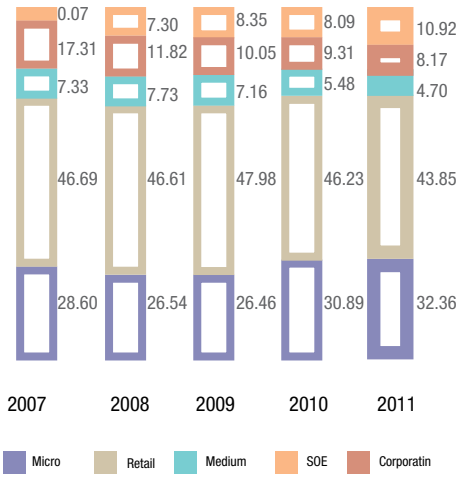
NPL (Bank Only)
%



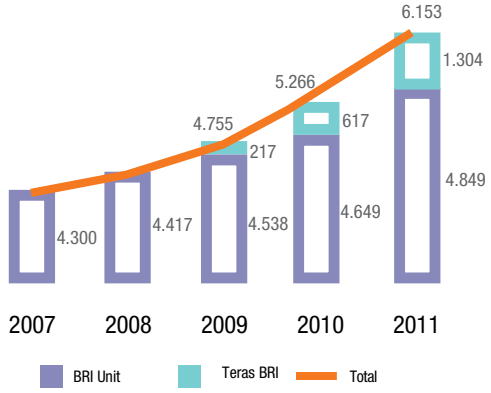
Loans
(in trillion Rupiah)



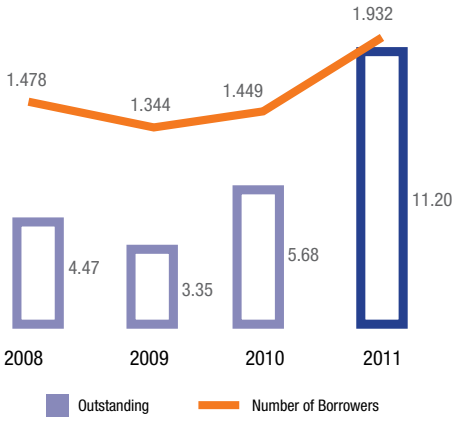
Compositions of Loans
(%)



Micro Business Networks



Outstanding & Number of KUR Micro Borrowers
(in trillion Rupiah & thousand)



The growth of loans to the small commercial and medium segments reflected a development due to consolidation stage. A thorough improvement in the loan origination system became the main focus of BRI, in order to ensure high quality of the loan growth.

On the liabilities side, the amount of BRI's deposits continued to grow with the composition of funds that is nearing optimum. Savings growth reached 22.34% or Rp154.13 trillion while demand deposit funds amounted to Rp76.78 trillion, slightly less by 0.76%, such that the composition of savings and demand deposits at BRI were 40.11% and 19.98, respectively, of total deposits. Meanwhile time deposits grew by 17.69% to reach Rp153.35 trillion, hence the composition of BRI's low-cost funds amounted to 60.09% with 39.91% representing higher cost funds.

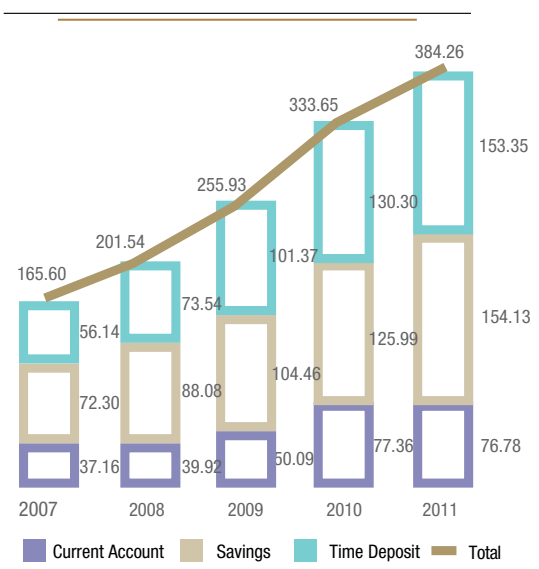
The encouraging growth of savings could be attributed to the marketing communications program of BRI such as Untung Beliung BritAma and Pesta Rakyat Simpedes. Other successful strategies include innovations in BRI funding products, such as the savings product BRI Junio, BritAma Saving Plan, and the Simpedes Impian that are designed to meet specific customer needs.

BRI also succeeded in increasing its fee based income, which in 2011 grew by 19.78%, from Rp2.81 trillion in 2010 to Rp3.37 trillion in 2011. With this growth, the proportion of fee based income to total income increased was 6.11% in 2011, from 5.55% in 2010. The increasing role of fee based income as another source of income reflected BRI's achievement in income diversification, align with this is the increasing of e-banking services. This could be seen from the addition of ATM network in various areas, and also additional features in banking transaction services through the BRI ATM that up to now has reached more than 700 features. BRI also benefitted from various cooperations with public and private institutions by undertaking cross-selling as well as increasing fee based income out of remittances and other banking services.

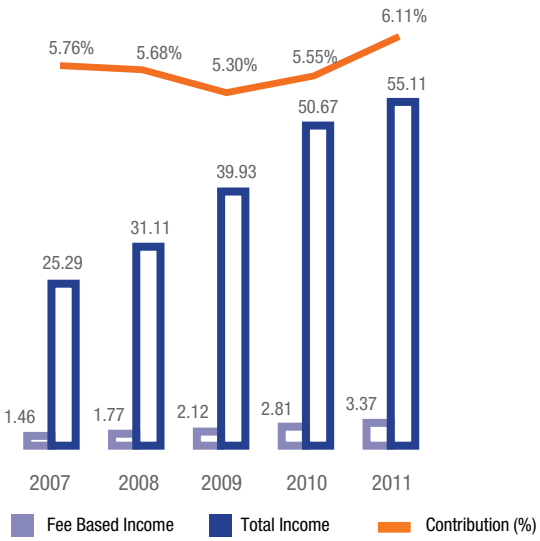
Development of Human Capital

The development program for BRI personnel over the past several years has been designed to change the general mind set from human resources development to human capital development. This will position BRI employees more as an asset or capital who are able to create sustainable value for the Bank and its stakeholders.

Third Party Funds
(in trillion Rupiah)



Fee Based Income
(in trillion Rupiah)



In developing future leaders for the Bank, BRI carries out a Staff Development Program (SDP) in which every management trainee recruited by BRI will undertake an intensive, 13-month training program. The final test of each trainee will be supervised and graded directly by the team of BOD, and upon graduation, they will continue to receive training and educational programs throughout their careers with BRI. During their career in BRI, they will have various work experience to broaden their horizons as well as sharpen their skills. From that we can infer that the management of human capital (HC) at BRI constitutes a series of integrated operational activities within the framework of the HC architecture from planning, recruiting, developing, retaining and performance monitoring, to terminating.

Throughout 2011, BRI recruited employees, from either internal or external sources, a total of 357 managerial candidates through SDP. In addition to recruiting to fill up technical position, BRI also recruited personnel for marketing and frontliners who are also continuously prepared with the practical skills and knowledge that are relevant to their needs in the field.

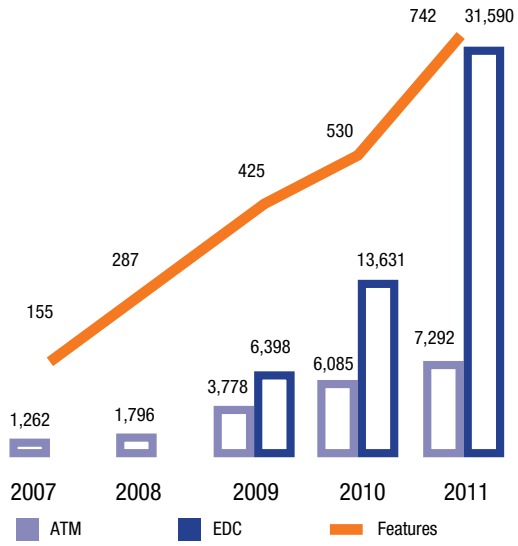
Risk Management

A good business expansion without a reliable risk management system will obviously endanger the continuity of the business. BRI maintains a comprehensive risk management system and function, while also implementing the principles of the Basel Committee on Banking Supervision as stipulated in the regulation of Bank Indonesia. BRI's Risk Management has implemented the accords of Basel I and Basel II that in principle is structured in the three lines of defense that is aimed at preserving the integrity of independence in the decision making process. The Board of Directors and Board of Commissioners play key roles in the implementation and supervision of Risk Management. These roles are implemented in the Risk Management Committee (RMC) that meets periodically in every quarter to discuss the risk profile of BRI from time to time.

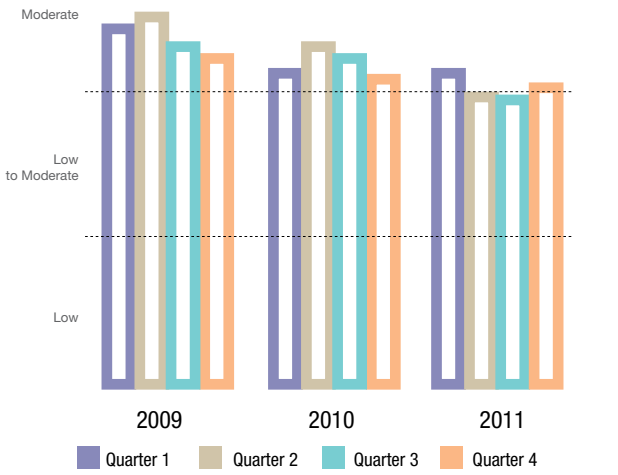
Risk management is a key priority that constitutes the foundation for every major step taken by BRI. As such, the theme of this annual report, "BRI Grows Confidently, Supported by Prime Risk Management," aptly describes the readiness of BRI to compete effectively in the dynamic and ever-changing banking market in the years to come.

The focus on risk management implementation can be seen from the Bank's risk profile in the last 3 years, where in aggregate BRI's risk profile experiencing a positive trend (declining risk), even though still within low to moderate risk category.

E-Channel



BRI Risk Profile (2009-2011)



Good Corporate Governance

With regard to Good Corporate Governance (GCG), BRI continues to implement GCG policies consistently and when necessary undertake improvements. The policies and principles of GCG at BRI are formulated based on prevailing laws and the Indonesian Corporate Governance Code.

In order to ensure the effective implementation of GCG in each and every operating unit of BRI, monitoring is carried out both off-site and on-site. The results of this monitoring are used to evaluate the policies of GCG at BRI. In 2011, BRI formulated several new GCG policies, among which are the manual for transparency and disclosure as well as the respective charters of the Board of Commissioners and Committees under the Board of Commissioners.

To enhance GCG implementation quality, self assessment over GCG execution in corresponding operating units are being done periodically. Aside from that, internal socialization and coordination is being done continuously to increase awareness on GCG implementation. Each BRI employees is required to sign a Statement of Compliance with respect to the Code of Ethics as part of their commitment to implement the principles of GCG, namely transparency, accountability, responsibility, independency, and fairness.

BRI also keep forward in developing application system in managing document/regulation and compliance toolkit (compliance dashboard) that were coming from integration of several system application, resulting in the enhancement of compliance on GCG implementation at BRI as well as greater efficiency. A more detailed account on the implementation of good corporate governance is presented in the section on Corporate Governance of this annual report.

Non-Organic Growth

The business of BRI continues to grow and expand, providing optimum benefits to its stakeholders. However, with the increasingly complex and competitive banking industry, a non-organic business growth becomes an alternative to growing the Bank's business.

Following a thorough due diligence on the potential synergy, on 3 March 2011, BRI signed the Deed of Acquisition of the Shares of PT Bank Agroniaga Tbk. (Bank Agro) with Dana Pensiun Perkebunan (Dapenbun), effectively making BRI the controlling shareholder of Bank Agro. Subsequently, in line with the regulation of Bapepam-LK, BRI exercised the Tender Offer for the shares of Bank Agro held by public shareholders. The acquisition of Bank Agro is expected to provide a positive synergy to the business growth of BRI considering that Bank Agro has a unique niche market in the plantation sector.

Also in 2011, BRI completed the acquisition of BRIngin Remittance Company Limited (BRC) that is based in Hong Kong. This acquisition will add to BRI's competitive advantage in the remittance services, strengthening BRI's offshore remittance business, especially in Hong Kong.

BRI's Business Plan

The year 2012 will be a year of quality growth for BRI. The consolidation that took place in 2011 has provided BRI with a fresh start to expand and grow its business in 2012. BRI will remain focused on the MSME segment by expanding the micro, small and medium segment relying on the trickle down business from the corporate business. The micro segment will continue to be expanded by relying on adequate resources, including the enhancement of its human capital. Furthermore, the micro business, aside from being the core business of the Bank, it also serve to support the Indonesian economy in terms of financial inclusion. Meanwhile, the development of fee based income and e-banking will be intensified to realize the vision of a national payment gateway for the Indonesian economy within its time table.

For 2012, with the target of becoming "The Best Bank in Indonesia with Superior Good Corporate Governance Practices," BRI has established its strategic direction as follows:

a. The main business of BRI will still be directed on the disbursement of loan and raising of funds from customers, as well as the providing of banking services, in such a way that BRI can rely on its revenue sources from both interest income and fee based income, with details as follow:

   a.1 Focusing on lending to the micro, small and medium business segment while also capturing business opportunities from the corporate segment that offers trickle down business to the MSME business. This will boost expansion of the MSME business segment in terms of both speed and quality.

a.2 In terms of third party fund, BRI will strive to increase low-cost funds (demand deposits and savings) to be maintained at no less than 60% of the total amount of Third Party Funds.

a.3 Capitalizing on BRI's on-line network throughout Indonesia; BRI will provide banking services that support all financial activities of the customer whether in financial management or in banking transaction with their counterparts. This strategy is aimed at developing a closed financial system that is community based as well as to increase the Bank's fee based income.

b. To maintain a strong capital structure, the steps that will be taken include strengthening the Bank's portfolio through efficient capital allocation, business process reengineering, capital restructuring through the issuance of subdebts in line with market opportunities, and optimizing the Bank's dividend pay out ratio.

c. To maintain and increase its market share, BRI will continue to expand the reach of its banking services by opening new outlets throughout Indonesia, whether through conventional outlets, electronic outlets and other service outlets. The expansion of outlets will still be undertaken selectively and judiciously, considering both internal and external factors.

BRI will also develop new business opportunities that are both sound and profitable, whether organically or inorganically, ahead of the evolving demands of customers and Indonesian people that will become more advance in the years to come.

I am pleased to report that on 11 January 2011, BRI successfully undertook a stock split of 1:2, in which a single share of BRI with a nominal value of Rp500 per share is split into two shares, each with a nominal value of Rp250 per share. Thus effective 11 January 2011, the total outstanding shares of BRI amounted to 24,669,162,000 shares, with fully subscribed and paid shares amounting to Rp6,167,290,500,000,-. The composition of shareholders remained unchanged, with 56.75% of shares held by the Republic of Indonesia and the remaining 43.25% shares held by public shareholders.

Allow me to express our appreciation and gratitude to Mr. Bambang Soepeno for his services and commitment to the Bank while serving as a Director of BRI. At the same time we extend our welcome to Mr. Randi Anto and Mr. Gatot Mardiwasisto, both of whom are newly appointed Directors of BRI, with the hope that we can all work as a team and coordinate our efforts in the best possible way for the sustainable growth of BRI.

The inspiring achievements of BRI in 2011 were attributed to the trust, commitment and cooperation of all stakeholders of BRI. The hard work and commitment of every employee of BRI were key factors of those achievements, for which we extend our heartiest gratitude to each and every employee for the Bank's success. Throughout 2011, the guidances of the Board of Commissioners were also a major factor to BRI's outstanding achievements, and we owe the Board a great debt of gratitude for the excellent cooperation. We also express our appreciation for the support given to BRI by our shareholders, customers, and business partners.

In the future, we will continue to strive our best in the interest of BRI's stakeholders, in which these achievements were not only the results of commitments and efforts of the management and employees of BRI, but also came as a result of the support and trust of the Board of Commissioners, all shareholders, customers and business partners of BRI.

Wassalamualaikum Wr. Wb.

Sofyan Basir
President Director

PROFILE OF THE DIRECTORS

Sofyan Basir
President Director

Indonesian citizen, 53 years old. Appointed as the President Director on 17 May 2005 and reappointed for the second period on 20 May 2010. Before joining BRI, he was the President Director of Bank Bukopin. He commenced his banking career with Bank Duta in 1981 and joined Bank Bukopin in 1986 where he held several managerial positions including Director of Commercial, Group Head of Line of Business and Branch Manager in several big cities in Indonesia.

He earned his diploma's degree from STAK Trisakti, Jakarta in 1980 and attended several courses and training on banking both in domestic and overseas, including Executive Risk Management (Denpasar); Islamic Finance Forum (Swiss); Seminar on Business Continuity Planning, Ernst & Young; SESPIBANK (Jakarta); Strategy Development Session, IBM; and Structuring Loans & Short Term, The Institute Banking & Finance.

Sarwono Sudarto
Director of Operations

Indonesian citizen, 59 years old. Appointed as Director on 30 May 2006 and reappointed for the second period on 28 April 2011. He began his banking career at BRI since 1976 and has held several managerial positions including Head of Treasury Division, Head of Strategic Planning Division, Head of Internal Audit, Head of Retail Loan Division, Deputy Head of Finance and Management Accounting Division, Branch Manager of BRI Palembang Sriwijaya, Guest Officer Sanwa International Finance Ltd. Hong Kong, Treasury Manager and Chief Dealer BRI Hong Kong Finance Ltd.

He earned his bachelor's degree from the University of Diponegoro (1975) and MBA from Tulane University, New Orleans, USA (1987), and his Doctorate from Jakarta State University (UNJ). He attended several courses and trainings, including Capital Market (Tokyo); Risk Management Certification-BSMR (Singapore); Risk Management Certification of Competency Assessor from BNSP, the National Defense College (Lemhanas) Republic of Indonesia; SESPIBANK (Jakarta); Credit Manager and Organization Management. He represented BRI as a speaker for microfinance in Thailand and Chile (2009) and in several road shows as well as in investor' conferences in London, Hong Kong and Singapore.

Achmad Baiquni
Director of Finance

Indonesian citizen, 55 years old. Appointed as Director of Finance on 20 May 2010. He began his banking career at PT Bank Negara Indonesia (Persero) Tbk. in 1984 and has held several managerial positions, including Director of Small, Medium and Sharia Business, Director of Corporate Business, Director of Consumer, as well as Head of Personal Business Management Division.

He earned his bachelor's degree in Economic from the Padjadjaran University, Bandung (1982) and Master of Business Management from Asian Institute of Management, Makati, the Philipines (1992), He attended several trainings, courses and seminar on banking including Risk Management in Retail Banking-BSMR (the Netherlands); Executive Training for Director-The Wharton School of University of Pennsylvania (USA); Bank Indonesia's Executive Risk Management Certification - BSMR Singapore; Retail Banking Conference LAFERTY (Singapore); Asian Bankers Surveyor Program –Bank of New York (New York) and SESPIBANK (Jakarta). He also represented BRI on numerous road shows and investor' conferences in London, New York and Singapore.

Sulaiman Arif Arianto
Director of Commercial Business

Indonesian citizen, 54 years old. Appointed as Director of Commercial Business on 12 October 2009, and reappointed for the second period on 28 April 2011. Previously, he had been Director of Micro, Small and Medium Enterprises Business since 30 May 2006. He began his career in BRI in 1983 and has held several managerial positions, including Head of Agribusiness Division, Head of General Business Division, Regional Manager of BRI Denpasar and Jakarta.

He earned his bachelor's degree in animal husbandry from the Farming Faculty of the Bogor Agriculture University (IPB) and MBA from the University of New Orleans, USA (1991). He represented BRI in several organizations such as APRACA, UN advisor for Inclusive Financial System and Micro Finance Network. He was also speaker in numerous international seminars on MSME, including Asian Banking Forum (Jakarta) APEC SME Working Group (Bali). Financial Technology Conference (Singapore) Microfinance Sustainability, APRACA (Kunming), APO Forum, Micro Banking and Risk Management Workshop (Beijing), Asia Pacific Regional Microcredit Summit (Bali). He also represented BRI in road shows and investors' conferences organized in USA, Hong Kong and Singapore.

A. Toni Soetirto
Director of Consumer Business

Indonesian citizen, 54 years old. Appointed as Director of BRI in 2006, and reappointed for the second period on 28 April 2011. He began his career in banking when he joined Bank Duta in 1983, then in 1985 he joined Bank Bukopin. Previously, he held several managerial positions, including Director of Commercial Business, Director of Risk Management and Compliance, and Group Head Credit and Marketing Financial Institutions.

In 1981, he earned his bachelor's degree in agribusiness from the Bogor Agriculture University (IPB). He attended several trainings, courses and seminars on banking including CRM and Intelligence Banking EFMA (Barcelona); The Future Face of Marketing (Australia); Self-Service Banking, EFMA (Barcelona); The Branch of the Future, EFMA (Barcelona); Structured Trade and Export Finance in Asia Conference, Euromoney, JP Morgan and Citigroup (Singapore); The Strategic Board, Australian Institute of Company Director (Australia) Comparative Study for Trade Financing and Risk Management - Deutsche Bank (Germany); and Certified Wealth Manager - Erasmus Huis Netherlands (Netherlands)

Lenny Sugihat
Director of Credit Risk Management

Indonesian citizen, 55 years old. Appointed as Director of BRI in 2006, and reapointed for the second period on 28 April 2011. She began her career in banking with BRI since 1981 and has held several managerial positions, including Head of Loan Restructuring and Recovery Division, Head of Agribusiness Division and Head of Strategic Planning Division.

She earned her bachelor's degree in fishery from the Bogor Agriculture University (1979) and MBA from the University of Houston, USA (1993). She attended several courses and trainings, including Credit Risk Management BRI – Citibank; The Advanced Management Program for Overseas Bankers (USA); Problem Loan and Loan Syndication Training (Sidney); SESPIBANK (Jakarta), Strategic Management in Banking Programme (France); The World Bank Conference "The Role of State-Owned Banks" (USA); Certification on Risk Management - BSMR (Denpasar); World Bank/IMF 2002 Annual Meeting (USA), Office Management Program (Jakarta), 33rd Asean Banking Council Meeting (Bali); Rethinking the East Asia Miracle (World Bank Jakarta); Bank Risk Management and Basel II Capital Requirements (Jakarta); Workshop on Competency Test - BNSP (Jakarta) as Competency Assessor.

Asmawi Syam
Director of Intitutional and SOE Business

Indonesian citizen, 56 years old. Appointed as Director of BRI on 5 September 2007. He began his banking career at BRI in 1980 and has held several managerial positions, including Head of General Business Division, Head of Consumer Banking Division and Regional Manager of BRI Bandung and Denpasar.

He earned his bachelor's degree in Economics from Hasanuddin University, Makassar (1979) and master's degree in Management from Padjadjaran University Bandung (2003), He attended several trainings on banking, including From State Owned Enterprise to World Class Competitors, Creative Innovative and State Owned Firms (Philippine); Card and Payment - European Financial Management Marketing/EFMA (Paris); Restructuring and Performance Improvements of State Owned Enterprise (Jakarta); Strategic Leadership - Mastercard International (Bangkok), World Congress on IT Information (Australia), Asset and Liability Management, Credit Risk Management & International Banking (Brussels) and SESPIBANK (Jakarta).

Suprajarto
Director of Network and Services

Indonesian citizen, 55 years old. Appointed as Director of BRI on 5 September 2007. He started his banking career at BRI in 1983 and has held several managerial positions, including Regional Manager of BRI Jakarta, Corporate Secretary, Deputy of Regional Manager of BRI Jakarta, and branch manager in several big cities throughout Indonesia.

He earned his bachelor's degree in Economics from Pembangunan Nasional University, Yogyakarta (1982) and master's degree in Management from Padjadjaran University Bandung (2001). He attended several trainings on banking, including Customer Relationship Management (Paris); The Branch of the Future (Barcelona); The 5th Annual Asia Pacific Mobile Payments (Bangkok); SESPIBANK (Jakarta); Executive Management Development Training (Jakarta); Seminar on Marketing, (Sydney); and Delivery Channel Strategy The Branch & Beyond (Kuala Lumpur) and Branch of the Future Revamping the Branch for the Technology Driven World (London).

Djarot Kusumayakti
Director of Micro Small and Medium Enterprise Business

Indonesian citizen, 54 years old. Appointed as Director of BRI on 20 May 2010. He began his banking career at BRI in 1983 and has held several managerial positions, including President Commissioner of PT BTMU BRI Finance, Head of Credit Risk Analysis Division, Deputy Regional Manager of BRI Jakarta, Semarang and Padang.

He earned his bachelor's degree in Corporate Economics from Indonesia Islamic University, Yogyakarta (1982) and Master of Management from the Airlangga University, Surabaya (2000), He attended several trainings and seminars on banking, including SESPIBANK-LPPI (Jakarta); Credit Risk Management Training (Semarang); Senior Banker Development Course - Bank of America (Jakarta); Certification on Risk Management in Banking (Jakarta), and Financial lecture - Bisnis Indonesia (Jakarta). He also represented BRI as speaker about Microfinance in The Key Success on Sustainable Microfinance Program in Microfinance Network (MFN) 17th meeting Conference Riveria maya in Cancun (Mexico), and also as speaker on The Role of Microsaving on Sustainable Microfinancing in Global Microcredit Summit in Valladolid (Spain).

Randi Anto
Director of Compliance

Indonesian citizen, 50 years old. Has been appointed as Director of BRI since 28 April 2011. He has held several managerial positions at BRI, including Head of Human Resources Division, Regional Manager of BRI Palembang, Head of Credit Administration Division and Head of Compliance & Risk Management Division.

He earned bachelor's degree in Economics from Universitas Diponegoro (1984), and Master of Business Administration from St. Louis University, USA (1994). He attended various trainings and workshops on banking, including Pro Active Operational Risk Management (Jakarta), Sespibank (Jakarta), Worldclass Leadership Monitoring Coaching (Jakarta), and Credit Appraisal for Small Medium Individu (Tokyo).

Gatot Mardiwasisto
Director

Indonesian citizen, 59 years old. Has been appointed as Director of BRI since 28 September 2011. Previously held positions as Director of Pharmaceuticals Commercial Business, Office of the Mininstry of SOE and BKPM; Director of Finance at PT Kliring Berjangka Indonesia (Persero); Deputy Assistant on Banking Business, Office of the Ministry of SOE; and Commissioner of PT Bank Tabungan Negara (Persero) Tbk.

He earned bachelor's degree in Economic/ Business Law from Universitas Indonesia, Jakarta (1985) and Magister Management from Ecole Superieure Lyon, France (1989). He attended various trainings and workshops, including Property Appraisal (Taiwan), Urban Finance and Taxation (Taiwan), Management of Finance by Institute International d'Administration Public (Paris), Strategic Planning (Jakarta), SOE Privatization and Corporate Governance Workshop (Jakarta), International Conference Bara Risk Forum 2010 (Bali), Executive Risk Management Refresher Program (Paris), Seminar on Sharpening Leadership for Senior Executive (Jakarta), and Global Islamic Finance Forum (Kuala Lumpur).

BOARD OF DIRECTORS

Standing, from left fo right:
Randi Anto, Gatot Mardiwasisto, Suprajarto, Asmawi Syam, Achmad Baiquni, Djarot Kusumayakti

Seated, from left to right:
A. Toni Soetirto, Sulaiman Arif Arianto, Sofyan Basir, Sarwono Sudarto, Lenny Sugihat

STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Annual Report and the accompanying financial statements and related financial information are the responsibility of the Management of PT Bank Rakyat Indonesia (Persero) Tbk. and have been approved by members of the Board of Commissioners whose signatures appear below.

The undersigned

Bunasor Sanim

President Commissioner/
Independent Commissioner

Agus Suprijanto

Commissioner

Heru Lelono

Commissioner

Hermanto Siregar

Commissioner

Aviliani

Independent Commissioner

Adhyaksa Dault

Independent Commissioner

Annual Report and the accompanying financial statements and related financial information are the responsibility of the Management of PT Bank Rakyat Indonesia (Persero) Tbk. and have been approved by members of the Board of Directors whose signatures appear below.

The undersigned

Sofyan Basir
President Director

Sarwono Sudarto
Director of Operations

Achmad Baiquni
Director of Finance

Sulaiman Arif Arianto
Director of Commercial Business

Lenny Sugihat
Director of Credit Risk Management

A.Toni Soetirto
Director of Consumer Business

Asmawi Syam
Director of Institutional and SOE Business

Suprajarto
Director of Network and Service

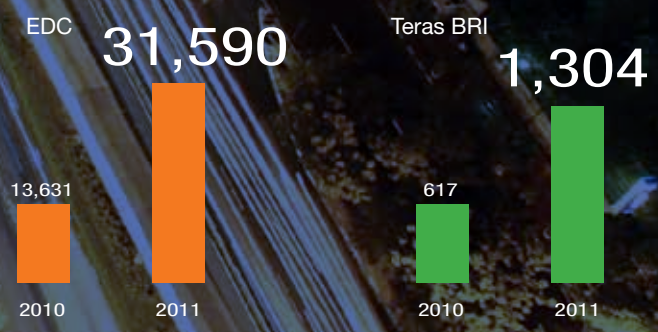
Djarot Kusumayakti
Director of Micro, Small and Medium Enterprise Business

Randi Anto
Director of Compliance

Company Profile

As of year-end 2011, approximately **72%** BRI's customers are micro customers that are being served by the e-channel network of BRI and **7.975 operating** units of BRI that are linked on a **real-time online** *basis*.

BRI continues to develop its e-channel network rapidly. This is aimed at extending its services access in the broadest sense, and increasing fee-based income from the use of e-channel by the huge and growing customer base of BRI.



COMPANY'S GENERAL INFORMATION

Name of Company:
PT Bank Rakyat Indonesia (Persero) Tbk.

Establishment:
18 December 1968 based on Law No. 21 Year 1968

Address:
BRI I Building Jl. Jend Sudirman No. 44 – 46
Jakarta 10210

Telephone:
(62-21) 2510244, 2510254, 2510264, 2510269, 2510279

Fax:
(62-21) 2500065, 2500077

Website:
www.bri.co.id

Type of Business:
Banking

Shareholder's Composition:
Republic of Indonesia (56.75%)
Public (43.25%)

Listing:
Indonesia Stock Exchange
on 10 November 2003 with ticker name: BBRI

Contact:

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humas@bri.co.id

Call center:
14017 / (62-21) 57987400

Correspondence:
Corporate Secretary Division
BRI I Building, 20th Floor
Jl. Jend. Sudirman Kav. 44-46
Jakarta 10210

RATING

	MOODY 'S (January 2012)	
-	Outlook	Stable
-	Bank Deposit	Baa3/P-3
-	Bank Financial Strength	D+
-	Baseline Credit Asessment	(Ba1)
-	Adjusted Baseline Credit Asessment	(Ba1)
	FITCH (December 2011)	
-	Long Term Foreign Currency IDR	BBB-, Stable Outlook
-	Short Term Foreign Currency IDR Long Term	F3
-	Support Rating Floor	BBB-
-	Support Rating	2
-	Viability Rating	bb+
-	Individual Rating	C/D
-	National Long-Term Rating	AAA (idn), Stable Outlook
-	Rupiah Subordinated Debt	AA (idn); RWN
	PEFINDO (March 2011)	
-	National Rating	id AAA, Stable Outlook

BANKING PRODUCTS AND SERVICES

SAVING PRODUCTS

BritAma
Simpedes
GiroBRI
DepoBRI
Haj Saving
BRI Junio

LOAN PRODUCTS

Micro Loans

Kupedes
People Business Loan (KUR) Micro

Small Commercial Loans

Working Capital Loan
Salary Based Loan (Briguna Loan)
Investment Loan
Express Loan
Construction Loan
PPTKI Loan (Loan for Indonesian-Migrant Worker Agency)
Franchise Loan
Warehouse Receipt Loan
Petrol Station Loan
BTS (Base Transceiver Station) Loan
Bank Guarantee (BG)

Consumer Loans

Housing Loan (KPR)
Motor Vehicle Loan (KKB)
Multi-Purpose Loan (KMG)
Credit Card

Program Loans

People Business Loan (KUR) Retail
Loan to Members of Primary Cooperative (KPPA)
Loan for Food and Energy Security (KKPE)
Loan to Small Business Group (KKUK)
Loan to Micro and Small Business - Government Notes (KUMK-SP)
Loan for the Development of Bio Fuels and Revitalization of Plantations (KPEN-RP)
Loan for Economic Empowerment of Coastal (PEMP)

Medium/Corporate Loans

Working Capital Loan (KMK)
Loan for Export Working Capital (KMK-E)
Investment Loan (KI)
Import Working Capital Loan (KMK-I)
Construction Working Capital Loan (KMK-K)
Import Deferred-Guarantee Facility (PJI)
Standby L/C (SBLC)
Bank Guarantee (BG)
Infrastructure Loan
Syndicated Loan

Banking Services

BRI Priority Banking
Cash Management System
Salary Crediting
Electronic Money (BRIZZI)

Treasury Service

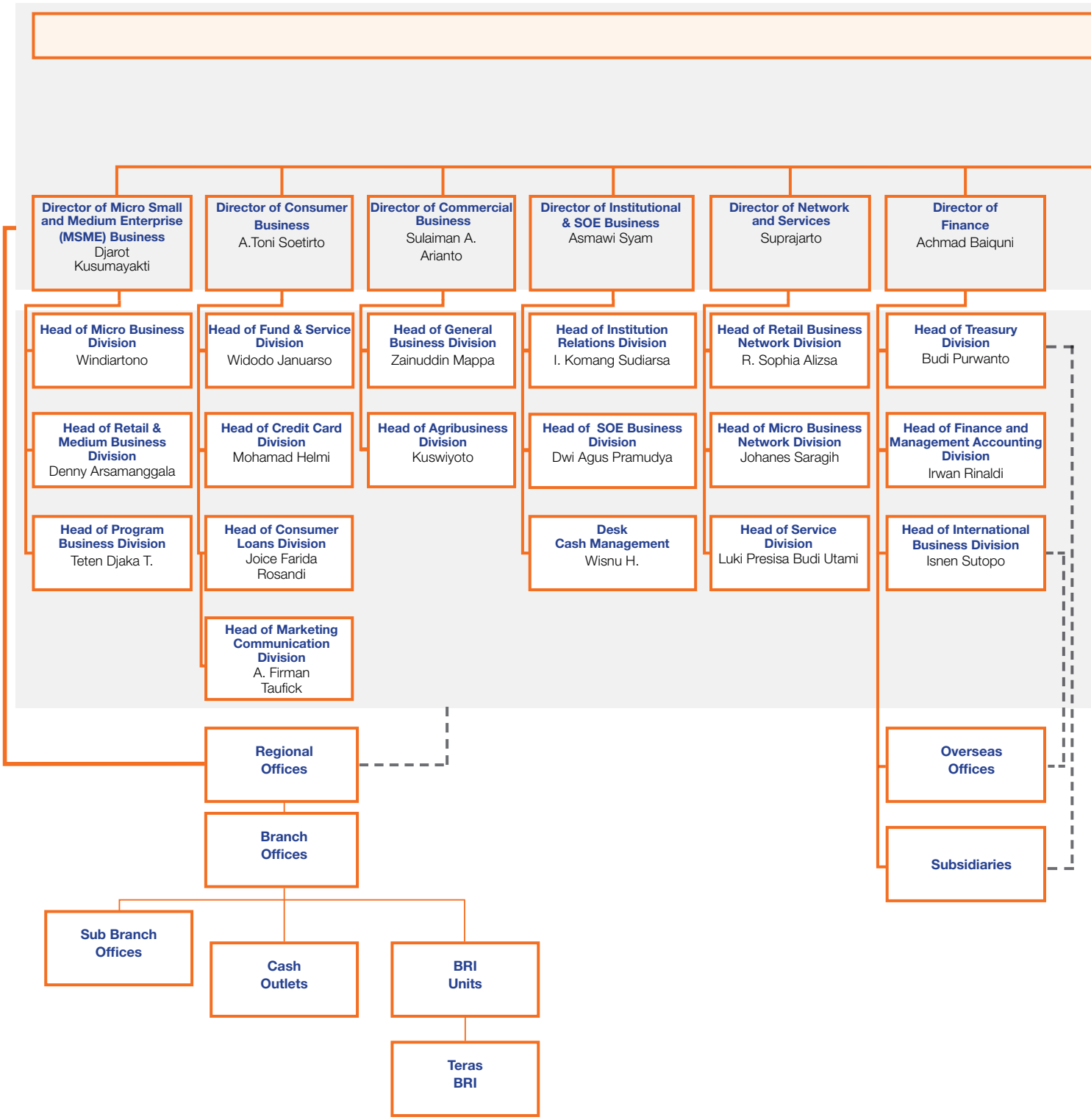
Foreign Exchange Transaction
Swap Transaction
Forward Transaction
Trustee Service
Securities Sales Agency
Custodial Service
Financial Institution Pension Funds (DPLK-BRI)

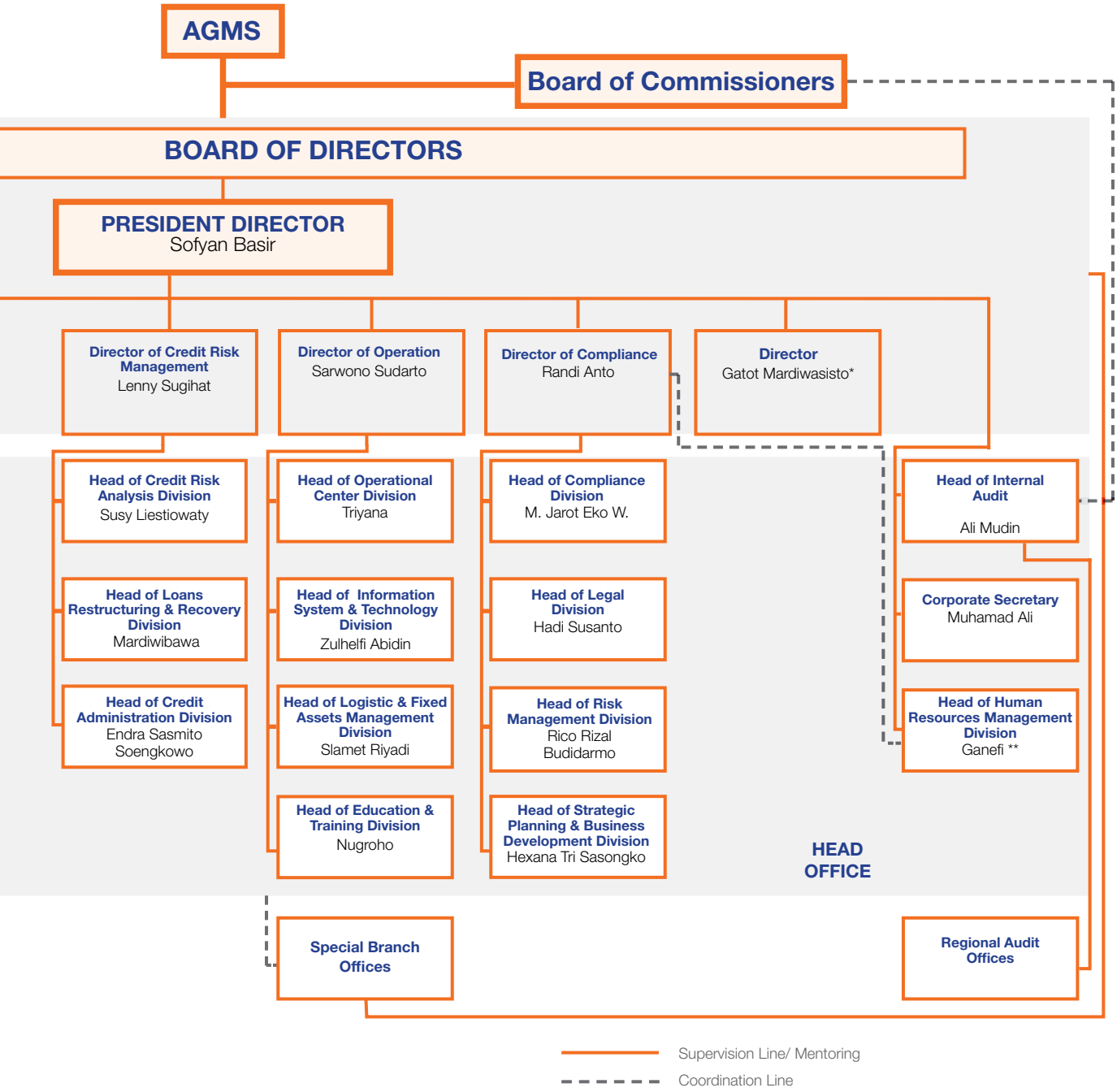
International Banking

Trade Finance
Remittance
Domestic Letter of Credit (SKBDN)

ORGANIZATIONAL STRUCTURE

PT BANK RAKYAT INDONESIA (PERSERO) Tbk.





Committees under BOC: Audit Committee, Nomination & Remuneration Committee, Risk Management Supervisory Committee
Committees under BOD: Risk Management Committee, Credit Policy Committee, Credit Committee, ALCO, Human Resources Policy Committee

* As of 27 January 2012 effective as Director of BRI after approval from Bank Indonesia on fit and proper test
** Interim Officer

SENIOR EXECUTIVES

Inspector

Hidzuldin Elfani
Inspector of Head Office

Wisto Prihadi
Inspector of Medan

Khairi Setiawan
Inspector of Pekanbaru

Rusli Witjahjono
Inspector of Palembang

Hartono Sukiman
Inspector of Jakarta 1

Sulistianto
Inspector of Jakarta 2

Retno Surdini
Inspector of Jakarta 3

Ircham Sjafindra R
Inspector of Bandung

Umi Haryati
Inspector of Semarang

Eka Sriyantini
Inspector of Yogyakarta

Mudjiharno
Inspector of Surabaya

Kuwat Waluyo
Inspector of Malang

Suindiyo
Inspector of Denpasar

Budi Satria
Inspector of Banjarmasin

Yan Budiatmoko
Inspector of Makassar

Sutardjo
Inspector of Manado

Regional Manager

Abing Rabani Regional Manager of Banda Aceh		**Donsuwan Simatupang** Regional Manager of Medan	
	Achmad Chumaidi Regional Manager of Padang		**I Made Suprateka Y** Regional Manager of Pekanbaru
Pardiman Regional Manager of Palembang		**Mohammad Irfan** Regional Manager of Jakarta 1	
	Albert Radjagukguk Regional Manager of Jakarta 2		**Siswanto*** Regional Manager of Jakarta 3
Moch. Hadi Santoso Regional Manager of Bandung		**Agus Katon ES** Regional Manager of Semarang	
	Eko Wahyu Andriastono Regional Manager of Yogyakarta		**Heru Sukanto** Regional Manager of Surabaya
Achmad Chairul Ganie Regional Manager of Malang		**Irianto** Regional Manager of Denpasar	
	Zainuddin Latif Regional Manager of Banjarmasin		**Adhy Kusnandar** Regional Manager of Makassar
Tri Wintarto Regional Manager of Manado		**Agoes Roediyanto** Regional Manager of Jayapura	

* Interim Officer

NETWORKS

Banda Aceh
Medan
Pekanbaru
Padang
Palembang
Banjarmasin
Jakarta 1, 2 & 3
Semarang
Surabaya
Bandung
Yogyakarta
Malang
Denpasar

	2007	2008	2009	2010	2011
Total Working Unit*	4,968	5,070	5,457	6,480	7,989
Head Office	1	1	1	1	1
Regional Offices	14	14	17	18	18
Regional Audit Offices	12	12	14	14	14
Branch Offices**	344	376	406	413	431
Sub-branch Offices	230	337	434	470	502
Cash Outlets	24	179	728	822	870
BRI Units	4,300	4,417	4,538	4,649	4,849
Village Service Points	100	76	68	0	0
Teras BRI	0	0	217	617	1,304

* Including 14 Regional Audit Offices
** Including one Special Branch Office and three Overseas Offices

BRI NETWORKS

Regional Office,
one of 18 Regional Offices located
at Capital of Provinces
throughout Indonesia

Branch Office,
one of 431 Branch Offices
located at big cities
throughout Indonesia

Sub Branch Office
at Grand Indonesia,
one of 502 sub branch offices
throughout Indonesia

Priority Service Center in Jakarta,
one of 13 Priority Service Centers
and 42 Priority Lounges located
throughout Indonesia

BRI Unit in Denpasar, Bali,
one of 4,849 BRI Units located at big, small
cities, and villages throughout Indonesia

Teras BRI in Mandalika,
one of 1,304 outlets providing services
to customers in traditional markets
throughout Indonesia

Customer Service personnel
inside a Teras Keliling

One of ATM Centers located at BRI
Head Office. Currently, BRI operates
7,292 ATM units

HUMAN RESOURCES

Status	2009	2010	2011
Permanent Employee	33,935	33,296	33,357
Employee in Retirement Preparation	1,145	996	944
Contract Employee	1,452	2,441	4,780
Trainee	466	911	963
Total Number of BRI Employee	36,998	37,644	40,044

Position	2009	2010	2011
Executive Vice President	56	70	67
Vice President	93	101	103
Assistant Vice President	338	382	380
Senior Manager	598	575	584
Manager	517	554	582
Assistant Manager	3,229	3,318	2,925
Officer	9,916	10,510	10,662
Assistant	22,251	22,134	24,741
Total Number of BRI Employee	36,998	37,644	40,044

Education	2009	2010	2011
Post Graduate (S3)	5	2	5
Graduate (S2)	943	1,107	1,034
Under Graduate (S1)	22,458	23,691	26,780
Diploma	3,867	4,053	4,847
Senior High School	9,681	8,749	7,334
Junior High School	44	42	44
Total Number of BRI Employee	36,998	37,644	40,044

INFORMATION TO SHAREHOLDERS

Amidst the weakening of world economy, the Indonesia's Composite Stock Price Index (IHSG) performed positively throughout 2011. As of year-end 2011, the Indonesia's Composite Stock Price Index closed at the level of 3,821.99, increased by 3.2% compared to the position of 3,703.51 at year-end 2010. Market capitalization of the Indonesia Stock Exchange (IDX) reached Rp3,537.29 trillion, increased by 9% compared to Rp3,243.77 trillion in 2010.

BRI's share price itself performed well above the performance of Indonesian market. At the closing of 2011 trading day, BRI's share price reached Rp6,750 or increased by 29% compared to the share price at end of year 2010.

To broaden the basis of BRI shareholders and to signal a growing trend of BRI business, and in accordance with the decree of Extraordinary General Meeting of Shareholders 2010, BRI has exercised a share stock split, from Rp500 per share to Rp250 per share, or with a ratio of one to two on 11 January 2011.

During 2011, the price of BRI shares reached its peak at Rp7,250 on 2 August 2011 and bottom out at Rp4,550 on 10 February 2011. Capitalization of BRI shares by the end of trading day of the year 2011 was Rp164.85 trillion or increased by 27% compared to Rp129.57 trillion at year-end 2010.

Dividend Payment

The 2011 Annual General Meeting of Shareholders (AGMS) of BRI has approved the final dividend payment for financial year 2010 in the amount of Rp2,294,476,900,203.00 or 20% from BRI's net profit for the year. The ratio of the final dividend payment for financial year 2010 decrease by 10% compared to the ratio of dividend payment for financial year 2009 which was set by the 2010 AGMS at 30%.

Year of Dividend	Net Profit (Rp Billion)	Dividend (Rp Billion)	Dividend per Share Share (Rp)*	Dividend Payment Ratio (%)	Payment Date
2003**	2,579	990	42.10	75.01	23 July 2004
2004	3,633	1,816	76.47	50.00	5 July 2005
2005	3,808	1,904	78.09	50.00	10 July 2006
2006	4,257	2,129	86.52	50.00	2 July 2007
2007	4,838	2,419	98.17	50.00	7 July 2008
2008	5,958	2,085	84.41	35.00	3 July 2009
2009	7,308	2,192	88.91	30.00	1 July 2010
2010***	11,472	2,294	93.01	20.00	15 June 2011

* Dividend of each share is dividend after 1:2 stock split.
** From net profit of second half-year (1 July 2003 - 31 December 2003) in the amount of Rp1.32 trillion, net profit of first half-year was recapitalized.
*** On 30 December 2010, BRI paid interim dividend for financial year 2010 in the amount of Rp566,527,305,330.00 or Rp45.93 per share (before stock split)

BRI 2011 AGMS

BRI held the 2011 AGMS on 28 April 2011 and the followings are the resolutions reached by the AGMS:

First Agenda

To approve the Company's 2010 Annual Report and to accept the Board of Commissioners Supervisory Report and Financial Statements of the Company for the financial year 2010 which had been audited by the Office of the Registered Public Accountants Purwantono, Suherman, and Surja, as per Report No. RPC-754/PSS/2011 dated 29 March 2011; as well as to grant full release and discharge (volledig acquit et de charge) to all members of the Board of Directors and Board of Commissioners from the management actions undertook during the financial year which ended on 31 December 2010, to the extent that such actions do not constitute criminal offenses and that such actions are reflected in the Company's 2010 Annual Report.

Second Agenda

To ratify the Annual Report of Partnership Program and Community Development Program for the year 2010, including the Financial Report which had been audited by the Office of the Registered Public Accountants Herman Dody Tanumihardja & Partners, as per Report No. 14/GA/HDT-DT/PKBL-BRI/III/2011 dated 30 March 2011; as well as to grant full release and discharge (volledig acquit et de charge) to all members of the Board of Directors and Board of Commissioners from the management and supervisory actions of the partnership programs and community development programs undertook during the financial year which ended on 31 December 2010, to the extent that such actions do not constitute criminal offenses and that such actions are reflected in the Company's 2010 Partnership Program and Community Development Annual Report.

Third Agenda

1. Approve the use of the net profit of the Company for the financial year 2010, as follows:
   a. A sum of 20% or Rp2,294,476,900,203.00 are set as the final dividend for financial year 2010. Part of that sum, amounted to Rp566,527,305,330.00 has been paid on 30 December 2010 as interim dividend as stipulated in the Decision of the Board of Directors' Meeting on 29 November 2010 which had been approved by the Board of Commissioners. The interim dividend has been paid to shareholders whose name were on the List of the Company's Shareholders on 22 December 2010. The remaining sum, amounted to Rp1,727,949,594,873.00 or Rp70.04 per share will be distributed as cash dividend and will be paid on 15 June 2011 to shareholders whose name were on the List of the Company's Shareholders on 1 June 2011.
   b. A sum of 2.5% or Rp286,809,612,525.00 was set for Appropriated Reserve to support investment of the Company.

2. To grant authority to holder of 1 share of Series A Dwiwarna to determine the amount of the Company's net profit of financial year 2010 which shall be allocated for Partnership Program and Community Development Program.

   According to the Regulation of the Ministry of State-Owned Enterprise No. PER-05/MBU/2007, the maximum amount to be allocated for the Partnership Program and Community Development Program is 4% or Rp458,895,380,040.00, thus the balance of the Company's 2010 net profit after deduction of final dividend financial year 2010, appropriated reserve, as well as funds for Partnership Program and Community Development Program, should be added to the Company's retained earnings so that the amount reached 73.5% of the total net profit of financial year 2010 or Rp8,432,202,608,245.40.

3. To grant authority and power to the Board of Directors to determine the schedule and final dividend for financial year 2010 according to the prevailing regulations.

Fourth Agenda:

To grant authority and power to the Board of Commissioners after prior approval from the Holder of 1 share of Series A Dwiwarna to determine the amount of tantiem for members of the Board of Directors and Board of Commissioners for financial year 2010 and to determine the amount of salary for members of the Board of Directors and the Board of Commissioners for financial year 2011.

Fifth Agenda

1. To grant authority and power to the Board of Commissioners to appoint Public Accounting firm to audit the Company's Financial Report for financial year 2011 and to determine the fee and other requirements in accordance with prevailing regulations.
2. To grant authority and power to the Board of Commissioners to appoint Public Accounting firm to audit the Financial Report of Partnership Program and Community Development Program for Financial Year 2011 and to determine the fee and other requirements in accordance with prevailing regulations.

Sixth Agenda

1. Approval for acquisition of all shares of BRIngin Remittance Co. Ltd. from PT. AJ. BRIngin Jiwa Sejahtera according to prevailing laws and regulations.
2. Granting power and authority with substitution right to the Board of Directors to execute the acquisition of the above mentioned shares and to take any actions regarding this resolution in accordance to prevailing laws and regulations.

Seventh Agenda

1. Discharge with honour all members of the Board of Commissioners and the Board of Directors which expired their term of service commencing from the closing date of this Meeting and to express gratitude for their contributions and services.

2. Approve the appointment of:
   - Bunasor Sanim as President Commissioner/ Independent Commissioner
   - Hermanto Siregar as Commissioner
   - Sarwono Sudarto as Director
   - Sulaiman Arif Arianto as Director
   - Lenny Sugihat as Director
   - A. Toni Soetirto as Director
   - Randi Anto as Director

   The appointment of the members of the Board of Commissioners and the Board of Directors shall be effectively valid commencing from the closing date of the Meeting, except for the appointment of Hermanto Siregar and Randi Anto which will be effectively valid pending approval from Bank Indonesia on their fit and proper test and compliance to the prevailing laws and regulations. The expiry term of service of all appointed members of the Board of Commissioners and the Board of Directors are until the closing of the Annual General Meeting of Shareholders of the 5th (fifth) since their appointment.
3. Appoint Soedarjono as Vice President Commissioner and Independent Commissioner.

4. The composition of the Board of Commissioners and the Board of Directors of the Company is as follows:

   Board of Commissioners:

President Commissioners/ Independent Commissioners	: Bunasor Sanim
Vice President Commissioners/ Independent Commissioners	: Soedarjono
Commissioner	: Agus Suprijanto
Commissioner	: Heru Lelono
Commissioner	: Hermanto Siregar
Independent Commissioners	: Aviliani
Independent Commissioners	: Adhyaksa Dault

   Board of Directors:

President Director	: Sofyan Basir
Director	: Sarwono Sudarto
Director	: Sulaiman Arif Arianto
Director	: Achmad Baiquni
Director	: Lenny Sugihat
Director	: A. Toni Soetirto
Director	: Asmawi Syam
Director	: Suprajarto
Director	: Djarot Kusumayakti
Director	: Randi Anto

5. Grant power and authority with substitution right to the Board of Directors to take all actions necessary relating to the above mentioned decision in accordance with the prevailing laws and regulations, including to register the composition of the Board of Commissioners and the Board of Directors.

BRI 2011 EGMS

On 28 September 2011, BRI held Extraordinary General Meeting of Shareholders 2011 and decided on the following:

1. Grant approval of resignation of Soedarjono from the position as Vice President Commissioner and Independent Commissioner, effective from the closing date of the Meeting and express gratitude for his contribution and service during his tenure.

Such as acquit et de charge for the period from 1 January 2011 to the date of Meeting will be released by the AGMS of financial year 2011 which will be held on 2012.

2. Appointment of Gatot Mardiwasisto as Director of the Company. The appointment of Gatot Mardiwasisto will be effective pending approval from Bank Indonesia on his fit and proper test and compliance to the prevailing laws and regulations, with expiry term of service until the closing of the Annual General Meeting of Shareholders of the 5th (fifth) since his appointment.

   The composition of the Board of Commissioner at the closing of the Meeting were as follows:

Board of Commissioners	:
President Commissioners/ Independent Commissioners	: Bunasor Sanim
Commissioner	: Agus Suprijanto
Commissioner	: Heru Lelono
Commissioner	: Hermanto Siregar
Independent Commissioners	: Aviliani
Independent Commissioners	: Adhyaksa Dault

   The composition of the Board of Directors effective from the appointment of Gatot Mardiwasisto as Director of the Company after the approval of Bank Indonesia on his fit and proper test, will be as follows:

Directors :	
President Director	: Sofyan Basir
Director	: Sarwono Sudarto
Director	: Achmad Baiquni
Director	: Sulaiman Arif Arianto
Director	: A. Toni Soetirto
Director	: Lenny Sugihat
Director	: Asmawi Syam
Director	: Suprajarto
Director	: Djarot Kusumayakti
Director	: Randi Anto
Director	: Gatot Mardiwasisto

3. Grant power and authority with substitution right to the Board of Directors to take all actions necessary relating to the above mentioned decision in accordance with the prevailing laws and regulations, including to register the composition of the Board of Commissioners and the Board of Directors.

Issuance of Rupiah Subordinated Debt

In December 2009 BRI issued Rupiah Subordinated Debt II with 5-year term, 10.95% of interest rate and listed on the Indonesia Stock Exchange on 22 December 2009. Fitch rated this subordinated debt as AA (Double A; Stable Outlook) in which BRI successfully obtained Rp2 trillion proceed from the issuance.

After deducted by issuance cost, the Company would utilize all of the proceed as supplementary capital in accordance with Bank Indonesia regulation, and would be used to support for loan expansion in accordance with the prudential principals. During 2011, BRI did not issue obligation or other debt securities.

Obligation Type	Rupiah Subordinated Debt II with fixed interest rate
Interest Rate	10.95%
Period	5 Year
Due	22 December 2014
Rating (Fitch Ratings Indonesia)	AA (Fitch rating)
Issuance Value	Rp2 trillion
Coupon Payment	Quarterly
Listed on	Indonesian Stock Exchange

Chronology of Share Listing

Shares Issued by BRI are 1 share of Series A Dwiwarna and the Series B share. Bank BRI only issues 1 share of Series A Dwiwarna owned by Republic of Indonesia, which is not transferable to any other party.

The special rights granted to the holder of share of Series A Dwiwarna are:

1. Nominate members of the Board of Directors and/or members of the Board Commissioners;
2. Approve the appointment and termination of members of the Board of Directors and/or members of the Board Commissioners;
3. Approve to the Articles of Association, including changes in capital;
4. Approve in consolidation, merger, acquisition and spin off of the Company, bankruptcy filling, and the liquidation of the Company, and/or ;
5. Request report and explanation on certain issues from the Board of Directors and the Board of Commissioners in accordance with prevailing rules and regulation, especially those of the Capital Market.

By virtue of the Chairman of the Capital Market Supervisory Agency No. S-2646/PM/2003) date 31 October 2003. The statement of Registration by BRI in the event of its Initial Public Offering of Shares became effective 2,047,060,000 of Share B Shares, which represent the divested share of Republic of Indonesia and as many as 1,764,705,000 Shares B issued from the portfolio with nominal value Rp500.00. The Shares began to be traded on 10 November 2003, and were listed on the Jakarta Stock Exchange.

Subsequently, options on over subscription amounting to 381,176,000 Series B Shares, over allotment amounting to 571,761,000 series B share, both belonging to the Republic of Indonesia (divestments) each at the stock price of the Rp875,000 per share had been exercised on 10 November 2003 and 3 December 2003, respectively.

MANAGEMENT STOCK OPTION PLAN

Based on the decree of the Extraordinary General Meeting of Shareholders on 3 October 2003, the Company decided to perform a Management Stock Option Plan (MSOP). In this program, the number of stocks issued were 588,235,250.

MSOP was executed in three phases, MSOP I, MSOP II and MSOP III. The execution of MSOP I and II were based on previous Regulation of the Capital Market Supervisory Board regulation, while MSOP II was based on the Regulation on the Capital Market Supervisory Board No. IX.D.4 and Regulation of the Indonesian Stock Exchange No. Kep-305/BEJ/07-2004 on Securities Listing Procedure. The vesting periods for all MSOPs were up to one year after commencement date. The exercised MSOP shares up to the expiry date of all MSOP phases amounted to 569,876,000 shares. The exercises periods of MSOP I and II ended respectively on 9 November 2008 and November 2009. As at the end of each exercise period, total of 4.3 million shares for MSOP I and 6.1 million share for MSOP II had not been exercised.

Phase of MSOP	Number of MSOP (Shares)	Composition	Date of MSOP Issuance	Expiry Date of MSOP	Exercise Price	Accumulated Number of Shares Exercised
Phase I	235,294,100	40%	10 Nov 2003	9 Nov 2008	Rp962.50	230,999,000
Phase II	235,294,100	40%	10 Nov 2004	9 Nov 2009	Rp1,750.00	230,047,000
Phase III	117,647,050	20%	10 Nov 2005	9 Nov 2010	Pursuant to Bapepam-LK and BEI	108,830,000
Total	588,235,250					569,876,000

The exercise period of MSOP III which began on 10 November 2005 ended on 9 November 2010. The numbers of MSOP III shares allocated were 117,647,050, whereas until the expiry date, the numbers of MSOP shares exercised were 108,830,000. The exercise of the shares add equity to the Company of Rp633,164,224,500.

As the exercise period of MSOP III ended, it also ended the entire exercise periods of BRI MSOP I-III which began at the same time with the IPO of BRI on 10 November 2003. The total numbers of shares allocated on MSOP Period of all MSOP ended, the total numbers of shares exercised were 569,876,000. The exercise of the shares had caused an additional equity to the Company amounted to Rp1,366,089,110,750.

(in million Rupiah)

	Phase I	Phase II	Phase III	Total
Paid-in Capital	115,500	115,024	54,415	284,938
Agio	106,837	287,559	474,490	868,886
Other Capital (shares x option value)	27,117	80,889	10,259	212,265
Total	249,454	483,471	633,164	1,366,089

Share Ownership

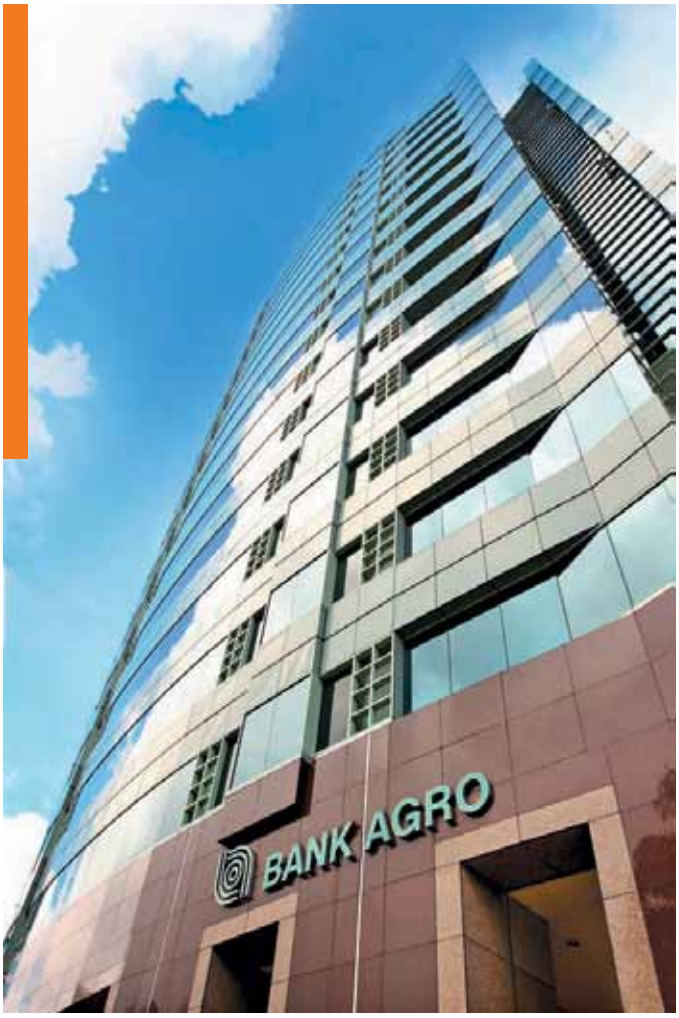
The number of BRI shareholders by the end of 2011 were 12,005 holders or had increased compare to those in 2010 of 11,697 holders. The Government is still the major shareholder of BRI with 56.75% shares while the public investor had the remaining 43.25%. From the total shares issued, there was no public investor who had more then 5% of share ownership.

Shareholder Composition of BRI

Category	Number of Shareholders		Number of Shares		Composition	
Shareholders	2010	2011	2010	2011*	2010	2011
Government	1	1	7,000,000,000	14,000,000,000	56.75%	56.75%
Public	11,696	12,004	5,334,581,000	10,669,162,000	43.25%	43.25%
Domestic Investor	10,544	10,390	794,306,225	1,714,454,105	6.44%	6.95%
Individual	6,527	6,566	103,806,300	154,926,542	0.84%	0.63%
Employee	3,616	3,415	56,784,500	103,246,500	0.46%	0.42%
Regional Government	1	1	159,000	318,000	0.00%	0.00%
Institution	400	408	633,556,425	1,455,963,063	5.14%	5.90%
Foreign Investor	1,152	1,614	4,540,274,775	8,954,707,895	36.81%	36.30%
Individual	24	38	240,000	564,500	0.00%	0.00%
Foreign Institution	1,128	1,576	4,540,034,775	8,954,143,395	36.81%	36.30%
Total	11,697	12,005	12,334,581,000	24,669,162,000	100.00%	100.00%

* Stock split was exercised on 11 January 2012 with ratio 1 : 2

SUBSIDIARIES



Company Name	Type of Business	Date of Investment	Percentage of BRI Ownership (%)	Start of Operation	Address
PT Bank BRISyariah	Sharia Commercial Bank	19 December 2007	99.99%	16 October 2008	Jl. Abdul Muis No. 2-4, Jakarta
PT Bank Agroniaga Tbk.	Commercial Bank	3 March 2011	79.78%	8 February 1990	Plaza GRI Jl. HR. Rasuna Said Blok X2 No.1, Jakarta
BRIngin Remittance Co. Ltd.	Remittance Company	16 December 2011	100%	7 April 2005	Room 1115, 11/F, Lippo Center, Tower II, 89 Queensway, Admiralty, Hong Kong

PUBLIC ACCOUNTING FIRM AND CAPITAL MARKET SUPPORTING INSTITUTIONS

PUBLIC ACCOUNTING FIRM
Purwantono, Suherman, & Surja
(Ernst & Young)
Indonesian Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Tel. (62-21) 5289 5000
Fax. (62-21) 5289 4100

SHARE REGISTRAR
PT Datindo Entrycom
Jl. Jend. Sudirman Kav. 34-35
Jakarta 10220
Tel. (62-21) 570 9009

SECURITIES DEPOSITORY
Kustodian Sentral Efek Indonesia (KSEI)
Indonesia Stock Exchange Building
Tower I, 5th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Tel. (62-21) 5299 1003
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SIGNIFICANT EVENTS

Signing of a cooperation agreement on host-to-host corporate payment between BRI and Telkom, (Jakarta, 6 January 2011)

Board of Director's media visit (Jakarta, 17 February 2011)

Delivery of Partnership Loan to communities victim of Mount Merapi eruption (Yogyakarta, 17 February 2011)

Signing of Acquisition Deed of Bank Agroniaga Tbk. share between BRI and Dapenbun (Jakarta, 3 March 2012)

Gathering of PP Forki and BRI (Jakarta, 14 March 2011)

Presentation of BRI financial performance 2010 (Jakarta, 31 March 2011)

BRI Annual General Meeting of Shareholders 2011 (Jakarta, 28 April 2011)

Presentation of the most valuable Banking Brand Indonesia 2011 Award to BRI by Brand Finance (Jakarta, 9 May 2011)

Nusantara Cerdas (Smart Nation) scholarship program by BRI and the Ministry of the National Education (Jakarta, 31 May 2012)

BRI Strategic Forum 2011
(Jakarta, 19 June 2011)

Breaking of fast with orphans
(Jakarta, 19 August 2011)

Homecoming Trip with BRI
(Jakarta, 25 August 2011)

BRI Junio Cycle Fest 2011
(Jakarta, 25 September 2011)

BRI Public Expose
(Jakarta, 5 October 2011)

Signing of MoU between BRI and the Ministry of Religious Affairs
(Jakarta, 27 October 2011)

Presentation of catheter equipment for cardiovascular treatment,
Sea Games XXVI
(Palembang, 11 November 2011)

Launching of BRI Touch
(Jakarta, 16 November 2011)

Launching of Brizzi
at Soekarno Hatta
International Airport
(Jakarta, 22 December 2011)

AWARDS

Best National Bank Driver of Entrepreneurship
Ministry of Cooperatives and Small and Medium Business of The Republic Indonesia

Banking Efficiency Award (SOE Category)
Bisnis Indonesia

Best Corporate Governance in Indonesia
World Finance

Best Disclosure & Transparency
IICD CG Conference and Award 2011

Best of The Best Awards 2011
Forbes Indonesia

Best Performance Bank (SOE Bank Category)
ABFI Banking Award 2011

Indonesia Brand Champion 2011
MarkPlus Inc.

SOE of Financial Industry with Excellent Predicate for Financial Performance 2011
Infobank Magazine

CSR Award 2011
Seputar Indonesia
Newspaper

CSR Best Practice for MDG's in Conjunction with Indonesia Millennium Development Goals
Minister of Public Welfare Coordinator of Republic

Indonesian CSR Awards 2011
Ministry of Social Affairs of the Republic Indonesia

Investor Award Best Listed Companies 2011 (Best Listed Company, Banking Sector)
Investor Magazine

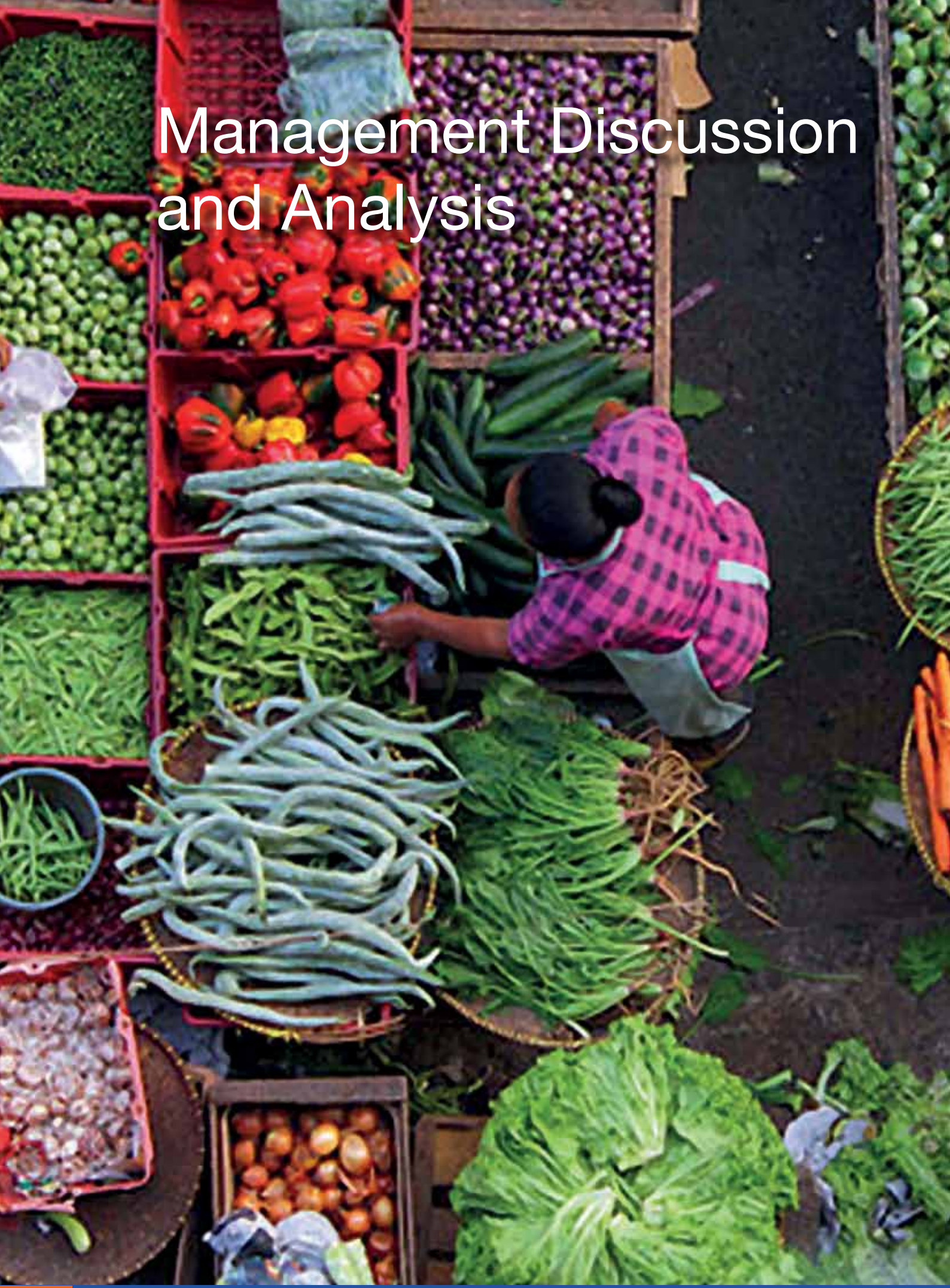
Most Valuable Brand in Indonesia Product Category Banks
SWA

Service Quality Award 2011-BRI Prioritas
CARRE

The Best Contact Center Indonesia 2011
Indonesia Contact Center Association

Top 500 Most Valuable Global Banking Brand 2011
Brand Finance

Management Discussion and Analysis



The year 2011 was a **consolidation** year for BRI with the aim of increasing Bank's capacity for **sustainable** growth in the future.

Through its consolidation in 2011, BRI succeeded in increasing the quality of loan as seen from the significant decline of NPL rate. This success had a positive impact on net-profit in 2011, and provided a more solid foundation for sustainable growth in the years to come.

NPL LEVEL *

2010

2.78%

2011

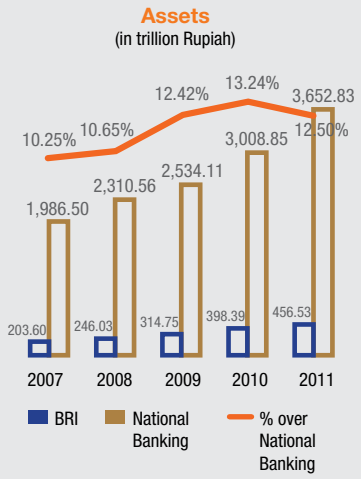
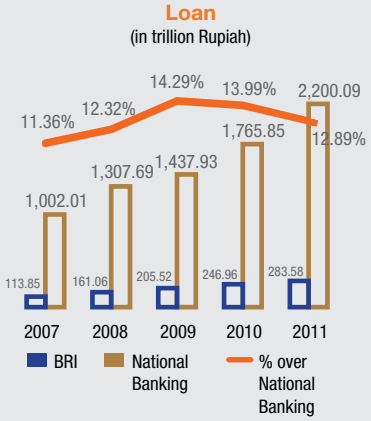
2.30%

* Bank only

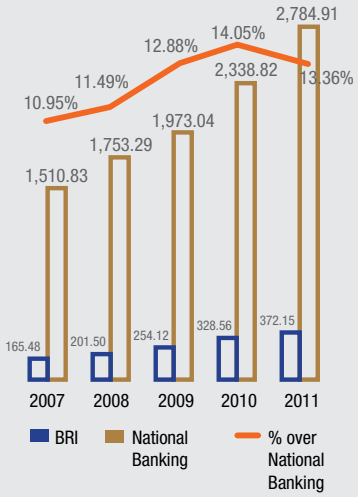
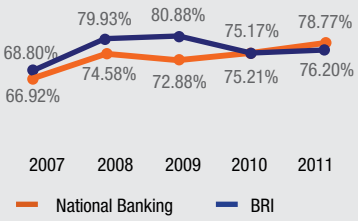
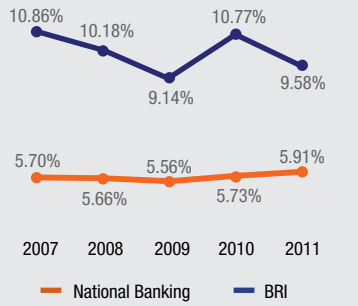
General Overview

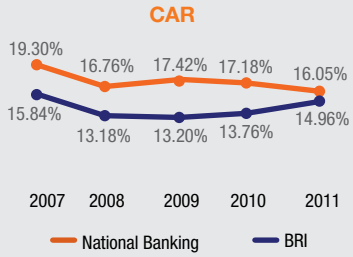
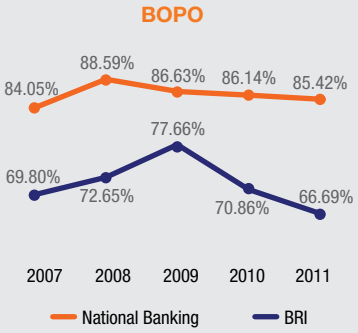
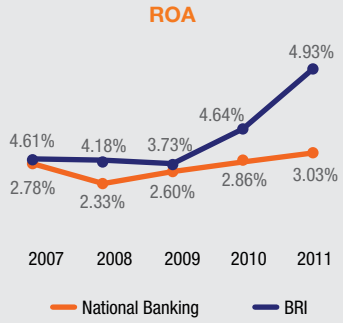
In general the performance of BRI in 2011 was satisfactory, with improving loan quality, increasing operational efficiency, and an ideal loan composition representing some of the key achievements amid an on-going consolidation. BRI achieved a profit growth of 31.52% year-on-year, increasing from Rp11.47 trillion in 2010 to Rp15.09 trillion, strengthening BRI's position as a leading bank with the highest earnings since 2005.

The followings are performance comparisons between BRI and the national banking industry:

BRI		National Banking Sector
Throughout 2011, BRI's total assets grew 14.59% to Rp456.53 trillion, from Rp398.39 trillion in 2010. BRI's market share of national banking industry's assets declined from 2010, in line with the consolidation undertaken by BRI.		Total aggregate assets of the national banking industry also increased, by 21.4%, from Rp3,008.85 trillion as of end of December 2010 to Rp3,652.83 trillion, in line with robust growth of Indonesia's GDP.
BRI's loan increased from Rp246.96 trillion as of end of December 2010 to become Rp283.58 trillion as of end of December 2011, an increase of 14.83%. This loan growth was lower than the national banking industry due to the fact that BRI undertook a consolidation program in 2011, especially in the Medium and Small Commercial segments, therefore loan market shares reduced slightly from 13.39% in 2010 to 12.89% in 2011.		Loan disbursement by the national banking industry increased significantly by 24.59% in 2011 from Rp1,765.85 trillion in 2010 to Rp2,200.09 trillion in 2011. This growth was consistent with the relatively high growth of the Indonesian economy by 6.5% in 2011.

* Bank only

BRI		National Banking
Throughout 2011, the accumulation of third party funds increased by 13.27%. Total deposits grew from Rp328.56 trillion as of year-end 2010 to Rp372.15 trillion at year-end 2011. Overall, the market share for deposits declined slightly to 13.36% from 14.05% in previous year.	**Third Party Funds** (in trillion Rupiah) 	Total aggregate third party funds of the banking industry increased by 19.07% year-on-year, from Rp2,338.82 trillion in 2010 to Rp2,784.910 trillion in 2011.
BRI's LDR increased slightly from 75.17% in 2010 to 76.20% in 2011. This was due to the growth of loan that surpassed the growth of third party deposits.	**LDR** 	Aggregate LDR of the banking industry increased from 75.21% in 2010 to 78.77% in 2011.
With its business model, BRI was able to maintain a NIM well above the average NIM of the banking industry. BRI achieved a NIM of 9.58% as of year-end 2011, lower than 10.77% as of year-end 2010. The slowing growth of loan as a result of on-going consolidation resulted in the decrease of NIM.	**NIM** 	The average NIM of the banking industry increased slightly from 5.73% as of year end 2010 to 5.91%. The increase of aggregate LDR of the banking industry contributed to the growth of NIM.

BRI		National Banking
BRI's CAR showed a growing trend reaching 14.96% as of year-end 2011, increasing from 13.76% in 2010. Lower dividend pay-out ratios, from 35% in 2009 to 30% in 2010 and to 20% in 2011 contributed significantly to the CAR increase.		In contrast with the BRI CAR that showed a growing trend, the average CAR of the national banking industry, although higher than BRI's, declined from 17.18% in 2010 to 16.05% in 2011. The high growth rate of loan was a key factor to the declining CAR of the banking industry.
BRI's BOPO (ratio of operating expense to operating income) showed declining trends over the past three years, in line with the improving operating efficiency and loan quality. BOPO was 66.69% at year-end 2011, declining from 77.66% in 2009 and 70.86% in 2010.		Since 2008 to 2011, the national banking industry's BOPO was relatively stable. In 2011, BOPO stood at 85.42%.
The improving loan composition, in which the composition of micro loan, with the highest yield, grew larger; the increase in fee based income, and increase of leverage, resulted in the increase of BRI's ROA to 4.93% as of year-end 2011, from 4.64% from the previous year, well above the ROA of the national banking industry.		The average ROA of the banking industry also increased from 2.86% in 2010 to 3.30% in 2011.

Financial Review

Throughout 2011, BRI achieved satisfactory financial results, supported by a sustainable business growth strategy and solid financial fundamentals. BRI recorded a net profit of Rp15.09 trillion, an increase of 31.52% compared to the previous year of Rp11.47 trillion. With the increase in profitability, BRI recorded a Return on Assets (ROA) of 4.93% and a Return on Equity (ROE) of 42.49%.

INCOME STATEMENT*

(in trillion Rupiah)

	2007	2008	2009	2010	2011
Interest Income	23.24	29.00	35.33	44.62	48.16
Interest Expense	(6.54)	(8.45)	(12.28)	(11.73)	(13.74)
Net Interest Income	16.70	19.65	23.05	32.89	34.43
Other Operating Income	1.82	2.54	3.27	5.54	5.78
Other Operating Expenses	(9.02)	(11.00)	(11.96)	(16.11)	(17.09)
Asset Loss Provision Expenses	(1.94)	(2.84)	(5.80)	(7.92)	(5.53)
Other Non-Operational Income/Expenses	0.22	0.48	1.33	0.51	1.17
Profit Before Tax and Minority Interest	7.78	8.82	9.89	14.91	18.76
Net Profit	4.84	5.96	7.31	11.47	15.09

* Consolidated

Interest Income

The year 2011 was a year of consolidation for BRI to build a more solid foundation for business growth and sustainable business in the years to come. Loan growth was not as high as the previous year. The lower loan growth was due to the Bank's focus on improving loan quality and selectively disbursing new loan. Throughout 2011, BRI's total loan grew by 16.64%, an increase of Rp42.03 trillion, from Rp252.52 trillion in 2010 to Rp294.52 trillion in 2011, with a consolidated NPL maintained at 2.32%. The improvement in loan quality together with a loan portfolio composition that was dominated by micro loans resulted in the increase of interest income by 7.96%, from Rp44.62 trillion in 2010 to Rp48.16 trillion in 2011.

Nevertheless, interest income from loans accounted as the largest contributor to the Bank's total interest income. In 2011, loans interest income contributed 86.86% to the total interest income, decreasing slightly from the position in 2010 at 88,73%.

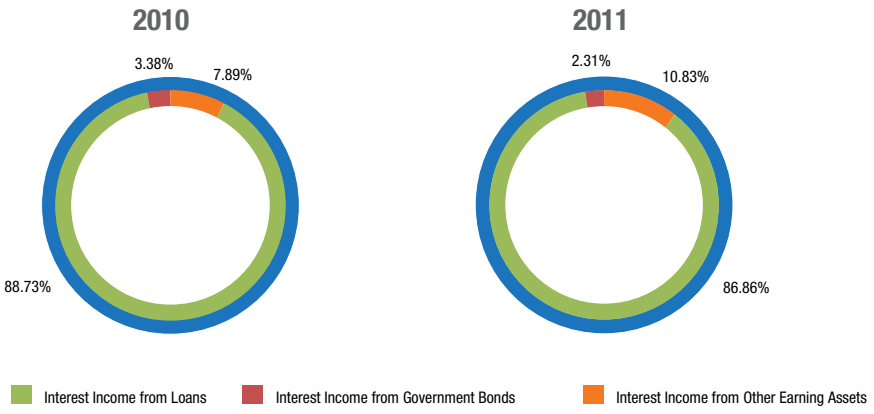
The average base lending rate during 2011 has also affected the Bank's interest income. Throughout 2011, the average base lending rate of commercial loans recorded a decrease. This decrease in the average base lending rate was a natural result in an economy that experienced a decrease in inflation rate. The policy to lower the rate was aligned with the decrease in BI benchmark rate and also in line with Government and Bank Indonesia's objective, that is the banking industry should lower their lending rates. In the long run, a lower lending rate will bring positive impact for businesses in general.

During 2011, government recapitalization bonds that matured amounted to Rp4.63 trillion. As a consequence, interest income from these bonds declined, from Rp1.51 trillion in 2010 to Rp1.11 trillion in 2011. The declining interest income from maturing government bonds was partially compensated with income from new government bonds that was bought during the year but purchased at lower discount rate corresponding to prevailing market price. The decline resulted in the decrease of interest income from government bonds of total interest income, from 3.38% in 2010 to 2.31% in 2011.

Interest income from other earning assets other than loans and government bonds amounted to Rp5.21 trillion, an increase of 48.07% from the previous year of Rp3.52 trillion.

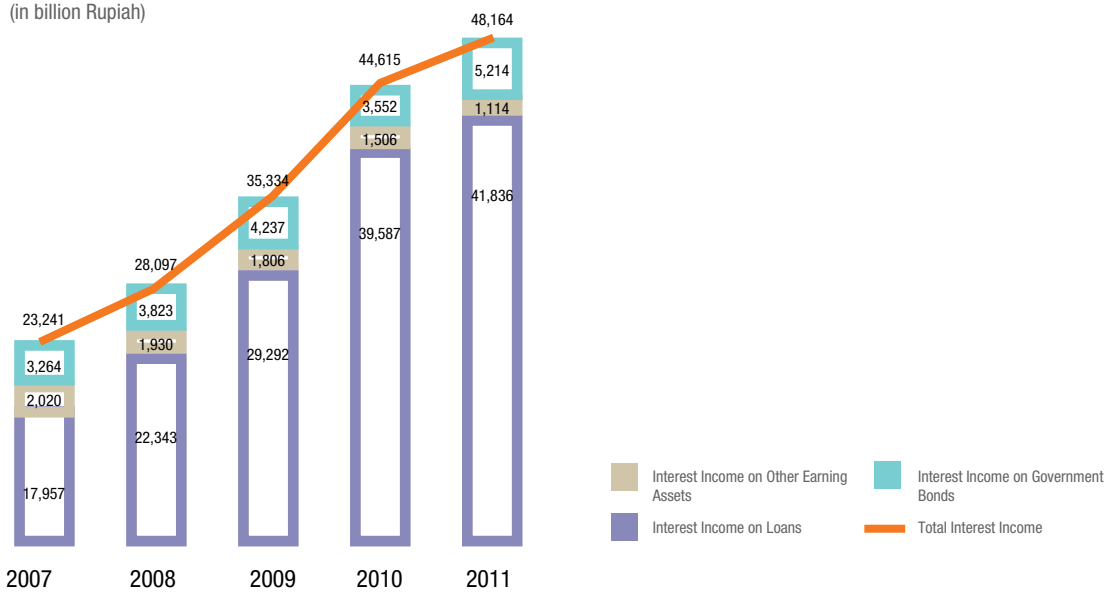
In 2011, the portion of interest income from other earning assets other than loans and government bonds to total interest income increased to 10.83%, from 7.89% the previous year.

Composition of Interest Income



Interest Income

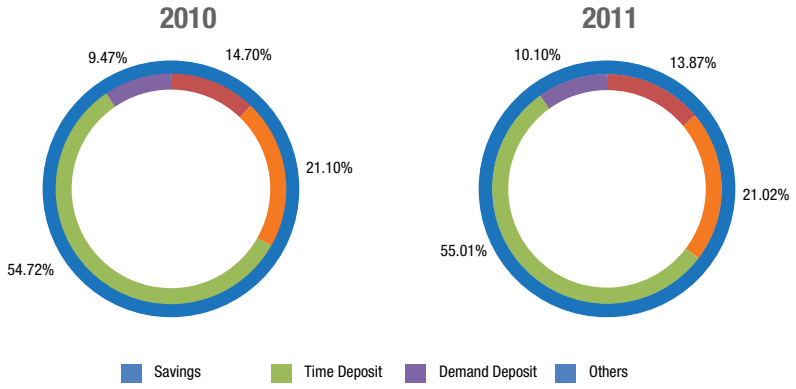
(in billion Rupiah)



Interest Expenses

Based on nominal value, interest expenses increased by 17.15% from Rp11.73 trillion in 2010 to Rp13.74 trillion in 2011 due to the growth of third party deposits, mainly from time deposit and savings products. Nevertheless, in term of percentage, in 2011 there was improvement in the Bank's cost of funds structure compared to the previous year. This was reflected in the decline of BRI's cost of fund from 4.90% in 2010 to 4.70% in 2011. The decline of cost of funds was due to the change in the composition of low-cost funds which was higher than high-cost funds, as well as the decline in the interest rate in line with the decline of Bank Indonesia's rate.

Composition of Interest Expense

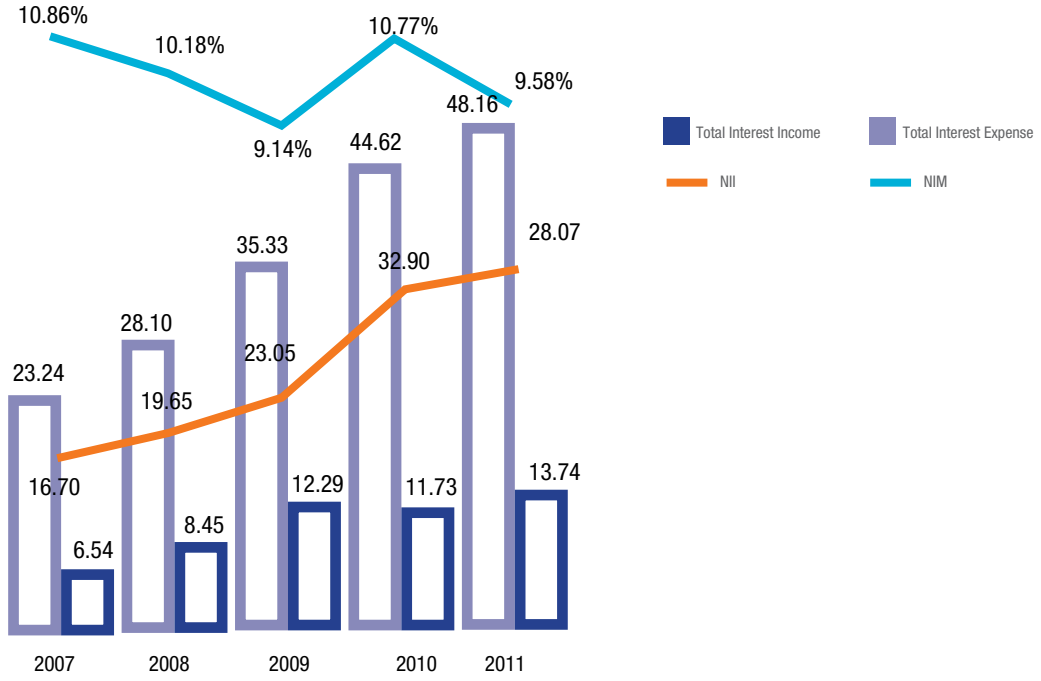


Net Interest Income

As of 31 December 2011, net interest income of BRI amounted to Rp34.43 trillion, increasing by 4.68% from Rp32.89 trillion in 2010. The increase was attributable to the increase of outstanding and the improvement of loan quality. Net Interest Margin (NIM) was recorded at 9.58%, declining from the position in 2010 at 10.77%, due to the decline of interest rate.

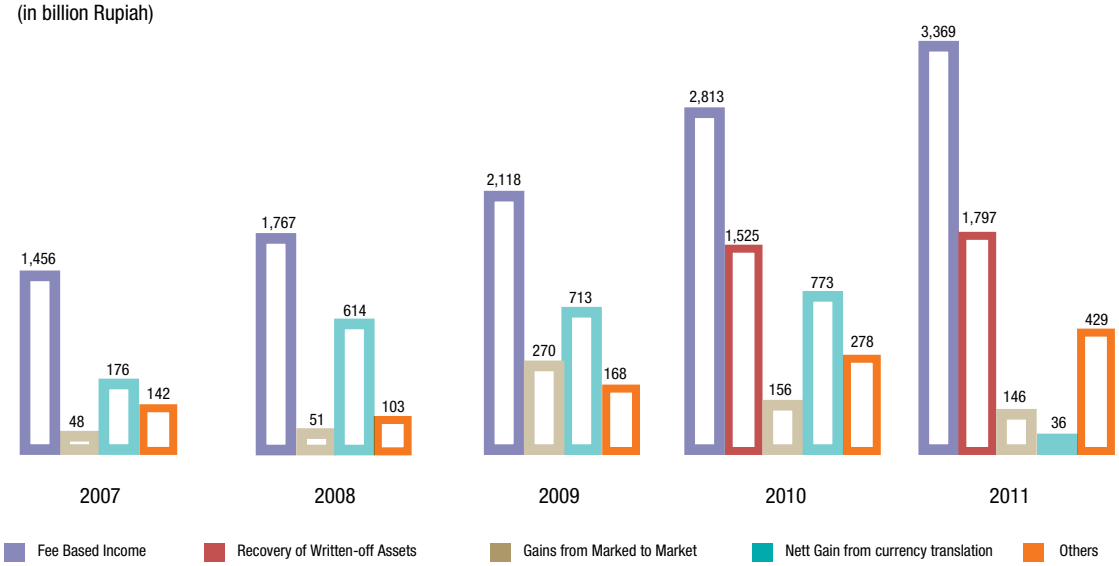
Net Interest Income/NII

(in trillion Rupiah)



Other Operating Income

(in billion Rupiah)



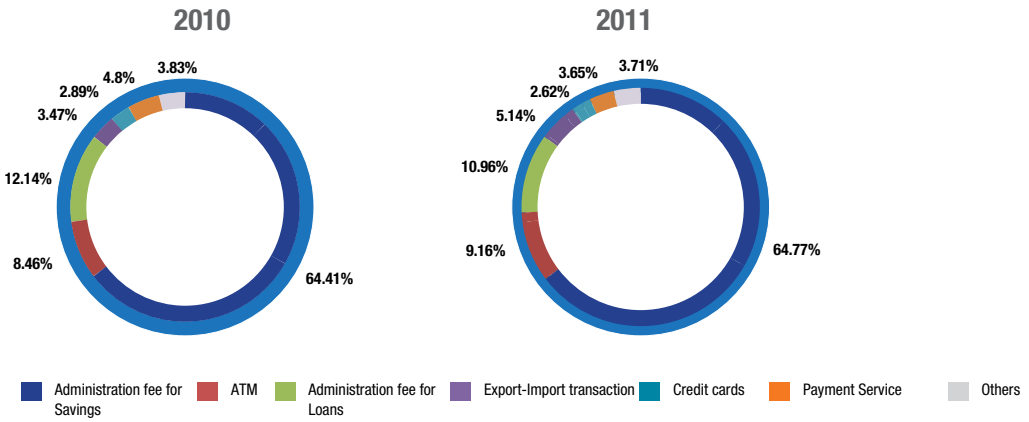
In 2011, other operating income increased slightly, from Rp5.54 trillion in 2010 to Rp5.78 trillion. With regard to the composition of other operating income, the increase was contributed mostly by fee based income, which amounted to 58.32% of the total other operating income.

Fee based income for the year ending 31 December 2011 amounted to Rp3.37 trillion, increasing by 19.78% from Rp2.81 trillion in 2010. Fee based income comprises of deposit services, ATM services, loan services, trade finance services, credit card services, treasury services, payment management services, insurance partnership services, surveillance services, underwriting services and safe deposit box rental services. The 19.78% increase of fee based income was attributable to a 20.38% increase in deposit services, 77.42% increase in trade finance services and 29.61% increase in ATM services.

In 2011, BRI recorded receipt of written-off assets in the amount of Rp1.80 trillion. Gain obtained from marked to market of securities was recorded at Rp146 billion, slightly decreasing from Rp156 billion in previous year. Gain from exchange rates amounted to Rp36 billion, a decrease from Rp773 billion in the previous year.

Other incomes which comprises of income from fines, income from early loans repayments, clearing charges and others, amounted to Rp429 billion as of December 2011, increasing by 54.40% from Rp278 billion in the previous year.

Composition of Fee Based Income



Other Operating Expenses

Other Operating Expenses increased by 6.03% from Rp16.11 trillion in 2010 to Rp17.09 trillion in 2011. This expense's increase was covered by the increase of other operating income so that Cost Efficiency Ratio (CER) improved from the level of 42.22% in the previous year to 41.17% in 2011.

Personnel expenses and benefits cost increased by Rp25.13 billion, from Rp8.68 trillion in 2010 to Rp8.70 trillion in 2011.

The increase of General and Administrative Expenses was due to the increase in the number of network and services (operating units and e-channel).

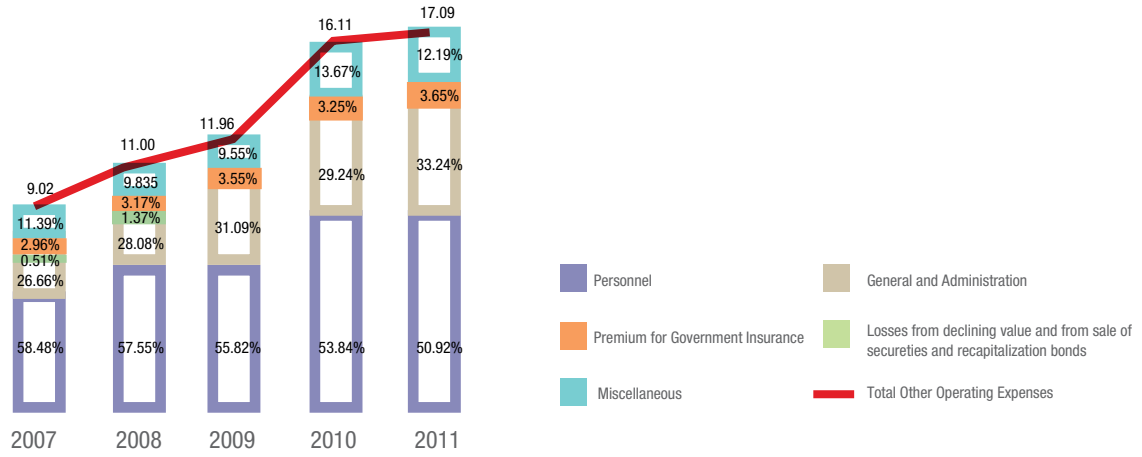
BRI continued to optimize the development, expansion as well as the quality of its network, namely Branch Offices, Sub-branch Offices, BRI Unit, ATM and other electronic delivery channels. During 2011, BRI added 18 Branch Office, 32 Sub-branch Office, 48 Cash Outlets, 200 BRI Units, 687 Teras BRI, 1,187 ATM in strategic locations, and installment of 15.554 new EDC.

(in billion Rupiah)

	2007	2008	2009	2010	2011
Personnel	5,274	6,329	6,676	8,676	8,701
General & Administration	2,405	3,088	3,718	4,711	5,679
Losses from declining value and from sale of securities and recapitalization bonds	46	150	0	0	0
Premium for Government Insurance	267	349	424	524	624
Loss from Foreign Exhange Translation	0	0	0	0	0
Miscellaneous	1,027	1,081	1,142	2,203	2,082
Total Other Operating Expenses	9,020	10,997	11,960	16,114	17,086

Other Operating Expenses

(in trillion Rupiah)



Expenses for Provision of Earning Asset Loss

Throughout 2011, the total expenses for provision of earning asset loss decreased by 30.11% from Rp7.92 trillion in 2010 to Rp5.53 trillion in 2011, in line with the improvement in the quality of earning asset in the second semester of 2011.

Income Tax Expenses

BRI's other contribution to the government beside dividend is tax payment. Income tax expenses increased from Rp3.44 trillion in 2010 to Rp3.67 trillion in 2011. This tax contribution has accounted for deferred tax benefit amounting to Rp407.32 billion.

FINANCIAL CONDITION

Supported by solid financial fundamentals, BRI achieved satisfactory financial results in 2011. The quality of assets as well as liquidity had been maintained in order to support further business expansion and also to deliver higher returns to the shareholders. The followings are BRI's summary of balance sheet in the last five years:

Balance Sheet Summary*	2007	2008	2009	2010	2011
	(in billion Rupiah)				
Total Assets	203,735	246,077	316,947	404,286	469,899
Cash	5,041	6,750	8,139	9,976	10,526
Current Account with Bank Indonesia	31,048	9,946	12,893	19,990	33,040
Current Account and Placement with Other Banks - Net	15,543	25,622	49,485	88,930	79,130
Securities - Net	20,482	24,322	25,528	23,750	48,129
Government Recapitalization Bonds	18,223	16,352	15,027	13,626	8,996
Loan Disbursed	113,973	161,108	208,123	252,489	294,515
Allowance for Impairment Losses	(6,958)	(8,005)	(11,368)	(14,103)	(16,090)
Investment - Net	77	90	111	134	165
Fixed Assets - Net	1,644	1,350	1,366	1,569	1,853
Other Assets	4,663	8,542	7,642	7,924	9,635
Derivative Receivables - Net	24	0	143	88	18
Acceptance Receivables - Net	654	479	348	660	1,692
Deferred Tax Assets	1,270	2,000	1,915	2,295	2,632
Other Assets	2,714	6,063	5,235	4,881	5,294
Total Liabilities	203,735	246,077	316,947	404,286	469,899
Liabilities	184,297	223,720	289,690	367,612	420,079
Third Party Funds	165,600	201,537	255,928	333,652	384,264
Current Account	37,162	39,923	50,094	77,364	76,779
Saving Account	72,300	88,077	104,463	125,990	154,133
Time Deposit	56,138	73,538	101,371	130,298	153,353
Immediate Liabilities	3,956	5,621	4,333	4,124	3,962
Deposits from Other Banks	1,611	3,428	4,450	5,160	4,024
Securities with Agreements to Resell	103	103	544	526	103
Borrowing	2,382	3,356	13,611	9,455	13,098
Subordinated Debt	2,140	711	2,678	2,156	2,136
Other Liabilities	8,505	8,964	8,144	12,539	12,492
Equity	19,438	22,357	27,257	36,673	49,820
Paid-in Capital	6,159	6,163	6,165	6,167	6,167
Other Capitals	3,301	2,869	3,258	3,383	3,588
Minority Interest					46
Total Retained Profit	9,978	13,325	17,835	27,123	40,019

* Consolidated figures

ASSETS

As of 31 December 2011 total assets of BRI increased by 16.23%, from Rp404.29 trillion as of December 2010 to Rp469.90 trillion. The biggest contributor to the increase in total assets was earning assets which increased by Rp52.95 trillion from Rp379.70 trillion as of December 2010 to Rp432.65 trillion by December 2011.

The composition of earning assets as of December 2011 was dominated by loans and receivables in the amount of Rp294.52 trillion or 68.07% of the total earning assets. The portion of government recapitalization bonds was 2.08% from the total earning assets, while other earning assets, including SBI and other securities were 29.85% from the total earning assets.

In line with the growth of earning assets and in several conditions, there were clear evidences of declining value as a result of deteriorating business conditions of borrowers, total amount of loan loss provisioning as of 31 December 2011 was Rp16.09 trillion, increased by 14.09% from Rp14.10 trillion in December 2010. BRI calculated its loss provisioning on the basis of impaired assets that are assessed both individually and collectively.

Cash and Current Account with Bank Indonesia

During 2011 cash increased by 5.52%, from Rp9.98 trillion in 2010 to Rp10.53 trillion as of December 2011. Current account with Bank Indonesia also increased from Rp19.99 trillion in 2010 to Rp33.04 trillion in 2011, or an increase of 65.29%. The increase was in line with Bank Indonesia regulation on Minimum Reserve Requirement, the amount of which represented the primary Minimum Reserve Requirement for Rupiah that was posted in the book of Bank Indonesia amounting to 9.33%.

Current Account and Placement with Other Banks

Current account and placement with other banks slightly decreased by 11.02%, from Rp88.93 trillion in 2010 to Rp79.13 trillion on December 2011. The decrease was due to decrease in placement of USD (third party) with other bank in 2011, namely a decrease in inter-bank call money in the amount of Rp9.77 trillion and a decrease in deposit on call in the amount of Rp900 billion.

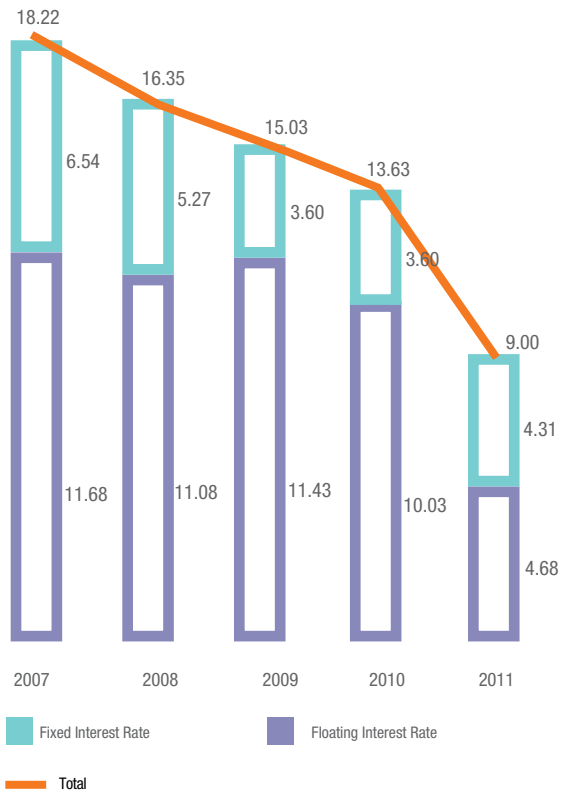
Securities

Securities held by BRI increased significantly by 102.65% from Rp23.75 trillion on 31 December 2010 to Rp48.13 trillion on 31 December 2011.

Government Recapitalization Bonds

As of 31 December 2011 BRI held Rp8.99 trillion of government recapitalization bonds, decrease slightly from Rp13.63 trillion in 2010 or 33.98%. The decrease was due to maturing government recapitalization bonds of Rp4.63 trillion, resulting in a lower contribution of the Bonds' ratio to total assets from 3.37% to 1.91%.

Government Recapitalization Bonds
(in trillion Rupiah)



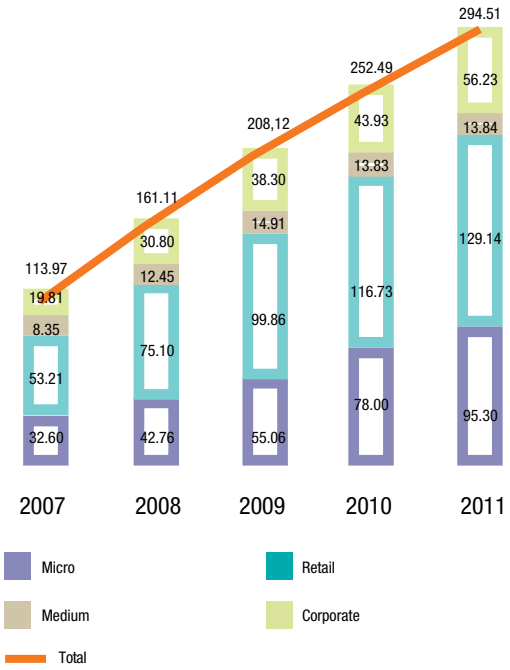
Loan

In 2011, BRI had successfully increased its total outstanding loan and sharia financing from Rp252.49 trillion in 2010 to Rp294.51 trillion in 2011, or an increase of 16.64%. As a bank that focuses its business on Micro, Small and Medium (MSME) segment, the proportion of loans to the MSME segment dominated the total loans portfolio by 80.91%, in the forms of micro loans, retail loans and medium business loans. The remaining, or 19.09% of the total loans was disbursed to the corporate segment which comprises of State-Owned Enterprise (SOE) and non-SOE business. The portion of loans to the SOE business was 57.19% of the total corporate loans.

Starting from financial year 2010, outstanding loan has been posted in line with (the accounting standard) PSAK 50/55 (revised 2006). Outstanding loan was initially accounted for at fair value, which is equal to the transaction value and subsequently posted at its amortized cost, which is the balance of principal after accounting for amortization on provision and transaction cost (BRI's expense) as long as the transaction cost could be directly attributed to, and represent additional cost toward the realization of the loan. The amortization itself uses the effective interest rate method.

Loans

(in trillion Rupiah)



Quality of Loan

BRI' loans in the category of current increased by 15.05% from Rp232.98 trillion on December 2010 to Rp268.06 trillion on December 2011. Loan in the category of special mention increased slightly from Rp12.44 trillion on December 2010 to Rp19.62 trillion on December 2011.

BRI's consolidated non performing loans gross improved, from Rp7.05 trillion on December 2010 to Rp6.84 trillion on December 2011, or a 2.32% NPL gross ratio on December 2011, compared to 2.79% in 2010.

BRI's NPL net also improved, from 0.75% on December 2010 to 0.42% on December 2011.

Loan Write-off & Recovery of Loan that has been Written-Off

In 2011, BRI wrote-off loan totaling Rp4.39 trillion and recovered loan that has been written-off in the amount of Rp1.79 trillion. Compared to 2010, loan written-off decreased by 11.46% and recovery of loans written-off increased by 57.85%.

(in trillion Rupiah)

	2009	2010	2011
Loan write-off	2.51	4.96	4.39
Recovery of written-off loans	0.77	1.14	1.79

Investment in Shares of Stocks

As of 31 December 2011, BRI's investment in shares of stock (net) amounted to Rp164.69 billion, increased by 23.01% from Rp133.89 billion on 31 December 2010. The increase was attributable to the increase in the recognized value of PT BTMU - BRI Finance from Rp135.13 billion in 2010 to Rp163.28 billion in 2011. The increase in value resulted from the accumulated growth of the Net Profit Portion of PT BTMU - BRI Finance.

Details of BRI's investment in shares of stocks as of 31 December 2011 are as follows:

a.	PT BTMU-BRI Finance (formerly PT UFJ BRI Finance)	Rp163.28 billion
b.	PT Kustodian Sentral Efek Indonesia	Rp900 million
c.	PT Sarana Bersama Pembiayaan Indonesia	Rp536 million
d.	PT Pemeringkat Efek Indonesia	Rp210 million
e.	BPR-BPR and PT Aplikasinusa Lintasarta	Rp298 million

Fixed Assets

Fixed Assets	2007	2008	2009	2010	2011
	(in billion Rupiah)				
Land & Buildings	1,340	1,436	1,582	1,811	2,017
Furnishing & Inventory	627	635	665	754	891
Vehicles	306	500	536	550	658
Computer & Software	1,884	2,025	2,159	2,289	2,424
Leasing	328	59	3	1	0
Total	4,486	4,655	4,945	5,405	5,990

In line with the network expansion of BRI, there was an increase in fixed assets investment in 2011. Fixed assets were recorded at Rp5.99 trillion, an increase of 10.83% from Rp5.41 trillion in 2010. There were no material commitments for capital expenditure in 2011.

Other Assets

On 31 December 2011, other assets amounted to Rp9.64 trillion, increased by 21.60% from Rp7.92 trillion in the previous year. This account comprises of derivative receivables, acceptation receivable, deferred tax assets and other assets. The decrease of this account in 2011 was attributable to the decrease in acceptation receivable-net amounted to Rp1.03 trillion, deferred tax asset amounted to Rp0.34 trillion and other assets amounted to Rp0.41 trillion.

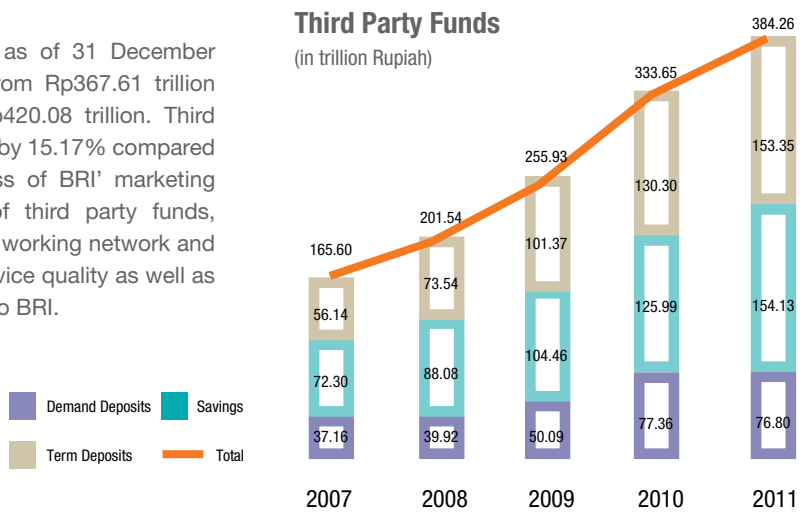
LIABILITIES

Outstanding liabilities of BRI as of 31 December 2011 increased by 14.27% from Rp367.61 trillion on 31 December 2010 to Rp420.08 trillion. Third party funds account increased by 15.17% compared to 2010, reflected the success of BRI' marketing strategy in the harnessing of third party funds, mainly due to support to BRI's working network and e-channel, improvement in service quality as well as the trust of the general public to BRI.

Third Party Funds (DPK)

Third party funds are funds raised from third party in the form of demand deposits, savings and time deposits, including sharia products such as Wadiah current account, Mudharabah savings and Mudharabah time deposits.

In 2011, BRI succeeded in increasing its third party funds from Rp333.65 trillion in 2010 to Rp384.26 trillion, an increase of 15.17% while maintaining the composition of low-cost funds and high-cost funds at the level of 60%:40%. Contribution of third party funds to total liabilities reached 91.47%.



By December 2011, savings reached highest growth compared to the growth of other components of third party funds. Savings in 2011 amounted to Rp154.13 trillion or increased by 22.34% from Rp125.99 trillion in 2010. Savings in 2011 amounted to 40.11% of the total third party funds.

This improvement in savings serve as a proof of success in several marketing campaign for savings products as well as the further development of savings product features which attracted the public to BRI's savings product.

In 2011 current account decreased slightly, 0.76% from Rp77.36 trillion on December 2010 to Rp76.78 trillion on December 2011. Time deposits amounted to Rp153.35 trillion on December 2011, increased by 17.69% compared to Rp130.30 in 2010. The increase was attributable to deposits from institutional customers such as government institutions, insurance companies, as well as from retail customers.

Current Liabilities

This account represent the liabilities of BRI to other parties that need to be settled immediately, subject to the order of the issuing party as stipulated in the liabilities notes. Some of the transactions that fall into this account include money transfer deposits, tax payment deposits, ATM and credit card deposits, clearing deposits and advance payment deposits.

As of 31 December 2011 BRI recorded current liabilities amounted to Rp3.96 trillion, decreased by 3.93% compared to Rp4.12 trillion on December 2010. The biggest contributor to this decrease is credit card deposits which amounted to Rp38.67 billion on December 2011, compared to Rp267.9 billion on December 2010.

Deposits from Other Banks and Institutions

Deposits from other banks and institutions comprise of demand deposits, savings, time deposits, interbank call money as well as deposits on call. These items are used for inter-banks transaction for operations and liquidity purposes. Deposits from other banks and institutions in 2011 amounted to Rp4.02 trillion, decreased by Rp1.14 trillion from Rp5.16 trillion in the previous year.

Borrowings

Borrowings are used, among other reasons, to finance the general business' activities of BRI and trade finance needs. This item consists of loans from Bank Indonesia (liquidity loans and loans for fixed assets investment), loans from the government, bilateral loans and other loans. Total loans received as of 31 December 2011 amounted to Rp13.10 trillion, increased by Rp3.64 trillion compared to Rp9.46 trillion as of 31 December 2010. The increase was due to increase in foreign currency loans received from several foreign banks (such as Wells Fargo, Sumitomo Mitsui Banking Corp, Citibank, N.A., JP Morgan Chase Bank, N.A, Australia N. New Zealand Bank, Bank of Montreal, The Bank of New York Mellon and The Bank of Tokyo Mitsubishi UFC, Ltd.) amounted to Rp3.21 trillion in 2011. In addition, BRI also received loans from government entities and institutions namely loans from PT Permodalan Nasional Madani (Persero) and Lembaga Pembiayaan Ekspor Indonesia, amounted to Rp0.23 trillion in 2011.

Subordinated Debt

Total subordinated debt as of 31 December 2011 amounted to Rp2.14 trillion, comprised of Rupiah Subordinated Debt II in the amount of Rp2 trillion and two-step loans in the amount of Rp141.62 billion. The Rupiah Subordinated Debt II was issued on 22 December 2009 with a period of 5 years and fixed interest scheme of 10.95% annually and was listed on the Indonesia Stock Exchange (IDX). Net proceeds from the issuance were used as supplementary capital (tier II capital) in accordance with Bank Indonesia regulation, and all the funds raised had been fully used for loan expansion in accordance with prudential principles. Compared to the year 2010, the total amount of subordinated debts had remained the same, while the amount of two-step loans decreased in terms of their principal amount by Rp21.33 billion, from a total outstanding amount of Rp162.95 billion in 2010 to Rp141.62 billion in 2011.

Other Liabilities

Other liabilities comprises of derivative liabilities, acceptation liabilities, estimated commitment and contingency loss, tax payable and other liabilities. As of 31 December 2011, other liabilities amounted to Rp12.49 trillion, or decreased by 0.38% from Rp12.54 trillion on 2010. One of contributors of this decline were coming from the decline in the amount of prepaid income.

Equity

Total equity of BRI increased by 35.85%, from Rp36.67 trillion on December 2010 to Rp49.82 on December 2011. The increase was primarily due to the increase of retained earnings from Rp27.12 trillion to Rp40.02 trillion as of 31 December 2011. This reflected support from shareholders to BRI in order to strengthen its capital, by approving dividend pay out ratio of 20% of 2010 net profit.

CASH FLOWS INFORMATION

BRI's operating, investing and financing activities in 2011 resulted in an increase of Rp5.50 trillion in the amount of cash and cash equivalent, from Rp127.52 trillion as of year-end 2010 to Rp133.02 trillion as of year-end 2011, an increase of 4.31%. The increase came from additional cash from operating activities amounting to Rp15.98 trillion, additional or receipt of net cash from investment activities amounting to Rp1.79 trillion, minus net cash used for financing activities amounting to Rp8.72 trillion.

(in trillion Rupiah)

Cash Flow*	2010	2011
Net Cash Generated from Operating Activities	54.34	15.98
Net Cash Used for Investing Activities	(2.19)	(1.79)
Net Cash (Used for)/Generated from Financing Activities	(7.07)	(8.72)

* Consolidated

Cash Flows from Operating Activities

Net cash flows from operating activities in 2011 amounted to Rp15.98 trillion. The cash inflows were mainly generated from interest income, return on investments, provision and commission, as well as sharia income, all of which amounted to Rp47.78 trillion. The cash inflows were also coming from increases in savings and time deposits, amounting to Rp28.14 trillion and Rp23.05 trillion, respectively. While the cash outflows mainly used for payment of interest expense and operating expense that amounted to Rp13.68 trillion and Rp24.29 trillion, respectively.

In 2010, net cash flows from operating activities amounted to Rp54.34 trillion, mainly generated from interest income, return on investments, provisions and commissions as well as sharia income. These inflows also came from increases in the Bank's deposits (demand deposit, savings and term deposit) that were balanced with cash outflows, primarily used for additional loan disbursement, and payment of interest and operating expenses.

Cash Flows from Investing Activities

In 2011, net cash flows from investing activities amounted to Rp1.79 trillion, generated mostly from marketable securities and government recapitalization bonds that were held to maturity amounting to Rp1.21 trillion.

In 2010, net cash flows used for investing activities amounted to Rp2.19 trillion.

Cash Flows from Financing Activities

In 2011, net cash flows that were used for financing activities amounted to Rp8.72 trillion, most of which were used to purchase securities with agreements to resell amounting to Rp9.19 trillion as well as for the appropriation of profit for dividends, special reserves and the Partnership and Community Development Program (PKBL) totalling Rp2.75 trillion, counter-balanced with Bank borrowings of Rp3.64 trillion.

While in 2010, net cash flows used for financing activities amounted to Rp7.07 trillion, mostly used for dividend payment, Partnership and Community Development Program and payment of loans received.

FINANCIAL RATIOS

	FINANCIAL RATIOS*	2010	2011
Performance Ratios			
1.	Capital Adequacy Ratio (CAR)	13.76%	14.96%
2.	Non performing earning assets and non performing non earning assets to total earning assets and total non earning assets	2.19%	1.79%
3.	Non performing earning assets to total earning assets	2.24%	1.85%
4.	Impairment loss reserve of financial assets to earning assets	4.58%	4.51%
5.	NPL gross	2.78%	2.30%
6.	NPL net	0.74%	0.42%
7.	Return on Assets (ROA)	4.64%	4.93%
8.	Return on Equity (ROE)	43.83%	42.49%
9.	Net Interest Margin (NIM)	10.77%	9.58%
10.	Operating Expenses to Operating Income	70.86%	66.69%
11.	Loan to Deposit Ratio (LDR)	75.17%	76.20%
Compliance			
1.	a. Violation on Legal Lending Limit		
	i. Related party	0.00%	0.00%
	ii. Unrelated party	0.00%	0.00%
	b. Excess of Legal Lending Limit		
	i. Related party	0.00%	0.00%
	ii. Unrelated party	0.00%	0.00%
2.	Statutory Reserves		
	a. Rupiah	8.05%	9.33%
	b. Foreign Exchange	1.00%	8.00%
3.	Net Open Position (NOP) as a whole	4.45%	5.49%

* Bank only

Capital Adequacy

Pursuant to Bank Indonesia Regulation No. 10/15/PBI/2008 of 24 September 2008, banks are required to calculate Capital Adequacy Ratio (CAR) while taking into account credit risk, market risk and operational risk. BRI's CAR in 2011 was 14.96%, increased compared to the previous year of 13.76%. The increase was attributable to BRI management prudent policies both in capital management and loan expansion toward loan with lower weighted risk.

BRI Capital Adequacy Position presented in the table as follows:

DESCRIPTION*	2007	2008	2009	2010	2011
	(in billion Rupiah)				
Core Capital	15,448	17,796	20,846	27,673	38,215
Supplementary Capital	1,819	1,945	1,993	4,037	3,601
Placement/Investment	209	553	-	-	-
Total Available Capital	17,059	19,188	22,839	31,711	41,816
Total Risk Weighted Assets of credit and market	107,711	145,581	173,068	203,316	226,605
Total Risk Weighted Assets of credit and operations	-	-	-	229,014	277,303
Total Risk Weighted Assets of credit, market and operations	-	-	-	230,447	279,603
CAR for credit and market risk	15.84%	13.18%	13.20%	15.60%	18.45%
CAR for credit and operational risk	-	-	-	13.85%	15.08%
CAR for credit, market and operational risk	-	-	-	13.76%	14.96%

* Bank only

Return on Equity

Return on Equity (ROE) as a reflection of the returns on shareholders' investment, was maintained at 42.49% in 2011, slightly below the ROE in 2010 of 43.83%. The decision to have dividend payout ratio of 20%, has effectively increased BRI's retained earnings significantly, strengthening the equity of the Bank. Thus, a higher increase in equity than in the increase of net profit during 2011 had led to the lower ROE in 2011 than in year 2010.

While Return on Assets (ROA) before tax slightly increased from 4.64% as of December 2010 to 4.93% as of December 2011. However, both ROE and ROA ratios were above industry averages.

Net Interest Margin

BI's decision to lower benchmark rate by 50 basis point in 2011 resulted in the decline of Net Interest Margin across the national banking industry. Nevertheless, BRI succeeded in maintaining its NIM at 9.58%, well above the national banking average, although slightly below the NIM of 10.77% in 2010.

Loan to Deposit Ratio

BRI kept its commitment to disburse loan in order to support the growth of the Indonesian economy. BRI's Loan to Deposit Ratio increased from 75.17% in 2010 to 76.20% in 2011.

BOPO (Operating Expense to Operating Income)

BRI's achievements in improving loan quality, maintaining relatively high ROE, ROA and NIM, as well as the increase of LDR and also supported by the efficiency improvement in banking operational activities throughout 2011, had been contributing to a lowering BOPO of 66.69% in 2011, down from 70.86% in 2010.

Statutory Reserves

In compliance to Bank Indonesia regulation, BRI is required to maintain Minimum Reserves Requirement, both in Rupiah and Foreign Exchange. As of December 2011, BRI's Rupiah Reserve position was 9.33% while Foreign Exchange Reserve position was 8%.

Net Open Position

In accordance with Bank Indonesia's regulation, Net Open Position as a whole is defined as the total absolute amount of the net balance between assets and liabilities, and between the receivables and liabilities accruing from the administrative accounts of respective foreign currencies that are stated in Rupiah. In 2011, BRI's ratio of Net Open Position was 5.49%, increasing from the Net Open Position of 4.45% in 2010.

As of 31 December 2011, BRI fulfilled all statutory ratios in accordance with Bank Indonesia regulation as well as other prevailing laws and regulations.

In addition, most of the key financial ratios presented above, reflecting strong financial fundamental or foundation of BRI, and also showed BRI's impressive performance, by conducting financial intermediary role thoroughly in a professional, transparent and accountable manner.

OTHER FINANCIAL INFORMATION

Extraordinary Events

There were no financial information reports that were recorded in regard to infrequent and extraordinary events during 2011.

Subsequent Events

No material facts and information arose on events subsequent to the date of financial report.

Information on Investment/Divestment

In 2011, BRI completed two acquisitions, the acquisition of PT Bank Agroniaga Tbk. on 3 March 2011 and the acquisition of BRIngin Remittance Company on 16 December 2011. Additional information on these acquisition is presented in the section of Subsidiary Companies on page 234.

Use of Initial Public Offering (IPO) Proceeds

As of year end 2009, all of the proceeds of IPO amounting to Rp1.47 trillion had been utilized in accordance with the proceed utilization plan, as follows:

No.	Planned Use of Proceeds	Realization (Rp billion)
1.	Upgrading of information reporting system and implementing of core banking system (60%)	883.27
2.	Network expansion of branch offices and units (30%)	441.63
3.	Funding for growth, research and development, disbursed loans and other financing (10%)	147.21
	Total	1,472.11

Use of Proceeds on the Issuance of the Rupiah Subordinated Bonds II

BRI had used all of the proceeds from its Subordinated Bonds II in 2009 amounting to Rp2 trillion for loan disbursement. According to BRI's data, total loan outstanding in the first quarter of 2010 alone amounted to Rp3.17 trillion, well above the proceeds from the bonds issuance.

New Regulations in 2012

1. **Calculation of Credit Weighted Risk using the Standardized Approach**

   BRI had been completely prepared to implement the calculation of the risk weighted assets for credit risk using the standardized approach for its financial statements of 2012 complying to the Bank Indonesia Circular Letter Number 13/6/DPNP dated 18 February 2011. This approach will affect the calculation of BRI's liability of Minimum Capital Adequacy ratio, in which the ratio will decline slightly, primarily due to the grouping of loans with plafond above Rp1 billion classified into the corporate collectibles portfolio category with a weighted risk of 100%.

   The implementation of this new regulations would not reduce the BRI's CAR significantly, since BRI will keep focusing on the MSME business segment, in which as of December 2011, the MSME loans accounted for 80.91% of BRI total loan, and also focusing in disbursing loans which have lower risk-weighted, such as loans to SOE.

2. **The measurement of Bank's soundness using Risk Based Bank Rating**

   BRI implements the measurement of the Bank's soundness by using the Risk Based Bank Rating approach complying to Bank Indonesia Regulation No: 31/1/PBI/2011 of 5 January 2011 and Bank Indonesia Circular Letter No. 13/24/DPNP of 25 October 2011, starting from 2012. This measurement through the RBBR method considers four factors, namely Good Corporate Governance, Risk Profile, Earnings and Capital.

   The result of the RBBR method of measurement of BRI's Soundness (bank only) as of December 2011 (unaudited) resulted in the composite rating of 1 (extremely sound) as reflected in the assessed factors, including risk profile, GCG implementation, earnings power, as well as capital that in general are extremely good.

BUSINESS REVIEW

Micro, Small & Medium Sized Business

Since the beginning BRI has the commitment to develop Micro, Small and Medium-sized Enterprises (MSME) which represents the main focus of BRI's banking business. That commitment is evident from majority of BRI's loan disbursement portfolio that are directed to the MSME segment.

BRI strong commitments to the development of MSME can be seen in the scale of resources and infrastructure that is provided by BRI to serve this segment. BRI aims to provide this through the provision of products and services in the micro business, small commercial business and medium business segments.

MICRO BUSINESS

One of BRI's vision is to become the best micro banking institution in the world in terms of profitability and sustainability, and by prioritizing customer satisfaction.

The growth strategy of BRI in the micro business segment is to continue expanding the reach of the Bank's services to the far reaches of Indonesia, by providing micro financing products and services that are simple, secured and easy to be accessed by customers. In order to do that, BRI has prepared and developed a reliable system to support the growth of its customer base for lending and savings. In addition, BRI continues to develop human resources with high level of integrity and professionalism in the micro financial field.

Throughout 2011, BRI disbursed a total of Rp78.99 trillion in commercial micro loans, Rp9.29 trillion increase or 13.34% from that of 2010.

Besides Kupedes, BRI is also disbursing KUR Micro which is a financing scheme dedicated to new start-up Micro entrepreneurs and it is backed by a loan insurance guarantee from government through state-owned insurance companies. For BRI, the disbursement of KUR Micro can be used as a vehicle to broaden the potential borrower base of Kupedes. The loan insurance guarantee from the government covers 70% of the KUR Micro loans loss, and as such makes the KUR Micro becomes loan scheme with reasonable risk and return profile for BRI. KUR Micro was initially disbursed in 2008, and as of year-end 2011 has gained a total of 1.93 million borrowers with total outstanding loans of Rp11.20 trillion.

Developing Leading Micro Banking Products

To increase the number of customers, BRI constantly strive to develop new features for micro lending products and supporting policies that are aligned with the needs of the customers, which also serve as BRI's micro banking measure of success.

A number of these new features have been developed for the Kupedes (micro loans) and Simpedes (micro savings) products, marketed in 2011, which include:

- Kupedes for Motorcycle Financing
  This Kupedes feature provides financing facility for the purchase of motorcycle using the motorcycle itself as collateral. Previously, customers of BRI Unit purchased their motorcycle either through cash payment or loan from lending institution that are provided by the motorcycle dealers. With enhancement to the Kupedes feature, the need of micro customer for motorcycle financing can be facilitated through BRI.

- Kupedes for House Financing
  This feature provides for the need of micro segment customers for the purchase, construction or renovation of houses or business premises. This feature has been developed with consideration that up-to-now banks generally only provide mortgage in urban centers while the needs of the micro segment have not been met by existing mortgage scheme.

- Kupedes for Direct Supply of Water Utility Municipality Company (PDAM)
  Public demands for water utility facilities from PDAM continues to increase. However, the cost of water pipe installation is generally passed on to the customer. The relatively high cost of installation represent a hindrance to some people of communities to obtain PDAM water facilities. A solution provided by BRI is to offer financing for the installation of new PDAM connection through the BRI Kupedes.

- KUR Micro for Indonesian Migrant Workers
  Pursuant to addendum III of the KUR MoU that was signed on 16 September 2010, BRI has disbursed KUR to Indonesian migrant workers overseas. The KUR TKI, as it is called, is a KUR loan scheme that is provided to Indonesian migrant workers to cover their part of expenses for their relocation overseas.

- Simpedes Impian (Simpedes Dream)
  The Simpedes Dream is a product diversification of the BRI Simpedes that is designed to accommodates the needs of customer in planning for the future with respect to investment, education and other financially related plans.

- Simpedes Usaha (Simpedes Business)
  A Simpedes feature that specifically provides convenience for customer to engage in banking transactions in support of their business.

Micro Business Marketing Program

To achieve the target for 2011, in terms of increasing the number of accounts as well as the amount of instanding savings and outstanding loans, and also to increase customer loyalty, BRI undertook an integrated marketing program as follows:

Program for Business Expansion and Acquisition of New Customer

Pesta Rakyat Simpedes (PRS)

PRS, the Simpedes Folks Festival, is designed as a special event in the marketing of Simpedes that was first undertaken in 2008.

The PRS festival is staged as an integrated marketing activity for the loan products Kupedes and KUR, Simpedes and e-banking product. Through out 2011, PRS was organized in 273 BRI branch offices, carrying the theme of e-banking, especially sms-banking.

BRI Cares for Traditional Markets (BRI Pesat)

Through the BRI Pesat program, BRI undertakes the integrated marketing for BRI products (savings, loans, e-banking and others) in traditional markets that connects directly with the community of traders and consumers in those markets. The objectives of the BRI Pesat program include:

- To build and revive the awareness of traditional market communities of traders and consumers towards BRI products and services.
- To increase the number of customer (volume base) namely depositors, borrowers as well as other banking transactions.
- To assist the traditional markets trader community in their efforts to obtain banking services in connection with growing their businesses through soft loan financing.
- To assist the Traditional Market Office in its efforts to organize a more clean, sanitary and comfortable traditional market through the Partnership Program and Community Development (PKBL). This program does not limit itself to support physical facilities, but also covers non-physical support (such as medication etc.)

Panen Bulanan Simpedes (PBS) or Simpedes Monthly Harvest

PBS is a sweepstakes program for customers who are not accommodated by the sweepstakes program held at Branch Office level. PBS is carried out by every BRI Unit once every two months, and is rotated among the BRI Units under the direction of Branch Office.

Partnership Program

BRI also develops its Micro Business through cooperation with several partners from the private sectors, government and non-governmental organization with the aim of expanding the micro customer base. In this partnership program, BRI acquires new customer through various events that offer banking product and services that suit the needs of potential partners.

We truly appreciate the presence of BRI in our Community. Through the program of empowering small businesses in our areas, BRI has succeeded at the same time to improve the living standards and economies of our communities. We also benefit considerably from the widespread BRI ATM network in our neighborhoods, which makes it easy for us to do our banking transactions. BRI is also widely known in our communities relative to other banks in the Cisarua region.

In addition to the SME empowerment, the Plant One Million Trees program of BRI is greatly appreciated by our folks, so that the areas of Puncak can become green again, and water supply could be restored, considering that water catchment areas in the region have diminished over the years.

Our expectation of BRI is that loan disbursement could be made less bureaucratic and aligned with the capacity of our folks. Also, we hope that BRI could help develop the economic potential of our cattle breeding business at Citeko that has not been capitalized to its full potential by local communities.

H. Mamad Sukendar
Village Head, Citeko, Cisarua, Bogor
Population: 12,761 people

Programs to Increase Customer loyalty

BRI also undertakes activities that are aimed at increasing customer loyalty as well public awareness towards a whole range of BRI's micro banking products, such as:

- **The Loyalty Marketing Program Through Joint Homecoming with Kupedes and Simpedes**
  In 2011, the traditional Joint Homecoming with Kupedes and Simpedes (for the Ied celebration) took care of 3,068 customers of Kupedes and Simpedes using 52 busses, and brought home 50 migrant workers from Malaysia, to destinations in Central Java, East Java and Yogyakarta.

- **Marketing Program Through Trade Fairs**
  BRI participated in a number of trade fairs and exhibits, including Inacraft, fashion and culinary events and others, by showcasing BRI micro customers in these events to expose them to broader market opportunities.

Microfinance International Cooperation

Starting with the International Visitor Program to showcase the micro banking activities of BRI, which subsequently received recognition in the form of grants from USAID and the World Bank/ CGAP (Consultative Group to Assist the Poor), BRI capitalized on this momentum to establish the BRI Microfinance International Cooperation (MIC) in 2008. MIC represents one of BRI's manifestation of global corporate social responsibility within the framework of developing the leading microfinance business in the world.

Through MIC, BRI undertakes the Microfinance Training and Study Visit (MTSV), business captures, and technical assistance in the microfinance field. BRI MIC has also forged cooperations with various microfinance institutions throughout the world such as Asia-Pacific Rural and Agricultural Credit Association (APRACA), Microfinance Network (MFN), Microcredit Summit, Banking With The Poor (BWTP), Woman World Banking, APEC, and others.

H. Burdahedi
Construction Hardware Store Owner
BRI Micro Business Customer

I have been a BRI borrower since 2010. Currently my loan outstanding ceiling is Rp50 million, which is mainly used to manage inventory stock in my construction hardware store.

The services that I receive from BRI is satisfactory, simple and straightforward when applying for loan, and ***not for one moment will I consider of changing banks*** although many banks are offering me similar loan facilities. I This is because I feel that I have forged a special bond with the staffs of the BRI Unit that I belong to.

Development Plans

Growth Acceleration in Micro Business

BRI will continue to market its micro banking products and services more aggressively in the coming years. To do this, one of the strategy is by pro actively reaching out to potential customers in the market.

To accelerate business growth, market testing will be carried out in business clusters that are deemed potential for the micro banking products and services of the respective BRI Units throughout the country. BRI's Head Office will support the development of micro business by fostering good relations with institutions, government entities and other third parties at their Head Office to open and ease market penetration by BRI Operating Units in the region.

Strengthening the Customer Base

The marketing of lending and savings products are not merely measured by the amount of Rupiah, but needs to be followed by increasing number of customers as well. Increasing number of customers is expected to strengthen BRI's customer base, while also empowering local economies to grow.

Developing Professional HR

The growth in the number of operating units needs to be supported by qualified personnel in adequate number. To that end, BRI continues to ensure that the number of workforce is adequate and that the quality of personnel is enhanced through periodical and continuous training and education.

Re-organising the Micro Business

The Micro Business organization structure has been and will be modified in such a way that it provides room for the advancement of policies that are proactive, versatile and focused by maximizing all potentials to support the growth acceleration of the Bank's Micro Business.

Enhancing Product Features

Simpedes

The enhancement of the product features of Simpedes is primarily aimed at brand rejuvenation to make Simpedes more attractive to younger generation. In addition, the Simpedes features will also be enhanced to meet the growing needs of micro customers who are looking for a savings product that can also be used to carry out business transactions as well as for private needs.

Kupedes

According to data from the Ministry of Cooperatives on loan disbursement, out of the total number of MSME that is estimated at 55.21 million businesses, the banking service has so far reached less than 25% of those MSME. As such, BRI has actively developed new Kupedes features that are designed to provide greater access to potential borrowers without detracting from the simplicity of the Kupedes product. The Bank expects that these feature enhancements will absorb a greater portion of the market and increase the number of micro borrowers.

SMALL COMMERCIAL AND MEDIUM BUSINESSES

The Small Commercial and Medium businesses are aimed at the small and medium-scale enterprise segment for both working capital and investment loans, as well as program loans that is linked to government programs in connection with grass root economic empowerment.

Not only for productive businesses, BRI also provides its products and services to finance private consumption of individuals who are working in the private sector or public sector through Briguna.

Strategy and Performance of Small Commercial and Medium Business

The year 2011 was a consolidation year for the Small Commercial and Medium Business of BRI. This was an action that was chosen by BRI in its efforts to improve the quality of earning assets in this segment, which during the past two years had shown increasing non performing loan (NPL) ratio. In broad terms, there were two main steps taken to redress the situation. The first one constitutes the Remedial Steps, taken on an ad-hoc basis, and short-term in nature, aimed at reducing the level of existing classified loans, with the purpose of reducing NPL ratio by year-end 2011. The second one is the Proactive Steps, which consist of preventive measures to ensure that there would not be any loan deterioration beyond normal business level in the future. The remedial measures taken from early 2011 produced encouraging results, in which the NPL ratio for the Small Commercial and Medium Business segments declined from 5.11% and 6.90%, respectively, at year-end 2010 to 4.53% and 7.11% at year-end 2011.

PROGRAM BUSINESS

Strategy and Performance of Program Loans

BRI employs a hands-on strategy in the development of the Program Business, by allocating maximum resources to support this Program Business development. The strategy has succeeded in positioning BRI as the leading banking proponent in the disbursement of program loans that are an integral part of the government's national development program, without detracting from the principles of prudential and professional banking.

Disbursement of Retail KUR

The program loan that is mostly disbursed through the Program Business segment is the Retail KUR that is aimed at start-up entrepreneurs with loans ranging from above Rp20 million to Rp500 million with loan insurance guaranteed by the government. As of year-end 2011, BRI had helped 64,373 borrowers comprising of small-business owners and cooperatives, a sharp increase of 16,117 borrowers from the number of borrowers in 2010. These achievements were attributed to BRI's commitments to support the government's program in increasing financing access for the MSME sector in Indonesia.

Throughout 2011, total outstanding Retail KUR increased by 35.44 % from Rp3.43 trillion in 2010 to Rp4.65 trillion in 2011.

Outstanding Retail KUR

Outstanding	2007	2008	2009	2010	2011	Growth (YoY)
	(in trillion Rupiah)					
Retail KUR	0.24	2.40	2.47	3.43	4.65	35.44%

In 2011, the cumulative realization of Retail KUR increased by 47.46% from Rp6.49 trillion in 2010 to Rp9.57 trillion in 2011.

Retail KUR Realization

Realization	2007	2008	2009	2010	2011	Growth (YoY)
	(in trillion Rupiah)					
Retail KUR	0.29	3.05	4.18	6.49	9.57	47.46%

Disbursement of Food Security Loans

Through the subsidized program loans, BRI has supported the food security program by disbursing the Food and Energy Security Loan (known as KKP-E), the Warehouse Receipt Subsidy Scheme (known as S-SRG), and the Plantation Revitalization and Renewable Energy Development Loan Scheme (known as KPEN-RP). The KKP-E loan scheme has proficiently helped farmers, breeders, fishermen and cultivators in increasing the volume of their agricultural production.

As of year-end 2011, BRI had cumulatively disbursed a total of Rp4.23 trillion of KKP-E, with a total outstanding of Rp1.97 trillion that made BRI the market leader in the disbursement of national KKP-E with a market share of 58.13% of the outstanding national KKP-E totalling Rp3.03 trillion.

Whereas in 2011, BRI disbursed a total of Rp1.45 trillion of KKP-E, an increase of 52.15% from the disbursement of KKP-E in 2010 totalling Rp2.78 trillion, with an increase in the total amount of outstanding KKPE by Rp0.44 trillion or 28.75% compared to Rp1.53 trillion in 2010. The BRI KKP-E has helped 6,609 farmers, breeders, cultivators and cooperatives in increasing their agricultural production.

Outstanding KKP-E

Outstanding	2007	2008	2009	2010	2011	Growth (YoY)
	(in trillion Rupiah)					
KKP-E	0.58	0.90	1.21	1.82	1.97	8.24%

The KKP-E schemes are provided to small-scale cultivation of sugar cane, food crops, horticulture, food production, animal husbandry, and agriculture machineries.

Disbursement of Briguna Loan

In 2011, the Briguna loan that was aimed at financing the private consumption of employees or retirees who had fixed income, grew by 6.56% to reach Rp43.79 trillion.

Plans to Increase Penetration and Market Development

The focus of BRI on the Small Commercial and Medium Business segment is to continue to increase market penetration and development.

The market development strategy is focused on efforts to identify potential Briguna customers from the private sectors, the establishment of the SME Center, and the implementation of the so-called Closed Financing System that can contribute to the Trickle Down Effect for businesses within the same industry supply chain that has the potential of developing into a sound loan portfolio; supported by the comprehensive knowledge of BRI account officers over the businesses of customers.

Market penetration is carried out by product feature improvements while also intensifying cooperations with government entities that have large customer bases. Improvements in the level and speed of services, accompanied with adequate IT support as well as professional and skilled personnel will continue to be maintained and developed in order to increase market penetration and business development.

By utilizing the vast network of BRI throughout the country, I hope that BRI could engage our business subsidiaries that are spread across 17 provinces of Indonesia. The roles of these subsidiaries are essential to our business of supplying and distributing recycled oil.

To date very few businesses are interested in this particular type of waste recycle business, but ***I am confident that this business will grow rapidly in several years to come, especially with adequate banking support, from BRI.*** In addition to providing working capital loans, I also hope that BRI could provide managerial mentoring to the subsidiaries of our business group.

Nelson Siagian
Proprietor, CV Nelma Mandiri
BRI Small Commercial Customer

Consumer Business

BRI develops its consumer banking products and services innovatively, creatively and practically to meet consumer needs. The consumer banking products that are offered through the BRI service networks are broad and diverse, encompassing savings and deposits, consumer loan and the BRI Priority service.

FUNDS AND SERVICES

Deposit Products

BritAma

BritAma is a leading savings product that competes in the third party funds market in urban areas and is aimed at customers that require convenience and accessibility for their banking transaction. Available in Rupiah and foreign currency denomination, BritAma offers deposits and the withdrawals that can be made at all times through BRI's on line network of more than 7,000 operating units throughout Indonesia with unlimited withdrawal frequencies subject to prevailing terms and conditions. BritAma account holders are provided with the BRI Card that can be used for ATM transactions or debit purchases throughout the world, while also providing convenient access to e-banking transaction, BRI on line transaction and other automated transaction facilities (automatic funds transfer, automatic grab fund, account sweep). Account holders also participate in the lottery program, "Untung Beliung BritAma" (Britama Wind of Fortune).

BritAma Savings continue to grow over the years. Third party funds accumulation through BritAma reached Rp59.38 trillion as of year-end 2011, or increased by 25.47% from Rp47.33 trillion in 2010.

BRI Junio Savings

BRI Junio savings is specifically aimed at customers below 17 years of age. The objective of this savings product is to introduce banking products since the early age to younger people, particularly inducing them to save money. BRI Junio Savings is very attractive to this particular segment due to its features of popular cartoon and superhero characters in the BRI Card Private Label Limited Edition such as Superman, Tweety and Tom and Jerry. In addition customers of BRI Junio Savings are exempted from administration fees and are eligible for the lottery program "Untung Beliung BritAma."

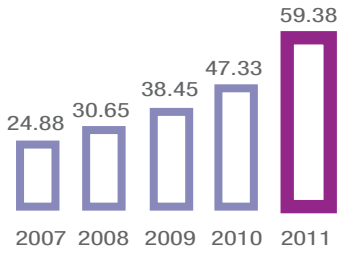
Third party funds accumulation through this product reached Rp1.06 trillion as of year-end 2011, or increased by 52% from Rp502.23 billion in 2010.

In 2011, in a survey done by Marketing Magazine and Frontier Consulting Group, BRI earned the Top Brand Award in two savings product categories, the Children savings account category for BRI Junio Savings and the savings account category for BritAma Savings. In addition, BRI also won the First Winner & Saving Account Category 2011 from SWA and Mars Magazine.

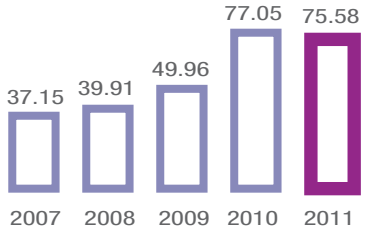
GiroBRI

GiroBRI is a demand deposit product to harness low cost fund from the market. GiroBRI is available in Rupiah and foreign currency denomination. Customers can make deposits and withdrawal at any time without nominal limitation. GiroBRI comes with BRIVA (BRI Virtual Account) facility that provides easy access to deposit and business transaction reconciliation for customer. Third party funds accumulation from this product reached Rp75.58 trillion as of year-end 2011.

BritAma
(in trilion Rupiah)



GiroBRI
(in trilion Rupiah)



DepoBRI

Another source of third party funds is the Time Deposit Account named DepoBRI. The time deposit offers various tenors from 1, 2, 3, 6, 12, 18 months to 24 months. DepoBRI has several advantages, such as competitive interest rates, and is available in Rupiah and several foreign currencies denominations including GBP, JPY, USD, SGD, CNY, and EUR, redeemable in all of BRI operating units. DepoBRI can also be used as cash collateral for back-to-back loans.

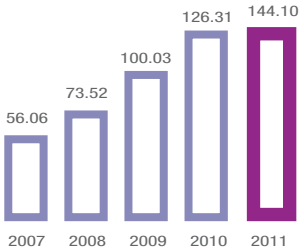
DepoBRI has continued to increase over the years, a testimony that this product has gained the trust and preference of the public. As of year-end 2011, DepoBRI amounted to Rp144.10 trillion compared to Rp126.31 trillion in 2010.

Haj Savings

The Haj Savings is a savings product designed to help customers who want to perform their haj pilgrimage, by fulfilling haj pilgrimage travel cost (BPIH), both normal BPIH or special (VIP) BPIH. Several leading features of this product include deposit that can be made on line in all BRI operating units and is linked directly (host-to-host) through a switching application with the information system (Siskohat) of the Ministry of Religious Affairs. Customers are also exempted from administration fees and receive souvenir upon the full payment of their BPIH.

Over the past four years, the Haj Savings have continued to perform encouragingly. Third party funds accumulation reached Rp1.91 trillion as of year end 2011, or increased by 18.15% from Rp1.61 trillion in 2010.

DepoBRI
(in trillion Rupiah)



"Untung Beliung BritAma" Program

The Untung Beliung BritAma (UBB) lottery program represents both customer retention/loyalty and acquisition programs for the BritAma Savings as part of the strategy to accumulate funds and increase the balance of BritAma Savings. This UBB program has gone through five seasons since 2007, and has succeeded in increasing public awareness of the BritAma Savings.

Plans for 2012

BRI plans to keep creating new attractive savings products and more creative and innovative BritAma Savings marketing programs through acquisition, retention, and loyalty programs. Apart from that BRI will also focus on increasing its market share on funding in urban areas, while also developing retail and e-banking products that generate fee based income by expanding and increasing the number of delivery channels particularly electronic channels.

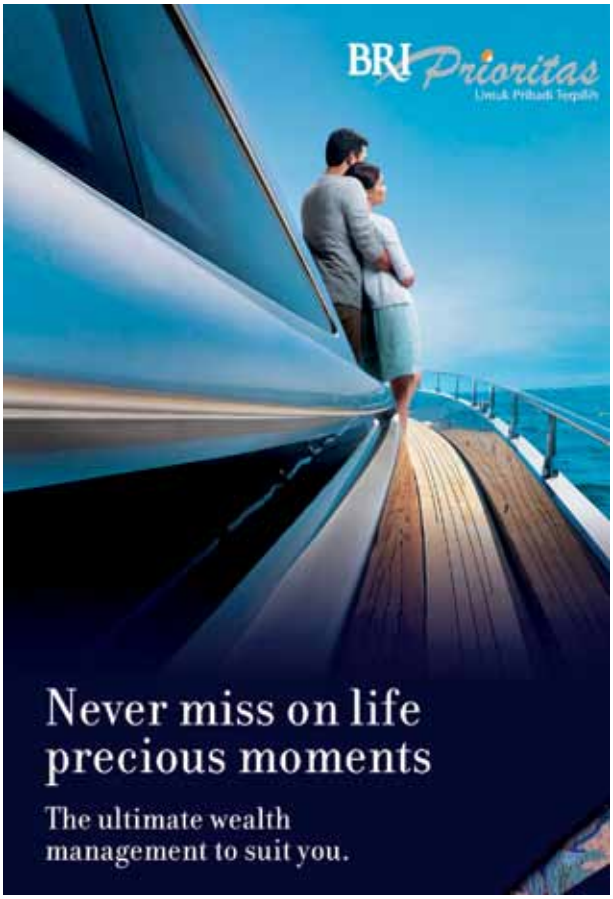
BRI PRIORITY

BRI Priority is privileged banking services for BRI customers from the mass affluent and high net worth individuals categories, comprising of general banking services, investment and financial planning advisory services, bancassurance and pension plan. BRI Priority aim to increase awareness, and customer retention and loyalty through intellectual life style, heritage, and seasonal event themes.

To achieve its goals, the BRI Priority services are facilitated through the BRI Priority Services Centers which is designed with special interior design concept to give security, reliability, convenience and comfort in mind when customers perform their banking transaction. BRI Priority Lounge outlet are available in several major cities of Indonesia.

To ensure security and reliability of banking transaction, each Priority Service Center is equipped with organizational standard and built-in control that are managed professionally by experienced Priority Banking Assistant (PBA), Priority Banking Officer (PBO) and Priority Banking Manager (PBM) who are certified in accordance with the competence standard required by regulator. This includes certification for Mutual Funds Selling Agent (WAPERD), certification of the life insurance association of Indonesia (AAJI) for the marketing of bancassurance (unit link) products and certification of wealth management training. At the end of each period, customer are provided with an updated report on the position of their private savings and investments by the Customer Portfolio Management System (CPM).

In the interest of the customers and to minimize uncertainties, BRI Priority does not provide derivative product services. As such the Bank's Priority services focus more on providing capital accumulation and preservation in ways that are more structured and measured.



Wide-ranging Privileges

There are vast variety of services provided for BRI Priority customers, which are personalized services from the Priority Banking Officer, money courier and collection services for funds of certain nominal, phone banking transaction, special transaction rooms, business facilities and private mini lounge, internet & e-banking corner, free meeting room, special car park section, and 24 hours Call Center service.

Privileges provided to BRI Priority customers include among others automatic border passage (SAPHIRE), personal travel assistance, private plane reservation, exclusive medical evacuation, free Velvet Class Blitz Megaplex, travel insurance, free exclusive business meeting Room, free pre-approved BRI Platinum Credit Card, free access to 33 airport Executive Lounge in Indonesia, travel privileges, lifestyle privileges, concierge services and privileges on an international scale in cooperation with the Mastercard International Debit program.

Achievement in 2011

The growth of BRI Priority customers' number up to December 2011 was as follows:

	2007	2008	2009	2010	2011
Number of Customer	17	280	1,295	3,679	6,978

The amounts of investment management portfolios of BRI Priority customers up to December 2011 were as follows:

(in billion Rupiah)

	2007	2008	2009	2010	2011
Portfolio amount (Assets Under Management / AUM)	8.5	826	3,451	7,375	12,616

Recognition for Customer Satisfaction

In 2010 and 2011, in the surveys on customer satisfaction done by Care of CCSL and Marketing Magazine, BRI Priority earned a total score in the Indonesian Service Satisfaction Index (ISSI) above the average score of the Priority Banking Services, industry, in both domestic and multinational categories. Furthermore, BRI Priority also won the Indonesia Service Quality Award Diamond Category (score above the industry average score), placing fourth and third in 2010 and 2011, respectively.

Plans for 2012

The plan for BRI Priority continuous development will remained focus on efforts to develop products and privileges, in cooperation with leading third parties, and undertaking various marketing programs that aim for customer acquisition, retention and loyalty. In addition, to strengthen the service network further, BRI Priority has increased the Priority Banking outlets in the form of BRI Priority Service Centers and Priority Lounges in several major cities throughout Indonesia.

CONSUMER LOAN

The growth of consumer loan is largely influenced by public purchasing power and economic growth. The year 2011 was rife with challenges, related to the global economic crisis and increased competition among banks to draw potential domestic customers. To maintain and increase its consumer loan market share, BRI steadily undertakes continuous and innovative product feature developments in line with customer needs for mortgage, car and motorcycle loans, and multipurpose loans.

BRI remained focused on expanding its consumer business by capitalizing on the Bank's huge customer base and enhancing the quality and speed of its business processes as well as services, without compromising on prudential banking practices.

Increasing the Number of CCC and POS

To sharpen the focus of BRI's consumer loan services, since 2008 BRI has built the consumer loan operating network in the forms of the Consumer Loan Center (CLC) and point of sales (POS). Subsequently, since 2010, BRI has begun to expand its consumer loan operating network outside of the initial 14 major cities. BRI's operating units that are assigned as CLC and POS are adapted to the consumer business potential that exist within the areas of the respective operating unit.

Joining with Business Partners

To broaden the customer base, BRI continues to establish partnership with several major property developers to disburse mortgage and apartment loans, while also engaging in partnership with automotive dealership to support the disbursement of car and motorcycle loans. In addition to this, as part of the strategy to create brand image and increase awareness, BRI undertakes promotion in various mass media and actively participate in several trade fairs of national and international scale. Aside from the expansion of the consumer loan operating network, BRI also upgraded and enhanced its banking technology that has enabled the Bank to meet its Service Level Agreement better. BRI also continues to innovate and improve product features to fulfill customer expectations.

Mortgage

BRI Mortgage is packed with several attractive propositions for home owner in Indonesia. Currently, BRI has established cooperations with more than 370 housing projects throughout the country. In addition to that BRI Mortgage also offers a number of sweet deals including flexible down payments and loan tenors, competitive interest rates, safety guaranteed ownership deeds and other services that provide added value for potential borrowers.

Total outstanding BRI Mortgage as of December 2011 amounted to Rp9.49 trillion, increasing by 16.73% from that of 2010. This indicates that BRI has been successful in growing its mortgage amid the tight competition within the national mortgage market.

Vehicle Loans

BRI Vehicle Loan is designed to capture a sizeable market share of the auto loans market. The product is fully supported by the cooperation of BRI with various automotive exclusive importers and dealerships. In addition to that, to meet customer expectation, BRI Vehicle Loan offers a No-Down-Payment feature which combines the BRI vehicle loan with a time deposit product. Joint promotions with automotive importers and dealers had also enhanced the competitiveness of BRI Vehicle Loan which includes highly affordable interest rates.

BRI also develops partnership with multi finance companies through the Joint Vehicle Loans program. The program will be developed continuously in light of the huge prospect in store, to facilitate the expansion of vehicle loans more effectively and efficiently. Total outstanding of BRI Vehicle Loan as of year-end 2011 amounted to Rp1.67 trillion, increasing by 13.74% from that of 2010.

Multi-purpose Loans

BRI Multi-purpose Loans is designed to fill the needs of customers outside of Mortgage and Vehicle Loan. BRI Multi-purpose Loans are attractive to customers due to its winning features, including lengthy tenors of up to 10 years and a loan ceiling of up to Rp1 billion. Total outstanding BRI Multi-purpose Loans as of year-end 2011 amounted to Rp1.58 trillion.

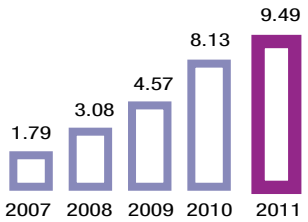
Enhancement of infrastructure and HR

To achieve optimum growth, by 2011 BRI has built a total of 45 Consumer Loan Centers (CLC) and 100 Point of Sales (POS) that focus exclusively on serving the consumer loan products. BRI has also increased the number of the consumer loan marketing force. In 2011 there were a total of 331 Consumer Account Officer, compared to 279 in 2010.

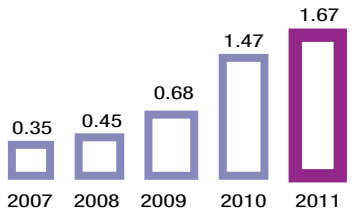
Development Plans for 2012

In 2012, BRI will continue to improve its organization and mono line business process that has been implemented in the cities of Surabaya and Makassar. Business process improvements will be carried out by increasing the Service Level Agreement and growing the loans quantitatively as well as qualitatively. BRI will also establish several Regional Processing Center (RPC), Regional Sales Center (RSC) and Collection Center. In addition to that BRI will develop new product features for Mortgage, Vehicle Loans and Multipurpose Loans; introduce more flexible installment payments and other favorable terms in order to make the BRI consumer loan services even more attractive. Whereas for the marketing strategy, BRI will intensify its efforts by capitalizing more on customer data base, third party partnership (dealers/developers), walk-in customers, as well as through implant banking for home ownership program and car ownership program with several major corporations.

Outstanding KPR (mortgage)
(in trillion Rupiah)



Outstanding KKB (vehicle loan)
(in trillion Rupiah)



CREDIT CARD

BRI enters the credit card business with the objective of becoming the preferred credit card services providers in the country, not merely as an auxiliary business but also as one of the key growth engine of BRI's business. Supported by existing customer base of more than 30 million accounts in the Bank's book, the development of credit card business becomes an extremely promising for BRI business. Since its launch in 2006, BRI Credit Card has become one of the iconic products in the consumer banking segment, fulfilling the dynamic expectations of card holders.

The Credit Card Business Development Strategy

To develop the credit card business, BRI employs a strategy that among others increases cross selling opportunities by adding new features or payment transaction utilizing BRI Credit Card, optimizing available resources to increase productivity and achieving competitive advantages over business competitors.

This development strategy rests upon BRI's reputation and the trust of card holders, fully reliable supporting resources such as adequate IT platform, low-cost funding sources, extensive network that covers the entire country, large and diverse customer base as well as the support of competent personnel of high integrity.

Credit Card Products

Up to now, BRI has issued the following credit cards:

- BRI Standard Credit Card
- BRI Gold Credit Card
- BRI Platinum Credit Card
- BRI Corporate Credit Card
  A credit card designed for executive and manager of corporations to manage their travel and entertainment expenses wherein the use of the card is guaranteed by the corporation.
- BRI Business Credit Card
  A credit card that is designed for business owners or for member of certain communities that are used like any other credit card in general (individual liabilities) but has been added with specific advantage that enable card holders to use as the identity of the community.
- BRI Visa Credit Card
- BRI Affinity Credit Card (co-branding with Hyundai)

Target Market

In the efforts to expand cardholders base, BRI strives to innovate and create a credit card that suits the needs of individual cardholders. BRI credit cards are differentiated based on their respective target markets, as follows:

- Affluent Market, represents the target market for the BRI Platinum credit card, targeting the mass affluent and affluent market segment.
- Mass Market, represents the target market for BRI Visa credit card, aiming at the population of major cities between the age of 25 - 35 years old, will be equipped with new and more modern products and features using the latest communication technology. Whereas for secondary and third tier cities, BRI has created in the form of low income credit card with the marketing strategy that is designed to fit with the profile of the target market.

Winning Features of BRI Credit Cards

- Low interest rates
  Cardholders benefit from low interest rates on various transactions, whether retail or cash advance.
- Executive airport lounges
  There are 30 executive airport lounges in Indonesia that are available to cardholders of BRI Platinum and Gold credit card.
- Lifetime exemption of annual fees for holders of BRI Visa credit card.
  Cardholders are exempted for annual fees as long as their card is active.
- Point rewards
  Holders of BRI Mastercard credit card receive point rewards for every transaction carried out in certain merchants that have signed agreement with BRI.
- Rupiah Reward
  Holders of BRI Visa credit card receive Rupiah reward for every transaction carried out in certain merchants that have signed agreement with BRI.
- Cash withdrawal at BRI ATM
  Holders of BRI credit card can withdraw cash from any BRI ATM.
- Protection Plus
  Cardholders receive Protection Plus insurance that combines the benefit of accident insurance and health insurance.

- BRING (Belanja RINGan) program
  Cardholders can purchased exclusive products through the BRING easy installment program being offered through a monthly catalogue.
- 24-hour service
  A 24-hour telephone service through Call BRI at telephone numbers 14017 or (021) 57 987 400 / 500 017 on a 24/7 basis, including Sundays and holidays for any information regarding one's credit card.
- Cellphone top-up payment
  Cardholders can make top up payments through out Indonesia to various cellphone operators, GSM and CDMA.
- Balance transfer
  Credit balance from other bank credit cards can be transferred to the BRI credit cards with special interest rates.
- Autopayment
  Routine billing payments through automatic debit of BRI Savings account by pre-registration through ATM or BRI Card Center.

Performance of BRI Credit Card in 2011

The performance of BRI credit cards continued to increase as seen from the growth of returns as well as from the increase in the number of issued cards throughout 2011. As of year-end 2011 BRI had issued a total of 437,781 cards, an increase of 11.09% from that of 2010. During 2011 total transaction volume of BRI credit cards amounted to Rp2,168 billion, and total interest income amounted to Rp95.28 billion.

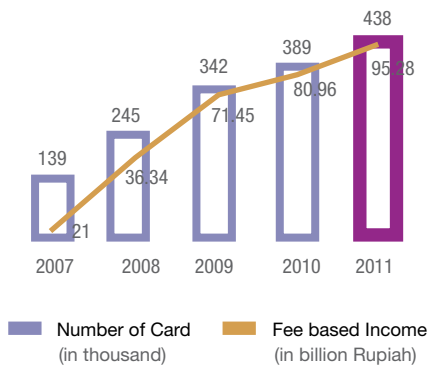
Through the marketing strategy of low income credit card, throughout 2011 BRI succeeded in increasing the number of EDC merchants by 1,426 EDC, with total transaction volume that increased by 191.58% from Rp80.77 billion in 2010 to Rp959.69 billion. The number of merchants that offered discount facilities to BRI credit cards holders also increased significantly in 2011 reflected in the total volume of merchant discount rates (MDR) that grew by 94.74% from Rp1.5 billion in 2010 to Rp17.8 billion in 2011.

Development Plans in 2012

Plans for the continuing development of credit card business in 2012 include increasing the business potential of the credit card to become in the top 7 ranking of credit card issuers in Indonesia, to be the preferred choice of card for transactions as reflected by the number of active cards of up to 80%, and contributing to increasing fee based income in the years to come.

Marketing activities and agreements with merchants will continue to be enhanced with the aim of increasing cardholders convenience as well as the awareness of cardholders toward the benefit and advantages of the BRI credit cards.

Credit Card Issuance and Fee based Income from Credit Card Transaction



Corporate Business

Amid the consolidation policy of BRI in 2011, the Corporate Business of BRI grew substantially, backed by selective loan disbursement to state-owned and private corporations alike that have value-chain links to micro, small and medium-sized enterprises (MSME).

Doc. PT Pupuk Kaltim (Persero)

Over the years the Corporate Business of BRI has continued to grow and has become a segment that support the business expansion of BRI. From this corporate segment BRI expects to generate a multiplier effect for the Bank's other business segments, especially the Micro, Small and Medium business (MSME) segment.

Every loan disbursement to a major corporation has the potential of generating other banking services related to the industry's value chain to which the corporation belongs, such as its vendors and customers in what is commonly known as the trickle down business potential.

Banking services within the framework of this trickle down business include, among other things, special scheme loan facilities, cash management, and consumer financing facilities to vendors, sub-contractors, suppliers, distributors, program partners, through to the individuals who are employees of the corporation and its subsidiary companies. While other transactional banking service that continue to be developed by BRI include, among other things, the host-to-host service, Single Gate Payment, Impress Account, Master Account, bills payment and the BRI Virtual Account (Briva)

In the development of the Corporate Business, especially with respect to corporate lending, and based on the respective business potential and risk consideration, BRI divides the Corporate Business into two main segments, namely the state-owned enterprise (SOE) business and the non-SOE commercial business. Whereas in managing potential funding, BRI focuses on developing comprehensive banking services such as cash management product, visa on arrival service, and production of the electronic card for civil servants.

SOE BUSINESS

Considering the existing business potential as well as the leverage gained from the low risk weighted assets that needs to be measured, the banking services provided to SOE customers are increasingly larger in proportion than those provided to non-SOE customers. In 2010 lending the SOE segment accounted for 40.48% of the total corporate loan and this proportion had increased to 57.19% as of year-end 2011.

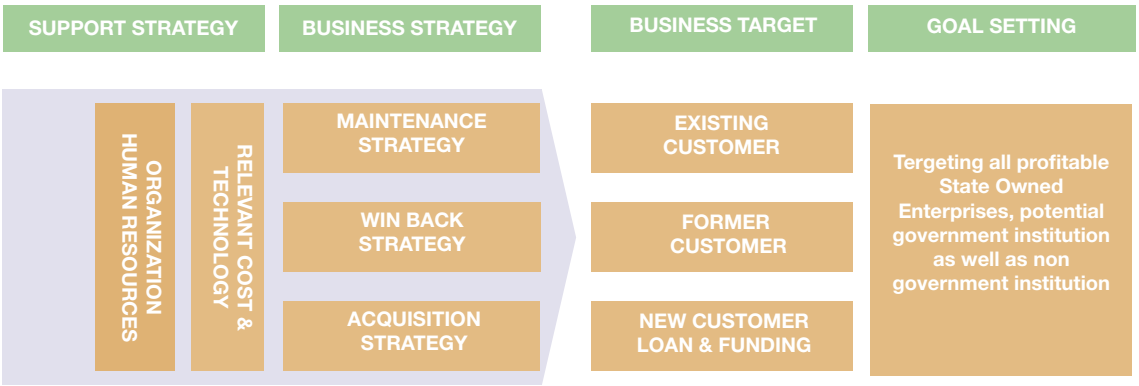
BRI's focus on the development of SOE segment has also resulted in the increase of third party funds as well as fee-based income from cash management service that has also increased.

BRI has developed, marketed and monitored the business activities of BRI with its SOE customers, through providing loan facilities, cash management, and transactional banking services. The target market for SOE business aside from the SOE them self include, among other things, government/ non-government institutions, as well as SOEs' subsidiaries.

BRI's strategy in developing the SOE business comprises:

- **Maintenance**, to maintain existing SOE customers through communications and loyalty programs.
- **Win back**, to attract former SOE customers to return to BRI through better pricing, customized, communication and loyalty programs.
- **Acquisition**, to acquire new SOE customers through a strategy of pricing, customized, communication and loyalty programs.

SOE BUSINESS DEVELOPMENT STRATEGY

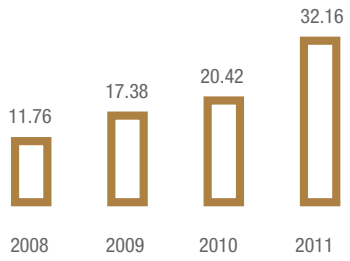


Performance of SOE Business

In 2011, there were a total of 142 SOEs in operation with a combined business revenues of more than Rp1.294 trillion.

Those figures represent prospective opportunities for BRI. As of year end 2011, BRI has cooperated with 107 SOEs, 52 SOEs of which have received loan facilities with total outstanding of Rp32.16 trillion and a NPL of 0%. Loan disbursement to the SOEs accounted for 11.34% of BRI's total loan portfolio with zero NPL ratio.

Loan to SOE
(in trillion Rupiah)



Development Plans for 2012

BRI will continue the strategy that has been implemented over the years in developing the Corporate Business primarily through the SOE segment in Indonesia. BRI will continue to strengthen its penetration strategy of utilizing the SOE as an entry gate way for other BRI businesses up to micro business segments. With better synergy and coordination, BRI expects to leverage on the SOE business at the levels of corporate customers, commercial down to the individual customers.

NON-SOE COMMERCIAL BUSINESS

The target market for the Non-SOE Commercial Business comprises of private corporations with a loan size of above Rp50 billion up to the Legal Lending Limit (LLL) of the Bank.

This Commercial Business is divided into two main segments, namely the Agribusiness loan and the General Business Loan (non agribusiness).

1. Agribusiness

Considering the huge potential for growth of the agribusiness sector, BRI continues to strengthen its contribution into this sector as part of its Commercial Business. Agribusiness loan is disbursed to either individual or company that is engaged in agricultural activities whether on farm or off farm both upstream and downstream.

The on-farm financing covers a wide range of

cultivation activities including plantation, forestry, animal husbandry and fishery. Whereas off-farm financing covers businesses that support agricultural activities such as seed production, chemicals, pesticide, feed stock and agricultural equipment and machineries.

BRI's main target in the agribusiness is to increase financing for export commodities that can compete in the global market.

Agribusiness Banking Products

BRI continues to disburse loans to the agribusiness sector in both commercial scheme and subsidized loans. Business expansion through either commercial loans or loans with subsidized interest rates, is carried out by optimizing the Loan for the Development of Biomass Energy and Plantation Revitalization (KPEN-RP). The KPEN-RP is provided to farmers (through cooperatives) and to the core-plasma scheme in several selected commodities namely oil palm, cocoa and rubber.

For subsidized loan other than KPEN-RP, BRI is also committed to disburse loan through various scheme such as the Cow Breeding Business (KUPS). KUPS is a facility for breeders of cows (whether companies, cooperatives, or groups of breeders) that undertake their cow breeding business with loans interest subsidies from the government.

In the disbursement of commercial loan scheme, BRI continues to provide to the agribusiness sector including the plantation sector such as oil palm, rubber, cocoa and their down stream industries; the animal husbandry sector comprising of chicken farm, cow breeding and shrimp farm. Whereas the trade and industry sector comprises of pesticide, olio chemicals, coconut processing, forestry, sugar cane, fish flour, rice processing and others.

2. General Business

General Business represents the business sector of BRI that is aimed at the development of the corporate business segment (with loans above Rp50 billion) that is outside of agribusiness and SOE. The development of this business is carried out prudently by capitalizing on the service network of BRI throughout the country and leveraging on the comprehensive range of BRI's treasury and international banking products, in order to optimize both interest income and fee based income.

In 2011, in addition to expanding the General Business as one of the growth engine of lending, BRI also focused more on the oil and gas and energy sector that was booming due to rapid development in the energy mining sector along with the bullish commodity prices of coal, oil and gas. With the increased focus on this sector, BRI formed the Oil and Gas and Energy Desk in 2011 with main task to develop business in this sector, including developing potential fee based income.

Achievements in 2011

Although BRI focused on the SOE segment in the development of the Corporate Business, the non-SOE corporate segment performed encouragingly. Despite the uncertain outlook of global macro economics, the quality of BRI's corporate loan have been maintained. This proves that BRI's strategy of focusing on quality growth has been successful.

The growth of non-SOE corporate loans in 2011 was 2.38%, increasing from Rp23.51 trillion in 2010 to Rp24.07 trillion, with an NPL ratio maintained at 2.26%.

Development Plans in 2012

In developing the Agribusiness and General Business, BRI will continue to undertake the following steps:

- Optimizing productivity through BRI's extensive delivery channel (via Head Office, Regional Offices and Branch Offices) to support the business development and monitoring of potential new businesses throughout Indonesia.
- Selection of prospective and non-saturated business sectors.
- Focusing on business development in corporations that have potential trickle down effect to the medium and retail businesses.

The loan expansion strategy adhered to the prudential banking principle that are carried out through prompt and effective evaluation of the loan service by implementing the four eyes principle as manifestation of risk management implementation. BRI also continued to enhanced the quality of its account officers as the financial service provider and professional business advisor.

With respect to the development of agribusiness sector, BRI plans to increase loans by capitalizing on the multiplier effect of financing activities in this sector, for example through the programs of plantation revitalization, bio-mass energy development, sugar mill revitalization, up to financing for the MSME business segment and international services. The plan also covers the closed system financing scheme, that is financing activities throughout the industry value chain (up to down stream industry) of prioritized product and commodities. The Agribusiness development program also includes loan Portfolio diversification aside from Palm oil businesses.

MANAGEMENT OF CORPORATE FUNDS

The development of BRI's Corporate Business is not only focused on the increased of earning assets perspective, but also focused on raising third party fund as well as the development of transactional banking services, to increasing fee based income. Therefore, the business activities of corporate customers can be valuated based on the their account profitability as a whole.

In order to optimally capture the potential business of corporate customer, BRI has developed an institution relation program to provide exclusive and continuous services to non-individual customers such as government and private institutions that require banking services on a national scale. BRI plans, coordinates, executes, monitors and evaluates the mobilization of funds from The National and Regional state budgets that are disbursed through government ministries, provincial governments, universities, pension plans and private corporations to increase the BRI funding base in line with the stipulated target.

BRI is a large Bank in Indonesia, and I am externally interested if BRI is tied with the business of Pupuk Kaltim (PKT), because we do business to the far reaches of the country, similar to BRI, whose reach extends throughout Indonesia as well. BRI has a strong potential to integrate the fertilizer industry as a whole, from the producer to distributor all the way down to retailers, especially with respect to the integration of payment process. Because one of the key factor in the turn over of fertilizer business is payment process.

The business relationship between PKT and BRI have extended all the way from the 1990's. Thus far, our business cooperation with BRI is limited to loan alone. Currently our loan from BRI amounts to Rp1,6 trillion.

"We are satisfied with the performance and service that we have received from BRI to date"

We have great expectation that BRI could integrate the business flow of PKT as a whole, supported by the establishment of holding fertilizer SOE recently. It would be beneficial to all if BRI could consolidate the overall cash management of Fertilizer SOE's such as Pupuk Kujang, Pupuk Sriwijaya, PKT all of which have been mandated to supply the demand for fertilizer in almost two-third of Indonesia's arable land.

Aas Asikin
President Director
PT Pupuk Kaltim (Persero)

Achievements in 2011

Supported by extensive infrastructure and diversified products and services, BRI continues to develop cooperation with numerous institutions. During 2011, there were 40 new institutions that became BRI's customer.

Meanwhile, in order to keep up with their pace of developments of businesses that require banking products and services relevant to their needs, BRI continues to diversify its range of products and services as follows:

Cash Management

BRI provides Cash Management Service (CMS) that offers considerable benefits to the corporate customers that require prompt and accurate banking transaction services. CMS is an internet-based banking transaction solution that enable corporate customers to monitor and undertake their financial transactions online at any time. BRI CMS provides easiness in obtaining account information conveniently from time to time as well as a comfort and secured online banking transaction at any time, therefore it will enable the customers to manage their financial activities promptly and accurately.

By the end of 2009, the new BRI CMS had served a total of 241 corporations, which had since grown to 757 corporations as of year end 2011. The number of account that are served by this system also increased rapidly, from around 2,500 accounts to 18,151 accounts in 2011.

In 2011, BRI enhanced its New Cash Management System product, through the development of the system itself, comprising of:

- Installation, renovation and upgrading of server scalability to anticipate the growth of customers number and transaction volume.
- Enhancement of the security firewall feature as well as Internet communication to expedite access to BRI CMS.
- Features enhancement/enrichment in the CMS general application.
- Development of customized features in the CMS application, including the application of the closed system strategy.

Treasury Single Account (TSA)

In order to manage the Government budget professionally, transparently, and accountably, the government has implemented Treasury Single Account (TSA) at the State Office for Treasury Services by involving participants of the Bank Indonesia Real Time Gross Settlement System (BI RTGS System) and participants of the Bank Indonesia National Clearing System. To capture this business opportunity, BRI has participated in the TSA project.

Treasury National Pooling (TNP)

The Treasury National Pooling (TNP) is a system that monitors the position of consolidated balances of all Government outflow treasury accounts in every Branch Office of BRI, without having to transfer funds between account. This system enables the government to monitor the financial balances on all of its outflow treasury accounts that are registered as accounts within the TNP list, without having to verify each account one by one in every BRI Branch Office.

Online Registration of New Student (SPMB) and Tuition Payment (SPP)

With the aim of increasing BRI's cooperation with education institutions, BRI has developed the BRI SPMB payment system that can be accessed through all BRI operating units vis-a-vis education institution that have been registered in the system. This system will ease student in paying their university registration fees online. Besides providing the opportunity of third party fund sources, the facility also provides the opportunity for increasing fee based income from the SPMB service itself.

The online SPP represents a student payment receipt facility for registered universities through BRI online service network. For universities, this system expedite payment as well as the management of tuition fees. In addition, students benefitted from the convenience of paying their tuition fees online.

Payroll Service

The payroll service is a facility within the BRINETS system used for credit payroll automatically from an individual or company account to the savings account of employees on the stipulated dates.

Payment Service

The State Police of the Republic of Indonesia (Polri) has the authority to issue the Polri PNBP (Polri Non Tax State Income) comprising of SIM (Driver's Licence), STNK (Vehicle Registration), BPKB (Vehicle Certificate of Ownership), TNKB (Vehicle Registration Number), STCK (Certificate of Road Worthiness), Klipeng (Driver's Clinic) and Senpi (Fire Arms). BRI has been appointed as a receivers bank for the above mentioned Non Tax State Income, through BRI's Automatic Teller Machine (ATM), Electronic Data Capture (EDC), and bank tellers.

Cooperation between BRI and Universitas Indonesia for online payment of tuition fee.

Payment Point for PDAM Water Utility
To support the regional water supply company (PDAM) as the provider of clean water for public purposes, BRI has entered into an arrangement with PDAM for cash management and customers payment receipt on PDAM utility bills.

Electronic Civil Servant Card (KPE)
KPE is an identity card for the Indonesian civil servant corps that electronically stores the data of individual civil servants and their families. KPE is provided to every civil servants and remains valid even after the individual has retired. As for the spouses and children of retirees, they are provided with KPE supplements. In addition to functioning as an employment card, KPE also functions as the ASKES card (health insurance). TASPEN card (pensions benefit), Bapertarum card (housing facilities), and banking card (for payroll and ATM services through BRI banking network).

Immigration Visa on Arrival (VoA)
The Visa on Arrival (VoA) is visa that is granted by immigration officials in certain immigration check points to foreign nationals entering Indonesia. BRI provides payment service counters and manages the fund receipts of the VOA on behalf of the Immigration Office of the Republic of Indonesia.

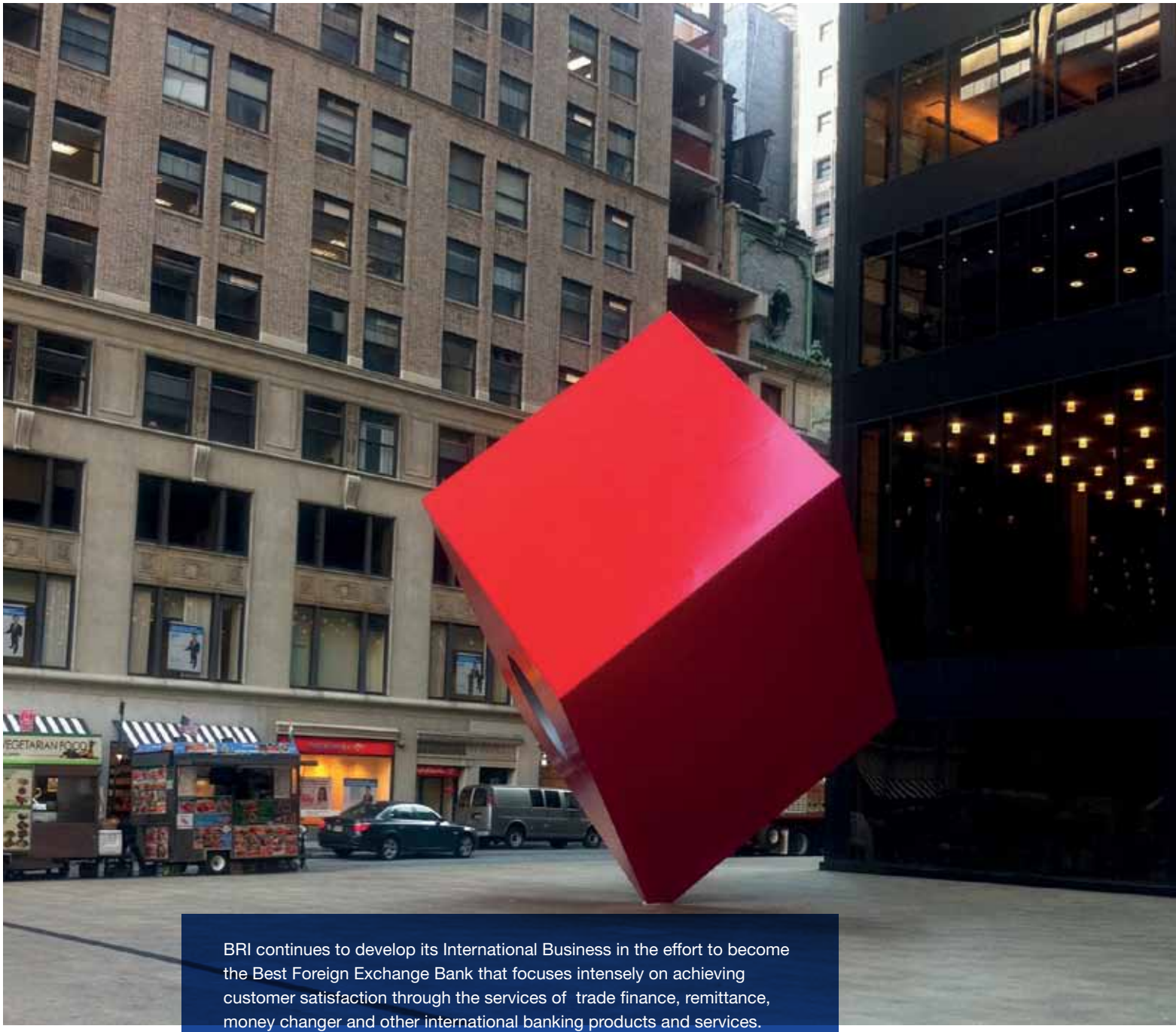
ASABRI – Insurance Benefits
Payment of insurance benefits of ASABRI (Insurance for the Armed Forces of the Republic of Indonesia) is facilitated through BRI operating units for those who have met all of the terms and conditions.

Development Plans in 2012

Considering the huge potential of the Institutional Business, the development strategy of BRI includes optimizing existing cooperations with institutional customers, optimizing existing service network and electronic channels, enhancing the quality, function and role of the BRI Executive Relationship Officer and expanding the business into the national and multinational private sector.

For 2012, product development will still focus on the enhancement of BRI's cash management system and the addition of features that can accommodate the needs of customers. In anticipation of this business growth, BRI will also increase the number and quality of human resource and improve the system and procedure of its cash management service. In terms of marketing, BRI will focus on existing as well as potential new customers.

International Business



BRI New York Agency

BRI continues to develop its International Business in the effort to become the Best Foreign Exchange Bank that focuses intensely on achieving customer satisfaction through the services of trade finance, remittance, money changer and other international banking products and services. The development of the International Business portfolio is aimed at serving the needs of customers, both exporters and importers, other corporations in Indonesia and their overseas counterparts, as well as international correspondent banks.

Trade finance Business of BRI is one of source of fee based income. Trade finance transactions contributes to BRI's other businesses whether in loan expansion or as a means to increase end-to-end services to the customers.

Trade finance services and other customer needs are also the reasons behind the establishment of BRI's overseas operating units that now comprise of the BRI New York Agency, BRI Cayman Island Branch and Hong Kong Representative Office.

Development Strategy for International Business

Trade Finance

Despite the weakening of global economic condition, especially in mid 2011, BRI trade finance showed positive growth, marked by increases in the amount of export-import transactions.

The increase was attributed to BRI's efforts to develop its trade finance products to facilitate customers's export-import transactions. In marketing its trade finance products and services to existing and potential customers, BRI stepped up its marketing program through advertisement placement in various media, expanded cooperations with correspondent banks and financial institution, held exhibitions and sponsorships programs at home and abroad and continued to build active communication with business partners through business gathering or customers gathering as the medium of communication between the Bank's corporate customers and their customers or vendors, in addition to providing training to increase customer loyalty.

Other strategies devoted to the development of International Business include the revitalization of HR, enhancement of products and services as well as supporting systems. BRI recruited Trade Finance Officer as marketers in BRI Regional Offices that have a high potential for trade finance transactions, as part of market penetration and the effort to increase service quality to customers.

Efforts to increase the quality of trade finance products and services were also undertaken by centralizing the trade finance processing service through the establishment of the Trade Processing Center that is expected to facilitate trade finance operations to be more swift, efficient and accurate.

Remittance Business

As a bank that has the broadest service network in Indonesia supported by the extent of its correspondent bank network throughout the world, BRI can facilitate remittance services to both individual and corporate customers. It is reflected in the number and amount of transactions that continue to increase. The increase is as the results of BRI's effort in cooperating with counter parties, whether banks or non bank financial institutions that have extensive network overseas and used to facilitate import transaction settlements and collection of export proceeds. BRI's remittance service also facilitates incoming/outgoing individual remittances for Indonesia migrant workers overseas and other customers.

For the remittance business that is focused on transferring money from overseas to Indonesia by Indonesia migrant workers, BRI has utilized its cooperation with counter parties spread across destination countries of these migrant workers, including with several local remittance companies. In selecting these counter parties, BRI considers the bonafidity of the companies, their marketing network and market shares.

In addition, BRI has placed Remittance Representative Officers who are in charge with the responsibilities of developing the remittance business through direct marketing effort and fostering closer ties with counter parties in destination countries. As a beginning, BRI has assigned its representatives in Riyadh (Arab Saudi), Abu Dhabi (UAE), and Kuala Lumpur (Malaysia).

Correspondent Banking

The broad correspondent banking network of BRI extends virtually throughout the world. BRI has cooperated with major banks in North America, Europe, Australia, Asia and Africa.

The function of BRI's correspondent banking network is varied, ranging from fulfilling customers need to gaining opportunity to capture fee based income. Through correspondent banking, BRI undertakes the discounting of L/Cs issued by the correspondent banks and issues guarantees with a counter guarantee from the correspondent banks. In addition, with the broad network of correspondent banks, BRI can easily access foreign currency sources for the benefit of customers.

BRI has cooperated with correspondent banks in the business of export-import bank notes. This cooperation supports the development of BRI's money changer business, as well as ensuring the supply of Saudi Arabian Riyal (SAR) notes for the Haj pilgrims in 6 embarkation points in Indonesia.

BRI constantly strive to develop its business with correspondent banks throughout the world in the issuance of bank guarantees or Standby L/Cs (SBLC) with counter guarantee or counter SBLCs from the correspondent bank. BRI has also undertaken cooperation in risk participation and provision of offshore funding.

Money Changer Business

To support the development of money changer business, in addition to cooperating with correspondent banks, BRI has also forged close ties with local money changers for deposit and withdrawal of bank notes.

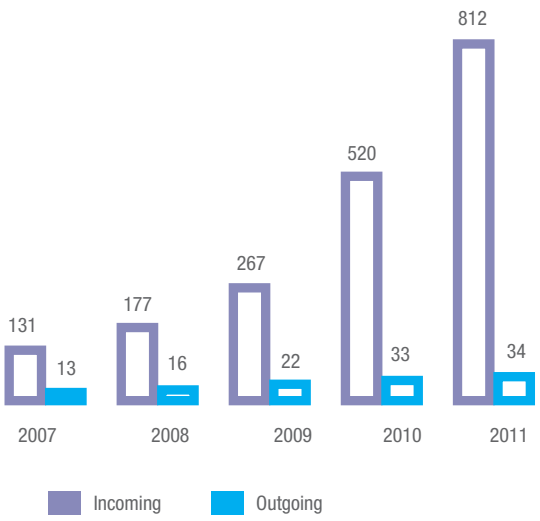
In 2011, BRI undertook an information dissemination program for the money changer business in several highly potential regions. The money changer business also capitalized on momentum gained from the SEA Games event in Palembang. In addition to that, BRI supplied its money changer services with SAR and USD bank notes during the Haj pilgrimage, to meet the demand of the haj pilgrims. This include opening temporary counters at haj embarkation points throughout Indonesia to facilitate sales of SAR and USD bank notes.

Products and Services

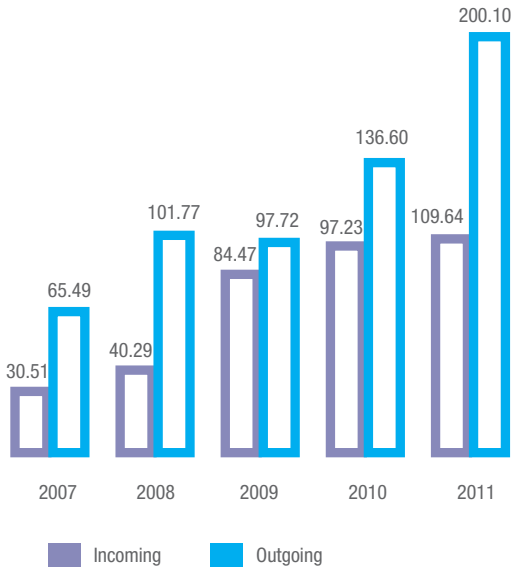
BRIfast Remittance

BRIfast Remittance is a web based remittance service. The advantage of BRIfast Remittance is that money remittances from overseas can be received in Indonesia in a matter of seconds. Another advantage of the web based system is that the application do not have to be installed in every PC at the counter party and its network. Therefore, through this application will ease counter parties to carry out BRIfast Remittance through the Internet.

Frequency of Remittance Transaction
(in thousand)



Remittance
(in trillion rupiah)



Other products and services of BRI's International Business include the following:

- Issuance of Letter of Credit (L/C) and Domestic Letter of Credit (SKBDN) including amendment of the two products.
- Advising L/C and SKBDN
- Post shipment financing (Export Bill Negotiation and Discounting of) L/C or SKBDN
- Bill Purchase
- Standby L/C, Guarantee, and Counter Guarantee
- Trust Receipt (TR)
- Refinancing L/C (Sight/Usance/UPAS/Usance Payable at Usance) and Non-L/C
- Money Changer
- Inward/Outward Remittance
- Inward/Outward Documentary Collection (Document Against Payment and Document Against Acceptance)
- Inward/Outward Clean Collection
- Others.

Achievement and Development of the International Business

Export Transaction

BRI's export transactions has continued to grow over the years. This export transaction is largely served through telegraphic transfer (TT), accounting for 85.4% of the total export transactions. Throughout 2011, the total amount of export transactions using L/C collection and TT, reached USD12.41 billion, an increase of 23.23% from USD10.07 billion in 2010.

Import Transactions

Overall import transaction by BRI has also shown an increasing trends. In 2011, BRI's import transaction reached USD22.7 billion, a significant rise of 54.58% from USD14.68 billion in 2010.

The development of BRI's export-import transactions has shown significant growth. This has been marked by an equally significant fee based income growth from export-import transactional services.

Remittance Business

The cooperation with several banking institution includes the opening of BRI Nostro account in various currencies in correspondent bank depositories that can be used to facilitate the transaction of BRI customers. Currently, BRI is actively transacting in 13 foreign currencies namely USD, EURO, GBP, SGD, AUD, CAD, HKD, JPY, SEK, CHF, SAR, AED, and RMB through 30 Nostro accounts in several correspondent bank depositories.

BRI excellence in facilitating of foreign currencies transaction has won the recognition of the STP (Straight Through Processing) Award from the Bank of New York Mellon, New York for the past two consecutive years.

Export Transaction
(in billion USD)

Import Transaction
(in billion USD)

The performance of BRI remittance product in nominal funds transferred has consistently shown a growing trend over the years, both for incoming and outgoing remittances. The total number of remittance transaction in 2011 increased significantly by 52.82% to 846,964 transactions over that of 2010. The Bank's fee based income from remittances increased accordingly with the increasing number of transactions.

Correspondent Banking

As of 2011, BRI has developed cooperation of correspondence with approximately 1,200 correspondent banks in more than 100 countries throughout the world. Supported by a wide offshore correspondent bank network, BRI is well positioned to provide the best trade finance services to customers.

Relationship Award 2011 from COMMERZBANK AG

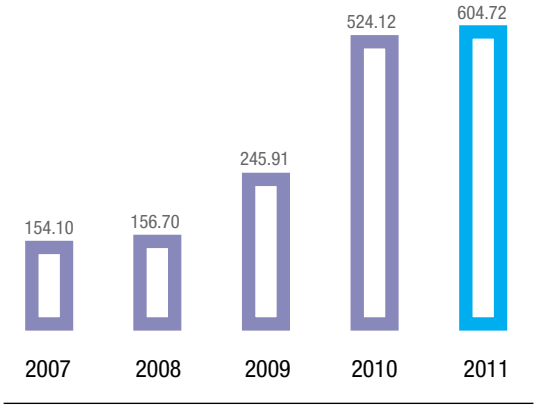
Offshore Operating Unit

As part of business development, BRI New York Agency (BRINYA) provides trade finance services including funding for L/C refinancing as well as bill rediscounting that constitute redemption of usance export bills to help the cash flows of BRI customers. BRINYA is also active in providing loan for trade finance needs and working capital.

BRINYA undertakes syndicated loan financing for US and Indonesian multinational companies as part of the efforts to build up the earning asset portfolio of BRINYA. In addition, BRINYA has also financed the government of Indonesia with an offshore loan scheme, as part of BRI's commitment to support the Indonesian government program. These development efforts has had a positive impact towards the performance of BRI.

Starting in mid 2011, BRINYA has become a member of Fed Wire in the United States to provide a fast, secure, and cost competitive funds transfer facility between clearing members of Fed Wire in the United States, for both individual and corporate customers.

BRI New York Agency Asset
(in million US Dollar)



BRI Cayman Island Branch has actively issued import L/C on behalf of non resident customers. In addition, the branch also function as a booking office for loans to institutional customers that require export loan.

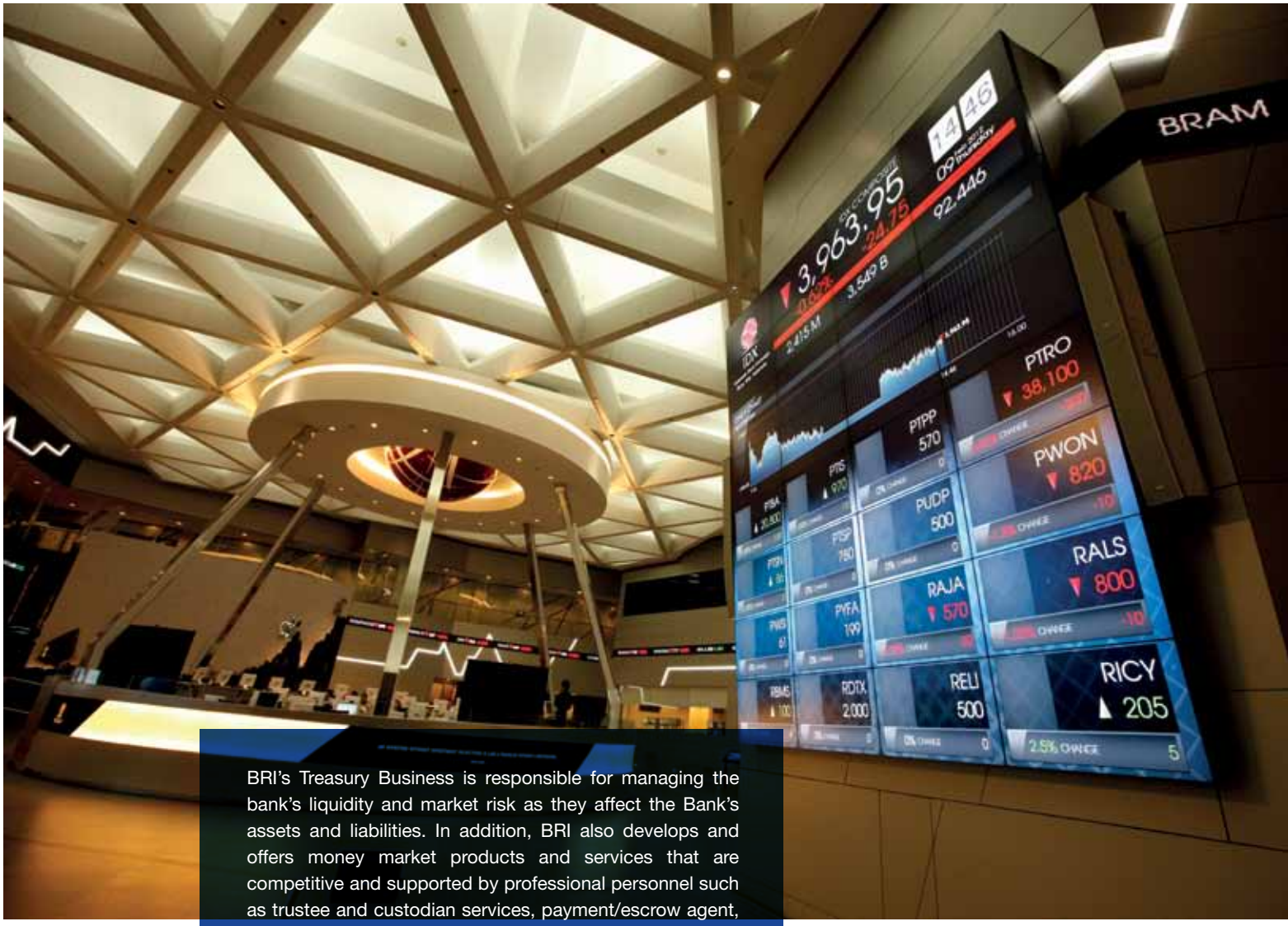
BRI Hongkong Representative Office serves to coordinate business activities and collect informations relevant to investments and business opportunities in the interest of bilateral trade relations between Hong Kong and Indonesia, and promote export-import between the two markets.

Development Plans in 2012

To increase its competitiveness in trade finance services, remittance, and money changer, BRI continuously develops and improves its International Business comprising of:

- The BRI Trade Processing Center (TPC)
- Net Domestic Letter of Credit (SKBDN) Application.
  The application of Net SKBDN is a web based application technology, enabling BRI to provide a fully integrated end-to-end service for customers.
- Bill-Purchase Net-system
  This is a single track web-based integrated service for bill purchase financing, designed to speed up the process and make it easier for all related parties in the bill purchase financing activities.
- Expanding the offshore remittance business network by linking with correspondent banks or remittance companies as well as establishing new offshore networks.
- Adding to the number of Remittance Representative Officer (RRO) offshore, especially in the Asia regions to increase market penetration.
- Increasing the level of service quality for remittance by developing a remittance delivery system application integrated in a multi platform with various counter parties, is fully automated (less human intervention), and can be operated as a straight through processing system.
- Expanding the cooperation with correspondent banks and money changers especially in supplying bank notes as well as the cooperation with corporations and institutions to support the money changer business development.
- Establishing special money changer operating unit outside of existing money changer service unit (off site money changer unit).
- Developing products for correspondent banking such as unfunded/funded risk sharing participation (including forfeiting), confirming bank, advising bank, depository correspondent, guarantee/Standby Letter of Credit.

Treasury and Capital Market Services



BRI's Treasury Business is responsible for managing the bank's liquidity and market risk as they affect the Bank's assets and liabilities. In addition, BRI also develops and offers money market products and services that are competitive and supported by professional personnel such as trustee and custodian services, payment/escrow agent, selling agent of mutual fund, government retail bond (ORI), government Islamic term notes (Sukuk) as well as Financial Institution Pension Plan services (DPLK).

Treasury

To provide optimum services in Treasury and Capital Market services, BRI undertakes the following measures:

- Managing liquidity as well as source and use of Bank funding along with managing market risk in a professional and well-planned manner.
- Executing trading whether arbitraging, market making or proprietary trading by adhering to prudential principles and exercising trading limits in a disciplined manner.
- Carrying out credit assessment to seek for investment opportunity in financial instrument or through equity participation.
- Providing capital market products and services to either for internal operating units of BRI or for customers by offering competitive rates.
- Developing financial product and services in both the capital market and money market to gain fee based income.

In general, managing the Bank's assets and liabilities, liquidity, market risk as well as managing capital usage are aimed to increase the profitability and sustainability of the Bank.

During the financial and economic turmoil in Europe and the US throughout 2011, the capability of BRI in managing its assets and liabilities was key to improve performance. The volatility of currency exchange rate throughout 2011 became a challenge for BRI to position itself correctly to protect its balance sheet structure. The function of Treasury in mitigating risks from foreign exchange currency can be seen from the net open position of the Bank that has never surpassed limits set by Bank Indonesia and the Bank's own treasury policy.

The strategy to place the Bank's excess liquidity in 2001 included investing in government bonds, corporate bonds, inter-bank placements, Bank Indonesia money market instruments, and short-term lending in the form of money market lines to SOEs. Efforts to maximize use of excess liquidity remained in line with prudential aspects and the fulfilment of BRI's internal liquidity requirements.

In facing the increasing competition in bank loan rates, especially in corporate lending, the reduction of Bank Indonesia's benchmark interest rate and yield on government bonds, BRI was forced to seek for ways to reduce its cost of funds. Measures taken included lowering the cost of deposit funds that are not sensitive to changes in the interest rate, such as savings and demand deposits; and periodically monitored the composition of low-cost funds versus high-cost funds in line with Bank targets. Through these strategies, BRI expects to be able to maintain sustainable growth on net interest margin (NIM) and other performance targets of BRI.

To serve customers' need for foreign currencies, BRI carries out foreign currency transactions. It also offers hedging coverage to customers through currency forward and swap transactions. To complement its foreign currency services, BRI regularly provides updated information services on movements in the currency market through e-mail as well as on currency exchange rates information through SMS blasts to customers.

Capital Market Services

The growing range of investment alternatives in Indonesia today has made it possible for customers to invest not only in the money market but also in the capital markets. BRI serves to bridge the needs of its customers to invest in the capital market. Not limited to investment purposes alone, BRI also provides investment banking services to corporations seeking to raise capital by issuing debt securities in the capital market.

Trust and Selling Agent

BRI provides service as trust and selling agent. Through the function of trustee, BRI can act as custodian, payment agent and guarantee agent in the issuance of securities by issuer. Throughout 2011, the amount of securities issued and managed by BRI as trustee amounted to Rp27.26 trillion. BRI will continue to work closely with counter parties in the capital market to develop the trust services.

In its role as selling agent, BRI markets investment products including mutual funds, government bonds (ORI) and Retail Sukuk (Islamic Term Notes). In cooperation with eight investment managers, currently BRI markets 16 mutual funds products with a main target market focused on BRI Priority customers. In addition, in 2011 BRI was appointed by the government as a selling agent for ORI008 and the Retail Sukuk Serie SR003.

The marketing of ORI and Retail Sukuk is served through all Branch and Sub-branch Offices across Indonesia. By capitalizing of the breadth of the marketing unit, BRI strives to constantly hold the trust of the government as the selling agent or sub-selling agent for each issue of ORI and Retail Sukuk. These activities are aimed to gain fee based income coming from the sales.

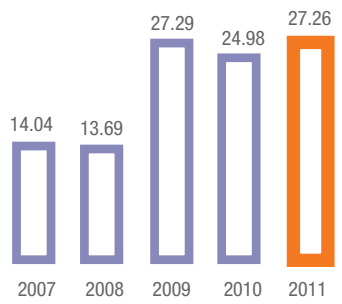
Custodian Services

BRI has served as a Custodian Bank since 1996 by managing several securities in custody whether script or scriptless, including local securities as well as those that are traded internationally (global custodian). The custodian service of BRI include the mutual funds management, comprising of several types of mutual funds and pension funds.

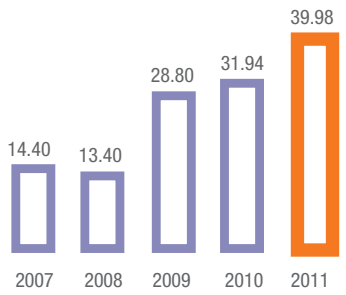
BRI's custodian services continue to innovate and develop the features of its products and services in fulfilling customers needs. BRI custodian has become a trustworthy custodial bank to manage the first asset securitization in Indonesia, namely the KIK-EBA DSMF 01 and KIK-EBA DSMF 02. In addition BRI Custodian also manages the assets of Limited Investment Mutual Funds at the request of an institutional client, becoming the payment agent in the administration of debt securities to act as escrow agent.

In 2011, assets under management by BRI Custodian increased by 20.10% to Rp39.98 trillion, from Rp32.94 trillion in 2010. In line with the growth of assets under management, fee based income increased by 14.47% (yoy) from Rp13.88 billion in 2010 to Rp16.23 billion in 2011.

Assets under Trustee
(in trillion Rupiah)



Assets under Custodian
(in trillion Rupiah)



In connection with the efforts to improve service quality, BRI continues to develop Client Information Module system, a web based information system that served for both inquiry means and the online dispatch of transactional instruction by the BRI Custodial customer.

Financial Institution Pension Fund

The Financial Institution Pension Fund (DPLK) BRI manages a fixed contribution pension plan that was formed by BRI on 9 January 2006. The product of DPLK BRI, billed as "the BRI Pension Plan Investment" is open to public for either individual members or group of employees of a company.

As a pension plan manager, DPLK BRI has a vision to become the market leader in the pension plan industry that emphasizes customer satisfaction while also contributing to fee based income for the Bank. To that end, DPLK BRI manages long term investments prudently that provide optimal returns, manages investments professionally and transparently, creating a better future for members of DPLK BRI. "The BRI Pension Plan Investment" offers four choices of investments, namely: the Money Market Investment Package, the Fixed Income Investment Package, the Equities Investment Package and the Combination Investment Package (combination of money market and or fixed income and or stocks instruments).

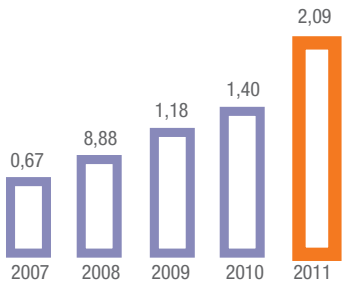
The advantage of "the BRI Pension Plan Investment" is that it is managed using modern concept with net asset values that are published daily in national newspaper and the website www.investment.bri.co.id. While the comparative advantage of "The BRI Pension Plan Investment" against its competitors is the broad marketing network of this product. By capitalizing on the breadth of BRI's Branch Office and Sub-branch Office networks that are spread across the archipelago, the service can reach a broader segment of the public providing the benefits of old-age prosperity by becoming a member of the pension plan. Payment for the DPLK contribution can be done routinely or non-routinely, whenever and wherever through the SMS Banking and ATM network of BRI.

Historically, "The BRI Pension Plan Investment" product, has produced investment returns that are very competitive. During the global economic turmoil that also affected the capital market conditions in Indonesia, the performance of the BRI DPLK Investment in 2011 continued to generate positive results:

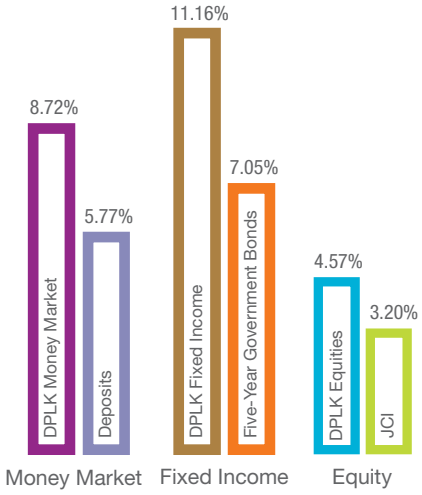
- The rate of return from the DPLK Money Market Investment was 8.72% (yoy), well above the average one-month term deposit interest rate of 5.77%.
- The return on the DPLK Fixed Income Investment was 11.16% (yoy), higher than the average yield from five-year government bonds of 7.05%.
- Whereas the return on DPLK Equities was 4.57% (yoy), better than the performance of the Indonesian Composite Stock Price Index of 3.20% during the year.

The fee based income contribution of the BRI DPLK to BRI as the founder in 2011 amounted to Rp14.17 billion, an increase of 40.30% from Rp10.10 billion in the previous year. Total assets under management of BRI DPLK as of 31 December 2011 amounted to Rp2.09 trillion, an increase of 49.28% from Rp1.40 trillion in December 2010.

Assets under BRI Pension Plan
(in trillion Rupiah)



Return from BRI Pension Plan Investment and Benchmark



OPERATIONAL REVIEW

Human Resources

BRI adopts corporate values consists of integrity, professionalism, customer satisfaction, leadership and respect for individual to become the basis of thought, action as well as behavior of each and every BRI individual until it becomes a solid and characterized corporate culture. Those corporate culture will serve as a guide for employees' attitude either personally or professionally to continuously perform while adhering to the internal and prevailing rules and regulations, so that all employees have the risk awareness culture and always strive to increase service quality in every working unit.

BRI HUMAN RESOURCES

To support business development, the HR management continuously undertakes development of BRI human resources through a series of integrated activities in the framework of the BRI HR Architecture. BRI HR Architecture comprises of the activities of planning, recruiting, developing, retaining and maintaining, managing performance and terminating. Those activities are undertaken on the basis of competence and supported by a reliable management information system.

The management of HR is divided into an action plan road map that is reformulated every five years. The road map is reviewed and adjusted to the needs of BRI from one year to another. The action plan road map for HR management in the year 2011 and 2012 are as follows:

- Accelerating and sustaining the recruitment and selection process to fulfill HR needs
- Determining the talent pool policy as part of steps in establishing BRI Talent Management System.
- Improving the policies of grading system based on strategies as follows:
  - Career development
  - Compensation
  - Disciplinary rules

Through HR management, BRI expects to create professional work forces with qualification in line with the dynamic changes in banking business. Therefore BRI's HR productivity can be achieved optimally to support the success of Bank's strategies as well as its objective.

Human Resources Management and Development

The management of HR is carried out in line with the designated action plan road map that covers the followings:

Recruitment and selection

The fulfillment of competent HR in line with the Bank's needs is carried out through either promotion and rotation of staff or recruitment and selection as follows:

BRI Human Resources Architecture is implemented based on competency and supported by accurate information system management.

- Permanent employee, through the Staff Development Program (SDP) with objective to prepare future leaders of BRI.
- Contract workers, for certain job positions
- Outsourcing for auxiliary functions (non core business)
  Special hiring to fill position in new developed business that can not be filled by internal sources.

To obtain candidates that matched with the required qualifications, BRI undertakes a recruitment and selection acceleration strategy without compromising the quality of candidates, among others by delegating the recruitment authority to the Regional Office level, participating in job fairs organized by leading universities, and providing a career opportunity for outsourced workers that show excellent performance to participate in the selection process to become a permanent employee of BRI.

The objective of recruitment and selection process is prioritized to fill the positions in marketing forces (Account Officer/AO, Funding Officer/FO, Micro Loan Officer and others). Throughout 2011, BRI recruited 11,464 people comprising of

- Staff Development Program : 357 personnel
- Marketing forces : 2,050 personnel
- Support forces : 9,057 personnel.

Personnel Training and Development

The employee career development system of BRI is based on competencies. Each position has a certain competency profile consisting of soft

competencies and hard competencies in line with the characteristics and complexities that reflect the weight of each position (job grade). As such, the career development of employee considers the correlation between the person grade and the job grade, or what is commonly referred to as the job-person match. In 2012, BRI reorganized job positions in accordance with the job-person match principle by evaluating performances against assessment results of each individual.

BRI also develops personnel who have special talents and achievements, and prepares them for leadership positions or to fill in strategic positions through:

- a talent pool system that develops the skills and abilities of specially talented personnels in a systematic and continuous program through job enrichment, training, coaching and others. The talent pool system is continuously developed in line with the development of other related policies, including the supportive IT system as part of the Talent Management System Structure.

- provide opportunities for employees to enrol in a post graduate degree program abroad.

- develop online performance management system (PMS), with a standardized key performance indicator to evaluate objectively and monitor periodically against the performance of the Bank.

- Build and develop the IT system to support execution of HR management policies.

Employee Welfare

Compensation is structured fairly, competitively, and in a simplified yet dynamic way in line with the needs and growth of the business as well as the Bank's financial capacity. The compensation system is built to compete for the best talent in the market, retain the best personnel and motivate employees to perform exceptionally.

In line with the implementation of the person grade, to complement the implementation of the job grade, BRI has improved its compensation system that was based on a job grade weighting to one that is based on both job grade and person grade weighting. This has made the compensation system more fair because it recognizes both the individual grade and the grade of his or her duties and responsibilities.

Considering the vast working network of BRI with its huge geographical spread covering areas of diverse cost of living, BRI has identified these differences in living cost that are classified into a number of zones affecting the amount of compensation of employees in the respective zones.

Industrial Relation and Corporate Culture

In creating a corporate culture based on risk culture, there has been an enhancement in the Employee Discipline Regulation, in which all employees of BRI are encouraged to act in line with the principles of the Bank's corporate culture in all business activities to establish risk awareness embedded in those activities.

In 2011, the acculturation of the values of the Bank's corporate culture focus on the services aspect to enhance the quality of services to both external (customers) and internal parties, as well as the aspect on the development and implementation of the Code of Ethics as part of Good Corporate Governance. For the effectiveness of its implementation, the Bank provides the broadest opportunities to its employees to participate in monitoring the process of Good Corporate Governance being implemented consistently by the Bank by reporting every violation through a Whistle Blower System.

Considering that banking activities are based on trust, BRI is highly concerned over the integrity of employees, and their adherence to working rules and regulations as well as the principles of prudential banking in their daily banking operational activities.

Industrial relation that are harmonious, aligned and balanced between the Bank and its employees, on the basis of partnership, are continually maintained and enhanced in the framework of realizing the vision and mission of BRI. Management employs open communication with the Workers Union, as a means to receive feedbacks and strategic ideas to the management in the interest of the Bank's business progress and development.

In that context, in 2011 the fifth Collective Working Agreement had been signed between management and the Workers Union to cover the period of 2011-2013.

Education and training

Human resources are key assets for the success of any bank. Reliable and competent human assets are keys to the sustainable growth of the banking business.

In the areas of education and training, the year 2011 becomes the moment to step further in the efforts to improve the education and training system for employees that had begun since 2010. A number of changes that had been undertaken, were continued and enhanced further in 2011. These changes include work mechanism, program development and the delivery system for education as well as the development of the educational supporting infrastructure.

BRI has enhanced the organization structure that is responsible for the development and implementation of the education and training system for employees. With these improvements, education and training are expected to be more evenly distributed, effective, efficient and up to date, in line with the Bank's business development.

The use of advanced technology has created more effective and efficient education programs throughout 2011, both in terms of educational facilities as well as the implementation of the training. The digitalization and development of library materials, development of e-learning, development of the website of the BRI Education and Training Center as well as back office automation have been in progress since 2011. In addition, innovative developments of educational contents were also applied by inviting business practitioners as speakers in the program "Morning Talk" that discussed various current issues in line with the need of BRI business.

Throughout 2011, the number of employees enrolled at in BRI Education and Training Center in Jakarta as well as in other six regional educational centers amounted to 232,598 employees. This indicates that on average each BRI employee receive 3.3 times of training in a year.

Preparing future leaders of BRI

BRI develops and implements special education program dedicated to candidates of BRI future leaders through Staff Development Program (PPS). This program is fully aligned with the business continuity of BRI going forward.

PPS represents an intense and challenging education program for the trainees. For a period of 12 months the candidates are equipped with various knowledge that will form the knowledge base for their subsequent career development. The trainees are also equipped with the soft skills of a banker. Training is provided in various forms, from class room education to on the job training in branch offices, culminating in a comprehensive test in front of the Board of Directors.

As of year end 2011, BRI has trained 2,332 candidates, consisting of the best graduates from leading universities across Indonesia and internal staff who has passed the PPS selection process.

Participants of the Staff Development Program

PPS	Total Participant	Within Education Period	Graduates
General	1,913	722	1,191
Auditor	232	140	92
IT	187	97	90
Total	2,332	959	1,373

Post Graduate Education Overseas for Selected Staff

In line with the efforts to prepare future leaders, BRI also has sent selected staffs to pursue Master degree in various major programs at various top universities overseas. During 2010-2011, BRI sent 22 of its best staffs to universities in Australia, USA and UK.

Training and Enhancement Program for Marketing Forces

BRI exerts all efforts to prepare its human resources to possess ability to support BRI business development. In addition to education that is dedicated to prospective future leader, BRI also equips its marketing forces, namely Account Officers and Funding Officers with the appropriate skills and knowledge. Enrichment trainings for the Associate Account Officer (AAO) were provided to 997 trainees, covering basic knowledge on loans and related topics to loans such as legal issues, insurance and others.

In 2011, a pilot project of advanced education program for AOs with more than 2 years of working tenure has been initiated. Through this program, the AOs will be equipped with the skills of marketing, sales, services as well as people skills. Evaluation and improvement to the curriculum is continuously undertaken to align the training program with the business' needs in the field.

Enhancement trainings for frontliners at branch offices as well as BRI Units were also carried out in line with business expansion. Throughout 2011, these trainings were carried out in six Learning Centers for a total of 15,927 personnel.

Education for Succession and Business Application for Micro Business Personnel

To maintain the domination in the micro business segment, BRI undertakes the succession and Application Training for employees at BRI Unit level. The objective of this program is to equip the prospective incumbents/leaders in BRI units with needed knowledge and skills before being assigned to higher position. These trainings are routinely carried out in the regional learning centers, including training for the resident auditors of micro business, head of the BRI Units as well as the marketing forces of these units. Throughout 2011, BRI trained a total of 4,498 personnel in this program.

Workshop on Business Profile: Providing Practical Knowledge for Account Officer and Other Credit Personnel

BRI also organizes a number of workshops on business profile that have good prospect of growth. In 2011, BRI has carried out business profile workshop related to oil and gas, cane and the sugar industry, shipping industry, rice cultivation, dairy farming and cattle, as well as the construction business. The workshop discuss these business profiles from a to z, from the regulatory side to the tricks-of-the-trade as well as sharing experiences with business practitioners in the field, by inviting internal and external guest panels who are expert in their respective field.

In funding side, BRI has also designed and implemented training program for FOs. Throughout 2011, a total of 2,256 Funding Officers were trained in a program that referred to the blue print of the business training program.

Training for Branch Manager and Deputy Regional Office Manager

The intensive education and training programs for AO and FO will be less than effective without training for their leaders. To that ends BRI also carries out training program for branch managers and deputy regional managers, which also include special briefing and direction from the Board of Directors. In 2011, a total of 185 branch managers and deputy regional managers participated in such program.

Development of Education Facilities and Book Collection Replenishing and Digitalization of the Library

Throughout 2011, BRI replenished the book collection at the BRI Learning Center Library with books that are published in 2005 onwards. The library's collection currently comprises of 2,401 book titles, 642 journals and 50 multimedia materials and others. To increase the efficiency of library management, library data has been digitalized to ease the searching process of the book titles and other library's collections by using a certain key-words in the search engine of the library's website. The BRI library is thus also accessible via online.

Development of Back Office Automation

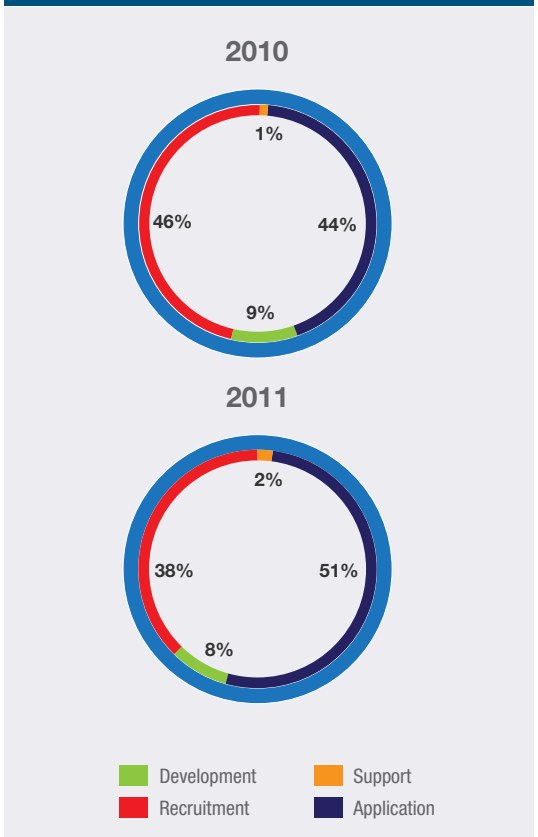
Other infrastructure facilities that are being developed by BRI include back office automation (BOA). With the application of BOA, BRI expects to do away with the era of "paper and folder" in the administration of educational data and documents. In addition, BOA will facilitate the track records of the educational information of each employee, while also facilitating better monitoring on the issue of training and educational equality among its employees.

Library at BRI Learning Center

The Target Achievement of Budget and Number of Training Participants (Trainees)

Overall, the realization of budget and number of trainees in 2011 was higher than that of 2010. The use of education budget in 2011 was dominated by the budget for recruitment training, whereas the number of trainees largely involved the Application training that were held at BRI's regional as well as central learning centers. Throughout 2011, BRI spent approximately Rp492.25 billion for training and education programs, accounting for 102% of the total budget allocated for HR expenses.

Use of Education Budget



Network and Services

BRI develops network even further with prioritizing on customer satisfaction, by extending conventional service network, mobile banking, as well as e-channel, to expand the reach of banking services complemented by increased efficiency and operational effectiveness.

SERVICE NETWORK EXPANSION IN 2011

In the effort to improve grass root economies and provide greater accessibility to banking services, BRI continues to expand its service network to the far reaches of the country. This network expansion covers both conventional and electronic networks. The expansion of the retail business network includes the opening of 18 Branch Offices, 32 Sub-branch Offices and 46 Cash Offices. For expansion of micro business in 2011, the Bank opened 200 new BRI Units, bringing the total number of BRI Units as of December 2011 to 4,849 BRI Units.

In addition to the BRI Units, since 2009 BRI has also developed a new service network in the form of Teras BRI and Teras BRI Mobile. Initially, Teras BRI opened for business in the heart of traditional markets to facilitate market traders in opening a savings account, applying for loans, and undertaking other banking transactions without having to leave their market stalls. In 2010, BRI opened 400 Teras BRI units, and expanded this network in 2011 with 687 additional Teras BRI units and 100 Teras BRI Mobile units. As of year end 2011, BRI had a total of 1,304 Teras BRI and 101 Teras BRI Mobile units.

In addition to opening the BRI Unit and Teras BRI unit, to optimize customer services as of 2011 there were 12 Teras BRI that had been upgraded to the BRI Unit status.

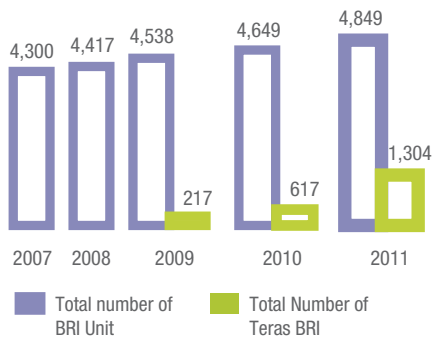
Aside from expanding its service network in the micro segment, BRI also continues to expand its e-channel as well as conventional networks such as branch offices, sub-branch offices and cash offices. BRI also has special service unit that cater to the payment of drivers licence, car registration and ownership document. Throughout 2011, BRI added 1,207 ATMs, 17,959 EDCs (Electronic Data Capture) and 19 CDMs (Cash Deposit Machine), bringing the total number of units as of year end 2011 to 7,292 ATMs, 31,600 EDCs and 90 CDMs. To increase service mobility, BRI also has 19 mobile outlets called EBuzz.

Development in 2012

To further strengthen and expand the service reach of the BRI operating units, the Bank has formulated the activities plan for 2012 as follows:

- Continue to add the number of BRI Unit, including upgrading the status of several Teras BRI to BRI Unit.
- Standardize the look and feel of the Bank's operating units and e-channel with the aim of enhancing customer familiarity with BRI when transacting their business.
- Increase the frequency of training for BRI Unit and Teras BRI personnel to provide better and more effective services to micro customers.
- Open conventional operating units in potential location in support of the BRI service units to increase market share or added value of the Bank.
- Open Priority Lounge, service office for pensioners and employees loan, and the Priority Service Center.
- Provide mobile services (EBuzz).
- Place new e-channel: ATM, EDC and SSPP (Self Services Passbook Printer) to increase market share while also optimizing efficiency and effectiveness of the BRI e-channel network.
- Increase the utilization of e-channel at BRI Units, Teras BRI and Teras BRI Mobile to facilitate customers with more convenient banking transactions.
- Develop technology application to expedite loan processing at BRI Units, Teras BRI and Teras BRI Mobile.

Growth of BRI Units and Teras BRI



SERVICES

BRI strives continuously to enhance the quality of its services in support of business growth. This is in line with the vision of BRI to provide services that are prompt, accurate, save, friendly and comfortable to all customers and to make the services of BRI as the benchmark for banking services. As a manifestation of BRI's commitments to improve the quality of services to customer, according to the results of the Marketing Research Indonesia (MRI) surveys on 19 banks in 2009-2010, the services of BRI showed improvement by increasing its ranking from 11th to 6th position, and in 2011 the MRI score for BRI increased further which also indicates further improvements to the service quality of BRI. Other strategic measures by BRI to improve the quality of service include the implementation of Service Level Agreement (SLA) and service rating for all of BRI's operating units. Whereas to achieve the Bank's target to be among the top five rank in terms of customer service, BRI has initiated the service quality campaign 1-96.

The service quality of a bank is dependent upon the quality and skills/knowledge of its frontline service personnel. To sharpen the product knowledge of frontliners, BRI organizes the "SQ Vaganza" competition for all of its frontliners across Indonesia.

In addition to the above strategic measures, BRI also carries out several development initiatives as follows:

- Following up on customer complaint through a single door policy and monitoring the settlement of such complaint.
- Standardizing the services and increasing customer satisfaction through SQ coaching, SQ monitoring of Branch Office, Sub-branch Office, and BRI Unit as well as undertaking refreshing course on products and policies.
- Improving service skills and service leadership by providing services to related personnel in branch offices throughout Indonesia.
- Designating the model branch (Center of Excellence) in terms of quality service in the respective regional office.
- Designating the operating unit for the Briguna and Pension Service in respective regional office.
- Formulating the accelerated service quality improvement program through the SQ Assurance and Improvement program.
- Developing the host-to-host and BRIVA (BRI Virtual Account) application with State Owned Enterprise (SOE).
- Undertaking the function of response center that needs the Service Level Agreement (SLA) by enhancing the help desk infrastructure.
- Increasing the skills and knowledge of help desk operators by providing them with Service Quality training at least once a year.

BRI strives continuously to enhance service quality by setting improvement targets on services from a variety of aspects, such as:

- Service process by way of formulating new policies, undertakes information dissemination, mentoring and monitoring of services and operational procedures; implementation of the advanced service policy, as well as formulating and improving the Service Level Agreement.
- Premises, by assuring cleanliness, orderliness, comfortability, placement of merchandises, availability of brochures and presentation of on/off site ATM.
- Monitoring through comprehensive surveys on the implementation of service quality, in cooperation with independent surveying parties.
- Quality of customer data, by managing single-platform CIF Interbrand, customer data updating in line with individual risk profile, integrating customer data system on supporting system that lies outside of BRI's core banking system (Brinets), undertaking information dissemination of CIF and designating the best CIF data quality among all operating units throughout Indonesia.

- Operational policies, by carrying out business process reengineering, undertaking segregation and improvement of duties of operational personnel and informing, mentoring and monitoring the operations and service procedures.
- Contact center, by drawing on telesales/ telemarketing to market the Bank's products and services and centralizing complaint handling.

Procedure of Customer's Complaint

Information System Technology

Reliable Information Technology System is crucial for banking service operations of the large and complex scope of BRI. For that reason, BRI utilized Information Technology and System (ITS) as the driver of BRI's business activities through optimum information system, availability of technology service that is measured based on competitive Service Level Agreement, support for working productiveness and efficiency, as well as minimalization of operational risk.

INFORMATION TECHNOLOGY SYSTEM DEVELOPMENT STRATEGY

In support of BRI's operation as a modern bank, BRI has adopted an IT system development strategy in stages since 2008. This strategy is contained in the Information Technology Strategy Plan (ITSP) of BRI in 2008-2017, as follows:

- Supply of broad channel access that are equipped with features that are standardized, diversified and integrated.
  Adoption of leading edge IT trends in banking.
- Supply of data access that is comprehensive on a real time online basis.
- Implementation of (near) zero down time.
- Implementation of security technology and the IT process governance.
- Use of multimedia and paperless technology.

Core Banking System (CBS) BRINETS

Throughout 2011, BRI achieved several milestones in the implementation of the above mentioned ITSP in several stages. A total of 7,975 operating units of BRI are currently integrated through the core banking system (CBS) BRINETS, the largest systems integration of its kind in Indonesian banking today.

The highest number of transactions within BRI's core banking system as of year end 2011 reached 7.9 million transactions per day and 125 million transactions per month.

Development of Electronic Banking

BRI strives continuously to improve and develop its electronic banking features to serve customers 24/7. The electronic banking medium offers greater ease for customers to obtain information, communicate and undertake their banking transaction through the ATM, Electronic Data Capture (EDC), KIOSK, Cash Deposit Machine (CDM), Phone Banking, Electronic Fund Transfer, SMS Banking and Internet Banking. As of year end 2011, the highest e-channel transaction by BRI reached a total of 3.6 million transactions per day and 65 million transactions per month.

The development of new features in channel access in 2011 included, among other things:

ATM

- Standardization of the ATM menu for the payment features of multi finance, education payment and post paid telephone payment.
- Development of the transfer feature through the Link network.
- Development of payment features for the water utility service PDAM (for the regions of Banjarmasin, Makassar, Martapura, Bogor, Karang Anyar Bandung, Probolinggo and Situbondo), tuition fees of universities (UNDIP, UNAIR, UNM, Jember University, UIN Jakarta, UPN Veteran Yogyakarta, Atmajaya Yogyakarta, UGM), PLN for non-electricity billing, post paid telephone (XL, Smartfren, Esia, Three, Axis), multi finance (WOM).
- Top up card for pre paid e-money BRIZZI.
- Additional loan features for small commercial segment.

SMS Banking

- Development of the transfer feature through the ATM Bersama and Prima networks.
- Development of payment features for airplane ticket and university tuition fees.
- Development of the features for top up e-money BRIZZI and SIM Smart, pre paid cellular.
- Enhancement of the feature for mobile cash (real time online payment).
- SMS notification.

Internet Banking

- Development of the transfer feature through the ATM Bersama and Prima networks.
- Development of the RTGS feature.
- Development of the feature for current account statements (up to the last 50 transactions).
- Development of the payment feature for airplane ticket.
- Development of the features for top up e-money BRIZZI and SIM Smart, pre paid cellular.
- Internet banking through the mobile phone.

Growth of number of e-channel features

	2007	2008	2009	2010	2011
ATM	51	97	110	124	159*
EDC	15	44	80	136	160*
SMS Banking	10	21	28	38	49*
Cash Management	2	7	15	24	87
Phone Banking	20	31	33	33	33
Internet Banking	0	0	25	41	56*
CDM	51	62	64	64	159*
Kiosk	6	22	23	23	23
SST (Self Service Terminal)	0	3	9	9	9
BRILink	0	0	7	7	7
Total e-channel features	155	287	394	499	742

* including Brizzi features

Auto Payment BRI

- Electricity payment
- Telephone payment
- Post paid cellular phone payment
- Multi finance payment
- Pay-TV payment
- DPLK (Pension Plan) payment

e-Banking Current Account

- RTGS via Internet
- Transfer to other banks

Development of Credit Card

In support of the development of credit card products (issuing and acquiring), BRI continues to develop and enhance its credit card system. Several features in the credit card system that had been developed in 2011 included:

- Development of module/Visa issuing feature
- Development of the feature for point reward
- Development of the feature for auto payment
- Development of the features for corporate card (auto debit corporate card, corporate card billing statement).

BRI launched the VISA credit card under the name of BRI VISA Touch with due consideration on the huge acquiring market potential both for credit card holders and merchants alike.

Development of the Management Information System (MIS)

MIS development is carried out in order to fulfill the needs of business and stakeholders with data that are integrated while also complying with regulations. The use of multimedia and paperless technology makes the presentation of information more communicative, effective and efficient.

Several developments in the MIS applications during 2011 included, among other things, the application development for PASK 50/55, application for the Commercial Bank head Office Report and application for Operational Risk Management.

Development of New Cash Management

To maximize the benefits of cash management services for corporate and institutional customers, BRI has made further developments on the service application of its new cash management. These enhancements include additional features, availability, user friendliness, access speed, security system and faster response in problem handling. BRI's new cash management service provides higher convenience and peace-of-mind that increase customer trust, leading to the opportunity for new customer acquisition.

BRI's information technology also supports the cooperation process with a number of SOE's including the State Logistics Board, BULOG (host-to-host payment with BULOG's third parties), PT PUSRI (host-to-host purchase of fertilizer), PERTAMINA (new host-to-host for the purchase of fuel), and a number of universities (host-to-host payment for tuition fees and other academic expenses).

The number of new cash management features as of year end 2011 amounted to 73 features, whereas the development of features in the new cash management by BRI in 2011 included the followings:

- Development of special payment feature (RTGS, clearing, BRI transfer, SWIFT).
- Development of payment features for PERTAMINA, PUSRI, airplane ticket, loans, credit card, cellular phone.
- Development of transfer feature namely outgoing forex (single and mass), BRIVA (single, collective and mass).
- Development of RTGS features (collective RTGS, mass RTGS).
- Development of clearing features (individual clearing and mass clearing).
- Development of the Taspen deposit feature.
- Development of the auto payment features for electricity and telephone bills.
- Development of the reporting module/feature (auto reporting/reporting management).
- Development of the payroll module (24-hour payroll).

Business Continuity and Disaster Recovery Management

BRI has a Business Continuity and Disaster Recovery Plan to ensure the continuity of business operations while also increasing the trust of customers and mitigating operational risk as a result of an information technology failure. As part of the Business Continuity Management, BRI has three Data Center (DC) sites namely the Primary DC, Secondary DC that also serves as a Disaster Recovery Center (DRC), and another DRC that is located far away from the two DCs. Since September 2011, at the two data centers (Primary DC and Secondary DC) a new IBM AS/400 Power-7 has been implemented as the Host Core Banking System, which operates alternatively between the Primary DC and Secondary DC. In this way, BRI further reduces the risk of failure in its Core Banking System (CBS) BRINETS.

BRI has established a Disaster Recovery Center at a different location from those of the two DCs to maintain system availability and business continuity in case of a disaster striking the two data centers. To ensure the reliability of this DRC, BRI undertakes periodical live tests of its business continuity and disaster recovery capabilities.

Availability of Communication Network

In line with the development and addition of on line operating units that continue to grow, BRI ensures the availability of communication networks that are supported by continuos oversight through the enterprise monitoring system, and supported also by a redundant communication media as well as different providers of communication services.

Currently, BRI is in the process of constructing a VSAT communication and fiber optic networks of its own in order to increase the availability of communication networks as well as to broaden the business network of the Bank.

Security System

BRI's information technology infrastructure is regularly evaluated and audited with the aim of mitigating the risk of vulnerability and weaknesses of the information technology infrastructure. The security system is upgraded as needed to increase its security reliability against the trends of information technology frauds. A Security Awareness program is routinely carried out to enhance awareness and care for security in the use of information technology at BRI.

To maintain an adequate security system within the information technology realms that continue to advance and evolve, BRI adopts and implements best practices in the information technology security system, including the ISO 27001:2005. Adhering to regulations, BRI complies to the Bank Indonesia Regulation PBI No. 9/15/PBI/2007 on the Implementation of Risk Management in the Use of Information Technology by a Commercial Bank. BRI constantly strives to anticipate and mitigate operating risks that may arise out of a down-time in the information technology system itself. To that end, BRI employs nine key points to reduce operating risks as follows:

- **IT operational back-up management**
  BRI undertake recyclement in the management of back-up data, in addition to relying on permanent back-up data (doubling).

- **Clustering and mirroring**
  As described previously, the security of IT at BRI relies on a disaster recovery system that is fully redundant (mirroring) at different locations that are set apart by more than 1,000 km, as well as the support of several supporting system that are dispersed location-wise (clustering).

- **Data Center.**
  BRI operates three data centers in three different locations that serve as back-ups for one another.

- **Intrusion System**.
  BRI has an Intrusion Detection System and Intrusion Prevention System as part of the defense against the risk of intrusion by hackers.

- **Host Security Module.**
  For card products, BRI implements a host security module form that enable card holders to transact safely with several hosts of products and services that are offered by BRI.

- **Fire wall Security.**
  The fire wall security system over the information technology network of BRI relies on the most advanced technology available at present.

- **Access of Operating Unit.**
  Access to the information system of BRI for operating units are classified in accordance with different authority levels and provided only on a need-to-know basis.

- **Soft Token for e-channel.**
  As an added security feature in e-banking transaction, customer are given new password codes each time they transact through the BRI Internet Banking. This measure reduces the possibility of the customer account being accessed by unauthorized parties.

Development Plans for 2012

The use of information technology at BRI faces significant challenges. Market competition in the banking industry has increased the need for business expansion. As such, the role of information technology infrastructure should elevate the competitive advantages of BRI in the market place.

To face up to the challenges in 2012, especially in the area of information technology, BRI has formulated several strategic plan, including:

- Provision of a broad channel access that is equipped with features that are standardized, diversified and integrated:
  - Enhancing the infrastructure for e-channel and broadening its implementation across the business competition while also supporting compliance towards regulations. This includes the addition of 3,500 ATM units, 300 CDM units, 100 KIOSK units and 45,000 EDC units.
  - Enriching the features of ATM, EDC/ mini-ATM, KIOSK and CDM.
  - Enriching the features of Internet Banking
  - Developing the infrastructure and application for debit cards based on the smart card in line with Bank Indonesia regulation.
  - Developing the features for credit cards.
  - Developing the features for New Cash Management

- Adoption of leading-edge information technology trends in banking:
  - Development of ATM features based on the smart card.
  - Development of the e-money (BRIZZI) features

- Provision of comprehensive data access in real- time on-line bases.
- Provision of comprehensive data access in on-line, real time and secured bases for the purposes of internal and external auditors.
- Development of the application for PSAK 50 and 55 and IFRS
- Implementation of the application for Basel II Credit Risk Management

- Implementation of (near) zero downtime
  - Implementation of VSAT hub and fiber optic network owned by BRI.
  - Provision of redundancy and back-up for IT infrastructure and server
  - Enhancement of continuous monitoring functions over BRI operations.

- Implementation of security technology and IT process governance
  - Proceeding with the implementation of best practice system in information technology security that is more holistic based on ISO 27001:2005 as well as new regulation of Bank Indonesia and the government.

- Use of the multimedia and paperless technology
  - Enrich the presentation of routine reports by operating units and divisions in place of manual reporting.
  - Implement applications for knowledge management and e-learning.
  - Implement the BRI Audit Management System or BRISMA.

Operational Center

A centralized banking operation is key to the modern banking operation in terms of operational efficiency and effectiveness. Since 2010, BRI has carried out a centralized operational function in line with international best practice in banking industry.

BRI has established an operational system that is fully centralized, quick, with zero defect and low risk, while also building an integrated monitoring and control system that are aligned to the Bank's business growth. In addition to that, BRI has also developed human resources in the Operational Center that possess high quality, responsiveness as well as integrity, that is supported by a never ending improvement toward the quality, effectiveness as well as efficiency of BRI's operational system.

Improvement in the Business Process and Operational Efficiency

In 2011, BRI continued with its operational transformation involving internal business processes with the aim of increasing operational efficiency and effectiveness, leading to greater speed and accuracy in customer service.

Efforts to evaluate and develop the business process of all transactions are carried out consistently, among others through the implementation of *straight through processing* for incoming remittance transaction and the centralized debit notes.

BRI was also intensively improving its efficiency in the banking operational activities, such as cost reduction and reducing the administration chain through implementing the paperless settlement for e-banking transaction and also settlement for ATM cash reconciliation. These initiatives contributed to a reduction in overhead cost and expedited the settlement time.

Growth of the RTGS and Clearing Transactions

RTGS transaction of BRI during 2011 indicated a healthy growth. Total incoming RTGS transactions amounted Rp4,930 trillion over 1.11 billion transactions. While outgoing RTGS amounted to Rp4,964 trillion over 1.11 billion transactions.

As with the RTGS transaction, clearing transaction also showed quite a significant growth. In terms of delivery clearing, total inward transactions amounted to Rp94 trillion over 3.5 million transactions, whereas outward transactions reached a total of Rp21 trillion over 723 thousand transactions. Meanwhile, for credit clearing, total inward transactions amounted Rp35 trillion over 5.5 million transactions, whereas outward transactions totalled Rp36 trillion over 3.3 million transactions.

Development Plans in 2012

Entering the year 2012, BRI has formulated a strategic plan to enhance both operational performance and customer service through the followings:

- Business process re-engineering by increasing the efficiency of back office functions in operating units to enhance service quality.
- Developing of paperless operation stage II.
- Establishing a Regional Operating Center, for debit clearing and cash movement transaction, located at BRI Regional Offices throughout Indonesia.
- Preparing the steps for implementing the ISO 9001:2008 - Quality Management Systems standard.

Printing process of ATM cards

Management of Fixed Assets and Logistics

In line with business growth and network expansion, BRI is required to manage optimally its fixed assets as well as the logistics needs of each operating unit. To that end, the fulfillment of fixed assets as well as logistics needs must be done immediately, flexibly, efficiently and effectively by always implementing the Good Corporate Governance, so that BRI will not miss the momentum of its business.

In the effort to fulfill logistical needs optimally the operating units responsible for managing fixed assets and logistics coordinate closely with the operating units that are responsible for planning and procuring the logistics. To that end, both parties are proactively engaged with one another in this coordination, ensuring that continuity of supplies of goods and services required by different operating units are fulfilled.

Decentralized Procurement Process

The policy of BRI in logistics is to implement a decentralized process in the procurement of goods and services, by delegating to General Manager of Regional Office with appropriate limit authority. Conversely, the procurement of goods and services of other operating units are centralized. As such, the procurement of goods and services can be performed effectively and efficiently while also enabling Regional Offices to increase the performances of working units under its supervision.

E-Procurement

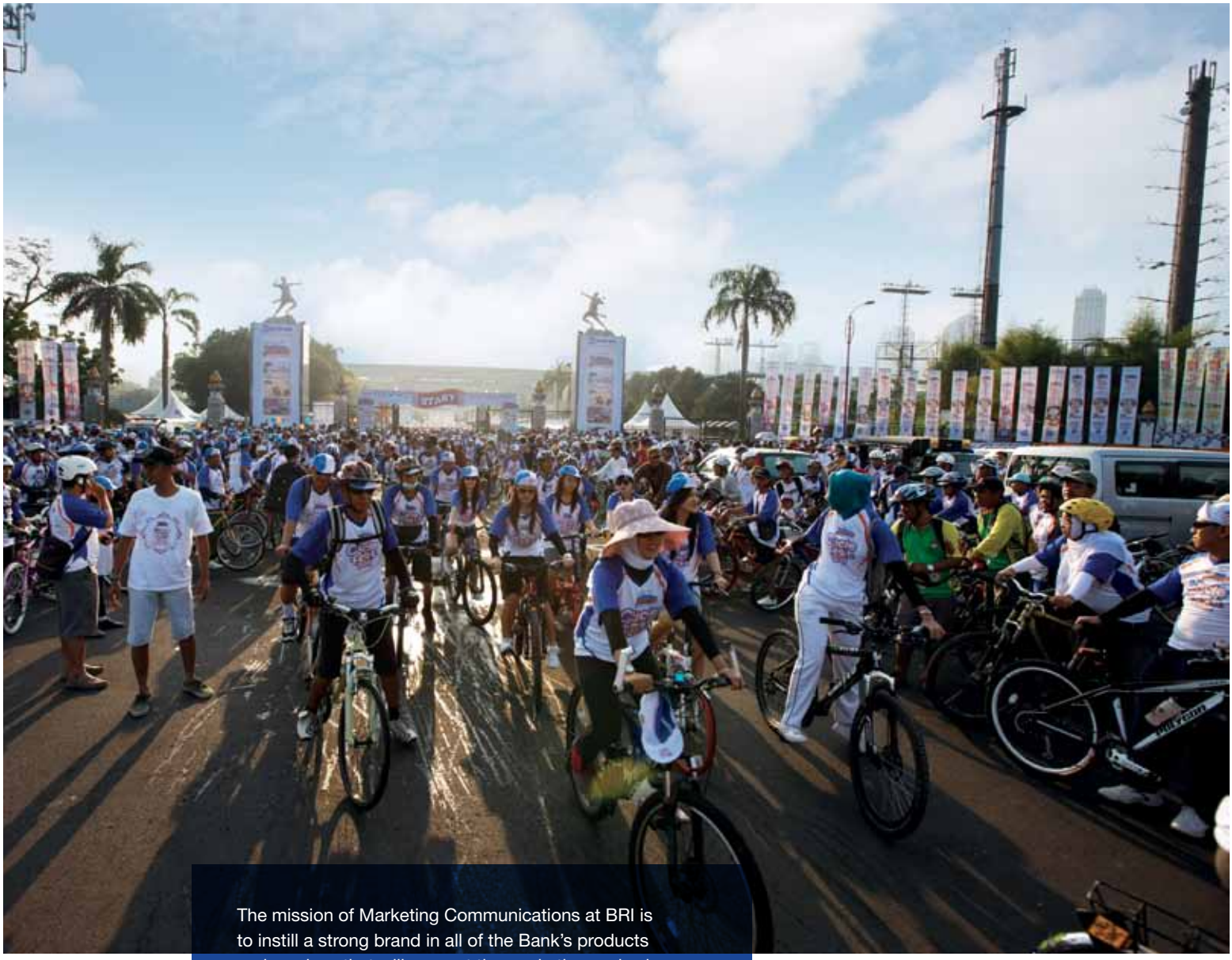
BRI develops an e-Procurement Application of goods and services. The objective of this application is to ensure that the procurement of goods and services can be done in a more transparent, fair, non-discriminatory and accountable process. In addition, the Bank has also developed the Application for Fixed Assets Management Information System. This is also to ensure that the management of fixed assets by the Bank could be performed transparently, accountably and accurately from distribution, asset recognition, insurance, tax matters up to the disposal of those assets.

Development Plans in 2012

BRI will continue to evaluate and enhance its policies on assets and logistics management, among other things through the updating of those policies as a way for BRI to be in line with its business growth as well as with prevailing laws and regulations.

One of the efforts is by always updating the policies of Fixed Assets and Logistics Management in line with business development as well as with prevailing regulations.

Marketing Communication



The mission of Marketing Communications at BRI is to instill a strong brand in all of the Bank's products and services that will support the marketing and sales growth of those products and services. From its optimum marketing communication, the Bank will gain awareness and a unique positioning, efficient and relevant in the minds of the Bank's target audiences.

Marketing Communication Strategies and Activities

Throughout 2011, BRI's marketing communications focused on products that are substantially based on individual, mass and retail platform whether in funding or lending. Retail funding became the main priority considering its strategic role in ensuring funding stability as well as price competitiveness. In addition to that, the micro, small and medium enterprise (MSME) business, as a pillar business of BRI, received special priority to ensure public awareness retention of the BRI brand. The Bank's e-banking communication is also one of the focal points of BRI in 2011 as the Bank sought to increase the composition of fee based income through e-banking transaction. BRI also made this as an effort to become The Biggest National Payment Gateway.

Various communication activities that were carried out in 2011 included, among others, as follows:

- BRI BritAma Savings (*Untung Beliung* BritAma)
- BRI Simpedes Savings (Simpedes Folks Festival, Simpedes Monthly Harvest and Homecoming with Kupedes and Simpedes)
- BRI Junio Savings (Tie-in merchant program: Timezone, Theme Park: Ancol, Jatim Park, WaterBoom, Funland, Bali Bird Park, Bali Zoo, and others)
- Term Deposit (Prepaid interest Term Deposit)
- E-Banking: BRI E-Banking Dazzling Sweepstakes (15 Agt-15 Dec 2011)
- BRIZZI (Merchant discount program in food and beverages, public service, fashion and mini-market category)
- BRI Credit Cards
  - Retention and acquisition programs with various leading merchants in fashion, gadget, airlines, hotel & resto, beauty and health, BRI Travel Service, BRING, and others
- BRI Mortgage (BRI Extra Mortgage, "Kawan" Mortgage Program, Joint Promo Kemang Village, Florencia Cluster)
- Vehicle Loan (Vehicle Loan "Kawan", Vehicle Loan Autovest 2011, Vehicle Loan "Lebaran")
- BRI Priority: White Lotus, AntePrima, Blitzmegaplex

Several communication activities that were implemented in 2011, not only increased the business volume of the respected products and services, but also enhanced the performance of the BRI brands. This was evident from the increasing brand awareness and brand index of BRI as one of the top performers in the Indonesian banking industry.

Becoming a *Top Brand* in Indonesia

Numerous awards from independent parties serve as a confirmation of BRI's multiple brand performances as seen from the following recognitions:

1. Top brand award

Products	Ranking
BRI Junio Savings	1
BRI BritAma Savings	2
ATM Card	3
Call BRI	3
BRI Simpedes Savings	4
BRI Term Deposit	3
BRI Mortgage	5
Credit Cards	5

2. Indonesia Bank Loyality Index Award 2012

Products	Ranking
BRI Savings	3
BRI Credit Cards	5

3. Indonesia Best Brand Award (IBBA) 2011

Product/Brand	Ranking
BRI as Corporate Brand	1
BRI Simpedes Savings	3
BRI BritAma Savings	4
BRI Credit Cards	5
BRI Mortgage	5

4. Indonesian Service Satisfaction Index 2011, in the category of Priority Banking Service, No. 3 from Service Exellence Magazine.

5. Indonesia Most Valuable Brand, rank 1 for Indonesia, rank 195 world wide, from Brand Finance.

Development Plans in 2012

The plan for marketing communications in 2012 relates directly with the corporate objective of BRI to become *The Largest Payment Gateway*. In addition the Bank will make special efforts to develop strong image as a transactional bank that will also touch upon the corporate brand of BRI.

Aside from those main focal points, BRI's marketing communication will also provide full support to products and services that are business to business based, with the appropriate communication strategy.

The marketing communication plan 2012- 2014 and Thematic Communication Campaign 2012-2014 for BRI' respective brands can be seen as follows:

	2011	2012	2013	2014	2015
Corporate Brand "BRI"	✔ Corporate Campaign: refreshment ✔ Image building: The largest and the best micro bank, payment, Best Services				Corporate Target *The Biggest National Payment Gateway*
Tabungan BritAma	✔ Increasing Top of Mind and Awareness ✔ Image building: Young, Easy, Transactional				
Tabungan BRI Junio	✔ Maintaining Top of Mind awareness ✔ Broadening knowledge of BRI Junio Savings				
Tabungan Simpedes	✔ Maintaining Level of Awareness ✔ Repositioning : Simpedes Image Rejuvenation				
E-Banking ATM Internet Banking Mobile Banking BRIZZI	✔ Establish preference of utilizing ATM BRI, establish the most extensive network image of ATM BRI ✔ Increasing awareness and knowledge for: Internet Banking, Mobile Banking, BRIZZI. ✔ Image building: increasing perception in terms of performance/ reliability and advantage ✔ Communicating e-channel features, especially features with high transaction potential				
Microbusiness Product Kupedes KUR	✔ Thematic Campaign with positioning : • Rationale : quick, transparent, competitive interest • Emotional : Community banking, business success ✔ Undertaking special programs that are unique & iconic, consistently and continuously				
Retail Business Micro Loan	✔ Micro loans as *Umbrella Brand* for all products range in the Retail and Medium BRI ✔ Building awareness and the right positioning for BRI's micro credits				
International Business Brifast Remitance	✔ Building awareness and image ✔ Trade finance : Comprehensive and Professional ✔ Remittance : Prompt solution for money transfer				
Treasury DPLK	Awareness and image building Positioning : Planned, safe and profitable				
Conventional Channel Kanca, KCP, BRI Unit, Teras BRI	✔ Campaign : the largest network, nearest to customer ✔ Campaign on growth of number of outlets, new outlets ✔ Maintaining look and feel consistency of offices/outlets				

Risk Management

Rapid business development and the increasingly complex banking products have given rise to an equally more complex risk management in banking. For that reason, BRI is required to implement reliable risk management in order to adapt to the complexity of this business. The implementation of risk management principles must be able to support BRI to be more prudent in its business growth and rapidly evolving banking operations. The implementation of risk management should meets the needs of banks in managing risk within tolerable level, which have become standards in the banking industry and governed by the regulations of Bank Indonesia that are in line with the recommendation of the Basel Committee on Banking Supervision.

Risk management has an important role in improving the quality of the Bank risk control management to achieve its target through two aspects, namely the protection of capital and the optimization of the risk and return relationship. Considering the importance of the implementation of risk management, BRI has implemented an integrated risk management.

BRI implemented its risk management based on three lines of defense concept, namely:

- First line of defense refers to business/operations working units as the parties responsible for implementing internal control functions and maintaining the quality of output and business process in accordance with the established policies and procedures.
- Second line of defense refers to risk management working units whose role is (i) to monitor the implementation of the Bank's risk management in accordance to the Bank's risk appetite, (ii) to set policies, guidelines and risk limits, in order to maintain risk exposure at a tolerable level and does not exceed the capital capacity of BRI.
- Third line of defense refers to internal audit unit whose function is to monitor the implementation of internal control by the first and second line of defense, and to report to the President Director and the Board of Commissioners independently.

The implementation of such concept is expected to maintain independency of decision making process, ensuring that it is not partial nor beneficial to one particular working unit at the expense of another.
In the Bank's implementation of risk management, the Board of Directors and the Board of Commissioners play an important role in supporting and overseeing the risk management implementation in all working units. In its function to manage business risk exposure and determine the risk management system of the Bank, the Board of Directors of BRI is assisted by the Risk Management Committee (RMC), as the highest body in BRI's risk management system.

Discussion of the Bank's overall risk profile is done through RMC meeting, which is held at the least once every three months. Additionally, discussion on a specific issue concerning certain type of risk, which require immediate decision, could be held by a limited RMC, or sub-RMC, meeting. BRI has three sub-RMC, namely Credit Risk Management Committed (CRMC), Market Risk Management Committee (MRMC), and Operation Risk Management Committee (ORMC), established to handle problems related to credit risk, market risk, operational risk and other risks.

Human Resources Development in Risk Management

BRI undertook various efforts in order to build a culture of risk awareness in the Bank. Several programs are taken to develop competency in various aspect of risk management as well as to monitor the implementation of risk management including:

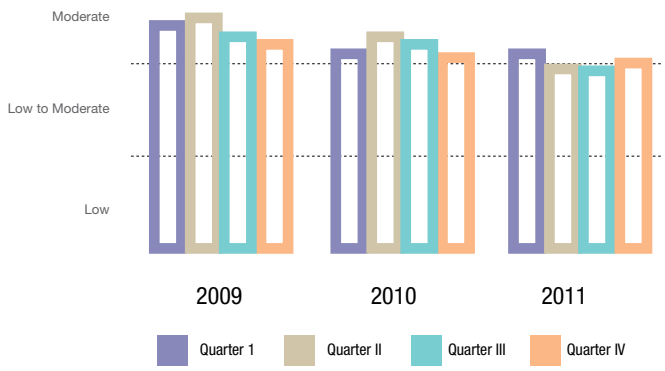
- Dissemination of materials on risk management in all level of training and education programs for management level (Head of Working Unit, Branch Manager, Sub-Branch Manager, Operational Manager and Marketing Manager).
- Special training on risk management for the Staff Development Program (SDP).
- Dissemination of risk management information to all BRI's working units through both formal and informal forum of communication.

In addition, in order to develop competency in risk management, BRI's management take the national risk management certification program with relatively high passing grade of 90.06%, which was above the banking industry average.

Risk Profile

BRI's aggregate risk assessment was conducted through self assessment process which produce the BRI Risk Profile. The risk profile assessment comprise of inherent risk assessment (the risk inherent in the Bank's activities) and risk control system assessment (management of inherent risk), conducted to eight types of risks in the Bank's seven activities (covering activities in credit, treasury, trade finance, funding, operation and service, IT system and support), as well as assessment on improvement of risk control.

Trend of BRI RISK PROFILE



Risk Profile Reporting Mechanism

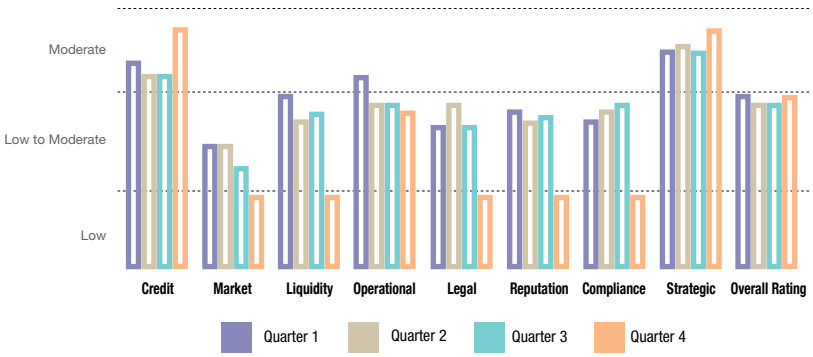
As risk owner, each working unit in BRI is responsible for risk management in all of its activities. Hence, the Board of Directors ask for every working unit manager should be able to conduct identification of risk, assess all risk and monitor as well as mitigate those risks. These capabilities are necessary in order to achieve the targets, as well as to provide added value to the Company through effective and efficient risk management.

Working unit manager will reports to Regional Office on the subject of risk profile and their mitigating follow-up actions. Regional Office would conduct risk profile consolidation of all working units under its supervision and recommend solution and follow-up actions to improve risk control of each working unit. Subsequently, Regional Office would report the consolidated risk profile to Head Office. Risk Management Division in the Head Office will conduct consolidation of risk profile based on reports from Regional Offices and submit its report to the Board of Directors and Risk Management Committee.

Trend of Risk Profile

BRI's aggregate risk assessment for the last three years had shown improvement in the score of the Bank's risk profile and had placed BRI's risk category in the low to moderate level. This proved that BRI possess improving trend of risk profile (lower risk profile) from year to year. The charts in this page present trend of BRI's risk profile for the year 2009-2011.

Risk Profile Trend of BRI - 2011



In 2011, the overall BRI's Risk Profile remained at the category of ***LOW TO MODERATE RISK***, with stable trends for all types of risks. The assessment of inherent risk remained at the level of low to moderate. Whereas for the Risk Control System assessment, the score was between strong to acceptable.

Risk Management over New Products and New Activities

Risk management is carried out in every product development and new activities, and represents one of the phase in the business development. This phase is expected to minimize unforeseen risk potential as the result of the sale of new products or new activities. In this case, the Risk Management Division ensures the risk management of new products and/or activities and also the readiness of the Bank to market its new products and/or activities.

Business Continuity Management

In the increasingly competitive banking environment, BRI has to be constantly prepared for disturbance from external sources and be able to immediately restore banking operation afterward, should the disturbance/disaster occur. In order to maintain business continuity of the Bank, both in normal condition or during and after the disturbance/disaster, BRI has developed Business Continuity Management policies and procedures so that BRI can maintain the continuity of its critical business process, safeguard its assets and respond appropriately to a situation of disturbance or disaster.

Implementation of Credit Risk Management

Credit risk is risk that occurs due to failure of counter party to fulfill its obligation. Credit risk could come from any of various functional activities of a bank such as lending (provision of funds), treasury and investment, and trade finance, which are recorded in both banking book and trading book. BRI's products or claims with credit risk exposure comprise of both loans and non-loans (placements, participations, and other claims/assets such as internal/external receivables).

Credit risk represent the biggest component in BRI's business risk portfolio. In accordance with the Minimum Capital Requirement Report in 2011, credit risk is calculated using the standard method. Based on the assumption of CAR 8%, the allocated capital to cover credit risk amounted to Rp18.3 trillion or 44.2% of the total capital.

In 2011, BRI has developed and implemented credit risk management with the Standardized and Internal Rating Based Approach, i.e :

- Formulated the guidelines for the Standardized Approach based on the consultative paper of Bank Indonesia, and undertook a simulation of credit risk measurement for Quantitative Impact Study (QIS) BI and submitting the draft on Standardized Approach to Bank Indonesia.
- Undertook a review on the policies and methodologies on CRR-CRS, Credit Risk Modelling (PD, LGD and EAD), the requirement of MIS and CRM system of the Bank.
- Simulated measurement of credit risk with Internal Rating Based Approach (IRBA) and undertook a regrouping review on IRBA BASEL II exposure.
- Undertook a review on the policies and methodologies of credit risk limits and undertook the monitoring of credit risk exposure to the designated limits.
- Undertook a review on the methodology and carried out a simulation stress testing, (with several scenarios including worst case scenario) in a bottom-up manner by using customer cash flow for the largest corporate debtor and using past performance data for MSME debtors, while referring to the external and macro economic conditions that prevail in 2011. Aside from that BRI was one of the banks that have made an analysis presentation on Stress Testing to Bank Indonesia, IMF and the World Bank as part of the Financial Sector Assessment Program (FSAP) and made an estimation of Macro Credit Risk Stress Testing based on macro economic data from Bank Indonesia (baseline scenario) and IMF (stress scenario).

Implementation of credit risk management at BRI is not only intended to fulfill the requirement of prevailing regulations, but also to encourage banking practices that are oriented towards the optimization of risk and return, as well as to assure the capital adequacy of BRI to absorb loss from credit risk.

In order to maintain quality of loan portfolio, BRI applies prudential principles in the process of loan initiation. The main principles in managing credit risk are separation of loan officers into two separate entities, namely Relationship Management and Credit Risk Management, the implementation of four eyes principle, the application of risk scoring system, and separation of problem loan management. In addition, loan initiation process must follow sound lending procedures.

To ensure that lending activities at the Bank are carried out prudently, credit risk limits need to be set up to a certain tolerable level so that credit risk potential losses that have arisen can still be absorbed by the allocated capital.

For that reason, BRI has undertook assessment on calculation of credit risk limits, including credit concentration limit and routinely monitors actual credit risk exposures based on portfolio, business segment and economic sector.

Implementation of Market Risk Management

Measurement of market risk (interest rate risk and exchange rate risk) is currently done through the standardized approach method in accordance with PBI No. 5/12/PBI/2003. According to this approach, capital allocated to cover market risk amounted to Rp184 billion, or 0.4% of the total capital.

In the management of market risk, BRI has implemented the treasury and market risk (GUAVA) application system, which is an integrated system used by front office (dealers), middle office and back office. In this application, measurement of market risk is done using an internal model (Value at Risk/VaR) that is integrated in daily transactions process. With such application system, BRI is able to monitor its exposure and limit potential loss by determining the market risk limit in the form of transaction limits, namely the nominal limits on dealer transaction, *cut loss limit, stop loss limit* and VaR *limit*. These monitoring can be done on a daily bases, thereby simplifying the monitoring on market risk and expediting the presentation of up- to-date information for management to make timely decision.

Implementation of market risk management by BRI in 2011 were as follows:

- Undertook a review of the quantitative requirements as per Bank Indonesia regulation on the application system for treasury and market risk (GUAVA) in order to improve market risk measurement (VaR) produced by the system.
- Undertook a review on the fulfillment of the qualitative requirements for market risk measurement pursuant to Bank Indonesia regulation with the related divisions, i.e. coordinating the function of the middle office and fulfillment of human resources.
- Undertook a review on ISO Risk Management with the aim of developing an enterprise wide risk management at BRI.
- Undertook a simulation of Risk Based Performance Analysis (RAPM) measurement in order to develop a risk-based performance measurement.
- Undertook a simulation of stress testing on the trading book and banking book portfolios to evaluate potentially significant loss impact should an abnormally market movement occur. Stress test was carried out with a number of scenarios both hypothetically and historically, with due consideration on crises that had transpired in the past.

Implementation of Operational Risk Management (MRO)

Measurement of operational risk is carried out using the Basic Indicator Approach (BIA). According to the approach, capital allocated to cover operational risk amounted to Rp4.24 trillion, or 10.2% from the total capital.

In line with the efforts to implement operational risk management that is adequate both to suit the business needs of BRI as well the prevailing regulation, throughout 2011 BRI undertook the followings:

- Simulated the calculation of operational risk by using the Advanced Measurement Approach (AMA). To support AMA adoption, BRI has implemented Risk and Control Self Assessment (RCSA), Primary Risk Indicators (IRU) and Incidental Management (MI) to all working units, as well as undertook improvement to the policies and procedures of Operational Risk Management (MRO) devices.
- Implementation of Risk Management Forum (FMR) as a forum between the managers of working units and their workers to address risk issues inherent in their business activities or operations. The result of the discussion on risk that requires further follow-ups and decision from decision makers would be submitted to its direct superior with copy to Risk Management Division or Regional Risk Management Group.

- Development of software application for OPRA (Operational Risk Assessor) which includes RCSA, IRU, MI, Maturity Assessment and the reporting of Risk Management Forum activities. This OPRA application facilitates the implementation of MRO and the preparation process to calculate capital charge of operational risk using the Advanced Measurement Approach (AMA) method.
- Continued the implementation of pilot test of BRI business continuity in anticipation of disaster condition (Business Continuity Management/ BCM). The test was carried out through information dissemination of the Business Continuity Management together with the training of OPRA application in several Regional Offices.

In addition to the above mentioned risk managements, BRI has also undertook other risk managements namely legal risk, compliance risk, reputation risk, and strategic risk, in accordance to Bank Indonesia regulation, as follows:

- Legal risk can arise from any business and operational activity in all working units, so that the responsibility for legal risk management lies with respective risk owners. At the corporate level, legal risk is managed by the Legal Division. To assist the legal risk owners in identifying, measuring, controlling and monitoring legal risk, the Legal Officers communicating and mentoring the staff/workers in all operating units on the legal aspect inherent in each business and operational activities. This was done with the aim to optimally mitigate legal risk.
- Compliance risk is actually inherent in all business and operational activities, especially those that related to the prevailing laws and regulations. As such, the responsibility to manage compliance risk lies with each and every responsible party. Compliance risk management is coordinated by Compliance Division who reports periodically to the Board of Directors.
- Reputation risk refers to negative publication related to the Bank's condition or business activities, or negative perception towards the Bank. BRI designated the Corporate Secretariat Division as the coordinator of reputation risk management at the corporate level. Periodically, Corporate Secretariat Division undertakes reputation risk parameter and submit its report to the Board of Directors and copy to the Risk Management Division for the assessment of BRI risk profile to be submitted to Bank Indonesia.
- Strategic risk refers to the bank failure in achieving its target due to unsuitable business decisions. Strategic risk at corporate level is managed by the Strategic Planning and Business Development Division (Renstra).

Basel II Implementation

A bank is an institution that carries out an intermediary function over funds that are received from the public. In carrying out this function, the bank is faced with a number of risks. In order to mitigate such risk, banks are required to manage the risk up to a tolerable level while also maintaining a capital reserve that is in line with the risk profile of the bank.

In consideration of the importance of a bank's capital, BRI has, within the framework of capital calculation, gradually implemented Basel II from the simple approach to the most advanced approach.

Implementation of Pillar 1 of Basel II

The implementation of Pillar 1 Basel II emphasize on the calculation of capital adequacy that is based upon risks, whether credit risk, market risk or operating risk.

a. Credit Risk

Pursuant to Bank Indonesia circular letter (SE BI No. 13/6/DPNP of 2011), BRI has adopted the policy on SA Basel II (NOSE S.26-DIR/ DMR/12/2011 dated 30 December 2011) and undertook a credit risk based capital calculation with the Standardized Approach.

In preparing the implementation of credit risk calculation using the more advanced method of Internal Rating Based Approach (IRBA), BRI has formulated the policy on IRBA in accordance with Basel II and the guideline on internal risk rating through Credit Risk Rating (CRR) and Credit Risk Scoring (CRS). Currently, the Bank is in the process of redesigning CRR and CRS that are embedded in the business process.

To support the adoption of CRR and CRS in every credit process and as part of the front-end application to capture related information, the loan approval system (LAS) has been implemented in all working units.

In addition to that, BRI is currently developing the application for credit risk engine and IRBA Basel II reporting to enable an automated capital related to credit risk assessment in line with IRBA.

b. **Market Risk**

Capital calculation related to market risk (interest rate and exchange risk) with the standardized method approach pursuant to Bank Indonesia regulation No. 5/12/PBI/2003 has been implemented since 2005. For internal purposes, BRI has used the internal model approach. To support the use of the internal model the Bank has implemented the Treasury & Market Risk System (GUAVA) application and has also carried out a validation and back testing of the Value at Risk (VaR) result that were derived by the GUAVA application system. At present, the result of internal model measurement are used to monitor the Bank's exposure to market risk and to set risk limits. Going forward, when all qualitative requirements will have been met, BRI will use the internal model in its capital calculation related to market risk.

c. **Operating Risk**

Since 2010, the capital calculation related to operating risk has been undertaken using the Basic Indicator Approach (BIA) method amounting 15% of gross income (GI).

In preparing the capital calculation related to operational risk using the standardized approach method pursuant to the consultative paper SA BI, the following steps have been undertaken:

1) the classification of Gross Income into eight business lines,
2) the simulation of operating risk calculation with the standardized approach.

In preparing for capital calculation related to operating risk using the Advanced Measurement Approach (AMA), BRI has undertaken a number of steps namely: 1) Implementing an operating risk management framework covering Risk Control Self Assessment (RCSA), Key Risk Indicator (KRI), Incident Management (loss event data base) throughout all working units, 2) compiling data on loss based on seven event types and eight business lines, 3) simulating operating risk calculation with the extreme value theory (EVT) approach.

Implementation of Pillar 2 of Basel II

In anticipating for the implementation of the second pillar of Basel II, BRI has made the following steps:

a. BRI has undertaken the measurement of interest rate risk in banking book with the repricing gap approach to ascertain the impact of interest rate movements on net interest income. To support the interest rate risk management in the banking book, in 2012 BRI will acquire an application system so that the Bank can manage its banking book portfolio more effectively.
b. Since 2010, to ascertain Pillar 1 capital adequacy of BRI is calculated periodically (quarterly), BRI has simulated stress testing on credit risk, credit concentration, market risk and liquidity risk.

Implementation of Pillar 3 of Basel II

Implementation of Pillar 3 Basel II (market discipline) to increase transparency is carried out through the disclosure of risk management in the Bank's annual report.

Development Plans in 2012

BRI will undertake the following risk management program in 2012:

- Evaluate and update the setting of quantitative and qualitative requirements in the implementation of market risk internal model in the treasury and market risk application system.
- Evaluate and update the policy and methodology of the market risk internal model that is related to the implementation of treasury and market risk application system.
- Preparation of the monitoring for the fulfillment of data and MIS to support implementation of Basel III.
- Evaluate and update the policy on liquidity risk management with respect to implementation of Basel III.
- Formulate the policy on enterprise-wide risk management and related policies on the implementation of Pillar 2 and Pillar 3.
- Simulate and review the methodology for validating back testing and stress testing model with respect to market risk and credit risk.
- Parallel run in the capital calculation related with the Standardized Approach (SA) while also reviewing the policy and methodology for credit risk measurement using SA and IRBA.
- Review the policy and methodology on Credit Risk Rating (CRR) and Credit Risk Scoring (CRS) in line with prevailing stipulation and undertake monitoring on the implementation of the redesigned CRR and CRS.
- Review methodology and simulate risk based pricing/risk premium and the methodology in the calculation of provisioning for possible losses in areas that are prone to disaster.

Corporate Governance

A sharpening of the Implementation of good corporate governance in 2011,including an intensified **focus** on risk management, had improved the risk profile of BRI.

In addition to significant improvement in the NPL level, an increase in intensive monitoring resulted also in several enhancements in management and monitoring of risk, corporate government and results of operations

1
VERY SOUND

Risk Based Banking Rating

Corporate Governance

Bank Rakyat Indonesia is confident that the implementation of Good Corporate Governance/GCG will positively influence the performance of the Bank while also protecting the interest of stakeholders to achieve *Beyond Expectation*.

BRI has the commitment to implement the principles of GCG based on the corporate values as stated in the Company's Corporate Culture namely integrity, professionalism, customer satisfaction, role model and respect for the individual. The values represented in the BRI's corporate culture had been implemented by the management and employees of BRI and form the basis of the development of BRI's Code of Conduct. This Code of Conduct is the guide for all activities of the Bank and provides clarity and measurement that would support the objective of good corporate governance practice at BRI.

GCG implementation at BRI develops constantly, not merely in compliance to the standards and prevailing regulations. BRI also consistently innovates and undertakes improvement to the implementation of GCG in a sustainable manner. BRI has been implementing the policies of GCG at all organizational levels since 2002. Ever since, BRI keeps transforming and improving its prevailing internal GCG policies, as follows:

2002 : Joint Decision Letter of Board of Commissioners and Board of Directors Number: 02-KOM/BRI/02/2002 – NOKEP: S. 37-DIR/02/2002 dated 23 February 2002 on the Principles of Good Corporate Governance (GCG) of PT Bank Rakyat Indonesia (Persero) Tbk.

2003 : Joint Decision Letter of Board of Commissioners and Board of Directors of BRI Number: 03-KOM/BRI/06/2003 – NOKEP: S. 36-DIR/SDM/06/2003 dated 3 June 2003 on the Policies for the Implementation of Good Corporate Governance (GCG) Principles for the Employees of PT Bank Rakyat Indonesia (Persero) Tbk.

2007 : Joint Decision Letter of Board of Commissioners and Board of Directors of BRI Number: 02-KOM/BRI/06/2007 – NOKEP: S. 240-DIR/SKP/06/2007 dated 29 June 2007 on the Policies of Good Corporate Governance (GCG) of PT Bank Rakyat Indonesia (Persero) Tbk.

2010 : Joint Decision Letter of Board of Commissioners and Board of Directors of BRI Number: 01-KOM/BRI/03/2011 – NOKEP: S. 14-DIR/DKP/03/2011 dated 8 March 2011 on the Policies of Good Corporate Governance (GCG) of PT Bank Rakyat Indonesia (Persero) Tbk.

The commitment of the Board of Commissioners and Board of Directors of BRI on the implementation of GCG is reflected on the establishment of BRI's Theme of Year as part of long term and sustainable corporate plan to realize the Bank's vision. The year 2011 was established as the year of "Reliable Risk Management". A reliable risk management is expected to function as one of solid aspects in the implementation of good corporate governance, and subsequently this will be established as the Theme of Year 2012 i.e. "To be The Best Bank in Indonesia with of Good Corporate Governance Practices".

As recognition for achievements that had been undertaken since 2002, in 2011 BRI received several awards with regard to implementation of GCG, among others as follows:

"Best Corporate Governance in Indonesia" of Corporate Governance Award 2011 from World Finance

"Best Disclosure and Transparency" in The 3rd IICD Corporate Governance Award 2011 from the Indonesian Institute for Corporate Directorship (IICD)

GOVERNANCE STRUCTURE

I. GENERAL MEETING OF SHAREHOLDERS (GMS)

Pursuant to the Law on Limited Liability Company and the Company's Article of Association, BRI General Meeting of Shareholders consists of:

1. **Annual General Meeting of Shareholders (AGMS)**
   AGMS is held at least 6 (six) months after the financial year ends and in the meeting, the Board of Directors present:
   a. Annual report
   b. Proposal on how to utilize Company Net Profit if the Company have profit.
   c. Proposal to appoint Public Accountant Firm to audit Company's current financial year performance based on the proposal submitted by the Board of Commissioners or authorize the Board of Commissioners to appoint Public Accountant Firm.
   d. Other company-interest issues requiring General Meeting of Shareholders' approval without undermining the provisions of Articles of Association.

   BRI is a Stated Owned Enterprise. Therefore by referring to Article 23 of Law No. 19/2003 regarding State Owned Enterprise, then within 5 (five) months after the financial year ends, BRI's Board of Directors must submit Annual Report to AGMS for validation.

2. **Extraordinary General Meeting of Shareholders**
   It can be held according to the Company's need.

   According to Article 24 of Company's Article of Association, The Board of Directors holds Annual General Meeting of Shareholders and extraordinary General Meeting of Shareholders after prior Announcement and invitation to GMS.

   The procedures of GMS are as follows:
   a. Invitation to GMS is made by registered mail/ print-ad 14 (fourteen) days at the earliest before the planned date of the meeting excludes the date of Invitation and the meeting.
   b. Prior to invitation, 14 (fourteen) days before, the Bank must announce the invitation of the GMS.
   c. In accordance with BRI as public listed company and to unify the information related with the plan or implementation of GMS, pursuant to Bapepam-LK, Number. IX.I.1, Company would inform Bapepam-LK at least 7 (seven) days before the Announcement.
   d. After the General Meeting of Shareholders, the company must submit the report of the GMS at least 2 (two) days after the completion of GMS by announcing it publicly in minimum 2 (two) Indonesian newspapers, and one of them is nationally circulated.
   e. Each share issued has 1 (one) voting right, unless the Articles of Association stated otherwise.

During 2011, BRI held two GMS, namely Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders.

1. **BRI Annual General Meeting of Shareholders (AGMS) of 2011**
   BRI AGMS 2011 was held on 28 April 2011 at BRI I Building, 21st floor and was attended by 84,29% of shareholders from all the total issued shares. Thus, in accordance with the AGMS's provision of quorum which is stated in the Company's Article of Association, quorum was reached and the AGMS is valid and may produce valid and binding decision.

   Procedures of the AGMS 2011:
   a. Submission of the agenda of AGMS 2011 to Bapepam-LK on 25 March 2011.
   b. Announcement of the AGMS in two Indonesian newspaper, namely Bisnis Indonesia and Media Indonesia on 30 March 2011.
   c. Invitation to the AGMS was published in two Indonesian newspaper which are Bisnis Indonesia and Media Indonesia on 13 April 2011.

Agenda and Resolutions of the AGMS 2011:

First Agenda:
Approval on Annual Report and the Board of Commissioners Supervisory Report of Financial Year 2010.

Resolutions of First Agenda:
1. Approval of 2010 Annual Report.
2. Approval of the Board of Commissioners' Supervisory Task Report as well as the Company's Financial Report for financial year 2010 that have been audited by Public Accountant Firm Purwantono, Suherman, and Surja in accordance with Report No. RPC-754/PSS/2011 dated 29 March 2011.
3. Granting of full release and discharge (*volledig acquit et de charge*) to all members of the Board of Directors and the Board of Commissioners from management and supervisory roles in the financial year ended in 31 December 2010, provided that such actions is not criminal in nature and reflected in the Company's Annual report 2010.

Second Agenda:
Ratification of Annual Report including Financial Report of Partnership Program and Community Development Program for financial year 2010.

Resolutions of Second Agenda:
1. Ratification of Partnership Program and Community Development Program Report for the year 2010, including the Financial Report which has been audited by the public certified accountant Herman Dody Tanumihardja & Partners, as written in Report No. 14/GA/HDT-DT/PKBL-BRI/III/2011 dated 30 March 2011.
2. Granting of full release and discharge (*volledig acquit et de charge*) to all members of the Board of Directors and the Board of Commissioners from management and supervisory roles on the Partnership Program and Community Development Program in the financial year ended in 31 December 2010, provided that such actions is not criminal in nature and reflected in the Company's 2010 Annual Report of Partnership Program and Community Development Program.

Third Agenda:
The use of Company Net Profit of Financial Year 2010.

Resolutions of Third Agenda:
1. Approval on the distribution of company's 2010 net profit with the following split:
   a. A sum of 20% or Rp2,294,476,900,203.00 as the dividend for financial year 2010. Part of that sum, amounted to Rp566,527,305,330.00 has been paid on 30 December 2010 as interim dividend as stipulated in the Decision of the Board of Directors' Meeting on 29 November 2010 which has been approved by the Board of Commissioners. The interim dividend was paid to shareholders whose name were on the List of the Company's Shareholders on 22 December 2010. The remaining sum, amounted to Rp1,727,949,594,873.00 or Rp70.04 per share will be distributed as cash dividend and will be paid on 15 June 2011 to shareholders whose name were on the List of the Company's Shareholders on 1 June 2011.
   b. A sum of 2.5% or Rp286,809,612,525.00 was set for Appropriated Reserve to support investment program of the Company.

2. To grant authority to Series A Dwiwarna shareholders to determine the amount of the Company's net profit of financial year 2010 which shall be allocated for Partnership Program and Community Development Program.

   According to the Regulation of the Ministry of State-Owned Enterprise No. PER-05/MBU/2007, the maximum amount to be allocated for the Partnership Program and Community Development Program is 4% or Rp458,895,380,040.00, thus the balance of the Company's 2010 net profit after deduction of final dividend financial year 2010, appropriated reserve, as well as funds for Partnership Program and Community Development Program, should be added to the Company's retained earnings so that the amount reached 73.5% of the total net profit of financial year 2010 or Rp8,432,202,608,245.40.
3. To grant authority and power to the Board of Directors to determine the schedule and final dividend for financial year 2010 according to the prevailing regulations.

Fourth Agenda:
Defining the amount of salary, honorarium, and tantiem for the Board of Directors and the Board of Commissioners.

Resolutions of the Fourth Agenda:
To grant authority and power to the Board of Commissioners after approval from the Series A Dwiwarna Shareholder, to determine the amount of tantiem for members of the Board of Directors and the Board of Commissioners for financial year 2010 and to determine the amount of salary for members of the Board of Directors and the Board of Commissioners for financial year 2011.

Fifth Agenda:
1. Appointment of Public Accounting Office to audit the Financial Report for Year 2011.
2. Appointment of Public Accounting Office to audit the Financial Report toward the implementation of Partnership Program and Community Development Program for Year 2011.

Resolutions of the Fifth Agenda:
1. To authorize the Board of Commissioners to appoint Public Accounting Office to audit the Company's Financial Report for financial year 2011 and to determine the fee and other requirements in accordance with prevailing regulations.
2. To authorize the Board of Commissioners in appointing Public Accounting Office to audit the Financial Report of Partnership Program and Community Development Program for Financial Year 2011 and deciding the fee and other requirements in accordance with prevailing regulations.

Sixth Agenda:
Approval for acquisition of BRIngin Remittance Co. Ltd. shares from PT. AJ BRIngin Jiwa Sejahtera. which is an affiliated transaction according to Bapepam-LK regulation No. IX.E.1 point 2.b, and not a material transaction as stipulated in Bapepam-LK regulation No. IX.E.2.

Resolutions of the Sixth Agenda :
1. Approval for acquisition of all shares of BRIngin Remittance Co. Ltd. from PT. AJ. BRIngin Jiwa Sejahtera according to prevailing laws and regulations.
2. Granting power and authority with substitution right to the Board of Directors to execute the above share purchase transaction and to take any actions regarding this resolution of the meeting in accordance to prevailing laws and regulations.

Seventh Agenda:
Changes in the composition of the Board of Commissioners and/or the Board of Directors.

Resolutions of the Seventh Agenda:
1. Honourably discharge all members of the Board of Commissioners and the Board of Directors which expired their term of service commencing from the closing date of this Meeting and acknowledge their contributions and services.

2. Appointing:
   - Mr. Bunasor Sanim as President Commissioner/ Independent Commissioner
   - Mr. Hermanto Siregar as Commissioner
   - Mr. Sarwono Sudarto as Director
   - Mr. Sulaiman Arif Arianto as Director
   - Mrs. Lenny Sugihat as Director
   - Mr. A. Toni Soetirto as Director
   - Mr. Randi Anto as Director

   The appointment of the members of the Board of Commissioners and the Board of Directors is effective since the closing date of the meeting, except for the appointment of Hermanto Siregar and Randi Anto would be effective after Bank Indonesia's approval, subsequent to successful Fit & Proper Test to comply with prevailing regulations. The tenure of the newly appointed Commissioners and Directors will be 5 years and would end at the closing of AGMS in the fifth year.
3. Appoint Soedarjono as Vice President Commissioner and Independent Commissioner.
4. The composition of the Board of Commissioners and the Board of Directors of the Company are as follows:

Board of Commissioners:

President Commissioner/ Independent Commissioner	:	Bunasor Sanim
Vice President Commissioner/ Independent Commissioner	:	Soedarjono
Commissioner	:	Agus Suprijanto
Commissioner	:	Heru Lelono
Commissioner	:	Hermanto Siregar
Independent Commissioner	:	Aviliani
Independent Commissioner	:	Adhyaksa Dault

Board of Directors:

President Director	:	Sofyan Basir
Director	:	Sarwono Sudarto
Director	:	Sulaiman Arif Arianto

Director	:	Achmad Baiquni
Director	:	Lenny Sugihat
Director	:	A. Toni Soetirto
Director	:	Asmawi Syam
Director	:	Suprajarto
Director	:	Djarot Kusumayakti
Director	:	Randi Anto

5. Granting substitution right to the Board of Directors to take any actions related with the actions of the meeting according to prevailing regulations, including to enlist the structure of the Board of Commissioners and the Board of Directors.

2. BRI Extraordinary General Meeting of Shareholders (EGMS) of 2011:

BRI Extraordinary General Meeting of Shareholders (EGMS) 2011 was held on 28 September 2011, at BRI I Building 21st floor, and was attended by holders of 83,297% of all shares issued by the Company. Thus, in accordance with quorum provision stated in the Company's Article of Association, the Meeting is valid and may produce a valid and binding decision.

The steps in conducting the EGMS 2011 was as follows:

a. Submission of Extraordinary AGMS Agenda 2011 to Bapepam-LK on 16 August 2011.
b. Announcement of the EGMS was made in two Indonesian newspapers, namely Kompas and Bisnis Indonesia on 23 August 2011.
c. Invitation of EGMS was published in two Indonesian newspapers, namely Kompas and Bisnis Indonesia, on 13 September 2011.

Agenda:

Changes in the composition of the Board of Commissioners and/or the Board of Directors.

Resolutions:

1. Approved the resignation of Soedarjono as Vice President Commissioner and Independent Commissioner, effective from the closing date of the Meeting and to acknowledge his contribution and service during his tenure.

   The exemption of responsibility for the period from 1 January 2011 to the date of Meeting will be released by the AGMS of financial year 2011 which will be held on 2012.

2. Appointment of Gatot Mardiwasisto as Director of the Company. The appointment of Gatot Mardiwasisto would be effective after Bank Indonesia's approval, subsequent to successful Fit & Proper Test to comply with prevailing regulations, with expiry term of service until the closing of the Annual General Meeting of Shareholders of the 5th (fifth) since his appointment.

   The composition of the Board of Commissioner at the closing of the Meeting were as follows:

   Board of Commissioners:

President Commissioner/ Independent Commissioner	:	Bunasor Sanim
Commissioner	:	Agus Suprijanto
Commissioner	:	Heru Lelono
Commissioner	:	Hermanto Siregar
Independent Commissioner	:	Aviliani
Independent Commissioner	:	Adhyaksa Dault

   The composition of the Board of Directors effective from the appointment of Gatot Mardiwasisto as Director of the Company after the approval of Bank Indonesia on his fit and proper test, will be as follows:

   Directors:

President Director	:	Sofyan Basir
Director	:	Sarwono Sudarto
Director	:	Achmad Baiquni
Director	:	Sulaiman Arif Arianto
Director	:	A. Toni Soetirto
Director	:	Lenny Sugihat
Director	:	Asmawi Syam
Director	:	Suprajarto
Director	:	Djarot Kusumayakti
Director	:	Randi Anto
Director	:	Gatot Mardiwasisto

3. Granting substitution right to the Board of Directors to take any actions related with the actions of the meeting according to prevailing regulations, including to enlist the structure of the Board of Commissioners and the Board of Directors.

II. BOARD OF COMMISSIONERS

1. **The Duties, Authorities and Obligations of the Board of Commissioners**

   a. **The Number, Composition, Criteria, and Independency of members of the Board of Commissioners**

   Bank Indonesia Regulation (PBI) No.8/4/PBI/2006 as revised by PBI No. 8/14/PBI/2006 regarding the Implementation of GCG for Commercial Bank stated that the bank should have Independent Commissioners comprised of at least 50% of the total members of the Board of Commissioners. To comply with that requirements and to support the GCG of the bank, the shareholders in the AGMS have agreed to appoint Independent Commissioners with the main responsibility to monitor the bank and its subsidiaries operation.

   As of 31 December 2011 there were six members of the Board of Commissioners. The total number and composition of the Board of Commissioners members were in compliance with the regulation, which should not exceed the total number of Directors which was 11 (eleven) member. There were 3 members of Independent Commissioners of BRI or 50% of the total members of the Board of Commissioners. Thus, the total number and composition of the Board of Commissioners was in compliance with the prevailing regulation.

   All members of the Board of Commissioners were domiciled in Indonesia and all were approved by Bank Indonesia on their fit and proper test.

Composition of the Board of Commissioners for the period of 1 January 2011 - 28 April 2011:

No.	Name	Position
1.	Bunasor Sanim	President Commissioner/ Independent Commissioner
2.	Soedarjono	Vice President Commissioner
3.	Agus Suprijanto	Commissioner
4.	Heru Lelono	Commissioner
5.	Adhyaksa Dault	Independent Commissioner
6.	Baridjussalam Hadi	Independent Commissioner
7.	Aviliani	Independent Commissioner

Composition of the Board of Commissioners for the period of 28 April 2011 – 28 September 2011:

No.	Name	Position
1.	Bunasor Sanim *)	President Commissioner/ Independent Commissioner
2.	Soedarjono **)	Vice President Commissioner/ Independent Commissioner
3.	Agus Suprijanto	Commissioner
4.	Heru Lelono	Commissioner
5.	Hermanto Siregar ***)	Commissioner
6.	Adhyaksa Dault	Independent Commissioner
7.	Aviliani	Independent Commissioner

*) *effective of 28 April 2011 was reappointed as President Commissioner / Independent Commissioner.*
**) *effective of 18 August 2011 appointed as Vice President Commissioner/Independent Commissioner after Bank Indonesia's approval, subsequent to successful fit & proper test. Furthermore, based on EGMS BRI on 28 September 2011, he effectively resigned from his previous position.*
***) *effective of 12 July 2011 as Commissioner after Bank Indonesia's approval, subsequent to successful fit & proper test.*

Composition of the Board of Commissioners for the period of 28 September - 31 December 2011:

No.	Name	Position
1.	Bunasor Sanim	President Commissioner/ Independent Commissioner
2.	Agus Suprijanto	Commissioner
3.	Heru Lelono	Commissioner
4.	Hermanto Siregar	Commissioner
5.	Adhyaksa Dault	Independent Commissioner
6.	Aviliani	Independent Commissioner

All members of the Board of Commissioners have the integrity, competence and excellent financial reputations background. All members of the Board of Commissioners do not hold concurrent position as Commissioner, Director, or Executive officers in any other banks with the exceptions as stated in PBI regarding GCG implementation in commercial bank.

b. Duties, Authorities and Obligations of the Board of Commissioners

(1) Duties

i. Supervising the policies and general management of the Bank by the Board of Directors, including management of Subsidiaries, Pension Fund and Pension Fund Financial Institution; and
ii. Giving advice to the BOD including oversight on the implementation of the corporate plan which comprise of Company Long Term Business Plans, Bank Business Plans, Company's Budget and Work Plans, Partnership and Community Development Program's Budget and Work Plan, and other work plans of the Board of Directors.

(2) Authorities

i. Inspecting the Bank's books, correspondences and other documents, verifying the Bank's cash and other securities, as well as the Company's assets;
ii. Having access to the Company's premises, buildings and offices;
iii. Requesting clarification from the Board of Directors and/or other management staff on all issues relating to management of the Bank;
iv. Overseeing every action and decision that have and will be executed by the Board of Directors;
v. Requesting the Board of Directors and/or other management staff with the approval of the Board of Directors to attend meeting with the Board of Commissioners;
vi. Appointing and discharging the Board of Commissioners' Secretary, upon recommendation from Series A Dwiwarna shareholders;
vii. Discharging member of the Board of Directors temporarily as stipulated in the Bank's Article of Association;
viii. Establishing Audit Committee, and any other committees if necessary, while considering the Bank's capacity;
ix. Hiring external expert for a certain period of time and on the company's expense, if necessary;
x. Executing management of the Bank in a certain condition, for a certain period of time in accordance with the Bank's Article of Association;
xi. Attending Board of Directors meetings and providing opinions on issues related to the discussion; and
xii. Executing other supervisory role as long as it does not contradict the prevailing laws, regulations, Article of Association and/or resolutions of GMS.

(3) Obligations

i. Providing advises to the Board of Directors in the management of the Bank;
ii. Providing opinions and approvals on the Company's business plans which comprise of Company Long Term Business Plans, Bank Business Plans, Company's Budget and Work Plans, Partnership and Community Development Program's Budget and Work Plan, and other work plans submitted by the Board of Directors;
iii. Following the progress of the Bank activities, providing opinions and solutions to the GMS on important issues related to the management of the Bank;
iv. Reporting to the GMS if there is a declining performance of the Bank;
v. Proposing to GMS the appointment of Registered Public Accountant to audit the Bank's reports;
vi. Reviewing and analyzing periodic reports and Annual Report prepared by the Board of Directors and signing the Annual Report;
vii. Providing clarification, opinion and proposal to the GMS on the subject of Annual Report, if demanded;
viii. Producing meeting minutes of the Board of Commissioners meetings and filing its copies;
ix. Reporting to the Bank on their and/or their families share ownership in the Bank or in any other company;
x. Providing reports to the GMS on its supervision activities that was done during the past financial year; and
xi. Undertaking other obligations to execute its supervisory role while adhering to the prevailing laws, regulations, Articles of Association, and/or resolutions of GMS.

c. The Board of Commissioners' Meetings

Pursuant to procedures stipulated in the Article of Association, the meeting of the Board of Commissioners is held at least once in a month or at any time if necessary, and may invite the Board of Directors if required. The Board of Commissioners meeting is legal and authorized to make any binding decisions if more than 50% of its members are present or represented in the meeting.

All decisions of the meetings are made in consensus. If the consensus is not reached, the decision would be based on affirmative votes by more than half of valid voters. All decisions of the meeting are binding to all member of the Board of Commissioners.

The Board of Commissioners convened 26 times throughout 2011 with the attendance of each member of the Board of Commissioners as follows:

No.	Name	Position	Number of Meetings	Attendance	%
1.	Bunasor Sanim	President Commissioner / Independent Commissioner	26	25	96.15
2.	Soedarjono *	Vice President Commissioner / Independent Commissioner	21	20	95.24
3.	Agus Suprijanto	Commissioner	26	19	73.08
4.	Heru Lelono	Commissioner	26	19	73.08
5.	Adhyaksa Dault	Independent Commissioner	26	20	76.92
6.	Baridjussalam Hadi **	Independent Commissioner	11	11	100.00
7.	Aviliani	Independent Commissioner	26	21	80.77
8.	Hermanto Siregar ***	Commissioner	15	12	80.00

* *effective of 28 September 2011 was no longer Vice President Commissioner/Independent Commissioner of BRI.*
** *effective of 28 April 2011 was no longer Independent Commissioner of BRI.*
*** *effective of 12 July 2011 as Commissioner of BRI after approval from Bank Indonesia on his fit and proper test.*

Meetings of the Board of Commissioners throughout 2011 discussed the following issues:

No.	Date		Issues
1.	4 January 2011	1.	Discussion on review and proposal for the establishment of Committee on Policies of SOE Bank
		2.	Development of Committee Work Plan, Work Visit Plan, and Review of Working Guidelines for the Board of Commissioners
2.	11 January 2011	1.	Discussion on review and proposal from State Ministry of SOE on the establishmet of Committee on Policies of SOE Bank (Virtual Holding)
		2.	Audit Committee Report of Working Program of 2010 and Plan for Working Program of 2011
3.	18 January 2011	1.	Nomination & Remuneration Committee and Risk Management Supervision Committee Report of Working Program of 2010 and Plan for Working Program of 2011
		2.	Opinion of the Board of Commissioners on the establishment of Committee on Policies of SOE Bank
		3.	Bank's participation as member of Himbara
4.	25 January 2011	1.	Discussion on the Bank's unaudited performance as of December 2010
		2.	Progress on implementation of PSAK 50 & 55
5.	8 February 2011	1.	Plan for the sale of BRI land asset
		2.	Undertaking GCG Self Assessment 2010 and composing 2010 Annual Report materials
		3.	Nomination of candidates for the Bank's Director 2011

No.	Date		Issues
6.	1 March 2011		Nomination of the Bank's Board of Directors of 2011
7.	8 March 2011		Plan for sale of BRI's land SHM No.755/Gandaria Utara (Radio Dalam)
8.	8 March 2011		Nomination of the Board of Directors of 2011
9.	22 March 2011		Nomination of the Board of Directors of PT Bank Agroniaga Tbk.
10.	24 March 2011		Nomination of the Board of Directors of PT Bank Agroniaga Tbk.
11.	29 March 2011	1.	Discussion of the Bank's Performance as of Februari 2011 with the Board of Directors
		2.	Preparation for AGMS of 2011
12.	10 May 2011	1.	Orientation and introduction of new members of the Board of Commissioners as per resolutions of BRI AGMS on 28 April 2011
		2.	Working mechanism of the Board of Commissioners and their Committees
		3.	Membership of Committees under the Board of Commissioners
		4.	Remuneration for the Board of Directors and the Board of Commissioners
13.	24 May 2011		Review of the Board of Commissioners Decision Letter on Benefits and Facilities for the Board of Directors, the Board of Commissioners and Secretary to the Board of Commissioners
14.	7 June 2011	1.	Revision of BRI's Work and Budget Plan of 2011
		2.	Additional clarification of the Supervision Report of BRI' Business Plan for Quarter II of 2010 as requested by Bank Indonesia
15.	16 June 2011		Revision of the Bank's Work and Budget of 2011
16.	21 June 2011	1.	Schedule and Development of Agenda in the Board of Commissioners Working Visit
		2.	Follows-up on Bank Indonesia's Regulation No.13/2/PBI/2011 on the Implementation of Compliance Function
17.	28 June 2011		Proposal on Revision of BRI's Business Plan 2011-2013
18.	26 July 2011	1.	Review and Revision of the Board of Commissioners' Working Guidelines
		2.	Revision of Working Guidelines for Committees under the Board of Commissioners (Committee's Charter)
19.	4 August 2011		Realization of BRI's Business Plan 2011-2013 Quarter II of 2011
20.	16 August 2011	1.	Realization of BRI's Business Plan 2011-2013 Quarter II of 2011 to develop the Supervision Report of the Board of Commissioners for Quarter I of 2011 to be submitted to Bank Indonesia
		2.	Additional Clarification of Supervision Report of BRI's Business Plan 2011-2013 Quarter II of 2010 to be submitted to Bank Indonesia
21.	22 September 2011	1.	Bank's Performance as of August 2011
		2.	Progress on the Implementation of PSAK 50 dan 55
22.	11 October 2011	1.	Composition of Members of Committees under the Board of Commissioners
		2.	Joint Decision of the Board of Commissioners and the Board of Directors on Compliance Charter
		3.	Policy on Guidelines for Conflicting Interests
23.	18 October 2011		Work and Budget Plan of 2012 of the Board of Commissioners
24.	7 November 2011		Bank's Business Plan 2012-2014 and Work and Budget Plan 2012
25.	15-16 November 2011	1.	Formulation of Work and Budget Plan 2012 for the Board of Commissioners
		2.	Bank's Business Plan 2012-2014 and Work and Budget Plan 2012
26.	6 December 2011	1.	Opinion, advice and notes from the Board of Commissioners on the Proposal of BRI's Business Plan 2012-2014 and BRI's Work and Budget Plan 2012
		2.	Overseas Business Trips of the Board of Directors

d. **Working Guidelines for the Board of Commissioners**

To perform its duties and responsibilities, the Board of Commissioners always refer to the Articles of Associations, Joints Decision Letters between the Board of Commissioners and the Board of Directors, and the Board of Commissioners' Guidelines.

The Board of Commissioners' Guidelines was formulated as a guide for the Commissioners in discharging its duties and also as implementation of GCG for the Board of Commissioners. The Board of Commissioners' Guidelines contains the duties, authorities, obligations, responsibilities, work distribution, working time, work ethic, meetings, organizational structure and the BOC's implementation of duties with respect to GMS.

e. **Procedures to Determine the Remuneration for BOC**

Remuneration, Honorarium and Tantiem for members of the Board of Commissioners and the Board of Directors is determined in the GMS.

The Board of Commissioners submit proposal on remuneration, honorarium and tantiem for members of BOC and BOD to the GMS. The proposal is based on recommendation from Nomination and Remuneration Committee which considers the Bank's performance, business size and survey result on remuneration in the banking industry.

Resolution of GMS 2011 grant authority and power to the Board of Commissioners to determine the amount of remuneration and honorarium of 2011 and tantiem of 2010 for Directors and member of BOC, with prior approval from the Series A Dwiwarna Shareholder. Based on those authority and power, the Board of Commissioners has determined the amount of the above mentioned remuneration, honorarium and tantiem and has received approval from the Series A Dwiwarna Shareholder on 27 July 2011.

Facilities and other benefits for members of BOC and BOD are determined by BOC with authority from GMS in accordance with Article of Association. Benefits and facilities for Directors and members of BOC in 2011 has been reviewed upon the recommendation of Nomination and Remuneration Committee in accordance to prevailing laws and regulations, and sanctioned in a Board of Commissioners' Decision Letter.

f. **Share Ownership**

Members of the Board of Commissioners has disclosed their share ownership in the Bank, that amount or exceed 5% as well as in other bank or company (domestically and overseas).

g. **Work Program and Its Execution**

The Board of Commissioners Work Program consist of duties, authorities, and obligation of the Board of Commissioners as mentioned in the prevailing laws and regulations, which to supervise management decisions of the Bank, overall management in the Bank as well as the Bank's subsidiaries.

In discharging its working program, the Board of Commissioners is assisted by Audit Committee, Risk Management Supervisory Committee, Nomination and Remuneration Committee. The Board of Commissioners Work Program is a consolidation of work programs from three Committees mentioned above.

The Board of Commissioners utilize this work program as guideline in their duties. The work program is expected to be executed effectively by using all resources that the Board of Commissioners have, that is all members of the Board of commissioners including all members of three other committees who are from external commissioners and also the Board of Commissioners Secretariat.

Implementation of BOC's work program throughout 2011 resulted in several approvals, opinions, responses and recommendations from the BOC to the BOD, as follows:

(1) Approval on the Revision of The Bank's Work and Budget Plan of 2011
(2) Approval on the Revision of BRI's Business Plan 2011-2013
(3) Approval on the Bank's Work and Budget Plan of 2012
(4) Approval on BRI's Business Plan 2012-2014
(5) Additional Clarification to the Supervision Report on Realization of BRI's Business Plan for Quarter I 2010
(6) Supervision Report on Realization of BRI's Business Plan for Quarter II 2010.

(7) Additional Clarification to the Supervision Report on Realization of BRI's Business Plan for Quarter II 2010
(8) Supervision Report on Realization of BRI's Business Plan for Quarter I 2011.
(9) Additional Clarification to the Supervision Report on Realization of BRI's Business Plan for Quarter I 2011.
(10) Opinions of the Board of Commissioners on the Realization of Bank's Business Plan and the Bank's Soundness for Quarter IV 2010.
(11) Opinions of the Board of Commissioners on the Realization of Bank's Business Plan and the Bank's Soundness for Quarter II 2011.
(12) Result of Supervision of Financial Report 2010 of BRI's Financial Institution Pension Plan.
(13) Approval on Founder's Written Statement with regards to Changes of Regulations of BRI's Pension Plan.
(14) Consultation on Loan by Board of Directors to Board of Commissioners.
(15) Approval for Funding Provision to BRI's Related Party.
(16) Approval on Loan Consultation.
(17) Approval on Bank's Participation as Member of Himbara.
(18) Approval on the Draft of Circular Letter of BRI's Baitul Maal Foundation, with regards to the Management of Professional Alms of BRI's Employees.
(19) Approval on the BOD's Circular Letter on the Implementation of Risk Management with regards to Utilization of Information Technology.
(20) Approval on BRI's Pension Plan Decision Letter on the Guidelines for the Implementation of Know-Your -Customer Principle.
(21) Feedback on the Draft of the BOD's Circular Letter on the BRI's Policy of Guidelines for Conflicting Interest.
(22) Joint Decision Letter of the Board of Commissioners and the Board of Directors on BRI's Compliance Charter.
(23) Determination of Remuneration for the Board of Directors and the Board of Commissioner in 2011.
(24) Decision Letter of the Board of Commissioners on Remuneration for the Board of Directors, the Board of Commissioners and Secretary to the Board of Commissioners.
(25) Recommendation on the Extension of Working Tenure of Members of Committees under the Board of Commissioners.
(26) Proposal of Candidates for the Board of Directors of PT Bank Agroniaga, Tbk.
(27) Approval on the proposal of Candidate for President Commissioner of PT Bank BRISyariah.
(28) Feedback on Report of Summaries of Internal Audit Result for Quarter III 2010.
(29) Feedback on Report of Summaries of Internal Audit Result for Quarter IV 2010 and Plan for Annual Audit of 2011.
(30) Feedback on Plan for Annual Audit of 2011.
(31) Feedback on Report of Internal Audit Results for Quarter I 2011.
(32) Feedback on BRI's Priority Banking Audit.
(33) Approval and Appointment of Registered Public Accountant for General Audit on BRI's Financial Reports for Financial Year 2011-2013.
(34) Approval in Principle for the Appointment of Registered Public Accountant by Supervisory Board of BRI's Financial Institution Pension Plan.
(35) Recommendations and Advises with regards to results of the Board of Commissioners visit to several BRI's operating units.
(36) Recommendations and Advises with regards to Follow-ups to Meeting of the Board of Commissioners and the Board of Directors and the Head of Divisions.

2. Completion and Execution of Duties of the Committees Under the Board of Commissioners

a. Audit Committee

The establishment of BRI's Audit Committee is based upon the Decision of Chairman of Bapepam-LK No. KEP-29/PM/2004 of 24 September 2004 with regards to Establishment and Work Implementation Guidelines of Audit Committee;

Decision of Minister of State-Owned Enterprises No. 117/M-MBU/2002 of 31 July 2002 on the Implementation of GCG in State-Owned Enterprise; Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006 as amended by PBI No. 8/14/PBI/2006 on Implementation of Corporate Governance in Commercial Bank; Law No. 19 of 2003 dated 19 June 2003 on State-Owned Enterprise; and Committee Audit Charter. Audit Committee is established with the aim of assisting the Board of Commissioners in its duties and supervisory function, as well as in providing advises to the Board of Directors on matters related to financial information, internal control system, effectiveness of external and internal auditor, effectiveness in implementation of risk management and compliance to the prevailing laws and regulations.

Structure, Members, Expertise and Independency of Member of Audit Committee

BRI's Audit Committee comprises of one Chairman who is an Independent Commissioner, one member who is also an Independent Commissioner, a member who is a Commissioner, and three non-Commissioners members who are experts in finance, accounting, legal and banking. This composition has met the requirement stipulated in the Decision of Chairman of Bapepam-LK No. Kep-29/PM/2004 and Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006 as amended by PBI No. 8/14/PBI/2006.

The composition of BRI's Audit Committee for the period of 1 January 2011 – 28 April 2011 are as follows:

Name	Position	Profession
Baridjussalam Hadi	Chairman	Independent Commissioner
Bunasor Sanim	Member	President Commissioner/ Independent Commissioner
Soedarjono	Member	Vice President Commissioner
H.C. Royke Singgih	Member	Non Commissioner
Dedi Budiman Hakim	Member	Non Commissioner
Syahrir Nasution	Member	Non Commissioner

Composition of Audit Committee for the period of 29 April 2011 – 28 September 2011:

Name	Position	Profession
Soedarjono *	Chairman	Vice President Commissioner / Independent Commissioner
Bunasor Sanim	Member	President Commissioner / Independent Commissioner
Hermanto Siregar **	Member	Commissioner
H.C. Royke Singgih	Member	Non Commissioner
Dedi Budiman Hakim	Member	Non Commissioner
Syahrir Nasution	Member	Non Commissioner

* *effective of 18 August 2011 as Vice President Commissioner /Independent Commissioner of BRI after approval from Bank Indonesia on his fit and proper test. Based on resolution of BRI EGMS on 28 September 2011, he resigned from this position.*

** *effective of 12 July 2011 as Commissioner of BRI after approval from Bank Indonesia on his fit and proper test.*

The composition of Audit Committee for the period of 29 September 2011 – 31 December 2011:

Name	Position	Profession
Bunasor Sanim	Chairman	President Commissioner/ Independent Commissioner
Adhyaksa Dault	Member	Independent Commissioner
Hermanto Siregar	Member	Commissioner
H.C. Royke Singgih	Member	Non Commissioner
Dedi Budiman Hakim	Member	Non Commissioner
Syahrir Nasution	Member	Non Commissioner

Profile of Members of Audit Committee
The profiles of Bunasor Sanim, Adhyaksa Dault, and Hermanto Siregar are presented on the Member of the Board of Commissioner Profile section.

H.C. Royke Singgih – Born in Jakarta, in 1960. Has been member of the Audit Committee since October 2005. He is a certified public accountant. Previously he served at PT Bank IFI Jakarta, PT PAN Indonesia Bank Jakarta, and PT Krakatau Steel Cilegon. He earned a degree in accountancy from Gajah Mada University, Yogyakarta (1986), a master in management degree in finance and banking from University of Indonesia, Jakarta (2000), holds a Special Certification for Strategic Management Studies, Pre Doctoral Program, University of Indonesia, Jakarta (2004), and currently is pursuing his Doctorate degree in business management at Bogor Agriculture University, IPB since 2007.

Dedi Budiman Hakim – Born in Sumedang, in 1964. Has been member of the Audit Committee since November 2005. Currently serving as a Faculty Member of the Bogor Agricultural University (IPB) and a researcher at the Center for Applied Finance and Economics IPB, Bogor. He holds a degree in agronomics science from Institut Pertanian Bogor, Bogor (1988), a master of arts degree in agricultural social economics from Massey University, Palmerston North, New Zealand (1994), and a doctorate in agriculture from Georg-August-Universitaet Goettingen, Germany (2004).

Syahrir Nasution – Born in Pematang Siantar, in 1952. Has been member of the Audit Committee since November 2008. He is a Certified Public Accountant. Previously served at State Agency for Development and Financial Control (BPKP), Jakarta up to 1990, career banker with BRI from 1990 to 2008 in the field of audit and last position as Inspector at the BRI's Inspection Office, Jakarta. He holds a degree in economics and accountancy from Institute of Finance, Department of Finance, Jakarta (1981).

Duties and Responsibilities of Audit Committee

According to Audit Committee Charter dated 03 August 2011, Audit Committee was established by Board of Commissioners with the aim to support the effectivity of Board of Commissioners in discharging its duties and responsibilities, especially with regards to its supervision function to increase public trust towards management of the Bank.

In 2011 the Audit Committee have done their duties and responsibilities in accordance with the Audit Committee Charter. In conducting its meetings with the Bank's working units, through the Board of Commissioner, the Audit Committee required some subordinating managements to attend the meetings and to provide necessary relevant information especially in Bank's internal control and risk management.

Frequency of the Audit Committee Meetings
Meetings were attended by Internal Audit, Financial and Management Accounting Division, Credit Program Division, Public Accounting Firm of PSS Ernst & Young and Pricewaterhouse Coopers.

Audit Committee convened 16 times during 2011 with attendance of members of Audit Committee as follows:

Name	Total of Meetings	Attendance	Attendance (%)
Baridjussalam Hadi *	8	8	100.00
Soedarjono **	14	14	100.00
Bunasor Sanim	16	15	93.75
Adhyaksa Dault	3	3	100.00
Hermanto Siregar ***	8	7	87.50
H.C. Royke Singgih	16	16	100.00
Dedi Budiman Hakim	16	14	87.50
Syahrir Nasution	16	16	100.00

* effective of 29 April 2011 was no longer Commissioner, Chairman and Member of Audit Committee of BRI.
** effective of 29 September 2011 was no longer Commissioner, Chairman and Member of Audit Committee of BRI.
*** effective of 12 July 2011 as Commissioner of BRI after approval from Bank Indonesia on his fit and proper test.

Meetings and Activities of Audit Committe throughout 2011 were as follows:

No.	Related Party/Work Unit	Date	Agenda
1.	KAP PSS Ernst & Young	20 Jan 2011	Implementation of PSAK 50-55
		01 Mar 2011	Implementation of General Audit financial year 2010
		12 Sept 2011	Discussion of Public Accountant Firm 2011
		27 Oct 2011	Implementation of General Audit financial year 2011
		18 Nov 2011	General Audit Kick-off financial year 2011
2.	Internal Audit	19 Jan 2011	Discussion on Auditor as Strategic Business Partner
		24 Mar 2011	Discussion on Report of Audit Result Q IV of 2010
		28 June 2011	Discussion on Report of Audit Result Q I of 2011
		25 Oct 2011	Discussion on Report of Audit Result Q II of 2011
3.	Financial and Management Accounting Division	14 Jan 2011	Discussion of Implementation of PSAK 50-55
		19 May 2011	Discussion of Public Accountant Firm 2011
		31 May 2011	Discussion of Public Accountant Firm 2011
		18 July 2011	Discussion of Public Accountant Firm 2011
4.	Business Program Division	30 Mar 2011	Audit on Financial Report of Partnership and Community Development Program for financial year 2010
		5 April 2011	Partnership and Community Development Program
5.	Pricewaterhouse Coopers	13 Sept 2011	Development and Implementation of Internal Control System

Report of Audit Committee Work Plan

The Audit Committee has implemented its work plan in 2011 as follows:

(1) Internal Activities

i. Formulated Audit Committee plan and work program for 2012, which is an elaboration of the Audit Committee Charter.
ii. Together with Nomination and Remuneration Committee, Risk Management Supervisory Committee and Secretary to the BOC formulated the BOC's plan and work program for 2012.
iii. Convened regular meetings with Internal Audit Division to discuss internal control system, audit findings especially those which are deemed to have potential risk that could affect the business continuity of the Bank.
iv. Convened meetings with Financial and Management Accounting Division and other related Division to discus progress on financial performance of the Bank and other financial informations.
v. Undertook evaluation and provided written report to the Board of Commissioners of all the above mentioned meetings and assignments given to Audit Committee.
vi. Convened meetings with Public Accountant Firm with regards to implementation of the Bank's financial report audit.
vii. Together with Nomination and Remuneration Committee, Risk Management Supervisory Committee and Secretary to the BOC, reviewed the approval from BOC on proposal and revision of the Bank's Business Plan and Work and Budget Plan.
viii. Together with Nomination and Remuneration Committee, Risk Management Supervisory Committee and Secretary to the BOC, reviewed the development of the Bank's monthly performances and provided advice and opinion to the BOC for clarification from the BOD in the meetings between BOC and BOD.

(2) External Activities

i. Attended seminars related to Audit Committee functions, such as those conducted by The Institute of Internal Auditor (IIA) Indonesia Chapter and the Indonesian Audit Committee Association to increase competencies and capabilities of Audit Committee.
ii. Held discussions with external auditors, whether before or after investigations regarding audit findings in the financial reports of the Bank.
iii. Held discussions with other party (Pricewaterhouse Coopers), especially those related to the enhancement of the internal control system.

b. Nomination and Remuneration Committee (NRC)

Establishment of Nomination and Remuneration Committee was based on decree of the Minister of State-Owned Enterprise No. 117/M-MBU/2002 31 July 2002 regarding the implementation of Good Corporate Governance in State-Owned Enterprise; Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006 as amended by PBI No. 8/14/PBI/2006 regarding the implementation of Good Corporate Governance in Commercial Bank; and Law No. 19 of 2003 dated 19 June 2003 regarding State-Owned Enterprise. At BRI, there is no separation between Nomination Committee and Remuneration Committee.

Structure, Membership, Expertise and Independency of NRC Members

Nomination and Remuneration Committee of BRI consists of a Chairperson (Independent Commissioner), a member (Independent Commissioner) a member (Commissioner), an executive officer i.e Head of Human Resources Division, and two non-Commissioners member with vast knowledge in remuneration and/or nomination and bank's succession plan. This composition is in accordance with Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006 as amended by PBI No. 8/14/PBI/2006.

Composition of the Nomination and Remuneration Committee for the period of 1 January 2011 – 28 September 2011 were as follows:

Name	Position	Profession
Bunasor Sanim	Chairman	President Commissioner/ Independent Commissioner
Aviliani	Member	Independent Commissioner
Heru Lelono	Member	Commissioner
Executive Officer (Head HR Division)	Member	Non Commissioner/ Executive Officer
Kanyatama P. Mulyono	Member	Non Commissioner
Asep Ikhsan Iskandar	Member	Non Commissioner

Composition of NRC for the period of 29 September 2011 – 31 Desember 2011:

Name	Position	Profession
Adhyaksa Dault	Chairman	Independent Commissioner
Aviliani	Member	Independent Commissioner
Heru Lelono	Member	Commissioner
Executive Officer (Head of HR Division)	Member	Non Commissioner/ Executive Officer
Kanyatama P. Mulyono	Member	Non Commissioner
Asep Ikhsan Iskandar	Member	Non Commissioner

Profile of Members of NRC

Profile of Adhyaksa Dault, Aviliani, and Heru Lelono are presented at the section of profile of Members of Board of Commissioners.

Ganefi – Born in Jakarta in 1963. Built his carreer at BRI since 1989 in various positions, currently serving as Deputy Head of Human Resources Management Division, and also Interim Head of Human Resources Division of BRI. Earned a degree in Fiscal Administration for the Faculty of Social and Political Sciences of the University of Indonesia, Jakarta (1989), and a Master of Business from Monash University, Australia (1994).

Kanyatama P. Mulyono – Born in Jakarta in 1972. Has been the member of the Nomination and Remuneration since November 2009. Previously served as an auditor at Haga Bank and Public Accountant Firm KPMG and later as consultant and lecturer at Management Institution of Economic Faculty in University of Indonesia (LM-FEUI). Earned her bachelor's degree in economics from the University of Indonesia (1996), and Master of Science in industrial and organizational psychology from the University of Indonesia (2004).

Asep Ikhsan Iskandar – Born in Tasikmalaya in 1972. Has been member of the Nomination and Remuneration since November 2009. Began his career with BRI since 1998 in various position, and currently holds the position as staff in BRI's Human Resources Division. Earned his bachelor's degree in economics accounting from the Pasundan University, Bandung (1969).

Duties and Responsibilities of NRC

Based on the Charter of the Nomination and Remuneration Committee dated 3 August 2011, the Nomination and Remuneration Committee was established by the Board of Commissioners to support the effectiveness of the Board of Commissioners' duties and responsibilities, especially those related to nomination and remuneration policies.

(1) Function of Nomination

i. Analyze, formulate and provide recommendation concerning system and procedures of election and/or replacement of members of the Board of Commissioners and the Board of Directors to the Board of Commissioners.
ii. Recommend candidates for member of the Board of Commissioners and/or Directors to the Board of Commissioners.
iii. Monitor the execution and analyze the criteria and procedure of selection for officers one level below that of the Board of Directors.
iv. Formulate performance evaluation system of the Board of Commissioners and Directors.
v. Recommend the number of members of the Board of Commissioners and the Board of Directors.
vi. Provide opinion or advice to the Board of Directors regarding BOD' decision on transfer and/or hiring of professionals to become officers one level below the Board of Directors.
vii. Analyze the information on executives one level below the Board of Directors, and to submit the data to the Board of Directors regularly every quarter and everytime change in the data occurs.
viii. Recommend to the Board of Commissioners concerning Independent Parties that will be members of the Audit Committee or the Risk Management Supervisory Committee.

(2) Function of Remuneration

i. Evaluate prevailing remuneration policies for the Board of Commissioners, the Board of Directors and BRI employees.
ii. Recommend to the Board of Commissioners of the followings:
   - Remuneration policies for the Board of Commissioners and the Board of Directors.
   - Overall remuneration policies for executive officers and employees, to be submitted to the Board of Directors.
iii. Recommend the granting of options to the Board of Commissioners, the Board of Directors and the employees of BRI, among others stock option.
iv. Recommend the pension plan system for the Bank's employees.
v. Recommend the system of compensation and other benefits in the case of employee downsizing.

(3) Other Functions

i. Evaluate and provide recommendations to the Board of Commissioners on employment policies and other functions in HR management that may have a significant impact on financial and/or legal risk to the Bank.
ii. Provide recommendations to resolve internal and/or external audit findings and the results of monitoring activities by Bank Indonesia, especially on policies in HR management.
iii. Administer documents related to the duties and responsibilities of the Committee.

Frequency of NRC Meetings

The Nomination and Remuneration Committee held 13 meetings throughout 2011 with attendance of members of the Committee as follows:

Name	Total Meetings	Attendance	Attendance (%)
Bunasor Sanim*	13	12	92.31
Aviliani	13	11	84.61
Heru Lelono	13	10	76.92
Executive Officer (Head of HR Division)	13	7	53.85
Kanyatama P. Mulyono	13	13	100.00
Asep Ikhsan Iskandar	13	13	100.00

** effective since 29 September 2011 was not member of NRC.*

Meetings held by the Nomination and Remuneration Committee throughout 2011 were as follows:

No	Date	Agenda
1.	28 January 2011	Meeting with the Board of Commissioners on the nomination process of Directors
2.	14 February 2011	
3.	16 February 2011	
4.	01 March 2011	Meeting with the Board of Commissioners on the Results of Nomination Process of Directors
6.	08 March 2011	Meeting with the Board of Commissioners on the Recommendation regarding Result of Nomination of Directors
7.	22 March 2011	Meeting with the Board of Commissioners regarding the proposal of the Board of Directors on the Nomination of Directors and Commissioners for Subsidiary Company (PT. Bank Agroniaga Tbk.)
8.	24 March 2011	Nomination of Management and Plan of Development of Subsidiary Company (PT. Bank Agroniaga Tbk.)
9.	12 April 2011	Meeting with the Board of Commissioners on the Remuneration for the Board of Directors and the Board of Commissioners to be proposed at the AGMS 2011
10.	10 May 2011	
11.	24 May 2011	Review of Policies of Remuneration for the Board of Directors and the Board of Commissioners
12.	01 August 2011	
13.	02 August 2011	Meeting with the Board of Commissioners regarding Policies of Remuneration for Board of Directors and Board of Commissioners

Report of NRC's Work Program

During 2011, Nomination and Remuneration Committee activities are as follows:

(1) Formulated the 2012 plan and work program of the Committee which was an elaboration of the Nomination and Remuneration Charter.

(2) Together with the Audit Committee, Risk Management Supervisory Committee and Secretary to the Board of Commissioners formulated the 2012 plan and work program for the Board of Commissioners.

(3) Together with the Board of Commissioner undertook the nomination of Directors.

(4) Undertook review and analysis on the Board of Directors and the Board of Commissioners remuneration in accordane to the Bank's performance, business size and result of remuneration survey in banking industry.

(5) Provided feedback and recommendation to the Board of Commissioners based on prevailing regulations, regarding the approval of BRI's BOC on the proposal for Directors and Commissioners for Subsidiary Company.

(6) Provided feedback and recommendation to the Board of Commissioners regarding approval of BOC on Founder's Written Statement with regards to Changes in the Regulation of BRI's Pension Plan.

(7) Provided recommendation to the Board of Commissioners on the independent party who will become member of Risk Management Supervisory Committee.

(8) Provided recommendation to the Board of Commissioners regarding committee member's years of service extension under the Board of Commissioners.

(9) Provided feedback and recommendation to the Board of Commissioners regarding policies in HR management, Covering:

i. Feedback and advice from BOC to BOD to always implement reward and punishment in an objective and transparent manner, in order to increase performance of employees.

ii. Implementation of HR Policies was deemed adequate and in accordance with BRI's Architecture of Human Resource.

iii. Feedback and advice to the Board of Directors to continuously undertake monitoring on coordination between operating units related to Human Resources Division.

iv. Commitment of the Bank Management to deliver appreciation to active employees and attention to the well-being of BRI's retirees.

v. Communication and internalization of BRI's corporate culture in every visit to operating unit throughout 2011.
vi. Feedbacks and advises from BOC to BOD to undertake strategic steps regarding the implementation of BI's Regulation PBI No. 13/25/PBI/2011 dated 9 December 2011 on Prudential Principles for Commercial Bank who Subcontract Partial Execution of Work to Other Party.

(10) Together with Audit Committee, Risk Management Supervisory Committee, and Secretary to the BOC, undertook review to support BOC in giving approval toward proposal and revision on the Bank Business Plan as well as the Bank Work and Budget Plan.
(11) Together with Audit Committee, Risk Management Supervisory Committee, and Secretary to the BOC, reviewed the monthly performance of the Bank and provided advice and opinion to the BOC for further clarification from BOD in meetings between BOC and BOD.
(12) Undertook visit to operating units.
(13) Executed other duties at the request of the BOC.

c. Risk Management Supervisory Committee (RMSC)

Establishment of Risk Management Supervisory Committee pursuant to the decree of Minister of State-Owned Enterprise No. 117/M-MBU/2002 regarding the GCG implementation in State Owned Enterprise and Bank Indonesia Regulation No. 8/4/PBI/2006 as amended by BI Regulation No. 8/14/PBI/2006 on the implementation of Corporate Governance in commercial bank.

Structure, Membership, Expertise and Independency of Members of RMSC

BRI's RMSC consists of a chairperson who is an Independent Commissioner, one member who is an Independent Commissioner, one member who is a Commissioner and three non-Commissioner members who have expertise in finance and risk management. The structure, membership and expertise of the Committee has met the requirements of BI Regulation No. 8/4/PBI/2006 as amended by BI Regulation PBI No. 8/14/PBI/2006.

Composition of RMSC for the period of 1 January 2011 – 28 September 2011:

Name	Position	Profession
Aviliani	Chairman	Independent Commissioner
Adhyaksa Dault	Member	Independent Commissioner
Agus Suprijanto	Member	Commissioner
Ridwan Darmawan Ayub	Member	Non Commissioner
I Gede Yadnya Kusuma	Member	Non Commissioner

Composition of RMSC for the period of 29 September 2011 - 31 December 2011:

Name	Position	Profession
Aviliani	Chairman	Independent Commissioner
Agus Suprijanto	Member	Commissioner
Bunasor Sanim	Member	President Commissioner/ Independent Commissioner
Ridwan Darmawan Ayub	Member	Non Commissioner
I Gde Yadnya Kusuma	Member	Non Commissioner
Pamuji Gesang Raharjo *)	Member	Non Commissioner

*) effective of 29 September 2011 served as member of RMSC

Profile of Members of RMSC

The profile of Aviliani, Agus Suprijanto, Adhyaksa Dault and Bunasor Sanim are presented in the section of Profile of Members of BOC of this annual report.

Ridwan Darmawan Ayub – Born in Bogor, in 1962. He has been member of Risk Management Supervisory Committee since 2006. Previously he was a career banker at Bank International Indonesia, holding various positions. He holds a bachelor's degree in social and political science from the Parahyangan Catholic University, Bandung (1985), and a master of management degree in finance from Mercu Buana University, Jakarta (2008).

I Gde Yadnya Kusuma – Born in Singaraja Bali, in 1954. He has been member of the Risk Management Supervisory Committee since July 2010. Previously, he had his career at Bank Indonesia in various positions and in Indonesian Financial Transaction Reports and Analysis Center (PPATK) as Director of Research and Analysis. He holds a bachelor's degree in Economics from "Sekolah Tinggi Ilmu Ekonomi Swadaya", Jakarta (1993) and a Master of Economics from the University of Indonesia, Jakarta (2006).

Pamuji Gesang Raharjo – Born in Jakarta, in 1968. He has been member of the Risk Management Supervisory Committee for the period of 2007-2010. Previously he held various positions at BNI 46, Bank Danahutama, Bank International Indonesia and Perum Pegadaian as General Manager of Risk Management (June 2010 - March 2011). Active as lecturer at the Institute for the Development of Indonesia Banking Industry (LPPI). He holds a bachelor's degree in Economics from Prof. Dr. Moestopo University, Jakarta (1996), and a master of management in Risk Management from the University of Indonesia, Jakarta (2003). Currently, he is pursuing a doctorate program in management and business at the Bogor Agriculture University (IPB) (2010).

Duties and Responsibilities of RMSC

According to Risk Management Supervisory Committee Working Guide, RMSC helps the Board of Commissioners in its duties and responsibilities to evaluate and ensure that implementation of the Bank's risk management meets the procedural requirements and risk management method. so that the Bank's activities are within manageable and acceptable level and within profitable limits.

In general, the duties and responsibilities of RMSC are as follows:

(1) Regularly evaluate and review the risk management policies and provide opinions in the forms of suggestions and/or recommendations to the Board of Commissioners for their consideration concerning the necessary improvement and enhancement of risk management policies.
(2) Monitors the adequacy of the identification, measurement, monitoring, controlling and risk management information system process.
(3) Evaluates and analyses quarterly risk profile of the Bank and provides opinions in the form of suggestion and/or recommendation for necessary improvement and enhancement.
(4) Reviews and evaluates the reports from The Board of Directors on their implementation of risk management, every quarter at the least.
(5) Evaluates and analyses the suggestion package from the Board of Directors on funding for related parties that requires approval from the Board of Commissioners.
(6) Evaluates and reviews the annual budget, business plan and corporate plan for the approval of the Board of Commissioners.
(7) Monitors and/or provides feedback on reports of realization of the Bank's business plan and work and budget plan.
(8) Evaluates and analyses loan package above a certain amount that requires consultation with the Board of Commissioners.
(9) Evaluates results of monitoring on the Bank's compliance to Bank Indonesia regulations and other laws and regulations.
(10) Perform other duties as requested by the Board of Commissioners.

Meeting Frequency of RMSC

Considering the vast scope and interrelatedness between each type of the Bank's risk, the risk management implementation is discussed not only in RMSC meetings, but also as agenda in Board of Commissioners meetings.

In 2011, RSMC held both internal meetings, and meetings with related Divisions/Operating Units in order to evaluate the implementation and management of risk management, covering Market Risk, Liquidity Risk, Credit Risk, Operational Risk, Legal Risk, Compliance Risk, Strategic Risk and Reputation Risk as stipulated in prevailing BI regulations.

Risk Management Supervisory Committee held 18 meetings in 2001 with attendance of each member of the Committee as follows:

Name	Total Meetings	Attendance	Attendance (%)
Aviliani	18	16	88.89
Agus Suprijanto	18	14	77.78
Adhyaksa Dault *	14	12	85.71
Bunasor Sanim **	4	4	100.00
Ridwan Darmawan Ayub	18	16	88.89
I Gde Yadnya Kusuma	18	17	94.44
Pamuji Gesang Raharjo **	4	4	100.00

** effective of 29 September 2011 was no longer member of RMSC.*
*** effective of 29 September 2011 as member of RMSC.*

In 2011 RMSC undertook meetings and activities as follows:

No.	Party/Related Working Unit	Date	Issues
1.	Risk Management Division	1 Feb 2011	1. Report of BRI Risk Profile Quarter IV 2010 2. Role and Function of Risk Management Group Head in Regional Offices
2.	Legal Division	15 Mar 2011	Management of Legal Risk
3.	Credit Card Division	5 April 2011	Management of Risk and Performance of Credit Card Division
4.	Risk Management Division	4 July 2011	Report of BRI Risk Profile Quarter II 2011
5.	Compliance Division	5 July 2011	- Management of Compliance Risk
			- Follow-up action on the implementation of BI Regulation No. 13/2/PBI/2011
6.	Operational Center Division	13 Sept 2011	Management of Risk and Work Program of Operational Center Division
7.	Risk Management Division	20 Des 2011	Report of BRI Risk Profile Quarter III 2011
8.	- Commercial Business Directorate - Institutional and SOE Business Directorate	Jan – Des 2011	Credit consultations, in 11 (eleven) meetings

Report of RMSC Work Program

In 2011, RMSC undertook the following actions:

(1) Composed the 2012 work plan of Risk Management Supervisory Committee which was an elaboration of RMSC Charter.
(2) Together with Audit Committee, Nomination and Remuneration Committee and Secretary to the BOC, composed 2012 work plan for BOC.
(3) Undertook review to obtain approval from BOC on Policies of Risk Management Implementation in the Use of Information Technology.
(4) Undertook review to obtain approval from BOC on Policies of Guidelines for the Implementation of Know-Your-Customer Principle for BRI's Pension Plan.
(5) Provided feedbacks and opinions on loan facility that require consultation by BOD to BOC.
(6) Provided feedbacks on draft of Policies on Conflict of Interest.
(7) Undertook evaluation on Report of Performance of the Bank's Loan Portfolio.
(8) Undertook evaluation on BOD's Circular Letters related to implementation of risk management.

(9) Undertook review on quarterly reports on Bank's Risk Profile.
(10) Undertook review on monthly reports and half-yearly reports of Director of Compliance.
(11) Together with Audit Committee, Nomination and Remuneration Committee and Secretary to the BOC undertook review on proposal and revision of Bank's business plan, and work and budget plan to obtain approval from BOC.
(12) Together with Audit Committee, Nomination and Remuneration Committee and Secretary to the BOC undertook review on monthly progress of BRI's performance and provided advice and opinion to BOC for further clarification by BOD in the meeting between BOC and BOD.
(13) Discussed the improvement of Guideline for Measurement of Bank Soundness Level based on Risk.
(14) Accompanied BOC in the communication of the Decision of Minister of SOE No. KEP-236/MBU/2011 and workshop held by the Ministry of SOE on formulation of Budget and Work Plan and KPI for Board of Commissioners.
(15) Attended workshop held by LPPI on formulation of Committee Audit and Risk Monitoring Committee Charters.
(16) Performed other duties as requested by the Board of Commissioners.

III. THE BOARD OF DIRECTORS

1. **Execution of Duties and Responsibilities of Board of Directors**

   a. **Number, Composition, Criteria and Independency of Members of the Board of Directors:**
   The Board of Directors consists of 11 (eleven) members, each of whom has at least 5 (five) years of experience in banking operations as bank executive.

   All BRI directors are domiciled in Indonesia. They have adequate competency and integrity in accordance with fit and proper test requirements.

   The members of the Board of Directors do not hold concurrent position as commissioner, director or executive officer in any other bank or financial institution, and do not have familial ties with any other member of the Board of Directors and/or the Board of Commissioners.

   The Board of Directors is led by a President Director who is independent to the controlling shareholders.

   Composition of BRI BOD as of 31 December 2011 are as follows:

No	Name	Position
1	Sofyan Basir	President Director
2	Sarwono Sudarto	Director of Operations
3	Randi Anto	Director of Compliance / Risk Management
4	Sulaiman Arif Arianto	Director of Commercial Business
5	Achmad Baiquni	Director of Finance
6	A. Toni Soetirto	Director of Consumer Business
7	Lenny Sugihat	Director of Credit Risk Management
8	Djarot Kusumayakti	Director of Micro, Small and Medium Enterprise (MSME) Business
9	Asmawi Syam	Director of Institutional and State-Owned Enterprise Business
10	Suprajarto	Director of Network and Services

   Based on Resolution of BRI Extraordinary General Meeting of Shareholders held on 28 September 2011, Gatot Mardiwasisto was appointed as Director of BRI. Gatot Mardiwasisto effectively held a position as Director of BRI as of 27 January 2012 after approval from Bank Indonesia on his fit & proper test and comply with the prevailing laws and regulations, pursuant to Bank Indonesia Letter No. 14/10/GBI/DPIP/*Rahasia* of 25 January 2012 and Letter of Ministry of SOE No. S-49/MBU.4/2012 of 27 January 2012.

   b. **Duties and Responsibilities of Directors**
   (1) General
   i. Being responsible for all actions related to the management of the Bank in accordance with the purposes, objectives and business activities; and the management, ownership and the binding with other parties by complying with the Articles of Association, prevailing laws and regulations, as well as General Meeting of Shareholders resolutions;
   ii. Being responsible to ensure that the Bank's management is in accordance with the Bank's objective; to manage the Company according to duties and responsibilities as stipulated in the Article of Association and General Meeting of Shareholders resolutions.

   (2) Specific:
   i. Duties and responsibilities in relation with the Board of Commissioners and Shareholders
   - Ensuring the implementation of the GMS resolutions;
   - Preparing the corporate plan (RJPP), Bank's business plan (RBB), and annual Company's budget and work plan (RKAP) and other work plans and the changes to obtain approval from the Board of Commissioners;

- The Board of Directors is obligated to hold AGMS based on the written request of one or more Shareholders who have valid voting rights and who represent at the very least 1/10 (one tenth) of the number of shares issued;
- Administering the list of shareholders and the special list containing the ownership of shares in the hands of the members of the Boards of Commissioners and the Board of Directors and their families both in the Bank and in other companies;
- Consulting the granting of loan above a certain amount to the Board of Commissioners with reference to prevailing regulations;
- Submitting an annual report after reviewed by the Board of Commissioners within 5 (five) months, at the latest, after the financial year ended to the AGMS for approval.

ii. Duties and responsibilities in relation with Financial Accounting and Annual Report

- Maintaining the bookkeeping and administration of the Bank in accordance with generally accepted practices;
- Composing an accounting system that matches the Accounting Standard of Indonesia and the principles of internal control, especially in terms of recording, archiving, monitoring and management;
- Preparing Annual Report, including Financial Statement.

iii. Duties and responsibilities in relation with Risk Management and Control
- Maintaining the following processes of Risk Management:
  1. Ensuring that the Bank has the proper and systematic processes in identifying, measuring, and controlling the risks;
  2. Ensuring that proper system and processes have been executed in monitoring and reporting the main risks faced by the Bank;
  3. Monitoring and evaluating the existence of good management processes in assessing the adequacy of the risk management system and the internal control, financial reporting and the compliance;
  4. Ensuring the adequacy of an effective control system in order to ensure:
     a. The reliability and integrity of information.
     b. The compliance with the prevailing policies, plans, procedures, rules and regulations.
     c. The maintenance of the assets of the Bank.
     d. The economical and efficient use of resources;
     e. The achievement of the determined operational objectives and targets.
  5. Executing annual evaluations for making public statements concerning internal control at the Bank, to ensure that all significant aspects of internal control have been considered for the evaluation year up to the date of the approval of the annual report
- Creating clear organizational, duty and responsibility structures, including the appointment of the management.

iv. President Director:
Representing the Bank in coordinating and monitoring, as well as acting as the Head of the Board of Directors.

v. Members of the Board of Directors:
- Developing the work plans for each field of responsibility and each directorate led by each Director;
- Coordinating and monitoring each allocation of responsibility and working units;
- Taking all necessary steps to ensure decisions taken by the Board of Directors are in line with the prevailing rules and regulations;
- The delegation of the duties and authorities of each member of the Board of Directors is determined by the AGMS and such duties and authorities may be delegated to the Board of Directors.

vi. Director of Compliance
The main responsibilities of Director of Compliance are:
- Ensure that the Bank complies with the Regulations of Bank Indonesia and with the prevailing rules and regulations through prudential principles examination toward policy plan and/or the decision of the Board of Directors, monitoring the follow up over the examination result, reviewing the policies, communicate the external regulations, analysis of the impact on external regulations, BRI GCG management, monitoring of the fulfillment of the agreement and commitment to BI and relevant authorities as well as monitoring the implementation of Anti-Money Laundering Program and the Prevention of Terrorism Funding.

- Submitting reports as regulated in Bank Indonesia Regulation No. 13/2/PBI/2011 dated 12 January 2011 concerning the Execution of the Compliance Function of Commercial Banks.

(3) Other Duties

Other duties and responsibilities are as stated in the Articles of Association of the Bank.

c. Meeting of the Board of Directors

The Board of Directors regularly hold internal meetings to discuss issues that require the Board of Directors consideration and to discuss other strategic plans.

No	Date	Agenda of BOD Meeting
1.	Tuesday, 04 January 2011	1. Jamsostek Mutual Funds Investment Center 2. Discussion on Branch Office Certification 3. Discussion on Result of Exit Meeting of Bank Indonesia Audit
2.	Tuesday, 11 January 2011	1. Credit issues at Operating Units under BRI Palembang Regional Office 2. Financing Program "Peumakmu Gampong" at NAD 3. Plan of Credit Disbursement 4. Implementation of PSAK 50/55 5. Acquisition of Land and Office Building
3.	Wednesday, 26 January 2011	1. Incentive System for Branch Office/Booking Office (KCBO) 2. Determination of Branch Office/*Booking Office* 3. Progress of Peumakmu Gampong, NAD Program
4.	Tuesday, 08 February 2011	Work and Budget Plan of BRI Pension Plan
5.	Tuesday, 16 February 2011	Acquisition of Bank Agroniaga
6.	Tuesday, 1 March 2011	Meeting of Human Resources Division
7.	Tuesday, 21 March 2011	Appropriation of Profit on 31 December 2010
8.	Tuesday, 22 March 2011	Revitalization of Semanggi area
9.	Tuesday, 05 April 2011	Organizational Development and Formation of Positions at BRI
10.	Friday, 29 April 2011	Delegation of Authorities within the Board of Directors
11.	Wednesday, 1 June 2011	Settlement of NPL in Commercial Retail and Consumer Loan in 2011
12.	Wednesday, 22 June 2011	Follow-up of Brinets Off Line
13.	Tuesday, 13 September 2011	1. BOT of BRI Land
		2. Communicating the Organizational Structure of BRI
14.	Monday, 19 September 2011	1. Presentation of the Implementation of Syariah Service Office at BRI Operating Units
		2. Syariah Strategic Plan
15.	Friday, 23 September 2011	1. Plan of IBM Live
		2. Divisional Meeting on Human Resources
		3. AS 400 P7 Live
16.	Wednesday, 19 October 2011	Bank Business Plan (RBB) 2012-2014 and BRI Work and Budget Plan (RKAP) 2012
17.	Wednesday, 24 October 2011	Revision of RBB 2012-2014 and BRI RKAP 2012
18.	Tuesday, 08 November 2011	1. Notary Issues
		2. Progress of Vehicle Loans
		3. Cash sorting at Branch Office

No	Date	Agenda of Meeting
19.	Tuesday, 15 November 2011	RKAP related to Changes in Interest Assumption
20.	Tuesday, 22 November 2011	Presentation of Monoline Consumer Loans
21.	Tuesday, 29 November 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate
22.	Tuesday, 06 December 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate
23.	Thursday, 08 December 2011	Credit Management in BRISyariah
24.	Tuesday, 20 December 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate
25.	Tuesday, 27 December 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate
26.	Wednesday, 28 December 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate at Year End
27.	Thursday, 29 December 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate at Year End
28.	Friday, 30 December 2011	Evaluation of BRI Performance, Market Risk Management and Liquidity, and Evaluation of Interest Rate at Year End

Attendance of Member of Board of Directors at BOD Meetings in 2011 are as follows:

No.	N a m e	Total Meetings	Attendance	%
1.	Sofyan Basir	28	28	100.00
2.	Sarwono Sudarto	28	27	96.40
3.	Sulaiman A. Arianto	28	27	96.40
4.	A. Toni Soetirto	28	27	96.40
5.	Lenny Sugihat	28	27	96.40
6.	Asmawi Syam	28	27	96.40
7.	Suprajarto	28	26	92.30
8.	Bambang Soepeno *	9	8	88.89
9.	Achmad Baiquni	28	27	96.40
10.	Djarot Kusumayakti	28	26	92.30
11.	Randi Anto **	16	16	100.00

* *effective of 28 April 2011 is no longer serve as Director of BRI .*

** *effective of 28 April 2011 was appointed as Director by GMS and effective of 21 July 2011 as Director after approval of fit and proper test from Bank Indonesia.*

d. Trainings of Directors

Trainings attended by the Board of Directors in 2011 are as follows:

No.	Director's Name	Training	Organizer	Date	Place
1.	Sarwono Sudarto	Assessor Workshop on Risk Management Competency Test	Banking Profession Certification Institution (LSPP)	25-26 May 2011	Jakarta
2.	A. Toni Soetirto	International Certified Wealth Manager (CWM)	Certified Wealth Manager Association (CWMA)	14-19 Nov 2011	Amsterdam, Genewa, Zurich
3.	Lenny Sugihat	Assessor Workshop on Risk Management Competency Test	Banking Profession Certification Institution (LSPP)	25-26 May 2011	Jakarta
4.	Suprajarto	Delivery Channel Strategy	Financial News Publishing Branch of the future Efma Sarl	14-15 March 2011 26-27 April 2011	Malaysia London
5.	Bambang Soepeno	The Upcoming IIA International Conference	Fias Interprise	2-6 June 2011	Austria
6.	Achmad Baiquni	The 5th International Financial Reporting Standart (IFRS) Regional Policy Forum and International Seminar	Indonesian Association of Accountant (IAI)	25-26 May 2011	Bali
7.	Randi Anto	International Certified Wealth Manager (CWM)	Certified Wealth Manager Association (CWMA)	14-19 Nov 2011	Amsterdam, Genewa, Zurich

2. Formation and Execution of Duties of Committees under the BOD

In order to support the effectiveness of Directors' duties and responsibilities, several committees under the Directors were established, namely:

a. Risk Management Committee (RMC)

RMC is the highest committee in the risk management system in BRI. RMC is comprised of all members of the Board of Director and the officers of one level below the Director. RMC is not structural included in the structure and independent from the Operational Working Units.

RMC undertakes discussion, review , analysis and approves proposal and recommendation submitted at meeting in accordance with prevailing regulations. The proposal and recommendation covers, among others, policies, strategy and procedure of risk management.

In regards of risk management, RMC has appointed sub-RMC to provide recommendation to the Board of Directors, in this case is the President Director. These Sub-RMCs are:

(1) Operation Risk Management Committee (ORMC) established to discuss problems in connection with exposure and management of operational risk. In this instance, the operational risks include operational risk, legal risk, reputation risk, strategic risk, and compliance risk.

(2) Credit Risk Management Committee (CRMC) is a Sub-RMC function established to discuss problems relate to exposure and management of credit risk.

(3) Market Risk Management Committee (MRMC) is a Sub-RMC function established to discuss problems in connection with exposure and management of market risk. Market risks includes exchange rate risk, interest rate risk, and liquidity risk.

Structure and Membership of Committees

RMC (Risk Management Committee)

Chairperson : President Director
Chairperson I : Director of Compliance
Chairperson II : Director of Credit Risk Management
Secretary I : Head of Risk Management Division
Secretary II : Head of Credit Administration Division
Permanent Member : - All Directors including President Director (with voting right)
- Head of Internal Audit (without voting right)
- All Division Heads (without voting right)
- Head of Special Branch (without voting right)
- Head of DKI Jakarta Regional Office (without voting right)
- Inspector of DKI Jakarta Regional Office (without voting right)

Non-permanent Member: Included based on invitation only according to the relevant issues at hand.

Member of RMC consists of permanent member, with or without voting right, and non-permanent member. Permanent member with the voting right is RMC members who have the voting rights in the case of unanimous decision of, and will render a necessary vote.

ORMC (Operational Risk Management Committee)

Chairperson I : Head of Risk Management Division
Chairperson II : Head of Service Division
Secretary : Head of Operational Risk Management Department, Risk Management Division

Permanent Member : - Head of Technology and Information System Division
- Head of Human Resources Management Division
- Head of Legal Division
- Head of Corporate Secretary at Division
- Head of Strategic Planning and Business Development Division
- Head of Compliance Division
- Head of Retail Business Network Division
- Head of Micro Business Network Division
- Head of Operational Center Division
- Head of Funds & Service Division

Non-permanent Member : invited based on related issues.

CRMC (Credit Risk Management Committee)

Chairperson I : Head of Risk Management Division
Chairperson II : Head of Credit Administration Division
Secretaries I : Head of Credit Risk Review & Monitoring Department, Risk Management Division
Secretaries II : Head of Credit Risk Policies and Methodology Department, Risk Management Division
Permanent Member : - Head of Micro Business Division
- Head of General Business Division
- Head of International Business Division
- Head of Program Business Division
- Head of Agribusiness Division
- Head of Retail Business and Medium Business Division
- Head of Consumer Credit Division
- Head of Credit Card Division
- Head of SOE Business Division
- Head of Credit Risk Analysis Division
- Head of Loans Restructuring and Recovery Division
- Head of Treasury Division

Non-permanent Member : invited based on related issues.

MRMC (Market Risk Management Committee)

Chairperson I : Head of Risk Management Division
Chairperson II : Head of Treasury Division
Secretaries : Head of Market Risk Management & Integrated Risk Department, Risk Management Division

Permanent Member: - Head of International Business Division
- Head of Financial and Management Accounting Division
- Head of Operational Center Division

Non-permanent Member : Invited based on related issues.

Duties and Responsibilities of RMC

(1) Provide recommendations to the President Director in formulating the General Policies of Risk Management, as well as amendments if necessary; including implementation of risk management policies, strategy and contingency plan for abnormal conditions.
(2) Provide recommendations to the Presidents Director in formulating methodology of Risk Management measurement and its amendments;
(3) Provide recommendations on risk limit determination and its amendments.
(4) Submit risk profile report and results of risk monitoring together with recommendation of amendments, if necessary.

Work Plan of RMC in 2011

RMC agenda during 2011 included:
(1) Discussion on previous RMC follow ups.
(2) Risk Profile
(3) Discussion on Risk Issue in the profiles of eight types of risk.
(4) Risk Monitoring
(5) Capital Analysis
(6) BASEL Implementation and Risk Management
(7) Education and Communication of Risk Management
(8) Recommendations and Decisions of RMC

Frequency of RMC and Sub-RMC Meetings

In 2011, RMC have 4 meetings on quarterly basis. The attendance records for the RMC meetings have met the quorum requirement that meetings were attended by at least 2/3 of the permanent members including three Directors with one of them is Director of Compliance. RMC Forum has been successful for across division coordination. RMC Forum has resulted in several risk management-related strategic initiatives in BRI.

Schedules and Meeting Agendas of RMC BRI in 2011 were as follows:

No.	Date	Topic/Agenda of RMC Meeting
1	RMC I 28 February 2011	1. Follow up of the RMC Decision Quarter IV 2010
		2. Risk Profile Quarter IV 2010
		3. Capital Analysis
		4. Discussion on Risk Issue:
		- Cash Ratio
		- Risk Based Approach (RBA) related to APU-PPT
		5. Analysis of Risk Based Pricing
		6. Implementation of BASEL and Risk Management
		7. Recommendation and Decision of RMC
2	RMC II 23 June 2011	1. Follow up of the RMC Decision Quarter I 2011
		2. Risk Profile Quarter I 2011
		3. Capital Analysis and Stress Testing
		4. Discussion on Risk Issues:
		- BRInets offline
		- Quality of Commercial Retail Loans and Medium Loans
		- Third Party Law suit
		5. Training and Communication on Risk Management
		6. Recommendations and Decisions of RMC

No.	Date	Topic/Agenda of RMC Meetings
3	RMC III 3 October 2011	1. Follow up of the RMC Decision Quarter II 2011
		2. Risk Profile Quarter II 2011
		3. Capital Analysis and RAPM
		4. Discussion on Risk Issue:
		- Credit Risk Weighting asset using Standardized Approach Basel II
		- Loan Insurance Claim
		- Foreign Currency Liquidity Needs
		5. Update on BI Policy of Commercial Bank Risk Profile
		6. RMC Recommendation and Decision
4	RMC IV 30 January 2012	1. Follow up of the RMC Decision Quarter III 2011
		2. Risk Profile Quarter III and IV 2011
		2. Capital Analysis
		3. Discussion on Risk Issue
		4. Progress of Micro Loans
		- Growth of BRI Loans compared to those of other Commercial Bank - Implementation of Standardized Approach Basel II
		- Growth of Third Party Funds 2011.
		5. Discussion on PAB 2011
		6. Progress of Fulfilment of Obligation of MR Certification
		7. RMC Recommendation and Decision

Schedules and Meeting Agendas of Sub-RMC BRI in 2011 were as follows:

No.	Date	Topic/Agenda of Sub-RMC Meetings
1	ORMC I 29 March 2011	1. Monitoring of Operating Risk and Others
		2. Implementation of IRU Module
		3. Bancassurance
		4. Development of Loss Event Database (LED)
		5. Implementation of BCM
2	ORMC II 15 August 2011	1. Monitoring of Operating Risk and Others (RCSA Quarter III 2011)
		2. Discussion on Risk Issue
		3. Implementation of BCM
3	ORMC III 23 Dec 2011	1. Revision of Circular Letter on PAB risk management
		2. Preparation for development of BRI anti fraud system
		3. Risk Issue on Operating Risk and others
4	CRMC I 19 April 2011	1. Determination of Risk Limits
		2. Basel II Standardized Approach
		3. Profile and Monitoring of Risk

b. Assets and Liabilities Committee (ALCO)

Assets and Liabilities Committees (ALCO) is the committee that support the Board of Directors in managing Asset and Liability, determining the interest rate for saving and loans, the mismatch approach, net-open position (NOP) and interest rate risks, managing and stipulating the balance sheet structure and capital as well as recommending the Directors in issuing the policy decided in ALCO meetings.

Structure and Membership of ALCO

Organizational Structure of Assets and Liabilities Committee is as follows:

Chairperson
(also as member) : President Director

Alternate Chairman I
(also as member) : Director of Finance

Alternate Chairman II
(also as member) : Ad Interim Director of Finance (Pursuant to Decision Letter on Ad Interim Director)

Secretary
(also as member) : Head of Treasury Division

Member :
- Directors
- All Head of Business Divisions
- Head of Fund & Services Division
- Head of Credit Cards Division
- Head of Consumer Loan Division
- Head of Institutional Relations Division
- Head of Financial and Management Accounting Division
- Head of Credit Risk Analysis Division.
- Head of Loans Restructuring and Recovery Division (RPKB Division)
- Head of Credit Administration Division
- Head of Risk Management Division
- Head of Strategic Planning and Business Development Division
- Regional Managers of DKI Jakarta
- Manager of Special Branch Office

ALCO Supporting Group (ASG):
ASG is a supporting group of analysts for ALCO. As a supporting group for ALCO, ASG duties include analysis of source and utilization of funds, Maturity and Repricing Gap, Primary and Secondary Reserve, monitoring NOP, formulating the scenario of interest rate for saving and alternative pricing, formulating funding strategy, preparing the data, presentation materials, and necessary materials for ALCO meeting.

Duties and Responsibilities of ALCO
(1) Implementing integrated Asset and Liability Management policy
(2) Deciding basic interest rate for saving, loans, and fund transfer price
(3) Deciding the mismatch policy and NOP.
(4) Managing the structure of balance sheet and capital.
(5) Ensuring that Asset and Liability management has been implemented according to the policy decided in ALCO meeting.

ALCO Work Plan
ALCO holds a meeting periodically, at least once a month to discuss the management of BRI assets and liabilities related to the Directors' policies and strategies of the Bank's, composition and growth of Bank portfolio, Risk Management (setting mismatch limit and net open position) and interest rate for savings, loans and fund transfer price.

Meeting Frequency of ALCO
During 2011 ALCO conducted 12 monthly meetings and percentage of attendance met the quorum (2/3 members attendance).

Schedule and agenda of ALCO's meetings in 2011 are as follows:

No.	Date	Topic/Agenda of ALCO Meeting
1	27 Jan 2011	Fixed agenda of every ALCO meetings were: Evaluation of Asset and Liability Performance, Market Review, Analysis of BRI Share Price, Analysis of Fee Based Income Growth, Presentation of Regional Office Performance, Asset & Liability Management Recommendations, and ALCO Meeting Decisions.
2	24 Feb 2011	
3	28 Mar 2011	
4	25 April 2011	
5	23 May 2011	
6	27 June 2011	
7	27 July 2011	
8	24 Augt 2011	
9	22 Sept 2011	
10	27 Oct 2011	
11	23 Nov 2011	
12	28 Dec 2011	

Realization of ALCO Work Plan

ALCO holds periodical meetings discussing asset-liability performance evaluations, and deciding interest rates for saving, loans and fund transfer price. ALCO meetings also become the forum to share information to the Board of Director and executives regarding macroeconomic conditions, banking sector, new regulations and other issues that may be the concerns of the investors/market. ALCO meetings also serves as the strategic forum to give information related to business directions and policies as well as operational issue resolutions from the Board of Directors

c. Credit Policy Committee (CPC)

Credit Policy Committee helps the Board of Director in formulating the policy, supervising the implementation of policy, monitoring the development and conditions of loan portfolio as well as advice for improvement.

Structure and Membership of CPC

Chairman : President Director

Member :
- Director of Credit Risk Management
- Director of Micro Small Medium Enterprise Business
- Director of Commercial Business
- Director of Consumer Business
- Director of Institutional and State-Owned Enterprises Business
- Director of Finance
- Director of Compliance
- Head of Credit Administration Division (also serves as Secretary)
- Head of Risk Management Division
- Head of Internal Audit
- Head of Credit Risk Analysis Division
- Head of RPKB Division
- Head of Micro Business Division
- Head of Retail Business Division
- Head of Consumer Credit Division
- Head of Program Business Division
- Head of Agribusiness Division
- Head of General Business Division
- Head of SOE Business Division
- Head of Treasury Division
- Head of International Business Division
- Head of Strategic Planning and Business Development Division
- Head of Legal Division

Duties and Responsibilities of CPC

(1) Provide inputs to the Board of Directors in composing BRI's general credit policy related to the prudential principles stated in Bank Credit Policy Guideline of Bank Indonesia.

(2) Monitor the implementation of policy to ensure efficient and consistent compliance, and provide solutions to any problems or constraints. CPC also regularly review the Credit General Policy

(KUP-BRI) and provides suggestions to the Directors if changes/revision is needed.

(3) Monitor and evaluate:
   i. Appropriateness of the loan approval authority
   ii. Appropriateness of disbursement process, growth and quality of loans given to related parties and certain large borrowers.
   iii. Legal lending limit compliance
   iv. Compliance with the prevailing rules and regulation related to lending.
   v. Loan restructuring process in accordance with BRI's general loan policy.
   vi. Adequacy of loan loss provision and loan write-off.
   vii. Specified large borrowers and loan under special mention category.

(4) Review the effectiveness of loan internal control system.

(5) Report and provide recommendation for improvement to the Board of Directors and the Board of Commissioners regarding:
   i. The result of monitoring of BRI Credit General Policy implementation.
   ii. Findings and evaluations of the matters related with point no. 3 as mentioned above.

Work Mechanism of CPC

Functions, duties, and responsibility of CPC is administered by CPC Secretary (Head of Loan Administration Division) together with related Divisions.

CPC Meetings Frequency

There was no CPC meeting in 2011.

Realization of CPC Work Program

Realization of CPC functions, duties and responsibilities in 2011, carried out by Credit Administration Division as the Secretary of CPC were as follows:

Work Plan	Realization
Review of General Policy on Credit	Preparation for review of the General Policy on Credit (GPC) has been undertaken with feedbacks from related Divisions on draft of GPC revision made by ADK Division. Partial revision of (GPC) has been done due to changes of Decision Letter of KKP Nokep: S. 142d – DIR/ADK/12/2007 of 20 September 2011. With regards to the Decision Letter, overall review of GPC will be amended according to the changes in the Decision Letter.
Review of Guidelines for Loan Disbursement (GLD)	GLD for Micro Business was done by 15 December 2011
	GLD for Retail Business as of year end 2011 has received feedbacks from related Division (on going process)
	GLD for Treasury and International Business as of year end 2011 was still on process (pending reorganization)
	GLD for Consumer Business as of year end 2011 was still on process (pending reorganization)
Formulation or Review on Credit Policy	20 Product Policies and 13 General Policies

d. Credit Committee

Credit Committee is an operational committee assisting the Board of Directors in evaluating and/or deciding loan application of certain amount and types of loans decided by the Board of Director

Structure and Membership of Credit Committee

Composition of Credit Committee membership in 2011 is as follows:

Credit Committee	Member	Final Decision Maker
BRI Credit Committee (for loan decision)	Director of Commercial Business	President Director
	Director of Institutional & SOE Business	
	Director of MSME Business	
	Director of Consumer Business	
	Director of Credit Risk Management	
BRI Credit Committee (for decision on Money Market Line and Treasury products)	Director of Finance	President Director
	Director of Commercial Business	
	Director of Institutional & SOE Business	
	Director of MSME Business	
	Director of Consumer Business	
	Director of Credit Risk Management	
Directors' Credit Committee Level 1. Directors' Credit Committee 1 (for Medium and Corporation Loan initiated by Branch Office, Regional Office, Special Branch Office and Program Business Division)	Director of MSME Business Director of Commercial Business Director of Credit Risk Management	
2. Directors' Credit Committee 2 (for Medium Company and Corporation Loan initiated by SOE Business Division)	Director of Institutional & SOE Business Director of Commercial Business Director of Credit Risk Management	
3. Directors' Credit Committee 3 (for Medium Company and Corporation Loan initiated by General Business Division and Agribusiness Division)	Director of Consumer Business Director of Commercial Business Director of Credit Risk Management	
4. Directors' Credit Committee for Loan Restructuring	Director of MSME Business Director of Commercial Business Director of Institutional & SOE Business Director of Consumer Business Director of Credit Risk Management	

Duties and Responsibilities of Credit Committee

The role of Credit Committee is to approve or reject the loan according to the authority decided by the Board of Director. In addition, Credit Committee will coordinate with ALCO for defining source of fund to finance loans up to certain limit.

Responsibilities of Credit Committee are:

(1) Granting the loan according to the professional proficiency in an objective, accurate, and comprehensive manner.

(2) Rejecting the request or influence from related parties who intend to grant the loan based on formality.

(3) Put their signatures of approval in Loan Approval form. For that reason and as a form of Committee's responsibility, prior to signing the signature, the Credit Committee must:
   i. Ensure that all loan approval have met all banking requirements and in accordance with sound loan principals.
   ii. Ensure that the loan disbursement procedure comply with Loan General Policy of BRI (KUP-BRI), Loan Execution Guidelines (PPK) and other loan regulations.
   iii. Ensure that the loan disbursement is made based on honest, objective, accurate and comprehensive assessment and free from the influence of related parties

Frequency of Credit Committee Meetings
Meetings of the Credit Committee are convened when new loan approval or loan extensions are needed. The decision of the Credit Committee shall be based on majority principle, as for other Credit Committee's decision shall be made based unanimously or decision must be given if all members of Credit Committee give their approval.

For loans with a total exposure of minimum Rp300 billion, both for individual and business groups borrowers, must be consulted with the Board of Commissioners. For agribusiness and SOE loan with the total exposure is equal to or more than Rp600 billion and Rp500 billion respectively, is required a consultation with the Board of Commissioners.

Realization of Credit Committee Work Plan:

Period	Decision Maker	
	BRI Credit Committee	Directors' Credit Committee
Quarter I	67	15
Quarter II	47	26
Quarter III	61	18
Quarter IV	162	64
Total	337	123

e. Information System and Technology Steering Committee (ITSC)

Pursuant to the Bank Indonesia Regulation No. 9/15/PBI/2007 dated 30 November 2007 and Bank Indonesia's Circular Letter No. 9/30/DPNP dated 12 December 2007, concerning the Application of Risk Management in the Application of Information System by Commercial Bank, BRI has established Information System and Technology Steering Committee (ITSC) based on the decree of the Board of Directors No. 625-DIR/TSI/ 10/2009 dated 19 October 2009.

ITSC is the Committee responsible for the direction and recommendation concerning policies, development and implementation of BRI's Information Technology and System.

Structure and Membership of ITSC

Chairman : Director of Operations
Vice Chairman : Director of Compliance
Secretary : Head of Technology and Information System Division
Member :
- Head of Internal Audit
- Head of Strategic Planning & Business Development Division
- Head of Risk Management Division
- Head of Micro Business Division
- Head of Retail and Medium Business Division
- Head of Program Business Division
- Head of Consumer Loans Division
- Head of Credit Card Division
- Head of Fund and Services Division
- Head of Retail Business Network Division
- Head of Micro Business Network Division
- Head of Services Division
- Head of Treasury Division
- Head of International Business Division
- Head of Financial & Accounting Management Division
- Head of Credit Administration Division
- Head of Operational Center Division
- Head of Fixed Assets Management & Logistic Division

The Committee membership is ex-officio and members of the committee represent the party having direct relations with TSI as partner or user.

Duties and Responsibilities of ITSC

(1) Provide recommendations on policies and targets for the development of the Technology and Information System (TIS) for a five-year period as stated in the IT Strategic Plan (ITSP) BRI;
(2) Provide recommendation on prioritizing the short term (annual) and long term (5 years) of the TIS development in accordance with corporate plan and business plan;
(3) Provide recommendations on changes of long term IT strategies and plans as the respond to the changes in the strategy and policy;
(4) Review and recommend Functional Work Plan and TIS Investment and Exploitation Budget Plan for short term (annual) development, operations, and maintenance by adhering to ITSP BRI ;
(5) Monitor and evaluate IT development project to align with BRI strategies and plans;
(6) Monitor and evaluate the status and implementation of IT development managed TIS on regular basis;
(7) Monitor the effectiveness of Risk Management of BRI Investment in IT that contributes to the achievements of business objective;
(8) Recommend the solutions for any problems related with TIS that cannot be resolved by the user and TIS administrator in an efficiently, effective, and timely manner.

ITSC Work Plan

ITSC work plan is to carry out duties and responsibilities in accordance with the agenda of the committee meeting.

Realization of ITSC Work Program

ITSC evaluated the progress of BRI IT development and discussed other issues according to each meeting's agenda. In those meetings, the Board of Directors provided strategic direction especially in terms of specific e-channel development that requires further attention. Additionally, the Directors also emphasized that application developments not to disregard other developments that is mandatory by nature.

Frequency of ITSC Meetings

Throughout 2011, ITSC held meetings as follows:

No.	Number/Date	Topic/Meeting Agenda
1	ITSC I 25 March 2011	• Directors direction concerning Plus Point & Concern Point • Progress of IT BRI up to Q4 2010
2	ITSC II 30 May 2011	• IT Budget 2011 • Realization of ITSP Project 2008-2013 • Brinets progress, especially for transaction and *e-channel* • IT Strategic Plan
3	ITSC III 26 August 2011	• Fulfillment of HR in 2011 • IT Budget and Realization in 2011 • Realization of ITSP Project 2008-2013 • Brinets Capacity Planning and e-channel • IT Strategic Plan
4	ITSC IV 09 November 2011	• IT Budget and Realization in 2011 • Realization of ITSP Project 2008-2013 • Brinets Progress and e-channel • Positioning of IT BRI in National Banking industry • Progress of IT development, stage of User Acceptance Test

f. Project Management Office (PMO) Steering Committee

PMO Steering Committee is the highest forum/ committee in project management at corporate level in BRI. PMO Steering committee plays the role to provide strategic direction and project management. The strategic decisions in project management includes investment decisions related with the projects, i.e. approving, revising, or canceling the plan and execution of the project.

Structure and Membership of PMO Steering Committee in 2011

Chairman : President Director
Member : - Director as Head of PMO
- Directors member supervising Project Owner's Working Unit
- Directors member supervising Supporting Project Owner's Working Unit
- Project Owner's Unit Head
- Supporting Project Owner's Unit Head

Meeting Frequency of PMO Steering Committee

Duties and Responsibilities of PMO Steering Committee

(1) Provide strategic direction of BRI projects at corporate level;
(2) Make decisions on solutions proposed in project management that cannot be decided by Head of PMO or Project Steering Committee ;
(3) Reallocate the budget to different projects that are listed in the Project Work Plan according to prevailing regulation;
(4) Make decisions over issues or matters not covered in PMO General Policy and PP PMO;
(5) Validate the result of Joint Planning Session;
(6) Terminate the project that has no further justification to be continued.

PMO Steering Committee Work Plan

In performing its duties, PMO Steering Committee held at least one meeting a year and reports to the Board of Directors.

No.	Date	Topic/Agenda of Meeting
1	PMO Steering Committee Meeting I in 2011 held on 25 August 2011	• IT Project Planning 2011 • Projects progress and status up to March 2011 • Project issues • Projects that need special attention • Proposal for Decisions in PMO-Steering Committee

Realization of PMO Steering Committee Work Plan

The decision of PMO Steering Committee Meeting in 2011 were as follows:

- Approval to discontinue 3 projects
- Approval for 1 project proposal without monitoring of the PMO
- Rejection of 1 project proposal without monitoring of the PMO
- Approval for 10 project proposals without monitoring of the PMO to start in 2012.

g. Human Resources Policy Committee

Human Resources Policy Committee has the authority to establish policy on human resources. This committee was formed in 2008 with the goal to improve the effectiveness, efficiency, objectivity and transparency in decision making concerning human resources; and to reassure the stakeholders that the determination of HR policies has been executed in line with the principles of good corporate governance.

Structure and Membership of Human Resources Policy Committee

Chairman : President Director
Member :
- Director of Operations
- Director of Compliance
- Director of Credit Risk Management
- Director of Finance
- Director of Network and Services
- Director of Institutional and State-Owned Enterprise Business
- Director of Commercial Business
- Director of Consumer Business
- Director of Micro Small and Medium Enterprise Business

Secretary : Head of Human Resources Management Division
Vice Secretary : Deputy Head of Human Resources Management Division

Roles and Responsibilities of Human Resources Policy Committee

As an operational committee on human resources, Human Resources Policy Committee has the authorities as follows:

(1) Making decision over Human Resources (HR) Policy, including HR planning, recruitment and selection, career development, performance management, welfare, industrial relations, assessment and HR management information system.
(2) Making decision on the operational aspects of Human Resources, including the mutation (promotion, rotation, demotion), performance assessment, and disciplinary actions to Level 1 and 2 officers.

Human Resources Policy Committee Work Plan

Human Resources Policy Committee Work Plan includes setting up the provisions for Policy and Operational matters.

Meeting Frequency of Human Resources Policy Committee

In 2011, Human Resources Policy Committee Meetings held seven meetings on Policy issues and eight on Operational issues with 100% rate of attendance. The details are:

No.	Date	Topic/Agenda of Meeting
Policy		
1	2 - 3 March 2011	Provision on Payment of Short-term Incentive for Employee in 2010
2	20 - 31 May 2011	Provision on Distribution of Bonus of 2101 for Employee
3	25 May – 13 July 2011	Provision on Short-term Incentive in 2011
4	14 May – 1 June 2011	Increase in Pension Benefits for Retired Employee
5	1 July – 15 July 2011	Provision on Regulation on Salary for Employee
6	June 2011 – August 2011	Increase in Basic Salary based on Performance
7	07 October 2011	Education and Development Program for Employee
Operational		
1	1 March 2011	Rotation/Promotion for Officers of Level 1 & 2
2	5 April 2011	Rotation/Promotion for Officers of Level 1 & 2
3	24 August 2011	Rotation/Promotion for Officers of Level 1 & 2
4	24 August 2011	Discussion of Case
5	24 August 2011	Discussion of Case
6	23 September 2011	Rotation/Promotion for Officers of Level 1 & 2
7	10 October 2011	Discussion of Case
8	14 December 2011	Discussion of Case

Realization of Human Resources Policy Committee Work Plan

In 2011 the followings have been issued:

(1) Decision on Policy matters:
Seven provisions in the form of Director's Letter, Decree and Office Memorandum.

(2) Decision on Operational matters:
- Rotation/Promotion: 72 decisions for Level 1 and 2 Officers.
- Disciplinary Decision: 17 decisions.

h. Job Evaluation Committee

Job Evaluation Committee is a committee to review and recommend the Job's Class proposed by Job Evaluation Team.

Member of Job Evaluation Committee:

(1) Director of Compliance
(2) Director of Operations
(3) Head of Strategic Planning and Business Development Division
(4) Head of Human Resources Management Division

The membership is ex officio, not individually.

Duties and Responsibilities of Job Evaluation Committee

Duties of Job Evaluation Committee are:

(1) Provide the direction and inputs to the recommendation of Job's Class prepared by Evaluation Team during the Job Evaluation Committee meeting.
(2) Recommend the Job Position to be approved in the Board of Directors meeting. The stipulation of the Job will be officiated in the Board of Directors Decree.

Job Evaluation Committee Work Plan

Job Evaluation Team evaluates the job position in question then presented to the Committee.

Meeting Frequency of Job Evaluation Committee

In 2011, Job Evaluation Committee held one meeting with 100% attendance, as follows:

No.	Date	Topic/Agenda of Meeting
1	6 April 2011	Presentation of Job Evaluation by Job Evaluation Team

IV. RELATIONSHIP BETWEEN BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

The Board of Commissioners and the Board of Directors based their relationship on check and balances principal, transparency, and mutual respect according to their duties and responsibility in managing the company. In 2011, there are 7 (seven) meetings between the Board of Commissioners and the Board of Directors.

The Board of Commissioners and the Board of Directors Meetings in 2011:

No.	Date	Topic/Agenda of Meeting
1	25 January 2011	1. Discussion on Bank Performance as of December 2010 (unaudited) 2. Progress on the Implementation of PSAK 50 and 55
2	29 March 2011	1. Bank Performance as of February 2011 2. Preparation for AGMS of 2011
3	16 June 2011	Revision of BRI Work and Budget Plan of 2011
4	4 August 2011	Realization of BRI Corporate Plan 2011-2013 Quarter II of 2011
5	22 September 2011	1. Bank Performance as of August 2011 2. Progress on the Implementation of PSAK 50 and 55
6	7 November 2011	BRI Corporate Plan 2012-2014 and Work and Budget Plan 2012
7	6 December 2011	1. Opinions, advises and notes from the Board of Commissioners toward Proposal of BRI Corporate Plan 2012-2014 and Work and Budget Plan 2012 2. Board of Directors Overseas Business Trips and Key Performance Indicators

Frequency and attendance at BOC and BOD meetings:

No.	Name	Position	Total Meetings	Attendance	%
BOARD OF COMMISSIONERS					
1.	Bunasor Sanim	President Commissioner/ Independent Commissioner	7	6	85.71
2.	Soedarjono*	Vice President Commissioner/ Independent Commissioner	5	5	100.00
3.	Agus Suprijanto	Commissioner	7	4	57.14
4.	Heru Lelono	Commissioner	7	4	57.14
5.	Adhyaksa Dault	Independent Commissioner	7	6	85.71
6.	Baridjussalam Hadi**	Independent Commissioner	2	2	100.00
7.	Aviliani	Independent Commissioner	7	5	71.43
8.	Hermanto Siregar***	Commissioner	5	5	100.00

* effective of 28 September 2011 was no longer Vice President Commissioner/Independent Commissioner of BRI.

** effective of 28 April 2011 was no longer Independent Commissioner of BRI.

*** effective of 12 July 2011 as Commissioner upon obtaining approval from Bank Indonesia on his fit and proper test.

No.	N a m e	Position	Total Meeting	Attendance	%
BOARD OF DIRECTORS					
1.	Sofyan Basir	President Director	7	5	71.43
2.	Sarwono Sudarto	Director of Operations	7	7	100.00
3.	Randi Anto*	Director of Compliance	5	4	80.00
4.	Achmad Baiquni	Director of Finance	7	6	85.71
5.	Sulaiman A. Arianto	Director of Commercial Business	7	6	85.71
6.	A. Toni Soetirto	Director of Consumer Business	7	5	71.43
7.	Djarot Kusumayakti	Director of MSME Business	7	6	85.71
8.	Asmawi Syam	Director of Institutional & SOE Business	7	4	57.14
9.	Lenny Sugihat	Director of Credit Risk Management	7	7	100.00
10.	Suprajarto	Director of Network & Services	7	7	100.00
11.	Gatot Mardiwasisto **	Director	2	2	100.00
12.	Bambang Soepeno ***	Director	2	2	100.00

* *effective of 12 July 2011 as Director of BRI upon obtaining approval from Bank Indonesia for his fit and proper test.*

** *effective of 28 September 2011 was appointed as Director of BRI based on EGMS, pending approval from Bank Indonesia for his fit and proper test.*

*** *effective of 28 April 2011 was no longer Director of BRI.*

V. CORPORATE SECRETARIAT

Function of Corporate Secretariat

One of the element in good corporate governance process is to ensure that exercise of power and the relationship among stakeholders in line with the company interest. Corporate Secretariat holds a possession of this strategic position to ensure the compliance, administration of decision making process within the company, as well as to perform communication function for building company's goodwill.

Corporate Secretariat has main responsibility to build BRI's corporate image through managing public relations, administration of the company including the Board of Directors and the Board of Commissioners secretariat, and relationship/ information flow among the working units and with other stakeholders to achieve the performance based on its vision, missions and strategies of the company.

As part of its responsibility in communication, Corporate Secretariat must ensure the flow and the accessibility of information to the stakeholders, and the availability of reasonable information accessible by the stakeholders.

As such, the function of Corporate Secretariat of BRI has complied with the stipulation in the Regulation of Minister of State-Owned Enterprise Number: PER - 01/MBU/2011 dated 1 August 2011 on the Implementation of Good Corporate Governance at State-Owned Enterprise, Covering:

a. Ensuring that State-Owned Enterprise complies with regulation on disclosure requirement in line with implementation of GCG principles;
b. Providing information to Board of Directors and Board of Commissioners regularly and/or at any time if requested;
c. Acting as liaison officer; and
d. Administering and filing all company's document, including but not limited to the List of Shareholders, Special List and Minutes of Board of Directors and Board of Commissioners meetings, as well as those of General Meeting of Shareholders.

Corporate Secretariat is responsible to the President Director and reports its duties to the Board of Commissioners.

Public Relations

Building Corporate Citizenship and Stakeholders Engagement is the requirement for Company Sustainability. BRI communicates the implementation of company programs in fulfilling its responsibility as element of the nation, society and stakeholders empowerment.

Essentially, Corporate Communication focuses on effort to build good company image, through print, electronic and outdoor media, as well as exhibition and collaboration with third parties like press relations, government relations and others.

Activities of BRI Public Relations in 2011

No	Activities	Date
1	Communication and Publication of BRI Cares for Traditional Market (BRI PESAT)	January - July 2011
2	Media Visit to KOMPAS Daily	17 February 2011
3	Media Visit to VIVA Group	23 March 2011
4	Gathering of BRI Friend of Media	26-27 March 2011
5	Indonesian Bazaar in Den Haag	1-7 April 2011
6	Inacraft Exhibition	20-24 April 2011
7	Indonesia Banking Expo 2011	11-13 May 2011
8	Indonesia Fashion & Craft 2011	29 June - 3 July 2011
9	Indonesia Product Exhibition 2011 in Amman, Yordania	13-16 July 2011
10	Communication and Publication of BRI Cares for Sembako Murah	July - August 2011
11	Breakfasting together with orphans 2011	19 August 2011
12	Communication and Publication of Homecoming Lavish a la TKI	5 September 2011
13	Indoor Football Forum Journalist Friend of BRI	17 December 2011
14	Family Gathering to celebrate the 116th Anniversary of BRI	24 December 2011

Investor Relations

Investors are strategic stakeholders whose decision are influenced by the quality and timeliness of the information. Information provided not in a timely manner may give improper benefit for some people and considered as against the law because it may inflict self dealing, insider trading, intentional misinformation, or other unethical acts.

To ensure the material information to shareholders is properly assigned, corporate secretariat uses Annual General Meeting of Shareholders (AGMS) and Annual Report for that purpose. One of the agendas in Annual General Meeting of Shareholders is presentation of accountability report from the Board of Directors and the Board of Commissioners to the shareholders on the management of the company.

Corporate secretariat always strive to build good communication with capital market community, particularly investors and analyst.

The communication materials provided directly to the investors or analysts are important information that will be used to take informed investment decisions.

In an effort to build communication with investors and analysts, BRI hold public expose and analyst meeting, accepts company visit, field visit, and conference call, publish investor newsletter, updating the information in investor relation website and attend investor conference and non-deal roadshow within the country or world's financial cities in Asia, Europe, and United States. In 2011, several local and international communication events were held via company visits, field visits, and roadshow/conference.

Followings are communications with investors during 2011:

No	Activities	2008	2009	2010	2011
1	Company Visit	138	166	199	240
2	Conference Call	8	28	28	51
3	Field Visit	15	21	29	31
4	Analyst Meeting	4	4	4	4
5	Roadshows/Conference - Domestic	4	2	5	6
6	Roadshows/Conference - Overseas	5	8	5	6
7	Investor News Letters	2	2	3	1
8	Public Expose	1	2	1	1
	TOTAL	177	233	274	340

Office of the Board

Corporate secretariat acts as Office of the Boards that ensures availability of information and that the quorum for the meetings are always met by the Board of Directors and/or Board of Commissioners. It is also responsible to keep the information on legal and regulations updated and convey the information on the actions taken by the company to the regulators. As a means of executing the function of Compliance, Corporate Secretariat carries out the function of government relations to create and maintain the company's goodwill on the perspective of regulators.

Profile of Corporate Secretary

Muhamad Ali led the Corporate Secretariat as of 1 January 2010, based on the Board of Directors Decree Letter No. 20-DIR/SDM/12/2009 dated 14 January 2010.

He obtained his Law Degree from UGM in 1987 and joined BRI since 2 June 1988. Before he assumed the Corporate Secretary position, Muhamad Ali was the Head of Directors Office (2009) and Deputy Head of Corporate Secretary (2008).

The appointment of Muhamad Ali as the Company Secretary has been reported to Bank Indonesia to comply with Bank Indonesia regulations No. 11/1/PBI/2009 dated 27 January 2009 concerning Commercial Bank and also reported to Bapepam-LK and Indonesian Stock Exchange in a letter No. B. 02-SKP/DHI/01/2010 dated 27 January 2010 on Changes in Company Secretary.

BRI Press Releases in 2011

Month	Date	Activities
January	5	Disbursement of BRI KUR exceeded 2010 target
	6	Cooperation between BRI and Telkom for host-to-host services
	7	BRI won lawsuit against PT Mulia Persada Pacific
	10	BRI Share Stock split
	19	Cooperation between BRI and Medco E&P on the use of BRI products and banking services
	26	Cooperation between BRI and PT Angkasapura II on the use of Brizzi card as alternative mean of payment for airport tax
February	4	Optimistic growth of BRI Home Loans in 2011

Month	Date	Activities
	7	BRI inaugurates 72 new operating units
	8	BRI ranked 195 on The World's 500 Most Valuable Banking Brands 2011
	10	Britama and BRI Junio receives Top Brand Award 2011 from Frontier Consulting Group
	16	BRI and PTPN II sign credit agreement in the framework of sugar industry revitalization
	17	BRI disburses Partnership Loans to MSME entrepreneurs who were victims of the Mount Merapi eruption
	22	Significant increase in BRI assets
March	3	Signing of Acquisition Deed of Bank Agro between BRI and Dapenbun
	4	Distribution of salaries to Ministry of Public Works through BRI
	6	BRI cooperates with Greenet for the planting of trees in the areas affected by Mount Merapi eruption
	9	BRI disburses syndicated loans to PT KAI
	14	BRI provided financial aid for karatekas in the preparation for Sea Games 2011
	15	Haj installment service in 5,972 BRI operating units
	25	BRI held Pesta Rakyat Simpedes in Brebes, Central Java
	25	BRI cooperated with POLRI in the issuance of SMART Driving Licence
	31	Financial performance of BRI in 2010: BRI achieved profit of Rp11.472 trillion
April	13	BRI inaugurates Priority Service Center in Balikpapan
	13	Growth of BRI assets in the last five years
	20	BRI signs cooperation agreement with PT Taspen
	25	BRI disburses financing to the creative industry sector
	28	BRI 2011 AGMS
	29	Financial Performance Quarter I 2011: BRI achieved profit of Rp3.260 trillion
	30	BRI undertook education of culture to save in early stage in life by producing BRI Junio Savings
May	3	BRI keeps on increasing the number of ATM
	9	BRI is included in The World's 500 Most Valuable Banking Brands 2011
	10	BRI cooperates with Kemang Village in the funding of apartment loan
	24	BRI signs working capital agreement with Perum Pegadaian
	25	BRI commits to enhance its information technology service
	30	BRI signs Memorandum of Understanding with Perum Perhutani
	31	BRI provides Rp8 billion in scholarship for students in eastern Indonesia
June	8	Bank BRI opens another Priority service
	8	BRI held Pesta Rakyat Simpedes in Cirebon, West Java.
	16	BRI held Peduli Pasar Rakyat (Pesat) in Klender Market.
	20	BRI promotes Betawinese culinary to enliven Jakarta Anniversary.
	23	BRI signs Memorandum of Understanding with Brawijaya University
July	5	BRI opens Priority Services Center in Semarang
	12	BRI continues to develop Brizzi product
	18	BRI opens Priority Service Center in Malang
	19	BRI, in cooperation with Ministry of Internal Affairs, held BRI Pesat.
	20	BRI disburses loan to PT Mitratel
	25	BRI continues to develop custodian service
	26	Working Relationship Agreement is signed between the Management of BRI and BRI Labor Union

Month	Date	Activity
	28	BRI gives away free sembako
	29	BRI financial performance Q II 2011: BRI's profit amounted to Rp6.79 trillion
August	2	BRI organized flea market together with SOE Care program
	19	President of the Republic of Indonesia attended BRI's breakfasting with 3,300 orphans
	19	SOEs cooperated with BRI in organizing flea markets in 16 cities throughout Indonesia
	25	Free homecoming trip for 3,500 customers of BRI
	25	BRI and Directorate General of Primary and Secondary Education Ministry of National Education signed MoU for utilization of banking services.
	25	BRI disburses loan to Pelindo I
September	15	BRI signs cooperation agreement with PT Mitratel
	21	Growth of BRI sms-banking transactions
	25	BRI organizes BRI Junio Cycle Fest
	28	BRI EGMS 2011
October	5	BRI cooperates with Gajah Mada University on on-line payment of tuition fee
	5	BRI keeps enhancing its network in order to dominate the MSME market
	7	TiPhone cooperates with BRI to enhance transactional capacity for telephone pulse
	6	BRI keeps increasing its fee based income through the optimization of more than 33 million of existing accounts
	16	BRI organizes Brizzi Rally in Yogyakarta
	16	BRI provides on-line payment of fertilizer throughout Indonesia to PT Pusri
	27	BRI and the Ministry of Religious Affairs sign another cooperation agreement on banking service utilization
	28	BRI financial performance Q III 2011: BRI achieved profit of Rp10.43 trillion
November	9	BRI launches Visa Touch credit card
	11	BRI provided catheter devices for Sea Games health team.
	12	BRI supports the organization of Jakarta Fashion Week 2011
	14	BRI and APPMI successfully organized Jakarta Fashion Week 2011
	15	BRI and Obin supports batik exhibition in the Jakarta Fashion Week 2011
	16	BRI launches Touch credit card in order to target young urban segment
	17	BRI supports LPM in the launching of young designers
	24	BRI together with Ministry of Social affairs channeled financial aid for Family Hope Program
	25	BRIZZI funbike in Semarang
	25	BRI distributes Rp1.2 billion bonuses to the Indonesian karatekas
December	11	BRI and Jawa Pos organize BRIZZI funwalk
	14	BRI opens Priority Services Center in Medan
	16	BRI launches 11 new products, CSR networks and services
	21	Opening of Priority Services Center in Banjarmasin
	22	BRI cooperates with BNP2TKI to disburse loan to candidate of Indonesia's overseas workers
	22	BRI and PT Angkasa Pura II launched co-branding smart card payment with the name of "e-Airport BRIZZI"
	24	BRI prepared Rp19.25 trillion in cash to anticipate Christmas and New Year holidays.

VI. FUNCTION OF COMPLIANCE, INTERNAL AUDIT AND EXTERNAL AUDIT

1. **Function of Compliance**

   Implementation of compliance function is based on the Bank Indonesia Regulation No. 13/2/PBI/2011 dated 12 January 2011 regarding the implementation of Commercial Banks Compliance Function. The compliance function will be assumed by the staffs under the leadership of Compliance Director and Compliance Division. Director of Compliance in 2011 was served by Bambang Soepeno until 28 April 2011 and subsequently replaced by Randi Anto effective 21 July 2011. Between 29 April and 20 July 2011 Director of Compliance was served by Suprajarto as Acting Director who was also Director of Network and Services of BRI. Whereas the Head of the Compliance Division in 2011 was served by Teten Djaka Triana and subsequently replaced by M Jarot Eko Winarno. Both the Director of compliance and Head of the Compliance Division qualified for the independence requirement and criteria of Bank Indonesia.

   In connection with the enactment of the BI Regulation above, in 2011 BRI formulated the Compliance Charter and improved the internal policies on Implementing the Compliance Culture in BRI operating units.

   The development of the Compliance Function is aimed at establishing management tools that could be expected to contribute to support the Bank's operations and activities that are prudent, sound and transparent. To that end, a strategy is needed to synergize the function of Bank compliance with that of Bank business, comprising of three pillars, namely:

   a. Implementation of the Prudential Principle.
   b. Implementation of Good Corporate Governance (GCG)
   c. Implementation of Anti Money Laundering and Terrorism Funding Prevention Program.

   The strategy that has been implemented with the aim of developing the compliance function in BRI are elaborated in line with the above pillars, as follows:

   A. Implementation of the Prudential Principles.

   a. Examination of Prudential Principles

   The examination of prudential principles was made to the final draft of policy and/or decisions planned and stipulated by the Board of Directors, both related to the loan and non-loan process. The results of examination revealed, that in 2011 the Directors' planned policy or decisions have in general met the prudential principles as stipulated in prevailing external and internal regulations.

   b. Monitoring of Follow up-Actions on Examination Results

   Represents a continuation of the above examination activities, this activity is carried out to reassure that there is no transgression in the follow up policy plan and or decision that has complied with the prudential principle.

   c. Review of Internal Policies

   This review ensures that policies that have been designated by the Board of Directors and applied internally within BRI compliant with the prudential principle.

   d. Summary of External Policies and the Dissemination of Policies to Relevant Operating Units

   Both the summary and dissemination of external policies are carried out on new policies as well as amended policies issued by external regulators. This is carried out as part of communicating prevailing policies such that external policies will be readily adopted by the relevant operating units.

   e. Impact Analysis of External Regulations

   The analysis is carried out to determine the influence of external regulation on prevailing internal policies of BRI, while also ensuring that the prevailing internal policies of BRI are in line with external regulations.

f. **Monitoring on the Fulfillment of BRI's Commitment**

This activity is to ensure the adherence of BRI to fulfilling its commitment to Bank Indonesia as well as other regulatory authorities. The results of this monitoring on commitment fulfillment is reported to the Board of Directors, Board of Commissioners and Bank Indonesia regularly, as the Report on the Implementation of Duties in the Compliance Function.

g. **Monitoring on the Fulfillment of the Prudential Requirement (Legal Lending Limit, Capital Adequacy Ratio, Minimum Reserve Requirements, Net Open Position, Loan to Deposit Ratio, Non Performing Loans and others)**

This activity is carried out to ensure the compliance of BRI on the prudential banking principle policies of Bank Indonesia and other regulatory authorities.

h. **Enhancement/Development of Compliance Toolkit.**

To ascertain the effectiveness of the compliance procedural standards that are currently applied, the Compliance unit constantly evaluate and, if needed, improve the compliance tool kit at its disposal. In 2011 the Compliance Division proposed the application of *dashboard* compliance system to the Information Technology Division to aid monitoring compliance by management .

i. **Compliance Risk Management**

In connection with this activity, the Compliance unit coordinated with the Risk Management Unit to identify, measure, monitor and control compliance risk by adhering to Bank Indonesia Regulation on the implementation of Risk Management by a Commercial Bank. The effectiveness of compliance risk management is presented in the Risk Profile Compliance Report on a monthly basis.

j. **HR Development in Supporting Implementation of Compliance Function**

In the effort to strengthen the compliance function of the Bank, BRI realizes that HR that are placed in this function have to be fully aware of Bank Indonesia regulations and other prevailing laws and regulations, while also fully committed to the implementation and development of the compliance culture. To that end, BRI constantly provide opportunity for HR in the compliance unit to enroll in training, seminar, compliance education, public course and also be involved in the working group of Compliance Director Communication Forum (FKDKP).

B. Implementation of Good Corporate Governance (GCG) in BRI

With regards to the appointment of Compliance Division as coordinator for the implementation of GCG in BRI, in 2011 the Compliance Division has undertook its duties and responsibilities, among others:

a. Following up the publication of the BRI Good Corporate Governance Policy SKB No. 01-KOM/BRI/03/2011 - Nokep. S. 14-DIR/DKP/03/2011 of 8 March 2011 that contained the BRI Code of Ethics and the Board of Commissioners and Board of Directors Manual, the Compliance Division along with other related working units formulated and improved several drafts of the GCG implementation policies including:
   - Technical Work Guidelines for the Board of Commissioners and Committee under the Board of Commissioners.
   - Technical Work Guidelines for the Board of Directors.
   - Guidelines for Corporate Secretary.
   - Guidelines on Transparency and Disclosure.
   - Guidelines on Resolution of Conflict of Interests.

   It is expected that in 2012 these policies will be approved by the Board of Directors and/or the Board of Commissioners to be subsequently designated as the internal policies of BRI.

b. Pursuant to BI Regulation No. 13/1/PBI/2011 of 5 January 2011 on the Evaluation of the Soundness Level of a Commercial Bank, the evaluation involves the GCG aspect of the Bank in June-August 2011 the Compliance Division completed the assessment of GCG implementation in the above BI Regulation framework with an individual GCG composite score of 1.30 (very good) and a consolidated GCG composite score involving subsidiary companies of 1.33 (very good).

c. Formulating the policy on the Guidelines for the Implementation of GCG Self Assessment in the framework of Bank Soundness Level Evaluation.

CODE OF ETHICS

In manifesting the vision of being a leading commercial bank that constantly emphasizes customer satisfaction, BRI is committed to implement and achieve the highest corporate governance standard. To that end, BRI has a code of ethics that apply to all personnel of BRI comprising of the Commissioners, members of the Commissioners' Committees, the Directors, members of the Directors' Committees, employees, contract workers and outsourced personnel.

The policy on the Code of Ethics of BRI were enacted through a joint Decision Letter by the Commissioners and Board of Directors of BRI.

Role of the Code of Ethics

The Code of Ethics constitutes an important part of the corporate governance framework since the Code of Ethics elaborates the basic principles of both personal and professional conduct that are expected of every personnel of BRI in their duties. In addition the Code of Ethics of BRI provides the basis for the formulation of policies, systems and procedures that prevail at BRI.

The Code of Ethics are determined on the basis of corporate culture values, balancing the interests and needs of stakeholders. The Core Values of the Code of Ethics are integrity, professionalism, customer satisfaction, role model, and respect for the individual.

Elements of the BRI Code of Ethics

Element	Values
Compliance to Law and Bank Policy	• All personnel of the Bank must adhere to the laws and regulations as well as regulations stipulated in the Bank's policies
	• If the laws or regulations become irrelevant, or if a competitor disregard these laws and regulations, all personnel of BRI must still adhere to them.
Relationship between the Bank and External Customer	• Committing to the development of quality services and constantly uphold customer satisfaction.
	• Developing products and services in line with customer needs.
	• Upholding integrity in promotion and advertisement.
Relationship between the Bank and Local Communities	With a broadly dispersed operating network: • The personnel of the Bank must uphold the values of local communities.
	• Provide support to enhance the life quality of local communities with a priority on education, arts and culture, religion, humanity and environmental conservation.
Relationship between the Bank and Bank Personnel	Human resources are main assets of the Bank, therefore the Bank must be:
	• Committed to treat each individual of the Bank objectively, transparently, fairly and equally.
	• Able to provide a conducive working environment to increase productivity.
Bank Confidentiality	• the Bank's personnel must guard the confidentiality of the Bank and that of the Company.
Integrity and Accuracy of the Bank Financial Statements	• The Bank's personnel are responsible for recording the Bank's business activities accurately, honestly, comprehensively and timely to produce report that is accurate and accountable.

Element	Values
Conflict of Interests	A conflict of interest is a conflict between the economic interest of the Bank with the personal interests of shareholders, Commissioners, Directors, Executive Officers and/or those that are related to the Bank.
	• The principle behind the policy of the Bank on conflict of interests is that every decision taken is solely in the best interest of the Bank.
	• The personnel of the Bank is not allowed to place themselves in a position or situation that can induce conflicting interests.
	• To ensure that the Bank makes objective decisions, the Bank' personnel who are aware to a conflicting interest must report it.
	• The Bank's personnel are not allowed to be involved in a decision making that contains a conflict of interest.
Political Activities and Contribution	• the Bank's personnel are not allowed to use funds, facilities and resources of the Bank to contribute to political activities.
Gifts/ Gratification	• The Banks personnel are not allowed to receive or extend gifts that are not appropriate with the prevailing laws and regulations. Such gifts include gratification in the broadest sense comprising of money, goods, rebate (discount), commission, non-interest bearing loan, travel ticket, accommodation, tours, free medical treatment and other facilities.

Communicating the Code of Ethics

All operating units of BRI had received communication on the policies of GCG and Code of Ethics of the Bank since 2010. The Code of Ethics is continuously communicated, among others through educational programs that are carried out by training centers such as the Staff Development Program for the general staff, audit, IT, Resident Audit and Resident Staff. Subsequently, every employee who has been made aware of the Code of Ethics must sign a statement of compliance towards the Code of Ethics of BRI. These signed statements are then filed in the personnel dossier of each and every employee.

C. Implementation of the Anti Money Laundering (AML) and Terrorism Funding Prevention (TFP) Programs

In 2011, the following activities were carried out in the AML and TFP programs:

a. BRI continuously undertakes the communication of the policies and procedures in the implementation of AML and TFP programs, including:
   - the Compliance Division coordinated with the Education and Training Division of BRI to compose an informative program on AML and TFP in the form of compact disc as tools that are communicated to all operating units of BRI throughout Indonesia. The presentation of the cd material on the AML and TFP is accompanied with a technical guideline on how to disseminate the information to the Regional Offices of BRI (to be forwarded to Branch Offices/ Sub-branch Offices/Units/Priority Service Center) and the Bank's training centers throughout the country. Based on the recapitulation of the Report on the AML and TPF programs in 2011, as of December 2011 the number of operation units that had carried out the programs comprised of 149 Branch Offices, 155 Sub-branch Offices, 1,128 BRI Units and 1 Priority Service Center with the total of 14,756 participants.
   - Training for the AML and TFP program within the Staff Development Program at the BRI Education and Training Center.
   - Training of the AML and TFP program within the AMO education with a tenure of more than one year.
   - Training of the AML and TFP program within the Education for Associate Auditor and Resident Auditor.

b. Submission of the Action Plan in the Implementation of the AML and TFP program to Bank Indonesia and further coordination with other related operating units to fulfill the target within said action plan.

c. Monitoring on the implementation of the policies and procedures of the AML and TFP program in BRI operation units was undertaken through a sampling method of 10 BRI Regional Offices, 30 BRI Branch Offices, 25 BRI Sub-branch Offices, 28 BRI Units, and 7 BRI Priority Service Center. The results of this monitoring were submitted to the respective Regional Offices to draw attention or follow up actions on the related BRI operating units.
d. Undertaking the monitoring on the implementation of Customer Data Updating, both for BRI CIF and the customer of Cross Border Corespondent Banks.
e. Completing the reporting obligation to PPATK in the form of CTR and STR in line with prevailing regulations.
f. Following up on request for data and freezing of accounts from external parties such Bank Indonesia, KPK RI, PPATK and BNN RI.

The USA Patriot Act

Pursuant to the regulation on "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Act of 2001" (the "USA PATRIOT Act") that has been enacted by the government of the United States of America to prevent money laundering and funding for terrorism through foreign correspondent banks in American financial institutions, these American financial institutions required all foreign banks that have opened or wish to open a correspondent account submit a standard certificate form. In fulfilling the requirements of the USA Patriot Act, BRI has completed the certificate on foreign bank correspondent account and can be seen in the official website of BRI, www.bri.co.id. This certificate applies for all accounts that have been opened for BRI by the "Covered Financial Institutions."

2. Internal Audit Function

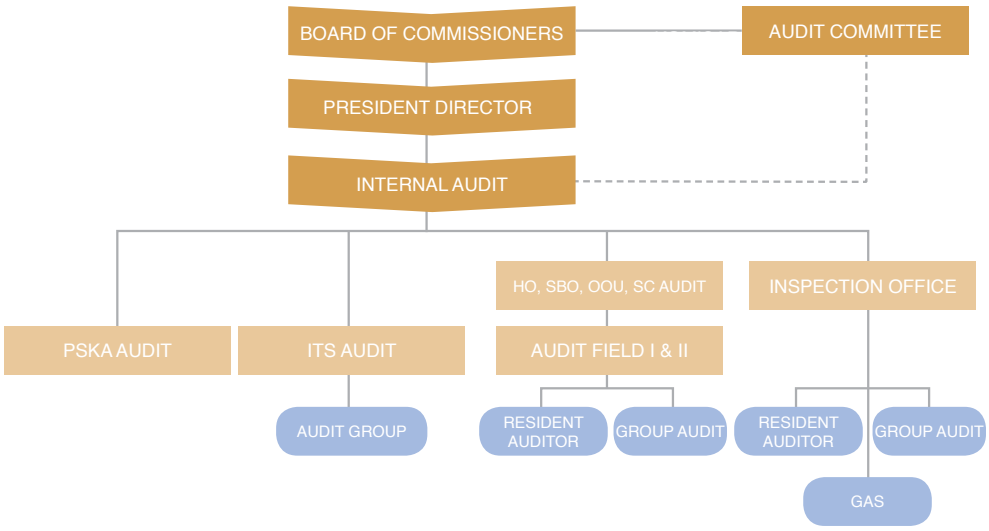
Role and Function of Internal Audit

Internal audit as one of the components in internal control systems plays an active monitoring role in achieving the Bank' vision and mission. Internal Audit function at BRI is executed by Internal Audit (AIN).

The Board of Directors has ensured that internal audit functions has been established in every management level and activities as stipulated in Internal Audit Charter. Institutionally, internal audit is an independent body, separated from the operational working unit and directly responsible to the President Director. AIN have direct communication line access to Audit Committee to coordinate and inform any issues related to the activity and audit results.

Internal Audit provides assurance and independent and objective consultation that are designed to provide added value and enhances the operational activities. Internal Audit helps

Internal Audit Structure



organizations achieved their objectives through systematic and orderly approach to evaluate and increase the effectiveness of risk management, internal control and the governance process.

a. Audit in the field of PSKA
   Undertakes a review of internal audit organization, the development of policies, procedures and audit tools, enhancement of the quality of audit and the design of software and hardware in line with the norms and best practices of Internal audit.
b. Audit in the field of Information Technology System (ITS)
   Undertakes the audit activities and provides consultation as a strategic business partner in the management process of the Information Technology System by the Developing Operating Unit and the ITS Users to ensure the adequacy and effectiveness of internal control, risk management and GCG.
c. Audit of Head Office (HO), Special Branch Office (SBO), Overseas Operating Unit (OOU), Subsidiary Company (SC)
   Undertakes the audit activities and provides consultation as a strategic business partner to operating units at HO, SBO, FOU and SC in which BRI has more than 51% shareholding to ensure the adequacy and effectiveness of internal control, risk management and GCG.
d. Inspection Office
   Undertakes the audit activities and provides consultation as a strategic business partner to Regional Office, Branch Office, Sub-branch Office, Cash Office and BRI Unit to ensure the adequacy and effectiveness of internal control, risk management and GCG.

Internal Audit Charter

The Internal Audit Charter of BRI was established on the basis of the Decision Letter of the Board of Directors NOKEP S.53-DIR/AIN/07/2008 of 28 July 2008 on the Internal Audit Charter and the Policies and Procedures of internal Audit at PT Bank Rakyat Indonesia (Persero) Tbk.

The Internal Audit Charter was formed to provide the guidelines on the objective, authority, responsibility and scope of work of internal audit in the organization.

Vision, Mission and Attributes of Internal Audit

Vision

To become a strategic business partner that is formidable and reliable to provide added value to the Bank in realizing its vision, and become the benchmark for best practices in internal audit in Indonesia.

Mission

a. Undertake risk based auditing independently and professionally to provide optimum benefit to the stakeholders of BRI
b. Increase the competence level to become the professional internal auditor
c. Provide audit results that provide added value for BRI by maximizing the benefit of information technology system.

Attributes of Internal Audit

As a strategic business partner, Internal Audit should be able to provide added value and be trusted upon by stakeholders. The key attributes to become a strategic business partner are as follows:

a. Business oriented
b. Stakeholders oriented
c. Proactive, enthusiastic and dynamic
d. Communicate effectively
e. Has the propensity to question and offer differing opinions
f. Seek practical solution
g. Measure achievement based on quality of findings
h. Employs reason and not narrowed by details
i. Understand the issues at hand (and not just the symptoms)
j. Understand the needs of management, issues and primary business risk
k. Possess a sense of risk
l. Understand the Banking Control System

Scope of Internal Audit

The scope of work of Internal Audit covers the audit and evaluation over the effectiveness of the risk management process, adequacy and effectiveness of internal control system, and effectiveness of business management that is the responsibility of line management.

a. Risk management Process
   Internal Audit helps organization by identifying and evaluating significant risks and contributing to the enhancement of the corporate risk management.

b. Internal Control System
   Internal Audit helps organization in maintaining effective internal control by evaluating the adequacy and effectiveness of the internal control structure.
c. Business Management Process
   Internal Audit carries out evaluation, provides recommendation and contributes in the process enhancing business management with the following scopes: development of ethics and values within the organization, effective and accountable organization performance management, communicating all corporate risks and the precise internal control in the organization, coordinating effective communication between Directors, Commissioners and external auditor.

The Code of Ethics of BRI's Internal Audit

The internal auditor, whether as individual or collectively, has to espouse the principle of Code of Ethics that apply to Internal Audit at BRI as follows:

a. *Integrity principle*
   Undertake the audit work honestly, productively, professionally and accountably; adhere to prevailing laws and regulations and BRI rules; refrain from participating in illegal activities or activities that are barred by the audit profession; respect and contribute to the purpose of legality and ethics that are set by BRI.
b. *Objectivity principle*
   Carry out an objective conduct in the collection, evaluation and arriving at an independent opinion, while not being influenced by personal interest or the opinion of others when dispensing their professional opinion.
c. *Confidentiality principle*
   Give due respect for the value of information that are obtained and ownership of information and not to leak the obtained information without proper authority except in the name law or profession.
d. *Competency principle*
   Use the skill, knowledge, expertise and experience in carrying out the audit works.

Audit Methodology

BRI implements the methodology of risk based internal audit (RBIA) with a business process approach. The RBIA has been implemented in stages, in line with the readiness of risk management corporate wide. With this methodology, the business process and business units that are estimated to have significant risk in achieving the Bank's objectives receives greater priority to be audited, thus a reasonable assurance is obtained in all potential risk in line with the risk tolerance that has been set. To support the efficiency and effectiveness in the implementation of risk based audit and to increase the role of audit as a Strategic Business Partner the process of data analysis is fully supported by the Computer Assisted Audit Technique (CAATs).

Plan and Realization of Audit in 2011

The Annual Audit Plan (AAP) of 2011 was formed systematically and consistent with the strategic plan and objective of BRI, its risk assessment results bank-wide, regulator rules, direction of management and Audit Committee, risk profile and audit results of the previous period. The operating units that were prioritized to be audited (regular audit) in 2011 amounted to 3,310 operating units or 60% of the Bank's total operating units.

As of year end 2011, BRI's Internal Audit had carried out regular audits on 4,007 operating units, accounting for 121.06% of the targeted audit assignment and had undertaken special audit assignments on 413 activities as well as fraud audit on 17 activities.

Periodically Internal Audit carries out monitoring on the development of follow-up improvement in internal control that has been undertaken by auditee, to be subsequently labeled with the opinion of "Adequate" or "Inadequate" on the improvement follows-up by the auditee. So far the level of commitment for internal control improvement are as follows:

a. Adequate = 63.69%
b. Inadequate = 1.70%
c. Still in the process of monitoring = 35%

Quality Management System

To assure the quality of the audit works, a quality assurance assessment is carried out by internal parties through the internal quality assurance review as well as by external parties. Quality assessment by an external party is carried out by PT. SGS Indonesia through the ISO 9001 surveillance. The results of the ISO 9001:2008 surveillance visit in June 211 by PT SGS Indonesia produced neither major nor minor findings.

The effectiveness of the audit works and compliance to the Standard Implementation of the Banking Internal Audit Function had also been evaluated by an external auditor. The review that was carried out

by PricewaterhouseCoopers (PwC) in 2011 showed that the internal audit function at BRI was able to play its role in line with the stipulated standard and received the predicate of "*good practices*" when compared with peer industries.

However, Internal Audit continuously strives to enhance and adjust its audit standards in line with current best practices. To enhance the audit quality, the Internal Audit unit continues to increase the competence of auditors through continuous education that is expected to provide greater expertise to the auditors to undertake their assignments.

More over, Internal Audit has made a competency mapping and undertaken training program that are aligned with the business development of BRI. In addition, the Bank continuously also carries out reviews and benchmarking (at home and abroad) to update its policies and procedures in line with the latest development of internal audit.

Competency of Internal Audit HR

The availability of human resources in terms of both quantity and quality plays a crucial role in the implementation of audit works. As of 3 December 2011, Internal Audit of BRI employed auditors that hold national and international certification as follows:

a. A total of 8 auditors hold the CISA (Certified Information System Auditor) certification issued by ISACA (Information System Audit and Control Association).
b. A total of 44 auditors holds the QIA (Qualified Internal Auditor) certification issued by the YPIA (Foundation for Internal Audit Education).

Information Technology

The strategy used by Internal Audit with respect to information technology is to optimize the used of information technology continuously. This strategy is implemented to meet management's expectation that Internal Audit can provide an early warning signal in a more optimal way. The development of information technology application in BRI's Internal Audit are as follows:

a. Implementation of the application for Audit Management System (BRISMA).
b. Development of CAATs (*Computer Assisted Audit Technique*), on a continuous basis in line with the application being developed by BRI.
c. Migration of OS Windows NT to Windows Server 2008.
d. Continuous development of the Electronic Data Center for auditors.

Coordinating with External Auditor

Audits on BRI are also carried out by external auditors including Bank Indonesia (BI), the State Finance Audit Board (BPK) and Public Accounting Firm (KAP). In the audit works performed by external auditors, the internal audits acts as liaison to coordinate the smoothness of audit works and monitors the follow up improvements on the audit findings of the external auditor by the operating unit in question.

Supervision over the Bank's commitment implementation by the Internal Audit aims to assure that management has carried out improvement on internal control lapses that have been found by the external auditor.

No	External Auditor	Number of Findings *	Findings Status	
			Done	On Process
1	Bank Indonesia (BI)	130	97	33
2	BPK RI **	251	176	75
3	Public Accounting Firm (PAF)	43	23	20

Notes:
* as of 31 December 2011
** Audit by BPK RI (State Financial Audit Board) covers routine audit and tax audit

WHISTLE-BLOWER SYSTEM

In support of the implementation of GCG, BRI has deployed the whistleblower system since 2009. The system has been established to encourage the participation of the Bank's employees and the public in preventing fraudulent activities, graft and corruption by reporting the event or perpetrator of the misconduct and to champion a culture of honesty and transparancy.

Moreover, the whistleblower system development benefits are as follows:

a. Create a vehicle for the dissemination of information that are key and critical to BRI for the management in a secure manner.
b. Create the trust of the whistleblower to increase the willingness to report a misconduct.
c. Provide an early warning system on the possibility of arising problems as a result of a misconduct.
d. Provide a system for the management of internal reporting before drawing public attention to misconduct issues.
e. Minimize risk factor that could be faced by the Bank as a result of fraudulent activities (whether financially, operationally, legaly or reputation -wise).
f. Minimize the cost of the Bank in managing the impact of a misconduct.
g. Create a vehicle for feedbacks to the management of the Bank on weaknesses in internal control and consequently take improvement measures.

The events that can be classified in the category of misconduct are as follows:

a. Criminal acts, including theft, harmful acts towards employees or management, extortion and corruption.
b. Violation of laws and regulations or prevailing tax laws.
c. Violation to the Code of Ethics of the Bank.
d. Violation to generally accepted accounting principles.
e. Violation to the policies and procedures issued by regulator or violation to internal policies and procedures of the Bank.
f. Other fraudulent activities that can result in financial loss as well as non financial loss for the Bank.

The aim of developing the whistleblower system among others:

a. To create a conducive climate that encourages reporting of activities that could lead to financial and non financial losses, including those that could compromise the image of the Bank.
b. Simplify the effective management of violation reports while also protecting the confidentiality of the whistleblower and protect the information in a specially secured archive.
c. Establish a policy and infrastructure that will protect the whistleblower from internal or external repercussion.
d. Reduce the loss of the Bank due to frauds through early detection.
e. Enhance the reputation of the Bank in the eyes of stakeholders.

Mechanism of Whistleblowing

The mechanism that is build by BRI in implementing the whistleblower system is that the whistleblower files a report to the President Director of BRI through the following media:

a. Faximile or
b. Telephone or short message service (SMS) through a special line or
c. Letter to a special PO Box address.

The Whistleblowing report should at least contain the following information:

a. Information on the identity of the whistleblower (name, address, telephone number, faximile, email, work unit)
b. Provide initial indication that can be accounted for, comprising:
   i. Facts regarding the misconduct.
      The issues to be reported and the amount of damage or loss (if it can be estimated)
   ii. The involved parties (whether directly or indirectly)
      Parties that are accountable for the misconduct, including witnesses and those who benefits or suffers from the misconduct.
   iii. Operating Unit that are affected
      The operating unit or function or place of the misconduct (naming the operating unit/place/ function specifically)
   iv. Modus operandi
      How the misconduct transpires and initial evidence that can be presented.
   v. Time and frequency of event
      The period in which the misconduct transpires (date, month and year of the alleged misconduct) and the frequency.

Follow up actions on whistleblowing reports that have been received are as follows:

a. The President Director receives the report and directs the assigned operating unit to administer the report (receiving, recording and filing).
b. The Board of Directors determines follow-up actions on these reports. Measures taken could include:
   i. Investigation by Internal Audit, if the substance of the report can be investigated by Internal Audit.
   ii. Investigation by external investigators, if the substance of the report requires certain competence/knowledge/skill not available in the Internal Audit team.
c. The investigation team carries out the investigation comprehensively and submits the official report to the Board of Directors for subsequent decision taken on the matter. Several decisions that could be undertaken are as follows:
   i. The investigation is stopped and declared closed if results of investigation show that the allegation proves to be unfounded.
   ii. Forward the results of the investigation to Forum of Discussion on Misconduct Cases if results of the investigation prove that the allegation did occur.
   iii. Forward the misconduct cases that qualified as criminal or corruption cases to the legal authorities for further processing in line with prevailing laws and regulations. In such cases, communication and coordination will be the Bank's Legal Division to ensure that evidences gathered from the investigation process are considered adequate to be reported to the authorities.

Confidentiality and Protection for the Whistleblower

BRI provides confidentiality and protection assurance to every allegation report/disclosure on:

a. Confidentiality of the identity of the whistleblower (Name, Address, Phone number, Fax number, Email address, Working unit).
b. Protection against repercussion from the alleged party or institution. Protection from pressure, delays in promotion, firing, law suit, material loss to physical action. Such protection is not only reserved for the whistleblower but could also be extended to family members.

Receipt of Allegation Report

Since its launch in 2009, the number of allegation reports on misconduct has continued to rise, both internal as well as external report. As of 31 December 2011, there were a total of 439 allegation reports that can be categorized into two criteria as follows:

a. Report on allegation of misconduct
b. Report in the form of queries or feedbacks.

Period	Total Reports			Total Reports to be Followed-up	Total Reports Considered Closed	Total Reports that Falls Into the Scope of WBS and Proven Valid*
	Inquiry/ Feedback	Alleged Misconduct	Total			
2009	27	23	50	50	42	29
2010	78	33	111	111	79	49
2011	198	80	278	278	165	107
Total	301	138	439	439	286	185

Notes:

* Based on result of follow-up/investigation report

3. External Audit Function

In monitoring its operational activities, aside from internal auditor, BRI also engaged external auditors, namely Bank Indonesia (BI), Supreme Audit Agency of Republic Indonesia (*Badan Pemeriksa Keuangan*/BPK) and Public Accountant Firm (PAF). BRI has appointed PAF that is registered in Bank Indonesia, Bapepam-LK and the

Department of Finance, namely PAF Purwantono, Suherman and Surja (Ersnt and Young). Ernst & Young is one of 4 (four) multinational public accountant firm (The Big Four). The appointment of the PAF was according to prevailing regulations and selected after a tight bidding process, and has fulfilled the following criteria:

a. Having previous experience in undertaking audit on banking company
b. Understands Indonesian banking regulations, regulations concerning listed companies and other relevant regulations.
c. Having previous experience in application system and banking technology.
d. Understands banking products.
e. Having previous experience and understands risk management.

BRI never appoints the same PAF for five consecutive years nor appoints the same accountant partner for three consecutive years. The appointment of PAF have secured Audit Committee recommendation and approval from the AGMS.

Fee of the Public Accountant Firm for their audit service amounted to Rp5,650,000,000,- (five billion six hundred and fifty million) including 10% VAT and other prevailing tax. The fee also include out of pocket expenses (OPE) for traveling expenses to visit the Bank's branches all over Indonesia and review assignments on financial reports of overseas branches and representatives.

The appointment have been conducted according to prevailing rules and regulations and met the requirements stipulated by Bank Indonesia Regulation No.3/22/PBI/2001 dated 13 December 2001 as amended by PBI No: 7/50/PBI/2005 dated 29 November 2005 on the Transparency of Bank's Financial Condition and Circular Letter of Bank Indonesia No: 3/32/DPNP/IDPnP dated 14 November 2001 on Relations Between Bank, Public Accountant Firm and Bank Indonesia, among others:

a. PAF capacity
b. Contract legality
c. Scope of audit
d. Professional standard of Public Accountant Firm
e. Communication between BI and PAF.

The additional scope of audit works by the PAF comprise of the following:

a. Classification of the quality of earning assets and adequacy of Loss Provisioning on Earning Assets formed by the Bank in its consolidated financial statements for the year ending 31 December 2011, based on the evaluation of at least 25 (twenty five) large debtors or on the basis of communication between Bank Indonesia and the PAF of Purwantono, Suherman & Surja.
b. Other items that are regulated in the prevailing Financial Accounting Standard and Guidelines on Accounting for Indonesian Banking, including the notes to the consolidated financial statements for the year ending 31 December 2011.
c. Review on the violation of the Legal Lending Limit (LLL), comprising of the name of debtor, quality of funding, percentage and amount of the LLL violation on 31 December 2011.
d. Other items that were decided upon on the basis of communication between Bank Indonesia and the PAF of Purwantono, Suherman & Surja.

Additionally, the appointed PAF has undertook its duties according to requirements as stated in prevailing laws and regulations, including Financial Accounting Standard, Bank Indonesia, Capital Market Supervisory Agency (Bapepam-LK), taxation and other relevant regulations.

With regards to the implementation of PSAK 50 and 55 (2006 revision), the scope of audit was based on the PSAK 50 and 55, except for the review of collective loan value impairment, where BRI and its subsidiaries are using the facilities that are permitted by Bank Indonesia as stated in SE No.11/33/DPNP of 8 December 2009, as follows:

- Self-assessment conducted by the management to assess the Bank's limitation conditions as stated in adjusted PAPI 2008.
- Evaluating the adequacy of the management's estimates on the collective equity of loan impairment.
- Reviewing whether the impairment methodology and documentation process, including accounting treatment, was according to the principles of PSAK 50 and 55 (2006 revision).
- Reviewing the information technology process to assess its compliance to PSAK 50 and 55 (2006 revision).

The appointed PAF have delivered its audit report and management letter to the Bank on time. The Public Accountant also worked independently and met the criteria that have been promised.

VII. IMPLEMENTATION OF RISK MANAGEMENT INCLUDING INTERNAL CONTROL SYSTEM

The business activities of BRI are constantly faced with risk that are closely related with its function as financial intermediary institution. BRI is required to manage those risks to achieve better operational efficiency and effectiveness. The risks that need to be managed are Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, Strategic Risk and Reputational Risk.

The Board of Directors has determined the risk philosophy of BRI as the bases behind the strategy of risk management of the Bank and the cultivation of risk culture at every organizational level. This philosophy comprised of four components, namely:

1. Integrity
2. Professionalism
3. Prudential principle
4. Continuous enhancement of competence.

The implementation of the Bank's risk management is based on BI Regulation No. 5/8/PBI/2003 as amended by BI Regulation No. 11/25/PBI/2009 and BI Circular Letter No. 5/21/DPNP as revised by BI Circular Letter No. 13/23/DPNP, regarding Implementation of Risk Management for Commercial Bank, covering the followings:

1. **Active Supervision by Board of Commissioners and Board of Directors**

   Board of Commissioners and Board of Directors carried out active supervision for monitoring and strategic decision making through committees under BOC and BOD. Supervision activities undertaken in 2011 were as follows:

   Active Supervision by the Board of Commissioners:

   a. The Board of Commissioners approved the Policy Guideline on the Implementation of Risk Management in the Utilization of Information Technology at the Bank.
   b. Board of Commissioners evaluated implementation of policies related to risk management, both regularly and whenever necessary. Results of evaluation was recorded in meeting minutes and memorandum to the Directors.
   c. Board of Commissioners evaluated and decided on the proposal of the Board of Directors for transactions that require the approval of the Board of Commissioners pursuant to the Bank's Articles of Association and prevailing laws and regulations.

   Active Supervision by Board of Directors:

   a. Board of Directors have reviewed the methodology of risk measurement, adequacy of SIM implementation and appropriateness of policy, procedure and establishment of limit by organizing routine meetings of Risk Management Committee (RMC), Sub-RMC, Forum ALCO, Board of Directors, Credit Policy Committee and Strategic Forum to discuss related issues. In 2011 Board of Directors held three RMC meetings and four Sub-RMC meetings.
   b. With the objective to carry out effective risk management, Board of Directors has provided various resources such as infrastructure, management information system applications (OPRA, LAS, GUAVA), risk management system and procedures, and competent human resources.
   c. Planned and carried out the improvement of human resources skill quality as well as the quality of the risk management's managers periodically and sustainably through:
      - Allocating budget regularly based on improvement program of the human resources skill quality and periodically evaluating the effectiveness of its program.
      - Enhancement of human resources quality, through risk management certification program and various trainings on risk management coordinated by Education and Training Division, through the activities as follows:
        - Conducting the training of risk management certification dedicated to managers/officials level 1, 2 and 3. As of 31 December 2011 the number of BRI officials and staff that held risk management certification were 1,068 personnel.
        - Enhancing the knowledge and skill of HR through training or enrichment to each official periodically covering internal control and risk management as follows:

i. Supervisory training for the head of operating unit
ii. Training and familiarization program to introduce OPRA (Operational Risk Assessor), LAS, Guava, SID (Debtor Information System) and organizing in-house training on CRR and CRS modeling as well as credit risk measurement
iii. Training on PSAK 50/55 and Basel II
iv. Training on Credit Risk Management
v. Training on Operational Risk Management
vi. Identification on strategic decision toward the Bank's business plan revision
vii. Training on Risk Management Measurement
viii. Training on stress test
ix. Bancassurance seminar
x. Seminar on National Banking Leadership & Bank Fraud in Asia
xi. Seminar on Fraud in Priority Banking
xii. Workshop on ISO 31000: 2009 Risk Management International Standard
xiii. Training on Financial Risk Manager (FRM) preparation program
xiv. Seminar on guidelines for the management of information security based on ISO/ IEC27000
xv. Workshop on Know Your Customer (KYC) = increase income and comply with BI Regulation
xvi. Seminar on Enterprise Risk Management (ERM)
xvii. Training on Basic Treasury
xviii. Workshop on Best Practice in in Managing the Bank's data loss
xix. Training on Liquidity Risk Management
xx. Workshop on optimizing linkage program through risk based credit portfolio
xxi. Training on managing by project
xxii. Workshop on the analysis in selecting the impairment method calculation
xxiii. Training on investigation techniques of fraud on the basis of NLP
xxiv. Seminar on re-assessing growth strategy and enhancing resiliency in the face of future shocks

- The fulfilment of good quality of human resources is also carried out through training and familiarization of OPRA (Operational Risk Assessor) and organizing in-house training on CRR, CRS modelling and credit risk measurement, and enrolling employees in various workshop, course and seminar activities.

2. Adequacy of Policy, Procedure and Limit Setting

BRI has determined the policy and procedure for risk limit setting as follows:

a. General policy on Risk Management
b. Guidelines on the Implementation of Risk Management
c. Policy on the Guideline for the Implementation of Risk Management in the Use of Information Technology
d. Policy on New Products and Activities
e. Policy on the Bank's Risk Profile
f. Procedure on Credit Risk Limit Setting
g. Policy on the Management of Financial Instruments
h. Policy on Liquidity Risk Management
i. Treasury Policy
j. Guideline on Credit Execution and Standard Operating Procedure.

BRI constantly updates its policies, methodologies and procedures, by considering validity, capabilities, conditions and prevailing policies whether internal or external.

3. Adequacy of the Process of Identification, Measurement, Monitoring and Risk Management as well as Risk Management Information System

In line with the complexities, business scale and business target of the Bank, risk management at BRI is carried out integratedly for all eight types of risk that are inherent in each operating unit. The implementation of risk management covers the identification of risk, key risk indicator, risk profile and determination of follow-up plans that are reported to Management for the monitoring/ controlling of risk management process by Management with respect to significant risks.

The different stages of risk management are as follows:

a. **Identification** of risk issues is carried out at the Head Office, Regional Office and Branch Office throughout Indonesia by using the application OPRA as well as through the Loan Approval System (LAS) and GUAVA. At this stage the risk issue have been determined and updated.
b. **Measurement** of risk is reflected in the quarterly Risk Profile Report, Monthly Risk Management Dashboard, Quarterly RCSA Evaluation Report, Weekly VaR Calculation Report, stress testing analyses on market risk, credit risk and liquidity risk on quarterly basis.
c. **Monitoring** of risk is carried out by evaluating limits, key risk indicators, realization of Progress Action Plan that are prepared by operating unit.
d. **Control** of risk is carried out through follow-up action on risks that are considered moderate to high that exceed the limit, control enhancement, capital addition to absorb potential losses and periodical internal audit. In addition, analyses are also carried out on new products and/or activities.

Risk Management System that is applied in the process of identification. measurement and monitoring of risk comprise of the following:

a. Treasury and Market Risk System Application (GUAVA) for market risk.
b. Loan Approval System (LAS) for credit risk.
c. Operational Risk Assessor (OPRA) for operational risk.

BRI undertook periodical stress testing to gauge the Bank's capital adequacy to absorb the risk of loss in times of stress.

4. Internal Control System

Overall internal control at BRI has been implemented through:

a. Establishment of organizational structure with clear separations of different functions between operational business unit and working unit that executes risk management function (Risk Management Unit).
b. Establishment of Risk Management Unit with independency in formulating policy, methodology for risk measurement, determining risk limit and undertaking data validation/model validation.
c. Implementation of first line of defense, second line of defense and third line of defense concept.
d. All transactions for functional activities with exposure to risks should obtain approval from authorized officer, and the risks would have been reviewed and monitored according to business unit's needs.
e. Execution of data validation by independent officers and working unit, separated from operational working unit. Data validation for all type of risks is done at least once every month.
f. Regular audit by internal auditor to asses the application process and risk management system in the functional activities with risk exposure. To further support these objectives, Internal Audit Guidelines and Risk Control Matrix (RCM) have been revised.

ORGANIZATION OF RISK MANAGEMENT

Organization of BRI Risk Management consists of:

1. Board of Commissioners

The authority and responsibility of Board of Commissioners with respect to the active supervision of the Bank's risk management, includes, among others, approving and evaluating the Risk Management General Policy (RMGP), evaluating the accountability of the Board of Directors on the implementation of risk management policy, evaluating and deciding on the proposal of the Board of Directors for transaction that require the approval of the Board of Commissioners. In carrying out these functions, the Board of Commissioners is assisted by the Risk Management Supervisory committee.

2. Board of Directors

The Board of Directors is responsible for, among others, the formulation of direction, policy and strategy for risk management in written and comprehensive bases and accountable for the implementation of the risk management policy and the risk exposure of the Bank in general, including ensuring the enhancement of HR competence and others.

3. Risk Management Committee (RMC)

Details on RMC are presented in the section of Formation and Execution of Duties of Committees under Board of Directors.

4. Risk Management Division (RMD)

Risk Management Division is an operating unit that has the authority and responsibility in undertaking the risk management process, and is independent from the operational working units as well as from the internal audit working units. In every Regional Office there is an arm-length of the RMD which is assigned as the Risk Management Group Head.

5. **Risk Taking Unit**

   The Risk Taking Unit is the operating unit that undertakes banking activities. In each Risk Taking Unit, there is a Risk Management Function, an official who is assigned to undertake the role of a Risk Management Function.

6. **Internal Audit Unit**

   The effectiveness of the internal control system is a key factor behind the successful implementation of risk management within the Bank. The Internal Audit Unit has to evaluate and plays an active role in enhancing the effectiveness of the internal control system, and has to maintain an independent position when evaluating the adequacy of the internal control system in the implementation of risk management.

RISK PROFILE

Risk profile of BRI for Quarter IV 2011 are as follows:

No.	Type of Risk	Inherent Risk Level	Quality Level of Risk Management Implementation	Risk Level
1	Credit	Moderate	Fair	Moderate Rating 3
2	Market	Low	Satisfactory	Low Rating 1
3	Liquidity	Low to Moderate	Strong	Low Rating 1
4	Operational	Low to Moderate	Satisfactory	Low to Moderate Rating 2
5	Legal	Low	Satisfactory	Low Rating 1
6	Strategic	Low to Moderate	Satisfactory	Low to Moderate Rating 2
7	Compliance	Low	Satisfactory	Low Rating 1
8	Reputation	Low	Satisfactory	Low Rating 1
Composite Score		Low to Moderate	Satisfactory	Low to Moderate (Rating 2)

Notes:

- inherent Risk :	Low / Low to Moderate;	Moderate ;	Moderate to High / High;
- Quality of MR Implementation :	Strong / Satisfactory;	Fair;	Marginal / Unsaticfactory;
- Risk Level :	Rating 1 / 2;	Rating 3;	Rating 4 / 5;
- Risk Profile Rating :	Rating 1 / 2;	Rating 3;	Rating 4 / 5;

RBBR (RISK BASED BANK RATING)

In 2012 BRI implements the measurement of the Bank's soundness level by using the Risk Based Bank Rating approach pursuant to Bank Indonesia Regulation No: 31/1/PBI/2011 dated 5 January 2011 and Bank Indonesia Circular Letter No. 13/24/DPNP dated 25 October 2011. This measurement with the RBBR method considers four factors, namely implementation of Good Corporate Governance, Risk Profile, Earnings and Capital.

The result of the RBBR measurement (Bank only) as of December 2011 (unaudited), placed BRI with a composite rating1 (very sound), reflected from factors being evaluated, there were risk profile, GCG implementation, rentability as well as capital, that in general were extremely good.

The result indicates that the condition of BRI in general is very sound, and is deemed able to withstand significant negative influences, the changes in business condition and other external factors.

VIII. LENDING TO RELATED PARTIES AND LARGE EXPOSURE

BRI has policy on lending to related party in accordance with Bank Indonesia Regulation on Legal Lending Limit (LLL). BRI has also implemented prudential principle in disbursing its funds through portfolio diversification, so that there will be no violation nor exceeding the Legal Lending Limit, both for lending to related party or lending to borrowers with large exposure.

In addition, to ensure the independency of the Bank's management from potential intervention from related parties in the process of loan approval, BRI has implemented "four-eyes principle."

Total loans outstanding to related parties and large exposures as of 31 December 2011 are as follows:

No.	Loan Approval	Borrower	Nominal Value (in million Rupiah)
1.	To Related Party	10	809,930
2.	To Prime Borrower		
	a. Individual	25	31,584,971
	b. Group	25	32,993,894

Lending to Related Parties and Prime Borrowers has been disbursed in accordance with BRI loan policy and has been approved by Credit Committee.

IX. STRATEGIC PLAN OF BRI

In the implementation of Good Corporate Governance, BRI has developed a systematic, realistic, and integrated corporate planning and control system while also taking into consideration the internal and external factors. BRI's corporate plan consists of short term corporate plan which is presented in annual budget plan, medium term, a three-years plan in the form of Business Plan and long term plan, a five-years plan in the form of Corporate Plan.

Currently, BRI is executing long term Corporate Plan (CorPlan) 2008-2012 which is a continuation of BRI Corporate Plan of 2003-2007. Corporate Plan BRI contains the Bank' statement of its grand strategy and five years business objective to be "The Best Bank in Indonesia." With regards to the business objective, BRI has set annual themes for each year in the period of 2008 to 2012, so as to ensure a more focused effort in obtaining these objectives. The annual theme is also used as main reference in formulating the Bank's Business Plan.

Followings are the annual themes established in BRI Corporate Plan 2008-2012:

Year	Theme of the Year
2008	Effective and Efficient Organization
2009	Bank with Reliable Information Technology
2010	Professional Human Resources
2011	Reliable Risk Management
2012	Good Corporate Governance (GCG)

BRI's strategic plan and business plan are designed in accordance with the Company's vision and mission, which is to focus on serving the MSME segments while also considering other business opportunities. The annual theme that serves as the guideline for the execution of working plan in 2011 was the achievement of reliable risk management implementation, which then was elaborated into various action programs.

The formulation of BRI Business Plan has complied with BI Regulation No.12/21/PBI/2011 dated 19 October 2011 and BI Circular Letter No.12/27/DPNP dated 25 October 2011 on Business Plan of Commercial Bank. The BRI Business Plan has been communicated to all management of the Bank and its summary was distributed to all employees of BRI.

To achieve its performance target, BRI has formulated several programs and strategies, both in business terms as well as in supporting elements, as follows:

- Focus on Micro, Small and Medium Enterprise while also optimizing other business opportunities
- Strengthen risk management
- Undertake market penetration through product development and market development
- Broaden and optimized working unit network
- Utilize information technology for operational efficiency and service improvement
- Provide human resource support, both in quality and quantity.

The responsibility of Bank's management for the execution of each plan is done through mechanism of General Meeting of Shareholders, including evaluation of organizational structure of the Bank, system and procedure, human resources and Bank's performance, as well as implementation of Internal Audit function at every level and all units of the Bank.

X. DISCLOSURES

1. ACCESS TO INFORMATION

To provide easy access to the Bank's stakeholders to obtain information on the Bank, BRI has provided the access supported by the reliable system information, through BRI's website: www.bri.co.id.

BRI has also actively disseminated information regarding every corporate actions through distribution of press releases. Press releases issued by BRI throughout 2011 were presented in the section v of Corporate Secretary.

For investor, BRI provides direct access through investor relation website www.ir-bri.com and for further information investor can contact the address below:

Head of Investor Relation
PT Bank Rakyat Indonesia (Persero) Tbk.
E-mail: ir@bri.co.id

2. TRANSPARENCY OF BANK FINANCIAL AND NON-FINANCIAL CONDITION

BRI has provided all required financial and non-financial information in accordance with prevailing regulation in a transparent manner to the public through various media and channels, both print and electronic, including publication of the Bank financial report in the websites of BRI, BI and BUMN online. BRI also disseminated information to other related parties, among others as follows:

No	Type of Report	Submitted to
1	Annual Financial Report	a. Bank Indonesia b. Supreme Audit Agency of Republic Indonesia (BPK-RI) c. Ministry of Finance of Republic Indonesia d. Ministry of State-Owned Enterprise of Republic of Indonesia e. Capital Market Supervisory Agency (Bapepam-LK) f. Indonesia Stock Exchange g. Indonesia Deposit Insurance Corporation
2	Annual Report and BRI Corporate Governance Implementation Report	a. Bank Indonesia b. YLKI c. Rating Institution in Indonesia (PT Fitch Ratings Indonesia and PT Pefindo) d. Indonesian Bank Associations (Himbara, Perbanas, IBI) e. LPPI f. Two research institutions in Economic and Finance: LM-FEUI and INDEF g. Two economic and financial magazines: InfoBank and Investor Magazines
3	Deposits Position Report	Indonesia Deposit Insurance Corporation
4	Commercial Bank Monthly Report	Bank Indonesia
5	Risk Weighted Assets and Capital Adequacy Ratio Report	Bank Indonesia
6	Realization of Business Plan Report	Bank Indonesia
7	Bank's Health Level Report	Bank Indonesia
8	Dividend Payment Report	Ministry of Finance

3. SHARE OWNERSHIP OF COMMISSIONERS AND DIRECTORS

As of 31 December 2011, none of the Commissioners and Directors of BRI hold shares exceeding 5% of the total paid-in capital of BRI, other banks, other financial institution non bank and other companies, located in Indonesia or overseas. List of share ownership of each members of the Board of Commissioners and the Board of Directors are presented below:

No.	Name	Position	Share Ownership
1.	Bunasor Sanim	President Commissioner/Independent Commissioner	nil
2.	Agus Suprijanto	Commissioner	nil
3.	Heru Lelono	Commissioner	nil
4.	Hermanto Siregar	Commissioner	nil
5.	Adhyaksa Dault	Independent Commissioner	nil
6.	Aviliani	Independent Commissioner	nil
7.	Sofyan Basir	President Director	nil
8.	Sarwono Sudarto	Director	Less than 5%
9.	Randi Anto	Director	Less than 5%
10.	Sulaiman Arif Arianto	Director	Less than 5%
11.	Achmad Baiquni	Director	nil
12.	A. Toni Soetirto	Director	nil
13.	Lenny Sugihat	Director	Less than 5%
14.	Djarot Kusumayakti	Director	nil
15.	Asmawi Syam	Director	nil
16.	Suprajarto	Director	nil
17.	Gatot Mardiwasisto	Director	nil

Statement regarding share ownership has been stated in a Letter of Statement by each Commissioner and Director.

4. FINANCIAL AND FAMILIAL RELATIONS OF MEMBERS OF THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS WITH OTHER MEMBERS OF THE BOARD OF COMMISSIONERS, THE BOARD OF DIRECTORS, AND/OR CONTROLLING SHAREHOLDER

All members of the Board of Commissioners and the Board of Directors do not have financial nor familial relationships with other members of the Board of Commissioners, the Board of Directors, and/or controlling shareholders.

Name	Board of Commissioners	Directors	Majority Shareholders	Board of Commissioners	Directors	Majority Shareholders
BOARD OF COMMISSIONERS						
Bunasor Sanim	X	X	X	X	X	X
Soedarjono*	X	X	X	X	X	X
Agus Suprijanto	X	X	X	X	X	X
Heru Lelono	X	X	X	X	X	X
Hermanto Siregar	X	X	X	X	X	X
Adhyaksa Dault	X	X	X	X	X	X
Aviliani	X	X	X	X	X	X
Baridjussalam Hadi*	X	X	X	X	X	X

Name	Board of Commissioners	Directors	Controlling Shareholders	Board of Commissioners	Directors	Controlling Shareholders
Board of Directors						
Sofyan Basir	X	X	X	X	X	X
Sarwono Sudarto	X	X	X	X	X	X
Sulaiman A. Arianto	X	X	X	X	X	X
A. Toni Soetirto	X	X	X	X	X	X
Lenny Sugihat	X	X	X	X	X	X
Asmawi Syam	X	X	X	X	X	X
Suprajarto	X	X	X	X	X	X
Bambang Soepeno *)	X	X	X	X	X	X
Achmad Baiquni	X	X	X	X	X	X
Djarot Kusumayakti	X	X	X	X	X	X
Randi Anto	X	X	X	X	X	X

Note: X = No relationship ✔ = Related

* As of 31 December was no longer Commissioner/Director

The statement of non financial and familial relationships among members of the Board of Commissioners and the Board of Directors has been stated in a Letter of Statement.

5. REMUNERATION POLICY AND OTHER FACILITIES FOR BOC AND BOD

Members of Board of Commissioners and Board of Directors received remuneration and facilities as shown in the table below. The amount stated in the table represent the total amount received by the BOC and BOD for a period of one year.

Name	Total Received in One Year Period 2011					
	Board of Commissioners		Directors		Independent Party [2]	
	Person	Million Rp	Person	Million Rp	Person	Million Rupiah
REMUNERATION		**26.431**		**82.065**	**-**	**-**
- Salary	8	6.793	12	20.478	-	-
- Bonus	-	-	-	-	-	-
- Regular Allowance [1]	7	1.814	10	5.929	-	-
- Tantiem	7	17.824	10	55.658	-	-
FACILITIES		**4.171**		**14.799**		
- Housing (to be/not to be owned)	-	-	8	3.296	-	-
- Transport (to be/not to be owned)	8	2.400	11	6.507	-	-
- Donation (to be/not to be owned)	7	1.771	10	4.996	-	-
Total Remuneration per Person in One Year	**Number of Board of Commissioners**		**Number of Directors**		**Number of Independent Party**	
- Above Rp2 billion	7	29.391	11	96.370	-	-
- Above Rp1 billion up to Rp2 billion	1	1.211	-	-	-	-
- Above Rp500 million up to Rp1billion	-	-	-	-	-	-
- Below Rp500 million	-	-	1	494	-	-

1 *Including BOD and members of BOC who resigned and were appointed at AGMS on 28 April 2011 and Directors who were appointed and member of BOC that resigned pursuant to resolutions of EGMS on 28 September 2011*

2 *Independent parties are parties outside the Bank who have no financial, share ownership and/or family relationship with BOC, BOD and/or Controlling Shareholders or other relationship that could influence the capability to act independently.*

3 *Including RFA, Leave, health and handphone*

4 *Including BOD and members of BOC who resigned and were appointed at AGMS on 28 April 2011 and member of BOC who resigned pursuant to resolutions of EGMS on 28 September 2011*

Remuneration Procedure for Members of Board of Commissioners and Board of Directors:

Salary, honorarium and tantiem for members of the Board of Commissioners and the Board of Directors is decided by AGMS.

The Board of Commissioners submits the proposal of salary, honorarium and tantiem for members of BOC and BOD to the Series A Dwiwarna shares holders for further approval by the AGMS. The proposal is made according to the recommendation provided by Nomination and Remuneration Committee after considering market practice, economic conditions, prevailing rules and regulations, and the Bank's performance.

Other facilities and benefits for members of the Board of Commissioners and the Board of Directors shall be decided by the Board of Commissioners pursuant to the Articles of Association.

The Board of Commissioners formulates and stipulates other facilities and benefits for members of the Board of Commissioners and the Board of Directors in a Remuneration Policy based on recommendation from Nomination and Remuneration Committee.

Review of remuneration is done annually by Nomination and Remuneration Committee according to its duty and function.

6. SHARE OPTION

BRI has established its internal policy on share option by referring to the Regulation of Capital Market Supervisory Agency Number: Kep-44/PM/1998 dated 14 August 1998.

Share option was executed in three phases during a three-years period, as follows:

1. MSOP Phase I was executed during BRI Initial Public Offering (IPO) with share price of Rp962.5 for five-years duration (10 November 2003 - 9 November 2008)
2. MSOP Phase II was executed in the second year after the IPO with share price of Rp1,750 for five-years duration (10 November 2004 - 9 November 2009)
3. MSOP Phase III was executed in the third year after the IPO with share price according to the regulation of the Indonesia Stock Exchange for five-years duration (10 November 2005 - 9 November 2010).

Shares owned by the Directors (except for the President Director) was given when the person is still holding the executive position.

Name	Employee Stock Allocation (ESA)			Management Stock Option Plan (MSOP)					
	BOC		BOD	Allocated Shares			Portion of Share that was Exercised		
	Bonus Share	Discounted Share	Additional Allocated Share	MSOP 1 Share	MSOP 2 Share	MSOP 3 Share	Option Phase 1	Option Phase 2	Option Phase 3
BOARD OF COMMISSIONER	-	-		-	-	-	-	-	-
Bunasor Sanim *	-	-		-	-	-	-	-	-
Soedarjono **	-	-		-	-	-	-	-	-
Agus Suprijanto	-	-		-	-	-	-	-	-
Heru Lelono	-	-		-	-	-	-	-	-
Hermanto Siregar ***	-	-		-	-	-	-	-	-
Adhyaksa Dault	-	-		-	-	-	-	-	-
Aviliani	-	-		-	-	-	-	-	-
Baridjussalam Hadi ******	-	-		-	-	-	-	-	-
INDEPENDENT PARTY	-	-		-	-	-	-	-	-

Name	Employee Stock Allocation (ESA)			Management Stock Option Plan (MSOP)					
	Commissioners		Directors	Allocated Shares			Portion of Shares that were Exercised		
	Bonus Share	Discounted Share	Additional Allocated Share	MSOP 1 Share	MSOP 2 Share	MSOP 3 Share	Option Phase 1	Option Phase 2	Option Phase 3
BOARD OF DIRECTORS									
Sofyan Basir	-	-		-	-	3,115,500	-	-	3,115,500
Sarwono Sudarto	41,000	54,500	50,000	376,000	320,500	140,000	376,000	320,500	140,000
Sulaiman Arif Arianto	38,000	51,000	50,000	345,000	320,500	140,000	345,000	320,500	140,000
Bambang Soepeno ****	38,000	51,000	-	208,000	320,500	140,000	208,000	320,500	140,000
Lenny Sugihat	38,000	51,000	50,000	345,000	320,500	137,000	345,000	320,500	137,000
Asmawi Syam	41,000	54,500	125,000	376,000	320,500	140,000	376,000	320,500	140,000
Suprajarto	28,000	37,500	50,000	229,000	215,000	137,000	229,000	215,000	137,000
Agus Toni Soetirto	-	-	-	-	-	-	-	-	-
Djarot Kusumayakti	28,000	37,500	50,000	229,000	215,000	137,000	229,000	215,000	137,000
Achmad Baiquni	-	-	-	-	-	-	-	-	-
Randi Anto ***	28,000	37,500	50,000	229,000	215,000	134,000	229,000	215,000	134,000
Gatot Mardiwasisto *****	-	-	-	-	-	-	-	-	-
EXECUTIVE OFFICER	**4,177,000**	**4,244,500**	**6,780,000**	**25,367,000**	**27,124,500**	**13,305,000**			

Notes:

* *Effective of 28 April 2011 was reappointed as President Commissioners/Independent Commissioners*

** *Effective of 18 Agustus 2011 was appointed as Vice President Commissioners/Independent after obtaining approval from Bank Indonesia on fit and proper test. Subsequently, pursuant to Resolution of BRI EGMS on 28 September 2011, he effectively resigned from the position*

*** *Effective of 12 July 2011 holds position as Commissioners or Director after obtaining approval from Bank Indonesia on fit and proper test..*

**** *Effective from the closing of BRI AGMS on 28 April 2011 his tenure was ended*

***** *Based on Resolution of BRI EGMS on 28 September 2011. As of 31 December 2011, was still in the process of fit and proper test by Bank Indonesia.*

7. RATIO OF HIGHEST AND LOWEST SALARY

To provide incentive, motivate and retain its best employees, BRI has formulated a salary system that is based on the best practices in the banking industry and continuously reviews and updates the system to suit with business development as well as changes in the banking employment market practices while also considering the Bank's capacity and prevailing laws and regulations.

The salary of BRI employees comprises of principal salary, premium benefits and transition benefits, which are formulated to give appreciation and recognition and to achieve internal fairness on the basis of:

a. Contribution and role of the position
b. Relevant and proven working experience
c. Required expertise/skills and competence
d. Performance or achievement.

Details of Salary Ratio, Highest and Lowest*

No.	Ratio	2011
1	Highest to lowest employee salary	21.00
2	Highest to lowest Director's salary	1.11
3	Highest to lowest Commissioner's honorarium	1.11
4	Highest to lowest Director's salary	2.97
5	Highest Director's salary to lowest employee salary	62.46

* Comprises of (Total Cash = 12 months salary + annual leave + Religious Festive Allowance + Incentive + Bonus)

8. CUSTOMER COMPLAINT PROCEDURE

As a commitment for customer protection, BRI has a standard procedure to handle customer complaint as follows:

Contact center for customer complaints is 14017.

9. NUMBER OF INTERNAL FRAUD

Position	Cases committed by					
	Management		Permanent Employee		Non-permanent Employee	
	2010	2011	2010	2011	2010	2011
Total Frauds and Case Indications	-	-	96	141	12	16
Solved	-	-	35	49	6	8
Being resolved internally	-	-	57	74	5	5
No solutions	-	-	-	4	-	-
Followed-up through legal action	-	-	4	14	1	3

10. LITIGATION CASES

As a business entity, BRI is not excluded from legal actions which represent part of Bank's operations. From 2008 to 2011, the total number of lawsuits/new cases increased from year to year. In 2011, there were a total of 333 new cases, comprising of 312 cases of loans, six cases of operations and services and 15 cases of supporting matters. The total number of new cases for the last four years are presented in the table below:

2008	2009	2010	2011
91	104	251	333

1. Civil Lawsuits

Total number of new cases at BRI for the last four years are:

Quarter	Total	Credit	Treasury & Investment	Operational & Services	Support
Quarter 1	49	45	0	1	3
Quarter 2	79	76	0	0	3
Quarter 3	96	87	0	3	6
Quarter 4	109	104	0	2	3
Total	333	312	0	6	15

Settlement of Civil suits faced by BRI in 2011:

Status of Cases	Number & Case Issues	
	Total	Case Issues
Lawsuit withdrawn/settled/dismissed/declined	19	Loan Issues = 17 cases Operational & Services Issues = 2 cases
Case closed (with binding legal statute)/*Inkracht*	86	Loan Issues = 80 cases Treasury & Investment Issues = 1 case Operational & Services Issues = 2 cases Support Issues = 3 cases
New lawsuit in process at State Court/ commercial Court/Industrial Relation Court	333	Loan Issues = 312 cases Operational & Services Issues = 6 cases Support Issues = 15 cases

2. Criminal Cases

In 2011 there were 40 criminal cases with the following details:

Total number of cases : 40 cases
Number of cases in process : 40 cases
Number of settled cases : nil

Court Cases in 2011 are as follows:

Case issue:
Lawsuit filed by BRI together with BRI Pension Fund against PT. Mulia Persana Pasific (MPPC) for contract breaches by PT. MPPC on the Build-Operate-Transfer (BOT) agreement over BRI II Building and BRI III Building made in 1990.

Case position:
The verdict of the State Court is for the plaintiff and the verdict of the Appellate Court is for the verdict of the State Court.

Status of case settlement:
The status of the case currently is being appealed at the Supreme Court of the Republic of Indonesia Number: 157/PDT.G/201/PN.JKT.PST dated 8 December 2011.

Impact on the Bank's financial condition:
The case will not affect BRI financial condition directly. However, if the Supreme Court should decide for BRI and BRI Pension Fund, then the outcome shall have a positive impact on BRI Pension Fund.

3. Industrial Relations Court (IRC)

In 2011 there were 15 IRC cases with the following details:

Information	Total
Number of cases in process	15
Number of cases settled (*inkracht*)	-
Total number of IRC cases	15

11. TRANSACTION WITH POTENTIAL CONFLICT OF INTEREST

The implementation of GCG at BRI is formulated in a Joint Decree of The Board of Commissioners and The Board of Directors regarding Policy of GCG at BRI, and an internal regulation on Disclosure of Related Parties with Special Relationship.

In the disbursement of loans, BRI has formulated regulation with the aim of enhancing the prudential aspect and avoiding conflict of interest among the Bank's decision-making officers. According to this regulation, the decision of loan granting above a certain amount has to be approved by several decision-making officers who are members of Credit Committee, and further more, it has to be consulted to the Board of Commissioners. In addition, loan granting to related party has to be approved by the Board of Commissioner.

Loan analysis procedure and loan decision are taken based on prevailing regulations, including the independency principles. Should a potential for conflict of interest of particular decision-making officer occurs, the loan originator would engage an independent working unit to discuss the matter together so that any transaction that may not be in the interest of the Bank could be avoided.

In 2011 Director of Compliance together with officers from Compliance Division has carried out examination on prudential principles on decisions and policies by the Board of Directors regarding loan issues and non-loan issues. The results of the examination showed that BRI has adequate policies on conflict of interest and that there were no transactions that could be categorized as having conflict of interest.

No	Name and position of person having conflict of interest	Name and position of decision maker	Type of transaction	Transaction Value (million Rupiah)	Notes
			NIL		

12. BUY BACK SHARE AND/OR BUY BACK BONDS

In 2011 BRI did not exercise any buy back share and/or bonds.

13. FUND ALLOCATION FOR POLITICAL AND SOCIAL RESPONSIBILITY ACTIVITIES

1. **Fund for political activities**
   In 2011, BRI did not participate in any funding political activities.

2. **Fund for social responsibility activities**
   In running its business, BRI does not merely concern about making profits, but also pays attention to society and environment within its operating areas throughout Indonesia. As its corporate social responsibility, BRI has allocated part of its profit for the benefit of people, communities and environment surrounding BRI's operating units.

   In 2011, BRI spent Rp 116.17 billion for its Corporate Social Responsibility programs.

Area	Total (in billion Rupiah)
Public Facility	11.31
Natural Disaster	3.81
Education	16.24
Public Health	24.72
Place of Worship	2.50
Environmental Conservation	20.47
BUMN Care Program	37.13
Total	116.17

XI. SELF ASSESSMENT ON IMPLEMENTATION OF GCG

BRI carried out Self Assessment on implementation of Good Corporate Governance (GCG) in 2011, covering aspects that are regulated by Bank Indonesia's Regulation. Result of the assessment showed a "VERY GOOD" qualification. Summary of self assessment results are as follows:

Elaboration of Composite Score

Composite Score	Composite Predicate
Composite Score < 1.5	Very Good
1.5 = Composite Score < 2.5	Good
2.5 = Composite Score < 3.5	Good Enough
3.5 = Composite Score < 4.5	Not Good Enough
4.5 = Composite Score < 5	Not Good

Summary of Composite Score in GCG Self Assessment

No	Aspect Assessed	Weight (A)	Rank (B)	Score (A) X (B)	Note
1	Execution of Roles and Responsibilities of the Board of Commissioners	10%	1	0.1	Number, composition, roles and responsibilities of the Board of Commissioners have been executed effectively and efficiently and in compliance with all regulations.
2	Execution of Roles and Responsibilities of the Board of Directors	20%	1	0.2	Number, composition, roles and responsibilities of the Board of Directors have been executed effectively and efficiently and in compliance with all regulations.
3	Adequacy and Execution of the Duties of Committee	10%	1	0.1	Composition and duties of the Committees have been executed in line with prevailing regulations and undertaken effectively and efficiently.
4	Conflict of Interest Management	10%	2	0.2	BRI has comprehensive and effective internal policy on management of conflict of interest. Conflicts of interest at BRI had been managed without compromising the profitability of the Bank.
5	Implementation of Compliance Function	5%	2	0.1	Implementation of Bank compliance is considered good, albeit there was unmaterial violation of rules. The execution of duties and responsibilities of Director of Compliance and Compliance Division has been effective. Guideline, system and procedure are available adequately.

No	Aspect Assessed	Weight (A)	Rank (B)	Score (A) X (B)	Note
6	Implementation of Internal Audit Function	5%	1	0.05	Execution of internal audit function has been very effective, in accordance with internal guideline and minimum standard of SPFAIB.
7	Implementation of External Audit Function	5%	1	0.05	The Bank has appointed the Public Accountant Firm with due consideration to prevailing rules and regulations. The appointed PAF and public accountants have done their duties professionally and independently, and has submitted their audit results within the agreed scope of assignments.
8	Implementation of Risk Management and Internal Control	7.50%	1	0.075	Identification and management of all risk at BRI are considered effective to maintain an internally sound condition of the Bank. Procedure and implementation of internal control were comprehensive and in line with the objective, size and complexity of the Bank's business, and risks faced by the Bank.
9	Lending to Related Parties and Large Borrowers	7.50%	1	0.075	BRI posses up-dated and very comprehensive policies, system and written procedure to ensure that the decision making for fund placement is taken independently. Diversification of funds is balanced while proportion of total funds disbursed to large borrowers are unsignificant compared to Bank's total funds. There were no violation to/ surpassing of LLL in 2011.
10	Transparency of Financial and Non-financial Condition of Bank, GCG Implementation Report and Internal Report	15%	2	0.30	BRI has submitted adequate financial and non-financial information to stakeholders, in accordance with prevailing rules and regulations and provided easy access to those informations. Report on GCG has been submitted according to regulations. Management Information System with regards to internal reporting system at BRI provided the required information necessary for decision making process by management.
11	Bank's Strategic Plan	5%	1	0,05	Formulation and implementation of Bank's Business Plan are in line with Bank's vision, mission and Corporate Plan.
	Composite Score	100%		1,30	

STRENGTHS AND WEAKNESSES OF GCG IMPLEMENTATION AT BRI

Strengths

The Board of Commissioners and the Board of Directors strongly commit to implement GCG in all business activities of BRI by cultivating understanding, concern, care and commitment of all Bank's ranks and files.

To support this objective, BRI has adopted:

a. Corporate Values, which are continuously implemented and enhanced through performance improvement program in all BRI working units.
b. Bank's Code of Ethics, which have been agreed upon to be the behavior and action guidelines in undertaking daily tasks.
c. Evaluation policies and enhancement of various company's regulations in order to comply with GCG principles.
d. Communication programs by related working units regarding the implementation of GCG.

Weaknesses

There was no significance weakness which hindered the implementation of GCG. However, implementation of GCG requires sufficient Management Information System (MIS). It needs continuous improvement, so that information can be easily accessed and provide benefit for decision making process by management.

Corporate Social Responsibility

The corporate social responsibility program of BRI is aimed at mentoring micro business in conjunction with deep concern towards the conservation of natural environment.

One of the focal points of BRI corporate social responsibility is in the area of education that aims to provide greater educational opportunity especially for communities in the Eastern parts of Indonesia, in the efforts to create a strong and smart Indonesia.

Funds for Partnership and Communities Development Program 2011

Rp 161.75 billion

CORPORATE SOCIAL RESPONSIBILITY

As the largest bank with the broadest presence in Indonesia, BRI not only strives to benefit its customers and shareholders, but also the communities in which the Bank operates. With BRI's broad operating network, the benefits that BRI provides have also increased and spread out across Indonesia.

The benefits entitled to the communities are distributed through the Partnership Program and Community Development Program (PKBL) that are dedicated to the interests of the communities in the areas where BRI operates to enhance public welfare and the nation's living standards.

PKBL represents a social responsibility that has been mandated by the shareholders of BRI, while the implementation is in accordance with the State Minister of SOE Regulation no. PER-05/MBU/2007 of 27 April 2007 on the Partnership Program of SOE with micro businesses and Community Development Program. Funds allocated to the activities of PKBL are determined annually through the General Meeting of Shareholders.

Partnership Program

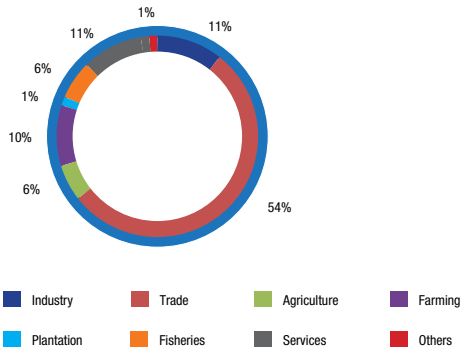
BRI's Partnership Program comprises of financing and mentoring to micro and small businesses, including cooperatives that are deemed having a feasible business but are not yet eligible for the Bank's commercial loan scheme.

This program aims to increase the productiveness of micro and small businesses to become profitable business ventures in the future. The beneficiaries in the Partnership Program are embryos of BRI customers who eventually will become a commercial borrower of BRI.

In addition to provide financing facilities with soft terms, BRI also carries-out a mentoring program with objective to develop business of the beneficiaries (partners). The activities include entering the partners in various trade exhibitions on local, national and international level. These activities broaden product perspectives in addition to helping the partners in marketing their products.

Realization of Partnership Program	
Economic Sector	In billion Rp
Industry	4.67
Trade	23.16
Agriculture	2.61
Farming	4.29
Plantation	0.46
Fisheries	2.64
Services	4.84
Others	0.52
Total	43.20

Realization Partnership Program

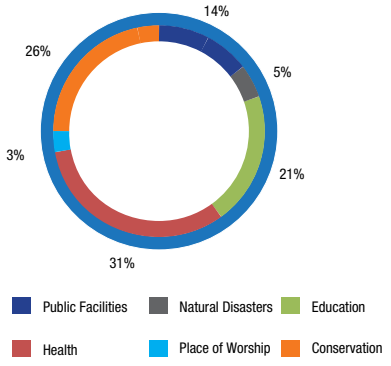


For the Partnership Program in 2011, BRI allocated a total of Rp43.20 billion in the form of partnership Loans and Rp2.38 billion as Partnership Grant.

BRI Cares

The Community Development Program aims to empower the social economic conditions and increase the quality of life of the communities in the areas BRI operates. The BRI Cares Program comprises of six areas, which are public facilities, education, public health, places of worship, environmental conservation, and natural disaster relief.

Community Development Program	
BRI Cares	79.05
Public Facilities	11.31
Natural Disaster Relief	3.81
Education	16.24
Public Health	24.72
Place of Worship	2.50
Environmental Conservation	20.47
SOE Cares	37.13
Total	116.17



In 2011, BRI allocated a total of Rp79.05 billion for BRI Cares Program and Rp37.13 billion for the SOE Cares Program.

BRI Cares for Public Facilities

BRI provides aids to renovate and develop public facilities within the communities that include the renovation of traditional markets which is called BRI Cares for Traditional Market, the repairment and construction of sanitary facilities, improvements of transportation facilities and others. BRI Cares has allocated a total of Rp11.31 billion for these activities.

BRI Cares amid Natural Disaster

As a form of its care towards victims of natural disasters, BRI provides emergency humanitarian aids through the nearest working units to the site of disaster. A total of Rp3.81 billion was disbursed by BRI in disaster related aids and assistance. These aids comprised of foods, clothing, medicines, blankets and other emergency needs.

BRI Cares for Education

As an institution which really understand the importance of quality education for future generation, BRI always tries to provide a benefit as well as effort to improve the quality of education. One of BRI's contributions is through "BRI Cares for Education Program". BRI spent a total of Rp16.24 billion on a number of educational projects including scholarship, school rehabilitations and the provision of learning and teaching equipment for students and schools who need them most.

BRI Cares for Public Health

As a manifestation of BRI's care for public health, BRI plays a significant role through BRI Cares for Public Health program. BRI has spent a total of Rp24.72 billion for this program by giving free public health care service in more than 116 BRI operating unit in commemoration of the 116th anniversary of BRI, provided mobile public health clinics, as well as procurement of ambulances, carried out the construction of public health clinics (Posyandu) and other activities.

BRI Cares for Religious Facilities

To facilitate religious activities and enhance the spiritual quality of BRI's surrounding communities, BRI renovated and aided in the construction and repairment of religious facilities and places of worship. BRI Cares has spent a total of Rp2.50 billion in support of religious life.

BRI Cares for Natural Conservation

The activities undertaken by BRI in the conservation of nature and quality of air are expressed in the form of tree planting involving the participation of all employees of BRI by planting the productive trees in the areas surrounding BRI operating units. The amount of funds spent on these activities was Rp20.47 billion.

The President Director of BRI among the gold winning Indonesian karate contingent to the 26th South East Asia Games

The Community Development Program of SOE Cares

BRI has allocated 30% of the available funds of community development program dedicated for SOE Cares. The scope of SOE Cares for community development has been set by the Ministry of SOE. A total of Rp37.13 billion were spent on organizing special bazaars for staple food products in nine provinces as well as nature conservation in the province of East Nusa Tenggara.

BRI Cares for Culture

In addition to the six areas of community developments as referred to in the SOE Minister Regulation, BRI undertakes a care program in the realms of culture, as an effort to enhance the image of Indonesia overseas. BRI helped promote an Indonesian traditional musical instrument, which is made of bamboo, or known as the angklung, internationally by sponsoring the Saung Angklung Udjo Bandung that performed in Amman, Yordania. The show was in conjunction with Indonesia Product Exhibition 2011 that was participated by MSME partners from Indonesia, including those of BRI's.

BRI Cares for Sport

BRI also became the sponsoring patron for the sport of karate with the objective of increasing the achievements of Indonesian karate martial art athletes. Throughout 2011, BRI provided sponsorship funds amounting to Rp5.20 billion for the training of national karate athletes to participate in eight events of international karate championships at home and abroad.

The results were encouraging, the Indonesian karate contingent successfully achieved an excellent result. In the 26th SEA Games held in Indonesia, this contingent was able to exceed the target set by the Indonesian National Sport Committee (KONI), by winning as the overall champion at this sport with ten gold, three silvers and two bronze medals.

To appreciate the gold medal winning athletes and their officials, BRI grant money totalling Rp1.40 billion, dedicated for advanced training.

BRI develops subsidiary businesses that support the **core competence** of BRI in serving its extensive public segments.

BRI continues to expert all efforts to fill a comprehensive scope of banking services, including serving a niche market that are best served through subsidiary companies experienced in their respective fields.

Subsidiaries

SUBSIDIARIES

In line with the increasing competition and complexity of the banking industry, non organic business growth becomes one of BRI's alternative in business development.

In 2011, BRI completed two acquisitions, namely:

1. PT Bank Agroniaga Tbk. (Bank Agro)
   On 3 March 2011, BRI acquired 88,65% shares of Bank Agro previously owned by Dana Pensiun Perkebunan (Plantation Pension Funds) at a value of approximately Rp330 billion, funded through internal sources. BRI also undertook the tender offer process for Bank Agro shares held by the public, which to this date is still in the process of the tender offer return. This acquisition is expected to increase synergy in the development of the agri-businesses of BRI and Bank Agro.
2. BRIngin Remittance Company Ltd. (BRC)
   BRI completed the acquisition of 100% ownership of BRC from BRIngin Jiwa Sejahtera on 16 December 2011, with transaction value of HKD1,911,270 from internal funding source. This acquisition is expected to increase the competitive advantage of BRI from its online operating network that are spread across Indonesia to grow the Bank's remittance business.

With the completion of these two acquisitions, as of year-end 2011, BRI has had three subsidiaries, namely PT Bank BRISyariah, PT Bank Agroniaga Tbk and BRIngin Remittance Company Ltd.

PT Bank BRISyariah

Profile of Bank BRISyariah

The year 2011 represent the third year since BRISyariah became a sharia commercial bank. BRISyariah has the vision of becoming a leading modern retail bank with a comprehensive range of financial services that meet customer needs with the most convenient access.

Performance in 2011

In 2011 BRISyariah posted encouraging results. The bank's assets grew by 63.37% to Rp11.20 trillion. Third Party Funds rose by 73.23% to Rp10.06 trillion. BRISyariah posted financing growth above that of the average sharia banking industry, growing by 65.92% from Rp5.53 trillion in 2010 to Rp9.17 trillion by year-end 2011.

With an operating income of Rp1.05 trillion and a net operating margin of 6.99%, BRISyariah posted profit before tax of Rp16.70 billion for financial year 2011.

The encouraging results of operations were mainly attributed to the availability of distribution networks that continues to be expanded, as well as the support of the bank's human resources that continue to grow in terms of number and competence.

In addition to the number of offices that increased to 102 service outlets by the end of 2011, BRISyariah also developed alternative means of distribution by opening Sharia Service Office in the operating network of BRI while also establishing BRIS Corner at Religious Affair Offices and in Islamic schools. E-channel network through 152 ATM units, 1,250 EDC units and e-banking services were also optimized with additional and more comprehensive features.

The number of BRISyariah personnel continued to increase and as of year-end 2011 reached 4,497 people, up from 3,594 people in 2010. Head Office personnel were strengthened to prepare various policies operating procedures and information technology; whereas in branch offices the development of HR was more focused on the establishment of a strong sales organization.

The good performance of BRISyariah has been recognized by external parties, with several awards in 2011 including Indonesia Brand Champion Award 2011, Asian Banking Finance & Informatics (ABFI) Banking Award 2011 and The 8th Islamic Finance Award 2011.

Product and Service Development

Another key aspect that plays a role in the achievement of business target of BRISyariah is the development of products and services. In 2011, several new products and feature enhancements on existing products and services were successfully carried out, including the BRISyariah iB KLM (Gold Ownership), additional feature on e-banking products and services and financing product under the IMBT (Ijarah Muntahiyah Bit Tamlik) structure.

PT Bank Agroniaga Tbk.

Profile of Bank Agro

PT Bank Agroniaga Tbk (Bank Agro) is one of the leading national bank in Indonesia that focuses its banking services on agribusiness financing such as plantation, fisheries, farming and their processing.

Bank Agro was founded in Jakarta on 27 September 1989 by leading figures in agribusiness from the government, SOEs as well as private sector, and the establishment of Bank Agro itself pioneered the history of agribusiness banking in Indonesia.

Bank Agro provides various banking products and services that caters to the specifics of each market segment such as loan to PT Perkebunan Nusantara along with supporting suppliers and contractors, as well as the disbursement of funds for the welfare of farmers through KKPA and KKP that have been recommended by PT Perkebunan Nusantara.

Currently Bank Agro operates its head office at Plaza GRI, Jl. H.R. Rasuna Said Blok X-2 No. 1, Jakarta 12950. The Bank has operating network of eight branch offices and eight sub-branch offices in Jabodetabek, Surabaya, Medan, Pekanbaru, Bandar Lampung, Jambi, Bandung, Semarang and Balikpapan. As of year-end 2011, the bank employed a total of 444 people.

Performance of Bank Agro in 2011

Total assets as of 31 December 2011 amounted to Rp3.48 trillion, up by 14% from that of previous year. Third party funds in 2011 amounted to Rp2.78 trillion, of which Rp1.82 trillion had been disbursed as loan.

Total capital after accounting for market and operating risks, as of 31 December 2011 amounted to Rp314.82 billion.

The profitability of the bank improved in 2011, as seen from profit before tax of Rp44.99 billion.

BRIngin Remittance Co. Ltd.

Profile of BRIngin Remittance Co. Ltd.

BRIngin Remittance Co. Ltd. (BRC) Hong Kong was established on 7 April 2005 in Hong Kong with paid-in capital of HKD1.6 million. On 16 December 2011 BRI and BRIngin Jiwa Sejahtera (BJS) signed an Instrument of Transfer and Bought and Sold Notes which was subsequently endorsed by the Inland Revenue Department of Hong Kong, therefore effective that date BRI became the controlling shareholder of BRC with 100% share ownership.

The main business of BRC is remittance business that remits funds from originator to beneficiary. To support its remittance business in Hong Kong, BRI currently has the BRIFAST system that has been implemented in BRIC and integrated online to more that 7,200 working units of BRI. With the integration of BRC to the working units of BRI, this will make the remittance of funds from and to Hong Kong faster, and become a competitive advantage of BRI.

In 2011, total assets of BRC reached HKD1.99 million with revenues and net profit of HKD1.37 million and HKD254,771, respectively.

Strategic Plan 2012

Relying on its successful consolidation in 2011, BRI looks forward to 2012 with a **growth strategy** that is supported by operational **efficiency and better earning assets quality**.

BUSINESS STRATEGY

BRI periodically formulates a short term (one-year) and medium terms (three-year) business plan that contain the financial plan, strategy and action plan of BRI with due consideration for the Bank's strength, weakness, opportunity, and threat in order to determine the Bank strategic direction going forward. These business plans become the guidelines for all of the Bank's operating units to achieve their respective targets.

Indonesia economy showed a relatively good performance in 2011 and is expected to continue in 2012. The same was also true for the performance of BRI in 2011, which produced equally good results. This served as the foundation for BRI to formulate a grand strategy or Bank Business Plan (BBP) for 2012 that is both aggressive and consistently focused on the micro, small and medium enterprise (MSME) segment. This grand strategy was determined by coordinating and integrating all of BRI's internal resources to achieve synergy and provide the direction at which the development of BRI's businesses can be realized in the form of action plans for each of the business lines in the next three years.

BRI Business Plans for 2012

To achieve its business target for 2012, which is "To be the Best Bank in Indonesia," BRI has formulated the following policies:

1. The main business of BRI in the next three years will remain focused on the disbursement of loan and accumulation of third party funds, as well as the provision of banking services, such that the revenues of BRI are not only derived from interest income but also from fee based income. The direction of BRI's business activities in the next three years will be as follows:

   - Financing to the MSME segment will remain the focus of BRI's loan growth. However, by considering the business opportunity in the corporate segment that has potential trickle down business to the MSME business, BRI will also allocate resource on this segment. Hence, the expansion of the MSME business segment can be expected to proceed faster and better in quality.

   - In terms of Third Party Funds, BRI will focus on growing low-cost funds (demand deposits and savings). The composition of low-cost funds will be maintained at around 60% to total Third Party Funds.

   - BRI will capitalize on its extensive service network that are linked real time on line with one another throughout Indonesia, to develop and provide banking services that support all of the financial activities of the customer whether in financial management or transaction. The strategy will be designed to build closed financial systems that are based on communities of customers. The deployment of all products and services in this closed financial system is expected to increase fee based income.

2. To support business expansion while also applying the credit risk weighted calculation using the standardized approach, BRI has taken several measures to maintain a robust capital structure. These measures include the optimizing of loan portfolios by considering capital allocation efficiency, improving business processes, and planning for optimum capital adequacy.

3. To maintain and increase market share, BRI will continue to broaden its banking service outreach by opening new operating units throughout Indonesia, whether in the form of conventional units such as branch office, sub-branch office, cash outlet, BRI Unit and Teras BRI; or in the form of electronic outlet such as the BRI Mobile Service and other types of electronic outlets. The opening of these outlets will be undertaken selectively and judiciously by considering all internal and external factors.

Growth strategy will be implemented selectively in line with capital adequacy, and the speed with which the Bank can accommodate the required human resources and information technology support. By considering these factors, BRI's decision to allocate resources for the expansion of a business segment will be based on existing market demand as well as the competitiveness of BRI in the respective market segments vis-a-vis its competitors.

BRI's strategy for organic growth comprises of three main prongs, as follows:

Market Penetration

BRI will optimize its existing products in the market, while continuing to enrich the product features and promotional programs to increase the wallet share of existing customer. Through this strategy BRI expect customer to increase the use of its products, both in terms of volume and frequency, as well as to attract new customer. This strategy will be particularly deployed in business segments where BRI already has a highly competitive advantage while the market itself still possesses a huge opportunity to grow. For example, through the Simpedes Folks Festival program and instant prize handouts in the Simpedes savings product in order to increase savings volume.

Market Development

BRI will continue to strive to enter new market segments that have not been served yet with its products, by implementing an effective marketing strategy. This strategy will be deployed in business segments that offer highly competitive advantage for BRI to expand its market. An example of this would be the marketing of simpedes and the plan to capitalize on BRI TerasMobile in urban market areas.

Product Development

BRI will continue to broaden its product range and enhance product feature within certain market segments, to increase and retain the number of customers. This strategy will be deployed in business segments that have significant potential markets. An example of this would be the launching of the BritAma Rencana (BritAma Plan) and BritAma Bisnis (BritAma Business) products.

Financial Report

PT Bank Rakyat Indonesia (Persero) Tbk. and Subsidiaries

Consolidated Financial Statements and Report of Independent Auditor 31 December 2011 and 2010

Model 54

PT BANK RAKYAT INDONESIA (PERSERO) Tbk.

KANTOR PUSAT
Jalan Jenderal Sudirman No. 44 - 46 Tromol Pos 1094/1000 Jakarta 10210
Telepon: 021 2510244, 2510254, 2510264, 2510269, 2510279
Faksimili: 021 2500077 Kawat: KANPUSBRI
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BOARD OF DIRECTORS' STATEMENT
REGARDING
THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
PT. BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES

We, the undersigned:

1. Name : Sofyan Basir
   Title : President Director
   Office Address : Jl. Jenderal Sudirman No. 44-46 Jakarta 10210
   Residential Address : Jl. Uranium Blok B 42 Permata Hijau South Jakarta
   Phone : 251 0286

2. Name : Achmad Baiquni
   Title : Director
   Office Address : Jl. Jend. Sudirman No. 44-46 Jakarta 10210
   Residential Address : Jl. Taman Wijaya Kusuma III/21C South Jakarta
   Phone : 575 1741

Declare that:

1. We are responsible for the preparation and the presentation of the consolidated financial statements of PT Bank Rakyat Indonesia (Persero) Tbk and Subsidiaries;

2. The consolidated financial statements of PT Bank Rakyat Indonesia (Persero) Tbk and Subsidiaries have been prepared and presented in accordance with the Indonesian Financial Accounting Standards;

3. a. All information in the consolidated financial statements of PT Bank Rakyat Indonesia (Persero) Tbk and Subsidiaries have been fully and correctly disclosed;

   b. The consolidated financial statements of PT Bank Rakyat Indonesia (Persero) Tbk and Susidiaries do not contain any material incorrect information or fact nor do they omit material information or fact;

4. We are responsible for the internal control system of PT Bank Rakyat Indonesia (Persero) Tbk and Subsidiaries.

This is our declaration, which has been made truthfully.

Jakarta, February 27 , 2012
For and on behalf of the Board of Directors

METERAI TEMPEL 6000 DJP

Sofyan Basir
President Director

Achmad Baiquni
Director

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2011 AND 2010

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ERNST & YOUNG

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-1874/PSS/2012

The Shareholders, Boards of Commissioners and Directors
PT Bank Rakyat Indonesia (Persero) Tbk

We have audited the consolidated statements of financial position of PT Bank Rakyat Indonesia (Persero) Tbk (herein referred to as "BRI") and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of BRI'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 BRI's overseas branches whose combined total assets and net income constitute 1.47% and 0.28% of BRI's total assets and net income, respectively, as of and for the year ended December 31, 2010. Those statements were audited by other independent auditors, whose reports with unqualified opinions had been furnished to us and our opinion, insofar as it relates to the amounts included for those overseas branches, is based solely on the reports of the other independent auditors.

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

In our opinion, based on our audits and the reports of the other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BRI and Subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with Indonesian Financial Accounting Standards.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant License No. 98.1.0065

February 27, 2012

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
ASSETS			
Cash	2a,2c	10,525,973	9,975,712
Current Accounts With Bank Indonesia	2a,2c,2g,4	33,040,418	19,989,683
Current Accounts With Other Banks	2a,2c,2e,2f, 2g,5,43	5,533,225	5,658,116
Allowance for impairment losses		(61)	(63)
		5,533,164	5,658,053
Placements With Bank Indonesia And Other Banks	2a,2c,2e,2f, 2h,6,43	73,596,656	83,272,390
Allowance for impairment losses		(300)	(250)
		73,596,356	83,272,140
Securities	2a,2c,2e,2f,2i, 7,23,24,43	33,919,026	22,516,173
Allowance for impairment losses		(1,510)	(1,510)
		33,917,516	22,514,663
Export Bills	2c,2f,2j,8	4,828,569	741,757
Allowance for impairment losses		-	(7,418)
		4,828,569	734,339
Government Recapitalization Bonds	2c,2e,2i,9, 23,43	8,996,026	13,626,463
Securities Purchased Under Agreement To Resell	2c,2u,10	9,383,298	501,381
Derivatives Receivable	2c,2f,2af,11	17,818	87,870
Loans	2c,2e,2f, 2k,12,43	285,406,257	246,964,238
Allowance for impairment losses		(15,951,531)	(13,991,454)
		269,454,726	232,972,784
Sharia Receivables And Financing	2e,2f,2*l*,13,43	9,108,715	5,524,968
Allowance for impairment losses		(138,441)	(111,376)
		8,970,274	5,413,592

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
ASSETS (continued)			
Acceptances Receivable	2c,2e,2f,2m, 14,43	1,692,176	666,878
Allowance for impairment losses		-	(6,669)
		1,692,176	660,209
Investment In Shares Of Stocks	2c,2e,2f, 2n,15,43	165,225	135,776
Allowance for impairment losses		(536)	(1,888)
		164,689	133,888
Premises And Equipment	2o,2p,16		
Cost		5,990,344	5,405,013
Accumulated depreciation		(4,137,526)	(3,836,068)
Net book value		1,852,818	1,568,945
Deferred Tax Assets - net	2ag,36c	2,631,958	2,295,101
Other Assets - net	2c,2f,2q,2r,17	5,293,505	4,880,779
TOTAL ASSETS		**469,899,284**	**404,285,602**

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities Due Immediately	2c,2s,18	3,961,640	4,123,639
Deposits From Customers	2c,2e,2t,43		
Demand Deposits	19	76,262,900	77,048,697
Wadiah Demand Deposits		515,829	315,779
Saving Deposits	20	152,643,459	125,197,518
Wadiah Saving Deposits		1,386,724	738,227
Mudharabah Saving Deposits		102,790	54,005
Time Deposits	21	146,006,981	126,309,586
Mudharabah Time Deposits		7,345,662	3,988,585
Total Deposits From Customers		384,264,345	333,652,397
Deposits From Other Banks And Financial Institutions	2c,2e,2t, 22,43	4,024,163	5,160,315
Securities Sold Under Agreement To Repurchase	2c,2u,7,9,23	102,681	526,365
Derivatives Payable	2c,2af,7,11	173,536	81,801
Acceptances Payable	2c,2e,2m, 14,43	1,692,176	666,878
Taxes Payable	2ag,36a	1,105,997	1,930,923
Fund Borrowings	2c,2e,24,43	13,097,916	9,454,545
Estimated Losses On Commitments And Contingencies	2aj,25,43	152	93,422
Other Liabilities	2c,2w,2aa, 26,41,44b	9,520,061	9,766,026
Subordinated Loans	2c,2v,27	2,136,288	2,156,181
TOTAL LIABILITIES		**420,078,955**	**367,612,492**

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
EQUITY			
Capital stock - nominal value Rp250 (full Rupiah) per share as of December 31, 2011 and Rp500 (full Rupiah) per share as of December 31, 2010			
Authorized capital - 60,000,000,000 shares (consisting of 1 Series A Dwiwarna share and 59,999,999,999 Series B shares) as of December 31, 2011 and 30,000,000,000 shares (consisting of 1 Series A Dwiwarna share and 29,999,999,999 Series B shares) as of December 31, 2010			
Issued and fully paid capital - 24,669,162,000 shares (consisting of 1 Series A Dwiwarna share and 24,669,161,999 Series B shares) as of December 31, 2011 and 12,334,581,000 shares (consisting of 1 Series A Dwiwarna share and 12,334,580,999 Series B shares) as of December 31, 2010	1,28a	6,167,291	6,167,291
Additional paid-in capital	2d,28b	2,773,858	2,773,858
Differences arising from the translation of foreign currency financial statements	2ae,28c	49,153	47,237
Unrealized gain on available-for-sale securities and Government Recapitalization Bonds - net of deferred tax	2i	765,004	561,564
Retained earnings - (accumulated losses of Rp24,699,387 was eliminated as a result of quasi-reorganization as of June 30, 2003)	2d,3,28d		
Appropriated		8,261,766	7,974,956
Unappropriated		31,757,488	19,148,204
Total Retained Earnings		40,019,254	27,123,160
Total Equity Attributable To Equity Holders Of The Parent Entity		49,774,560	36,673,110
Non-controlling interest		45,769	-
TOTAL EQUITY		**49,820,329**	**36,673,110**
TOTAL LIABILITIES AND EQUITY		**469,899,284**	**404,285,602**

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
INCOME AND EXPENSES FROM OPERATIONS			
Interest, Investment and Sharia Income			
Interest and investment	2x,30	47,296,178	43,971,493
Sharia income	2l,2z	868,170	643,669
Total Interest, Investment and Sharia Income		48,164,348	44,615,162
Interest Expense, Other Charges and Sharia Charges			
Interest expense and other charges	2x,31	(13,275,304)	(11,448,953)
Sharia charges	2z	(461,968)	(277,606)
Total Interest Expense, Other Charges and Sharia Charges		(13,737,272)	(11,726,559)
Interest Income - net		34,427,076	32,888,603
Other Operating Income			
Fees		3,217,666	2,732,255
Recovery of assets written off		1,797,048	1,525,143
Gain on foreign exchange - net	2ad,2af	35,521	773,019
Gain on sale of securities and Government Recapitalization Bonds - net	2i,7,9	132,246	152,888
Other fees and commissions	2y	151,155	80,253
Unrealized gain on changes in fair value of securities and Government Recapitalization Bonds - net	2i,7,9	13,651	3,321
Others		428,688	277,654
Total Other Operating Income		5,775,975	5,544,533
Provision for impairment losses on financial and non-financial assets - net	2f,32	(5,791,658)	(7,880,536)
Reversal for estimated losses on commitments and contingencies - net	2aj,25b	93,623	8,315
Reversal of allowance (provision) for impairment losses on non-financial assets - net	2f	164,841	(45,222)

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
Other Operating Expenses			
Salaries and employee benefits	2e,2aa, 33,41,43	(8,700,847)	(8,675,721)
General and administrative	2o,34	(5,678,786)	(4,711,444)
Premium paid on Government Guarantee Program	45	(624,057)	(523,991)
Others		(2,081,937)	(2,202,536)
Total Other Operating Expenses		(17,085,627)	(16,113,692)
OPERATING INCOME		**17,584,230**	**14,402,001**
NON OPERATING INCOME - NET	35	1,171,650	506,229
INCOME BEFORE TAX BENEFIT (EXPENSE)		**18,755,880**	**14,908,230**
TAX BENEFIT (EXPENSE)	2ag,36b,36c		
Current		(4,075,204)	(3,922,049)
Deferred		407,320	486,204
Tax expense - net		(3,667,884)	(3,435,845)
INCOME FOR THE YEAR		**15,087,996**	**11,472,385**
Other comprehensive income:			
Exchange rate differences on translation of foreign currency financial statements		1,916	(42,710)
Unrealized gain on available-for-sale securities and Government Recapitalization Bonds - net with the amounts tranferred to profit or loss in respect of fair value changes of available-for-sale securities and Government Recapitalization Bonds		274,402	172,101
Income tax relating to components of other comprehensive income		(67,813)	(43,025)
Other Comprehensive Income For The Year After Taxes		208,505	86,366
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15,296,501**	**11,558,751**

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2011	2010
INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Entity		15,082,939	11,472,385
Non-controlling interest		5,057	-
TOTAL		15,087,996	11,472,385
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Entity		15,288,295	11,558,751
Non-controlling interest		8,206	-
TOTAL		**15,296,501**	**11,558,751**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY	2ac,48		
Basic (full Rupiah)		628.91	478.36
Diluted (full Rupiah)		623.27	466.79

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

		Equity holders of the Parent Entity								
	Notes	Issued and Fully Paid	Additional Paid-in Capital	Differences Arising from Translation of Foreign Currency Financial Statements	Stock Option	Unrealized Gain on Available-for-Sale Securities and Government Recapitalization Bonds - Net of Deferred Tax	Retained Earnings		Total Equity Owners of the Parent Entity*)	Total Equity
							Appropriated	Unappropriated		
Balance as of December 31, 2009 as previously stated		**6,164,926**	**2,722,349**	**89,947**	**12,977**	**432,488**	**7,024,878**	**10,809,816**	**27,257,381**	**27,257,381**
Impact of transition adjustments on the implementation of SFAS No. 50 (Revised 2006) and SFAS No. 55 (Revised 2006)	39	-	-	-	-	-	-	230,408	230,408	230,408
Balance as of January 1, 2010 after the implementation of SFAS No. 50 (Revised 2006) and SFAS No. 55 (Revised 2006)		6,164,926	2,722,349	89,947	12,977	432,488	7,024,878	11,040,224	27,487,789	27,487,789
Income for the year		-	-	-	-	-	-	11,472,385	11,472,385	11,472,385
Other comprehensive income	2i,2ae,28c, 7,9	-	-	(42,710)	-	129,076	-	-	86,366	86,366
Total comprehensive income for the year		-	-	(42,710)	-	129,076	-	11,472,385	11,558,751	11,558,751
Distribution of income	28d									
Dividends		-	-	-	-	-	-	(2,195,078)	(2,195,078)	(2,195,078)
Addition to general and special reserves		-	-	-	-	-	950,078	(950,078)	-	-
Partnership and Environmental Assistance Program (PKBL)		-	-	-	-	-	-	(219,249)	(219,249)	(219,249)
Exercise of stock options	2ab,28a, 28b,29	2,365	51,509	-	(12,977)	-	-	-	40,897	40,897
Balance as of December 31, 2010		**6,167,291**	**2,773,858**	**47,237**	**-**	**561,564**	**7,974,956**	**19,148,204**	**36,673,110**	**36,673,110**

*) Accumulated losses of Rp24,699,387 had been eliminated against additional paid-in capital as a result of quasi-reorganization as of June 30, 2003.

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

		Equity holders of the Parent Entity								
						Retained Earnings				
	Notes	Issued And Fully Paid	Additional Paid-in Capital	Differences Arising from Translation of Foreign Currency Financial Statements	Unrealized Gain on Available-for-Sale Securities and Government Recapitalization Bonds - Net of Deferred Tax	Appropriated	Unappropriated	Total Equity Owners of the Parent Entity*)	Non-controlling Interest	Total Equity
Balance as of December 31, 2010		**6,167,291**	**2,773,858**	**47,237**	**561,564**	**7,974,956**	**19,148,204**	**36,673,110**	**-**	**36,673,110**
Income for the year		-	-	-	-	-	15,082,939	15,082,939	5,057	15,087,996
Other comprehensive income	2ad,2i,7,9	-	-	1,916	203,440	-	-	205,356	3,149	208,505
Total comprehensive income for the year		-	-	1,916	203,440	-	15,082,939	15,288,295	8,206	15,296,501
Distribution of income	28d									
Dividends		-	-	-	-	-	(1,727,950)	(1,727,950)	-	(1,727,950)
Addition to general and special reserves		-	-	-	-	286,810	(286,810)	-	-	-
Partnership and Environmental Assistance Program (PKBL)		-	-	-	-	-	(458,895)	(458,895)	-	(458,895)
Change in non-controlling interest due to Bank Agro acquisition		-	-	-	-	-	-	-	37,563	37,563
Balance as of December 31, 2011		**6,167,291**	**2,773,858**	**49,153**	**765,004**	**8,261,766**	**31,757,488**	**49,774,560**	**45,769**	**49,820,329**

*) Accumulated losses of Rp24,699,387 had been eliminated against additional paid-in capital as a result of quasi-reorganization as of June 30, 2003,

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest, investment, fees and commissions and Sharia income received	47,778,151	46,642,901
Interest, Sharia expenses and other charges paid	(13,684,909)	(11,719,715)
Recoveries of loans written off	1,833,012	1,525,143
Other operating income	3,907,886	3,246,370
Other operating expenses	(24,292,508)	(25,288,640)
Non-operating income - net	1,161,176	500,355
Cash flows before changes in operating assets and liabilities	16,702,808	14,906,414
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Placements with Bank Indonesia and other banks	753,698	(816,715)
Securities and Government Recapitalization Bonds at fair value through profit or loss	(4,422,876)	1,922,239
Export bills	(4,086,814)	(190,586)
Derivatives receivable	70,052	57,051
Loans	(38,442,018)	(41,441,844)
Sharia receivables and financing	(3,583,747)	(2,924,794)
Other assets	(1,541,889)	547,943
Increase (decrease) in operating liabilities:		
Liabilities due immediately	(167,523)	560,071
Deposits:		
Demand deposits	(785,798)	27,083,781
Wadiah demand deposits	200,050	186,482
Saving deposits	27,445,940	21,078,781
Wadiah saving deposits	648,497	424,428
Mudharabah saving deposits	48,785	23,274
Time deposits	19,697,394	26,275,285
Mudharabah time deposits	3,357,077	2,652,102
Deposits from other banks and financial institutions	(1,136,152)	710,409
Derivatives payable	91,734	(195,502)
Other liabilities	1,125,856	3,476,868
Net Cash Provided by Operating Activities	**15,975,074**	**54,335,687**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of premises and equipment	10,475	5,875
Receipt of dividends	134	147
Proceeds from sale of investment in shares of stock	7,350	-
Acquisition of premises and equipment	(601,339)	(511,912)
Increase in available-for-sale and held-to-maturity securities and Government Recapitalization Bonds	(1,205,082)	(1,686,098)
Net Cash Used in Investing Activities	**(1,788,462)**	**(2,191,988)**

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2011 and 2010
(Expressed in millions of Rupiah, unless otherwise stated)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments of) proceeds from fund borrowings	3,643,371	(4,156,854)
Decrease in securities sold under agreement to repurchase	(423,684)	(18,099)
Appropriation for dividends and PKBL	(2,753,372)	(2,414,327)
Decrease (increase) in securities purchased under agreements to resell	(9,188,909)	2,506
Increase in additional paid-in capital from exercise of stock options	-	38,532
Increase in paid-in capital from exercise of stock options	-	2,365
Payments of subordinated loans	-	(522,241)
Net Cash Used in by Financing Activities	**(8,722,594)**	**(7,068,118)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,464,018	45,075,581
EFFECT OF EXCHANGE RATE CHANGES OF FOREIGN CURRENCIES	35,523	773,019
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	127,522,699	81,674,099
CASH AND CASH EQUIVALENTS AT END OF YEAR	**133,022,240**	**127,522,699**
Cash and cash equivalents at end of year consist of:		
Cash	10,525,973	9,975,712
Current accounts with Bank Indonesia	33,040,418	19,989,683
Current accounts with other banks	5,533,225	5,658,116
Placements with other banks - maturing within three months or less since the acquisition date	73,346,039	82,267,776
Certificates of Bank Indonesia - maturing within three months or less since the acquisition date	10,576,585	9,631,412
Total Cash and Cash Equivalents	**133,022,240**	**127,522,699**

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

1. GENERAL

a. Establishment

PT Bank Rakyat Indonesia (Persero) Tbk (hereinafter referred to as "BRI") was established on December 18, 1968 based on Law No. 21 year 1968. On April 29, 1992, based on the Government of the Republic of Indonesia (the "Government") Regulation No. 21 year 1992, the legal status of BRI was changed to a limited liability corporation (Persero). The change in the status of BRI to become a limited liability corporation was documented by notarial deed No. 133 dated July 31, 1992 of notary Muhani Salim, S.H. and was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-6584.HT.01.01.TH.92 dated August 12, 1992 and published in Supplement No. 3A of the Republic of Indonesia State Gazette No. 73 dated September 11, 1992. BRI's Articles of Association was then amended by notarial deed No. 7 dated September 4, 1998 of notary Imas Fatimah, S.H., pertaining to Article 2 on "Term of Corporate Establishment" and Article 3 on "Purpose, Objectives and Business Activities" to comply with the provisions of Law No. 1 year 1995 on "Limited Liability Company" that was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-24930.HT.01.04.TH.98 dated November 13, 1998 and was published in Supplement No. 7216 of the Republic of Indonesia State Gazette No. 86 dated October 26, 1999 and notarial deed No. 7 dated October 3, 2003 of notary Imas Fatimah, S.H., among others, regarding the Company's status and compliance with the Capital Market Laws which were approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. C-23726 HT.01.04.TH.2003 dated October 6, 2003 and published in Supplement No. 11053 of the Republic of Indonesia State Gazette No. 88 dated November 4, 2003.

Based on notarial deed No. 51 dated May 26, 2008 of notary Fathiah Helmi, S.H., BRI amended its Articles of Association, among others to comply with the provisions of Government Regulation No. 40 year 2007 on "Limited Liability Company" and Capital Market and Financial Institution Supervisory Agency's ("Bapepam-LK") Regulation No. IX.J.1 on "The Main Provisions of the Articles of Association of a Company that Conduct Public Offering of Shares and Public Company", which was approved by the Ministry of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-48353.AH.01.02. Year 2008, dated August 6, 2008 and was published in Supplement No. 23079 of the Republic of Indonesia State Gazette No. 68 dated August 25, 2009.

Subsequently, BRI's Articles of Association has been amended several times. The latest amendment was conducted as a follow-up on the Management Stock Option Plan (MSOP) program based on the total number of exercised stock options and approval of stock split from Rp500 (full Rupiah) per share to Rp250 (full Rupiah) per share, in accordance with the notarial deed No. 38 dated November 24, 2010 of notary Fathiah Helmi, S.H. and was approved and recorded in the database administration system by the Ministry of Laws and Human Rights in its Decision Letter No. AHU.AH.01.10-33481 dated December 29, 2010. The stock split was conducted in 2011 and the trading of BRI shares using the old nominal value or Rp500 (full Rupiah) per share in the regular and negotiation market was made up to January 10, 2011, while the legitimate trading of BRI shares using the new nominal value or Rp250 (full Rupiah) per share commenced on January 11, 2011.

According to Article 3 of BRI's latest Articles of Association, BRI's scope of business is to conduct and support the Government's policy and program in the economic sector and in the national development in general, particularly in conducting business in the banking sector, in accordance with the prevailing laws and regulations, including the conduct of operating activities based on Sharia principles.

1. GENERAL (continued)

b. Recapitalization Program

In realization of the Recapitalization Program for Commercial Banks, set forth in Government Regulation No. 52 year 1999 regarding the Increase in Investments in Shares by the Republic of Indonesia in State-Owned Banks, BRI received all the recapitalization with a nominal amount of Rp29,149,000 in the form of Government bonds issued in 2 (two) tranches at their nominal amounts of Rp20,404,300 on July 25, 2000 and Rp8,744,700 on October 31, 2000 (Notes 9 and 28b). Furthermore, as stated in the Management Contract dated February 28, 2001 between the Republic of Indonesia as represented by the Government through the Ministry of Finance and BRI, the Government determined that the recapitalization requirement amount of BRI to achieve a minimum Capital Adequacy Ratio of 4% was Rp29,063,531. Therefore, BRI returned the excess of recapitalization amounted to Rp85,469 in the form of Government bonds to the Republic of Indonesia on November 5, 2001 (Notes 9 and 28a).

On September 30, 2003, the Ministry of Finance issued Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 regarding the final amount and the implementation of the Government's rights as a result of the additional investment of the Republic of Indonesia in the capital of BRI under the recapitalization program for commercial banks. Based on this Decision Letter, the Ministry of Finance affirmed that the final recapitalization requirement of BRI amounted to Rp29,063,531 (Note 28a).

c. Initial Public Offering of Shares

In relation to BRI's Initial Public Offering (IPO) of shares, based on the registration statement dated October 31, 2003, the Government, acting through the Ministry of State-Owned Enterprises agreed to conduct an Initial Public Offering of 3,811,765,000 common shares of BRI together with over-subscription option shares and over-allotment option shares.

The Initial Public Offering consists of the International Public Offering (under Rule 144A of the Securities Act and Regulation "S") and the Indonesian Public Offering. BRI submitted its registration to the Capital Market and Financial Institution Supervisory Agency ("Bapepam-LK") and such registration statement became effective based on the Chairman of Bapepam-LK letter No. S-2646/PM/2003 dated October 31, 2003 (Note 28a).

BRI's initial public offering of shares consists of 3,811,765,000 shares with a nominal value of Rp500 (full Rupiah) per share and with a selling price of Rp875 (full Rupiah) per share. Subsequently, 381,176,000 shares under the over-subscription option and 571,764,000 shares under the over-allotment option at a price of Rp875 (full Rupiah) per share were exercised on November 10, 2003 and December 3, 2003, respectively. After BRI's IPO and the exercise of the over-subscription option and the over-allotment option by underwriters, the Republic of Indonesia owns 59.50% of shares of BRI (Note 28a). On November 10, 2003, the above mentioned offered shares were initially traded at the Jakarta and Surabaya Stock Exchanges (currently the Indonesia Stock Exchange) and all shares of BRI have been simultaneously listed.

d. Structure and Management

BRI's head office is located at BRI I Building, Jl. Jenderal Sudirman Kav. 44-46, Jakarta.

1. GENERAL (continued)

d. Structure and Management (continued)

As of December 31, 2011 and 2010, BRI has the following networks of working units:

	2011	2010
Regional Offices	18	18
Inspection Offices	14	14
Domestic Branch Offices	427	409
Special Branch Office	1	1
Overseas Branch/Representative Offices	3	3
Sub-branch Offices	502	470
Cash Offices	870	822
BRI Units	4,849	4,649
Terraces	1,304	617

BRI has 1 (one) overseas branch located in Cayman Islands and 2 (two) agency offices located in New York and Hong Kong.

As of December 31, 2011, BRI has 3 (three) Subsidiaries, namely, PT Bank BRISyariah, PT Bank Agroniaga Tbk and BRIngin Remittance Co. Ltd. Hong Kong and as of December 31, 2010, BRI has only 1 (one) Subsidiary which is PT Bank BRISyariah.

The number of BRI's employees as of December 31, 2011 and 2010 totaled to 40,044 and 37,644 employees (unaudited), respectively.

The compositions of the Boards of Commissioners and Directors of BRI as of December 31, 2011 and 2010 based on the minutes of BRI's Extraordinary Shareholders' General Meeting held on September 28, 2011, as stated under the notarial deed No. 39 of notary Fathiah Helmi, S.H. and BRI's Annual Shareholders' General Meeting held on May 20, 2010, as stated under the notarial deed No. 35 of notary Fathiah Helmi, S.H. are as follows:

	2011	2010
President/Independent Commissioner	: Bunasor Sanim	Bunasor Sanim
Vice President/Independent Commissioner	: -	Soedarjono
Commissioner	: Heru Lelono	Heru Lelono
Commissioner	: Agus Suprijanto	Agus Suprijanto
Commissioner	: Hermanto Siregar	-
Independent Commissioner	: Adhyaksa Dault	Adhyaksa Dault
Independent Commissioner	: -	Baridjussalam Hadi
Independent Commissioner	: Aviliani	Aviliani

	2011	2010
President Director	: Sofyan Basir	Sofyan Basir
Director of Operations	: Sarwono Sudarto	Sarwono Sudarto
Director of Finance	: Achmad Baiquni	Achmad Baiquni
Director of Commercial Business	: Sulaiman Arif Arianto	Sulaiman Arif Arianto
Director of Compliance	: Randi Anto	Bambang Soepeno
Director of Consumer Business	: Agus Toni Soetirto	Agus Toni Soetirto

1. GENERAL (continued)

d. Structure and Management (continued)

	2011	2010
Director of Credit Risk Management	: Lenny Sugihat	Lenny Sugihat
Director of Micro, Small and Medium Enterprises (UMKM)	: Djarot Kusumayakti	Djarot Kusumayakti
Director of Institutional Business and BUMN	: Asmawi Syam	Asmawi Syam
Director of Network and Services	: Suprajarto	Suprajarto
Director of Human Resources Management (MSDM)	: Gatot Mardiwasisto*)	-

*) Effective starting January 27, 2012, according to letter No. 14/10/GBI/DPIP/Rahasia of Bank Indonesia dated January 25, 2012 and letter No. S-49/MBU.4/2012 of Ministry of BUMN dated January 27, 2012.

The compositions of BRI's Audit Committee as of December 31, 2011 and 2010 based on BRI's Commissioners' Decision Letter No. B.111-KOM/10/2011 dated October 19, 2011 and No. B.63-KOM/06/2010 dated June 15, 2010, respectively, are as follows:

		2011	2010
Chairman	:	Bunasor Sanim	Baridjussalam Hadi
Member	:	Adhyaksa Dault	Bunasor Sanim
Member	:	H. C. Royke Singgih	H. C. Royke Singgih
Member	:	Dedi Budiman Hakim	Dedi Budiman Hakim
Member	:	Syahrir Nasution	Syahrir Nasution
Member	:	Hermanto Siregar	Soedarjono

e. Subsidiaries

PT Bank BRISyariah

On June 29, 2007, BRI entered into a Sale and Purchase Agreement of Shares with the shareholders of PT Bank Jasa Arta ("BJA") to acquire 100% of BJA's shares at a purchase price of Rp61 billion. Based on the minutes of BRI's Shareholders' Extraordinary General Meeting, as stated under the notarial deed No. 3 dated September 5, 2007 of notary Imas Fatimah, S.H., the shareholders approved the above acquisition of BJA and subsequently obtained the approval of Bank Indonesia, according to letters No. 9/188/GBI/DPIP/Rahasia dated December 18, 2007 and No. 9/1326/DPIP/Prz dated December 28, 2007. The acquisition was completed on December 19, 2007 based on Acquisition Deed No. 61 of notary Imas Fatimah, S.H., whereby BRI acquired 99.99875% of the issued shares of BJA and 0.00125% was granted to BRI's Employee Welfare Foundation (Yayasan Kesejahteraan Pekerja BRI).

Based on notarial deed No. 45 dated April 22, 2008 of notary Fathiah Helmi, S.H., the name PT Bank Jasa Arta was changed into PT Bank Syariah BRI ("BSB"). Based on the Governor of Bank Indonesia's Decision Letter No. 10/67/KEP.GBI/DpG/2008 dated October 16, 2008, BSB obtained the approval to change its business activities from a conventional bank into a commercial bank that conduct business activities based on Sharia principles. Within 60 (sixty) days from the

1. GENERAL (continued)

e. Subsidiaries (continued)

PT Bank BRISyariah (continued)

decision date, BSB was obliged to perform its business activities based on Sharia principles and within a maximum of 360 (three hundred sixty) days from the decision date, BSB was obliged to settle all its loan receivables and debtor or customer liabilities from the previous conventional banking activities.

On December 19, 2008, BRI has entered into a spin-off agreement to transfer the assets and liabilities of BRISyariah Business Unit ("UUS BRI") to BSB, based on notarial deed No. 27, dated December 19, 2008 on "The Spin-Off Agreement of BRISyariah Business Unit into PT Bank Syariah BRI" of notary Fathiah Helmi, S.H. with effective date on January 1, 2009. As a result of the spin-off as of the effective date:

1. All assets and liabilities of UUS BRI in possession of BRI by operation of law were transferred and become the rights, liabilities or expenditures to be operated under BSB's responsibility as the receiving entity.

2. All of the UUS BRI's operations, business and office activities by operation of law were transferred to and/or operated under BSB's benefit, loss and responsibility.

3. All of the UUS BRI's rights, claims, authorities and liabilities based on any agreements, actions or existing which were made, performed, or which occurred on or before the effective date of the spin-off including but not limited to the stated list of assets and liabilities of UUS BRI and all legal relations between UUS BRI and other parties by operation of law, have been transferred to and or operated under BSB's benefit, loss and responsibility.

Based on BSB's Shareholders' Statements of Agreement as stated in notarial deeds of notary Fathiah Helmi, S.H., No. 18 dated April 14, 2009, the name of PT Bank Syariah BRI was changed to PT Bank BRISyariah ("BRIS") as approved by the Governor of Bank Indonesia's Decision Letter No. 11/63/KEP.GBI/DpG/2009 dated December 15, 2009.

BRIS' Articles of Association was amended several times. The latest amendment is on the addition of the issued and paid up capital based on deed No. 15 dated July 19, 2010, notary Fathiah Helmi, S.H.

Total assets of BRIS as of December 31, 2011 and 2010 amounted to Rp11,200,828 and Rp6,858,386, respectively, or 2.38% and 1.70%, respectively, of the consolidated total assets. Total Sharia income as of December 31, 2011 and 2010 amounted to Rp868,170 and Rp643,669, respectively, or 1.80% and 1.44%, respectively, of the consolidated interest income.

PT Bank Agroniaga Tbk (Bank Agro)

On August 19, 2010, BRI entered into Shares Sale and Purchase Agreement (PPJB) with the Agricultural Estate Pension Fund (Dapenbun), owner of 95.96% shares of Bank Agro, to acquire the shares of Bank Agro with total nominal value of Rp330,296 for 3,030,239,023 number of shares at a price of Rp109 (full Rupiah) per share. After the acquisition, the shareholdings of Bank Agro's investors comprises of 76% by BRI, 14% by Dapenbun and 10% by the public.

1. GENERAL (continued)

e. Subsidiaries (continued)

PT Bank Agroniaga Tbk (Bank Agro) (continued)

The shareholders approved the acquisition of Bank Agro based on BRI's Shareholders' Extraordinary General Meeting according to notarial deed No.37 dated November 24, 2010, notary Fathiah Helmi, S.H. Bank Indonesia also granted approval of the acquisition in its Letter No. 13/19/GBI/DPIP/Rahasia dated February 16, 2011. The acquisition was completed on March 3, 2011 based on the notarial deed No.14, notary Fathiah Helmi, S.H., whereby BRI owned 88.65% of the total issued and fully paid shares of Bank Agro, as stated in notarial deed No.68 dated December 29, 2009, of notary Rusnaldy, S.H. The above mentioned matter also considered the effects of Series I Warrants which are exercisable up to May 25, 2011.

In compliance with Bapepam-LK's Regulation No. IX.H.1, Attachment to Decision of Chairman of Bapepam-LK No. Kep-259/BL/2008 dated June 30, 2008 regarding "Public Company Takeovers", BRI, as the new controlling shareholder of Bank Agro is required to conduct mandatory Tender Offer for the remaining Bank Agro's shares which are owned by the public. The Tender Offer statement became effective on May 4, 2011 based on Chairman of Bapepam-LK's letter No. S-4985/BL/2011 of the same date and was announced on two daily newspapers, *Bisnis Indonesia* and Investor Daily, both on May 5, 2011. The Tender Offer period commenced on May 5, 2011 and concluded on May 24, 2011. On the closing date of the Tender Offer period, BRI acquired 113,326,500 additional shares (3.15% of the total shares of Bank Agro). The price used for the Tender Offer is at Rp182 (full Rupiah) per share.

On July 1, 2011, BRI enacted the sale of 256,375,502 shares to Dapenbun as a result of Dapenbun's exercise of its buy option at a price of Rp109 (full Rupiah) per share. Based on Bapepam-LK's Regulation No. IX.H.1, the re-transfer period of the Tender Offer is within a maximum period of 2 (two) years, however, in the case of Bank Agro, BRI shall meet the minimum public shareholding of 10% no later than May 24, 2013. This is in compliance with the letter received from the Indonesian Stock Exchange No. S-06472/BEI.PPJ/09-2011 dated September 23, 2011. As of December 31, 2011, total shares of Bank Agro which has been transferred back to the public comprised of 500,000 shares, reducing BRI's ownership to 79.78% while maintaining Dapenbun's ownership at 14%.

Total assets of Bank Agro as of December 31, 2011 is Rp3,476,552 or 0.74% of the consolidated total assets. Total interest income for the year ended December 31, 2011 is Rp347,042 or 0.72% of the consolidated total interest income.

BRIngin Remittance Co. Limited (Ltd.) Hong Kong

On December 16, 2011, BRI entered into the Instrument of Transfer and the Bought and Sold Notes to acquire 100% of BRIngin Remittance Co. Ltd. (BRC) Hong Kong shares (equivalent to 1,600,000 shares) at a purchase price of HKD1,911,270. This acquisition was legalized by the Inland Revenue Department (IRD) Hong Kong with stamp duty dated December 28, 2011 and approved by Bank Indonesia in its letter No. 13/32/DPB1/TPB1-3/Rahasia dated December 1, 2011.

Total assets of BRIngin Remittance Co. Limited Hong Kong as of December 31, 2011 is Rp2,327 or 0.0005% of the consolidated total assets.

2. SUMMARY OF ACCOUNTING POLICIES

a. Basis of preparation of the consolidated financial statements

Statement of Compliance

The consolidated financial statements for the years ended December 31, 2011 and 2010 were prepared in accordance with Indonesian Financial Accounting Standards (SFAS).

The consolidated financial statements have been prepared using the prevailing banking industry practices and other related financial accounting standards issued by the Indonesian Institute of Accountants (IAI) and Indonesian Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) Regulation No. VIII.G.7 regarding "Financial Statements Presentation Guidelines" included in the Appendix of the Decision of the Chairman of Bapepam-LK No. KEP.06/PM/2000 dated March 13, 2000 and Circular Letter No. SE-02/BL/2008 dated January 31, 2008 regarding the "Guidelines on Financial Statements Presentations and Disclosures for Issuers or Public Companies in General Mining, Oil and Gas and Banking Industry".

BRIS (a Subsidiary), which is engaged in banking activities based on Sharia principles, presents its financial statements according to SFAS No. 101 on "Sharia Financial Statements Presentation", SFAS No. 102 on "Accounting for *Murabahah*", SFAS No. 104 on "Accounting for *Istishna*", SFAS No. 105 on "Accounting for *Mudharabah*" and SFAS No. 106 on "Accounting for *Musyarakah*" and SFAS 107 on "Accounting for *Ijarah*", which supersede SFAS No. 59 on "Accounting for Sharia Banking" associated with recognition, measurement, presentation and disclosure for the respective topics and the Indonesia Sharia Banking Accounting Guidelines (PAPSI) issued by Bank Indonesia and IAI.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated and under the accrual basis of accounting (except for the revenue from *istishna* and the profit sharing from the *mudharabah* and *musyarakah* financing).

The consolidated statements of cash flows have been prepared using the direct method with cash flows classified into operating, investing and financing activities. For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash, current accounts with Bank Indonesia and current accounts with other banks, placements with other banks and Certificates of Bank Indonesia maturing within 3 (three) months from the date of acquisition, provided they are neither pledged as collateral for fund borrowings nor restricted.

The reporting currency used in the consolidated financial statements is the Indonesian Rupiah (Rp). Unless otherwise stated, all figures presented in the consolidated financial statements are rounded off to millions of Rupiah.

b. Consolidation principles

The consolidated financial statements include the financial statements of BRI and Subsidiaries whose majority shares are owned or controlled by BRI.

Where control over a Subsidiary began or ceased during the year, the results of operations of a Subsidiary are included in the consolidated financial statements only from the date that control was acquired or up to the date that control has ceased.

Control over a Subsidiary is presumed to exist where more than 50% of the Subsidiary's voting power is controlled by BRI, or BRI has the ability to control the financial and operating policies of a Subsidiary, or has the ability to remove or appoint majority of the Subsidiary's Board of Directors, or control the majority vote during management meeting.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

b. Consolidation principles (continued)

The purchase method of accounting is used to account for the acquisition of Subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition before January 1, 2011. The excess of the cost of acquisition over the fair value of the net assets of the Subsidiaries acquired is recorded as goodwill.

All significant balances and transactions, including unrealized gains/losses are eliminated to reflect the consolidated financial position and results of operations of BRI and Subsidiaries as a single entity.

The consolidated financial statements are prepared using uniform accounting policies for transactions and events in similar circumstances. If the Subsidiaries' financial statements use accounting policies differ from those adopted in the consolidated financial statements, appropriate adjustments are made to the Subsidiaries' financial statements.

The non-controlling interest represents the non-controlling shareholders' proportionate share in the income for the year and equity of the Subsidiaries based on the percentage of ownership of the non-controlling shareholders in the Subsidiaries.

c. Financial assets and financial liabilities

Financial assets consist of cash, current accounts with Bank Indonesia, current accounts with other banks, placements with Bank Indonesia and other banks, securities, securities purchased under agreement to resell, Government Recapitalization Bonds, export bills, derivatives receivable, loans, acceptances receivable, investment in shares of stocks and other assets.

Financial liabilities consist of liabilities due immediately, deposits from customers, deposits from other banks and financial institutions, securities sold under agreement to repurchase, derivatives payable, acceptances payable, fund borrowings, subordinated loans and other liabilities.

BRI adopted SFAS No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" and SFAS No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" effective from January 1, 2010, which replaced SFAS No. 55 (Revised 1999), "Accounting for Derivatives Instruments and Hedging Activities" and SFAS No. 50 (Revised 1999), "Accounting for Investments in Certain Securities Investments", respectively.

The impact of the initial adoption of SFAS No. 50 (Revised 2006) and SFAS No. 55 (Revised 2006) is disclosed in Note 39.

(i) Classification

BRI classifies its financial assets in the following categories at initial recognition:

- Financial assets held at fair value through profit or loss, which have 2 (two) sub-classifications, i.e. financial assets designated as such upon initial recognition and financial assets classified as held for trading;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale investments.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(i) Classification (continued)

Financial liabilities are classified into the following categories at initial recognition:

- Fair value through profit or loss, which has 2 (two) sub-classifications, i.e. those designated as such upon initial recognition and those classified as held for trading;
- Other financial liabilities.

The group of financial assets and liabilities at fair value through profit or loss consists of financial assets or liabilities held for trading which BRI acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that BRI intends to sell immediately or in the short term, which are classified as held for trading and those that BRI upon initial recognition designates as at fair value through profit or loss;
- those that BRI upon initial recognition designates as available-for-sale investments; or
- those for which BRI may not recover substantially all of its initial investment, other than because of loans and receivables deterioration, which shall be classified as available-for-sale.

Held-to-maturity investments consist of quoted non-derivatives financial assets with fixed or determinable payments and fixed maturity that BRI has the positive intention and ability to hold to maturity. Investments intended to be held for an undetermined period are not included in this classification.

The available-for-sale category consists of non-derivatives financial assets that are designated as available-for-sale or are not classified in one of the other categories of financial assets. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognized as part of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gains or losses previously reported in equity is included in the consolidated statements of comprehensive income. The effective yield and (where applicable) results of foreign exchange restatement for available-for-sale investments are reported in the consolidated statements of comprehensive income.

Other financial liabilities pertain to financial liabilities that are neither held for trading nor designated at fair value through profit or loss upon recognition of the liability.

(ii) Initial recognition

a. Purchase or sale of financial assets that requires delivery of assets within a time frame established by regulation or convention in the market (regular purchases) is recognized on the settlement date.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(ii) Initial recognition (continued)

b. Financial assets and financial liabilities are initially recognized at fair value. For those financial assets or financial liabilities not measured at fair value through profit or loss, the fair value is added with directly attributable transaction costs. The subsequent measurement of financial assets and financial liabilities depends on their classification.

BRI, upon initial recognition may designate certain financial assets at fair value through profit or loss (fair value option). Subsequently, this designation cannot be changed.

Based on SFAS No. 55 (Revised 2006), the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments, the risk of which are managed and reported to key management on a fair value basis; or
- the financial assets consist of a host contract and an embedded derivatives that must be bifurcated.

The fair value option is applied to certain loans and receivables that are hedged with credit derivatives or interest rate swap, but for which the hedge accounting conditions are not fulfilled. Otherwise, the loans would be accounted for at amortized cost, while the derivatives are measured at fair value through profit or loss.

The fair value option is also applied to investment funds that are part of a portfolio managed on a fair value basis. Furthermore, the fair value option is applied to structured investments that include embedded derivatives.

(iii) Subsequent measurement

Available-for-sale financial assets and financial assets and liabilities held at fair value through profit or loss are subsequently measured at fair value.

Loans and receivables and held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest rate method.

(iv) De-recognition

a. Financial assets are derecognized when:
   - the contractual rights to receive cash flows from the financial assets have expired; or
   - BRI has transferred its rights to receive cash flows from the financial assets or has assumed an obligation to pay the cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) BRI has substantially transferred all the risks and rewards of the assets, or (b) BRI has neither transferred nor retained substantially all risks and rewards of the assets, but has transferred control of the assets.

When BRI has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of BRI’s continuing involvement in the asset.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(iv) De-recognition (continued)

b. Financial liabilities are derecognized when they end, i.e. when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Loans are written off when there is no realistic prospect of collection in the near future or the normal relationship between BRI and the debtors has ceased to exist. When a loan is deemed uncollectible, it is written off against the related allowance for impairment losses.

(v) Income and expense recognition

a. Available-for-sale assets and financial assets and liabilities measured at amortized cost, interest income and interest expense are recognized in the consolidated statements of comprehensive income using the effective interest rate.

b. Gains and losses arising from changes in the fair value of the financial assets and liabilities held at fair value through profit or loss are included in the consolidated statements of comprehensive income.

Gains and losses arising from changes in the fair value of available-for-sale financial assets other than foreign exchange gains or losses are recognized directly in equity, until the financial asset is derecognized or impaired.

When a financial asset is derecognized or impaired, the cumulative gains or losses previously recognized in equity are recognized in the consolidated statements of comprehensive income.

(vi) Reclassification of financial assets

BRI is not allowed to reclassify any financial instrument out of or into the fair value through profit or loss category while it is held or issued.

BRI is not allowed to classify any financial assets as held-to-maturity investments, if the entity has, during the current financial year or during the 2 (two) preceding financial years, sold or reclassified a significant amount of held-to-maturity investments before maturity (more than an insignificant amount in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

a. are so close to maturity or the financial asset's repurchase date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
b. occur after BRI has collected substantially all of the original principal of the financial assets through scheduled payments or prepayments; or
c. are attributable to an isolated event that is beyond BRI's control, is non-recurring and could not have been reasonably anticipated by BRI.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(vi) Reclassification of financial assets (continued)

Reclassification of financial assets from held-to-maturity classification to available-for-sale is recorded at fair value. Unrealized gains or losses are recorded in the equity section until the financial assets are derecognized.

(vii) Offsetting

Financial assets and liabilities are set off and the net amount is presented in the consolidated statements of financial position when and only when, BRI has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

(viii) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(ix) Fair value measurement

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date, which includes the fair value obtained from IDMA's (Interdealer Market Association) quoted market prices or broker's quoted price from Bloomberg and Reuters on the measurement date.

When available, BRI measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis.

If a market for a financial instrument is inactive, BRI establishes fair value using valuation technique. BRI uses its own credit risk spreads in determining the fair value for its derivatives liability and all other liabilities for which it has elected the fair value option. When BRI's credit spread increases, BRI recognizes a gain on these liabilities, because the value of the liabilities has decreased. When BRI's credit spread decreases, BRI recognizes a loss on these liabilities because the value of the liabilities has increased.

BRI uses several commonly applied valuation models for determining fair values of financial instruments of lower complexity, such as exchange value options and currency swap. For these financial instruments, inputs into models are generally market-observable.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(ix) Fair value measurement (continued)

For more complex instruments, BRI uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

For financial instruments with no quoted market price, a reasonable estimate of the fair value is determined by reference to the fair value of another instrument which substantially has the same characteristics or calculated based on the expected cash flows of the underlying net asset base of the securities.

The output of a valuation technique is an estimate or approximation of a value that cannot be determined with certainty and the valuation technique employed may not fully reflect all factors relevant to the positions that BRI holds. Valuations are therefore adjusted, with additional factors such as model risks, liquidity risk and counterparty credit risk. Based on the established fair value valuation technique policy, related controls and procedures applied, BRI's management believes that these valuation adjustments are necessary and considered appropriate to fairly state the values of financial instruments measured at fair value in the consolidated statements of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary, particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment value. The fair value for loans and receivables as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Financial assets and long positions are measured at bid price; financial liabilities and short positions are measured at ask price. Where BRI has consolidated assets & liabilities positions with off-setting market risk, middle-market prices can be used to measure the off-setting risk positions and bid or ask price adjustment is applied to the net open positions as appropriate.

d. Quasi-reorganization

Based on SFAS No. 51 on "Accounting for Quasi-reorganization", quasi-reorganization is an accounting procedure which will enable an enterprise to restructure its equity by eliminating accumulated losses and revaluing all its assets and liabilities based on fair values without a legal re-organization. Under quasi-reorganization, the company will have a fresh start with its statements of financial position showing current values without accumulated losses as the accumulated losses are eliminated against the additional paid-in capital account.

The estimated fair values of assets and liabilities of BRI under the quasi-reorganization was determined based on the best information available in accordance with the characteristics of the related assets and liabilities, with consideration on the level of risks or market values of the related

2. SUMMARY OF ACCOUNTING POLICIES (continued)

d. Quasi-reorganization (continued)

assets and liabilities. If the market value is not available, the estimated fair value is determined based on the market values of similar types of assets, estimated present value or discounted cash flows. For certain assets and liabilities, the valuation is undertaken in accordance with the related SFAS.

Based on BRI's Shareholders' Extraordinary General Meeting held on October 3, 2003 notarized under deed No. 6 dated the same date of notary Imas Fatimah, S.H., the shareholders approved in principle the quasi-reorganization plan of BRI as of June 30, 2003 (Note 3).

BRI revalued its assets and liabilities in conjunction with the quasi-reorganization as of June 30, 2003. Since the fair value of net assets (total assets less total liabilities) of BRI is higher than their book value, based on SFAS No. 51 (before revision in 2003) and SFAS No. 21 on "Accounting for Equity", in the implementation of quasi-reorganization, BRI did not recognize the excess of such net assets against accumulated losses and used the book values of the assets and liabilities at the implementation of quasi-reorganization.

As a result of the above quasi-reorganization, BRI's deficit was eliminated against the additional paid-in capital account which amounted to Rp24,699,387 as of June 30, 2003.

Bank Indonesia, in its letter No. 5/105/DPwB2/PwB24 dated September 19, 2003 stated that in undertaking the quasi-reorganization, BRI should refer to SFAS No. 51 (before revision in 2003) and with consideration to other related aspects in implementing the quasi-reorganization.

e. Transactions with related parties

In its operational activities, BRI and Subsidiaries engage in transactions with related parties as defined in SFAS No. 7 (Revised 2010) on "Related Party Disclosure".

Effective on January 1, 2011, BRI and Subsidiaries implement the changes in SFAS No. 7 (Revised 2010), "Related Party Disclosure", which requires disclosure of relationships, transactions and balances of related parties, including commitments, in the consolidated financial statements.

The implementation of the revised SFAS affects the relevant disclosures in the consolidated financial statements of BRI and Subsidiaries.

A party is considered a related party to BRI and Subsidiaries if:

1) directly, or indirectly through one or more intermediaries, a party (i) controls, or controlled by, or under common control with BRI and Subsidiaries; (ii)has an interest in BRI and Subsidiaries that provides significant influence on BRI and Subsidiaries or (iii) has joint control over BRI and Subsidiaries;
2) it is a member of the same group as BRI and Subsidiaries;
3) it is a joint venture of a third party in which BRI and Subsidiaries have ventured in;
4) it is a member of key management personnel in BRI and Subsidiaries;
5) it is a close family member of the individual described in clause (1) or (4);
6) it is an entity that is controlled, jointly controlled or significantly influenced, directly or indirectly, by the individual described in clause (4) or (5); and
7) it is a post-employment benefit plan for the employees benefit of either BRI and Subsidiaries or entities related to BRI and Subsidiaries.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

e. Transactions with related parties (continued)

Transactions with related parties are made on terms agreed by both parties, whereby such requirements may differ from other transactions undertaken with non-related parties. Material transactions and balances with related parties are disclosed in the relevant notes to the consolidated financial statements and the details have been presented in Note 43 of the consolidated financial statements. Furthermore, material transactions and balances between BRI and Subsidiaries and the Government of the Republic of Indonesia (RI) and other entities, related to the Government of the Republic of Indonesia are also disclosed in Note 43.

f. Allowance for impairment losses on financial assets

On each statements of financial position date, BRI assesses whether there is an objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when an objective evidence demonstrate that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the financial asset that can be estimated reliably.

The criteria used by the entity to determine the existence of an objective evidence of impairment loss include:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the creditor, for economic or legal reasons relating to the debtor's financial difficulty, grants the debtor a concession that the creditor would not otherwise consider;
d) it becomes probable that the debtor will enter into bankruptcy or other financial reorganization;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   1) adverse changes in the payment status of debtors in the portfolio; and
   2) national or local conditions that correlate with defaults on the assets in the portfolio.

The estimated period between the occurrence of the event and identification of loss is determined by management for each identified portfolio. In general, the periods used vary between 3 months and 12 months; in exceptional cases, longer periods are warranted.

BRI first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If BRI determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Accounts that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assesment of impairment.

BRI determines the loans to be evaluated for impairment through individual evaluation if one of the following criteria is met:

1. Loans which individually have significant value and an objective evidence of impairment;
2. Restructured loans which individually have significant value.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

f. Allowance for impairment losses on financial assets (continued)

Based on the above criteria, BRI performs individual assessment for: (a) Corporate and middle loans with collectibility classification of substandard, doubtful and loss; or (b) Restructured corporate and middle loans.

BRI determines loans to be evaluated for impairment through collective evaluation if one of the following criteria is met:

1. Loans which individually have significant value and there is no objective evidence of impairment;
2. Loans which individually have insignificant value;
3. Restructured loans which individually have insignificant value.

Based on the above criteria, BRI performs collective assessment for: (a) Corporate and middle loans with collectibility classification of current and special mention which have never been restructured; or (b) Retail and consumer loans.

In assessing collective impairment, BRI applies Bank Indonesia Circular Letter No. 11/33/DPNP dated December 8, 2009, "Amendment to Bank Indonesia Circular Letter No. 11/4/DPNP dated January 27, 2009 on the Implementation of Accounting and Reporting Guidelines for Indonesian Banking Industry" for loans with inadequate historical loss data and information. As for the loans having adequate historical loss data and information such as loans located in areas that have experienced both natural and social disasters and categorized as disaster prone areas by the Government of the Republic of Indonesia, the calculation of allowance for impairment losses is done by calculating the overall loss rate which covers the actual loss rate plus the adjustment by BRI through periodic surveys both internal and external.

In accordance with the Appendix to the Bank Indonesia Circular Letter No. 11/33/DPNP dated December 8, 2009 (SE-BI), BRI determines the allowance for collective impairment losses of loans with reference to general allowance and specific allowance in accordance with the regulation of Bank Indonesia regarding the assessment of commercial banks' asset quality. In accordance with aforementioned SE-BI, the transition rule for collective impairment calculation on loans can be applied until December 31, 2011.

Collective allowance for loans classified as special mention, substandard, doubtful and loss is calculated after deducting the value of allowable collateral in accordance with Bank Indonesia regulations. The calculations of allowance for impairment losses is based on carrying amount (amortized cost).

BRI uses the fair value of collateral as the basis for future cash flow if one of the following conditions is met:

1. Loans are collateral dependent, i.e. if the source of loans repayment is made only from the collateral;
2. Foreclosure of collateral is most likely to occur and supported by legally binding collateral agreement.

Impairment losses on financial assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and present value of estimated future cash flows discounted at the financial assets original effective interest rate. If loans or held-to-maturity securities and Government Recapitulation Bonds have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

f. Allowance for impairment losses on financial assets (continued)

As a practical guideline, BRI may measure impairment on the basis of an instrument's fair value using an observable market price, the calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Losses are recognized in the consolidated statements of comprehensive income and reflected in an allowance for impairment losses account against financial assets carried at amortized cost. Interest income on the impaired financial assets continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss previously recognized must be recovered and the recovery is stated in the statements of comprehensive income.

For financial assets classified as available-for-sale, BRI assesses on each statements of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. Impairment losses on available-for-sale marketable securities are recognized by transferring the cumulative loss that has been recognized directly in equity to the statements of comprehensive income. The cumulative loss that has been removed from equity and recognized in the statements of comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortization and the current fair value, less any impairment loss previously recognized in the consolidated statements of comprehensive income.

Impairment losses recognized in the statements of comprehensive income on available-for-sale equity instruments should not be recovered through a reversal of a previously recognized impairment loss in the current year statements of comprehensive income.

If in a subsequent period, the fair value of debt instrument classified as available-for-sale securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statements of comprehensive income, the impairment loss is reversed, with the amount of reversal recognized in the statements of comprehensive income.

If the terms of the loans, receivables or held-to-maturity securities are renegotiated or otherwise modified because of financial difficulties of the debtor or issuer, impairment is measured using the original effective interest rate before the modification of terms.

If in the next period, the amount of allowance for impairment losses is decreased and the decrease can be related objectively to an event that occurred after the recognition of the impairment losses (i.e. upgrade debtor's or issuer's collectibility), the impairment loss that was previously recognized has to be reversed, by adjusting the allowance account. The reversal amount of financial assets is recognized in the current year consolidated statements of comprehensive income.

The recoveries of written-off financial assets in the current year are credited by adjusting the allowance for impairment losses accounts. Recoveries of written-off loans from previous years are recorded as operational income other than interest income.

For financial assets of the Subsidiary that is engaged in Sharia Banking, BRIS applies PBI No. 8/21/PBI/2006 dated October 5, 2006 as amended by PBI No. 13/13/PBI/2011 dated March 24, 2011 in determination of impairment losses.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

f. Allowance for impairment losses on financial assets (continued)

Sharia productive assets consist of current accounts with other banks, receivables and financing, sharia securities, placements with other banks, as well as commitments and contingencies with credit risk.

The recognition of minimum allowance for impairment losses in accordance with PBI is as follows:

a) 1% of earning assets classified as Current, excluding Deposit Facility of Bank Indonesia Sharia, Bank Indonesia Sharia Certificates and productive assets with cash collateral; and
b) 5% of earning assets classified as Special Mention, net of deductible collateral; and
c) 15% of earning assets classified as Sub-standard, net of deductible collateral; and
d) 50% of earning assets classified as Doubtful, net of deductible collateral; and
e) 100% of earning assets classified as Loss, net of deductible collateral.

g. Current accounts with Bank Indonesia and other banks

Current accounts with Bank Indonesia and other banks are stated at amortized cost using the effective interest rate method less allowance for impairment losses. The current accounts with Bank Indonesia and other banks are classified as loans and receivables.

h. Placements with Bank Indonesia and other banks

Placements with Bank Indonesia consist of placement in deposit facility and term deposit, while placements with other banks represent placements of funds in the form of inter-bank call money and time deposits.

Placements with Bank Indonesia and other banks are stated at amortized cost using the effective interest rate method less allowance for impairment losses. Placements with Bank Indonesia and other banks are classified as loans and receivables.

i. Securities and Government Recapitalization Bonds

Securities consist of securities traded in the money market such as Certificates of Bank Indonesia, Bank Indonesia Sharia Certificates, Government bonds, notes receivable, subordinated notes, mutual fund units, medium-term notes, guaranteed notes, US Treasury Bonds, credit-linked notes and bonds traded in the stock exchange.

Securities include bonds issued by the Government that are not related with the recapitalization program such as Government Debentures (Surat Utang Negara or SUN), Government Treasury Bills (Surat Perbendaharaan Negara or SPN) and Government bonds in foreign currency purchased from primary and secondary markets.

Government Recapitalization Bonds are bonds issued by the Government in connection with the recapitalization program for commercial banks which consist of bonds under BRI's recapitalization and Government Recapitalization Bonds purchased from the secondary market.

Securities and Government Recapitalization Bonds are initially measured at fair value. After the initial recognition, the securities and Government Recapitalization Bonds are recorded according to their category, i.e. as held-to-maturity, fair value through profit or loss or available-for-sale.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

i. Securities and Government Recapitalization Bonds (continued)

The value of securities and Government Recapitalization Bonds is stated based on the classification as follows:

1) Held-to-maturity securities and Government Recapitalization Bonds are carried at amortized cost using the effective interest rate method. BRI does not classify securities or Government Recapitalization Bonds as held-to-maturity financial assets if BRI has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity securities or Government Recapitalization Bonds before maturity other than sales or reclassifications that are defined in SFAS No. 55 (Revised 2006).

2) Securities and Government Recapitalization Bonds classified as fair value through profit or loss are stated at fair value. Gains and losses from changes in fair value of securities and Government Recapitalization Bonds are recognized in the statements of comprehensive income.

3) Securities and Government Recapitalization Bonds classified as available-for-sale investments are stated at fair value. Interest income is recognized in the consolidated statements of comprehensive income using the effective interest rate method. Foreign exchange gains or losses on available-for-sale securities and Government Recapitalization Bonds are recognized in the statements of comprehensive income.

Other fair value changes are recognized directly in equity until the securities and Government bonds are sold or impaired, whereby the cumulative gains and losses previously recognized in equity are recognized in the statements of comprehensive income.

j. Export bills

Export bills represent negotiated export bills that have been discounted and guaranteed by other banks. Export bills are stated at acquisition cost after deducting the discount and allowance for impairment losses.

Export bills are classified as loans and receivables.

k. Loans

Loans represent the lending of money or equivalent receivables under contracts or borrowing and lending commitments with debtors, whereby the debtors are required to repay their debts with interest after a specified period of time.

Loans are initially measured at fair value plus transaction costs that are directly attributable and additional costs to obtain financial assets and after initial recognition, are measured at amortized cost based on the effective interest rate method less allowance for impairment losses.

Loans are classified as loans and receivables.

Loans extended under syndication agreements are recognized at the nominal amount to the extent of the risks, borne by BRI.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

l. Sharia receivables and financing

Sharia receivables are receivables resulting from sale or purchase transactions based on *murabahah*, *istishna* and *ijarah* contracts. Sharia financing consists of *mudharabah* and *musyarakah* financing.

Murabahah is a sale or purchase contract between the customer and BRIS, whereby BRIS finances the investment and working capital needs of the customer sold with a principal price plus a certain margin that is mutually informed and agreed. Repayment on this financing is made in installments within a specified period. *Murabahah* receivables are stated at net realizable value, which is, the balance of the receivables less allowance for impairment losses. Deferred *Murabahah* margin is presented as a contra account of *Murabahah* receivables.

Istishna is a sale contract between *al-mustashni* (buyer) and *al-shani* (producer who also acts as seller). Based on the contract, the buyer orders the producer to make or produce *al-mashnu* (ordered goods) according to the specifications required by the buyer and to sell them at the agreed price. *Istishna* receivables are presented based on the outstanding billings less allowance for impairment losses.

Ijarah is a leasing agreement between the *muajjir* (lessor) and the *musta'jir* (lessee) on *ma'jur* (leased items) to obtain benefits on the items being leased.

Mudharabah financing is a joint financing made between BRIS, as the capital provider (shahibul maal) and the customer, who manages the business (mudharib), during a certain period. The profit sharing from such project or business is distributed according to a predetermined ratio (nisbah). *Mudharabah* financing is stated at the outstanding balance of the financing less allowance for impairment losses. Allowance for impairment losses is provided based on the quality of the financing as determined by a review of each individual account.

Musyarakah financing is an agreement between the investors (musyarakah partners) to combine their capital and conduct a joint business in a partnership with the profit or loss sharing based on an agreement or proportionate to the capital contribution, it is stated at the outstanding balance of the financing less allowance for impairment losses. BRI provides allowance for impairment losses based on the quality of the financing as determined by a review of each individual account.

m. Acceptances receivable and payable

Acceptances receivable and payable represent letters of credit (L/C) transactions that have been accepted by the accepting bank.

Acceptances receivable and payable are stated at amortized cost. Acceptances receivable are stated net of allowance for impairment losses.

Acceptances receivable are classified as loans and receivables. Acceptances payable are classified as financial liabilities at amortized cost.

n. Investment in shares of stocks

Investment in shares of stocks represents investment of funds in the form of shares of non-publicly-listed companies engaged in financing activities for long-term investment purposes.

Investment in shares of stocks of an entity where BRI and Subsidiaries have no significant influence is recorded in accordance with SFAS No. 55 (Revised 2006).

2. SUMMARY OF ACCOUNTING POLICIES (continued)

n. Investment in shares of stocks (continued)

Investment in shares of stocks in which BRI has an ownership interest of 20% up to 50% is recorded based on the equity method, except for the temporary investment in shares of stocks. Under the equity method, the investments are stated at acquisition cost adjusted for BRI's share in the net income or losses of the associated companies based on the percentage of ownership and reduced by dividends received since the acquisition date.

Investment in shares of stocks with an ownership percentage of less than 20% with no significant influence are carried at cost reduced by an allowance for impairment losses.

o. Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the premises and equipment when the cost is incurred, if the recognition criteria are met. When a significant inspection is performed, its cost is recognized in the carrying amount of the premises and equipment as part of the asset's replacement cost, once the recognition criteria are met. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the statements of comprehensive income upon occurrence.

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

	Years
Buildings	15
Motor vehicles	5
Computers and machineries	3 - 5
Furniture and fixtures	5

The carrying amount of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the premises and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the premises and equipment) is included in the statements of comprehensive income in the year the premises and equipment is derecognized.

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

In accordance with SFAS No. 47, "Accounting for Land", all costs and expenses incurred in relation with the acquisition of the land-rights, such as license fee, survey and measurement cost, notarial fee and taxes, are deferred and presented separately from the cost of the land-rights. The deferred cost related to the acquisition of the landright is presented as part of "Other Assets" in the statements of financial position and amortized over the period of the related landright using the straight-line method.

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

SFAS No. 48 on "Impairment in Asset Value" requires the review of the premises and equipment values for each impairment or write-down to fair value whenever events indicate that the carrying value may not be recoverable.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

p. Leases

Based on SFAS No. 30 (Revised 2007), ”Lease”, the determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of an asset and the arrangement conveys the right to use such asset. Under this revised SFAS, leases that transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases.

q. Foreclosed collaterals

Foreclosed collaterals acquired in settlement of loans (included as part of “Other Assets”) are recognized at their net realizable values. Net realizable value is the fair value of the collateral after deducting the estimated costs of disposal. The excess in loan balances which has not been paid by debtors over the value of foreclosed collaterals is charged to allowance for possible losses on loans in the current year. The difference between the value of the collateral and the proceeds from sale thereof is recognized as a gain or loss at the time of sale of the collateral.

r. Other assets

Other assets, among others, consist of interest receivables, accrued provisions and commissions, accrued interest receivables, prepaid tax, deferred expense, abandoned property, inter-office account and others.

s. Liabilities due immediately

Liabilities due immediately represent the obligations of BRI to external parties which by nature should be paid immediately in accordance with the instructions in the agreement which have been previously determined.

This account is classified as other financial liabilities and recorded at amortized cost.

t. Deposits from customers and other banks and financial institutions

Demand deposits represent funds deposited by customers whereby the withdrawal can be done at any time by using a check, or through transfer with a bank draft or other forms of payment order. These deposits are stated at the amount due to the account holder.

Wadiah demand deposits represent third party funds which are available for withdrawal at any time and earn bonus based on BRIS policy. *Wadiah* demand deposits are stated at the amount due to the account holder of the deposit in BRIS.

Saving deposits represent customers' funds which entitle the depositors to withdraw under certain agreed conditions. Deposits are stated at the amount due to the account holders.

Wadiah saving deposits represent funds deposited by customers in BRIS, whereby the deposits can be withdrawn any time and does not require BRIS to give interest unless in the form of bonus in a voluntary way. Wadiah saving deposits are stated at the amount due to the account holders.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

t. Deposits from customers and other banks and financial institutions (continued)

Mudharabah saving deposits represent funds from third parties which earn bonus based on a predetermined and pre-agreed profit-sharing return ratio (nisbah) from income derived by BRIS from the use of such funds. *Mudharabah* saving is stated at the customers' saving balance.

Time deposits represent funds deposited by customers that can be withdrawn only at a certain point of time as stated in the contract between the depositor and BRI. Time deposits are stated at the nominal amount provided in the certificates of deposits or at the amount stated in the agreement.

Mudharabah time deposits represent third party funds that can be withdrawn only at a certain point in time based on the agreement between the customer and BRIS. *Mudharabah* time deposits are stated at the nominal amount as agreed by the deposit holder and BRIS.

Deposits from other banks and other financial institutions consist of liabilities to other banks, either domestic or overseas, in the form of demand deposits, saving deposits, time deposits and inter-bank call money, through the issuance of promissory notes with a term of up to 90 (ninety) days and stated at the amount due to banks and other financial institutions.

Deposits from customers and other banks and financial institutions are classified as other financial liabilities measured at amortized cost using effective interest rate method except deposits and temporary *syirkah* funds which are stated at the Bank's payable amount to customers. Incremental costs directly attributable to the acquisition of deposits from customers are deducted from the amount of deposits.

u. Securities purchased under agreement to resell and securities sold under agreement to repurchase

Securities purchased under agreement to resell

Securities purchased under agreement to resell are presented as assets in the consolidated statements of financial position, at the resale price net of unamortized interest and net of allowance for impairment losses. The difference between the purchase price and the resale price is treated as unearned interest income (unamortized) and recognized as income over the period starting from when those securities are purchased until they are resold using effective interest rate method.

Securities purchased under agreement to resell are classified as loans and receivables.

Securities sold under agreement to repurchase

Securities sold under agreement to repurchase are presented as liabilities in the consolidated statements of financial position, at the repurchase price, net of unamortized prepaid interest. The difference between the selling price and the repurchase price is treated as prepaid interest and recognized as expense over the period starting from when those securities are sold until they are repurchased using effective interest rate method.

Securities sold under agreement to repurchase are classified as financial liabilities measured at amortized cost.

v. Subordinated loans

Subordinated loans are classified as financial liabilities at amortized cost (incremental costs directly attributable to issuance of securities are deducted from the amount of subordinated loans).

2. SUMMARY OF ACCOUNTING POLICIES (continued)

v. Subordinated loans (continued)

Subordinated bonds issued are stated at nominal value net of unamortized discount. Costs incurred related to the subordinated bond issuance are presented as deduction from the proceeds of bonds issued and amortized using the effective interest rate method.

Differences between the carrying amount of securities issued and repurchased value are not recognized as gain or loss in the consolidated statements of comprehensive income.

w. Allowance and timely payment of interest on BRI unit

Timely Payment of Interest (*Pembayaran Bunga Tepat Waktu* (PBTW)) represents incentives given to Village General Loans (Kupedes) debtors who pay their liabilities in accordance with the mutually agreed installment schedules. The amount of PBTW is 25% of interest received from either *Kupedes* working capital loans or *Kupedes* investment loans. PBTW is reported as deduction from interest income on loans.

Allowance for Timely Payment of Interest (*Cadangan Pembayaran Bunga Tepat Waktu* (CPBTW)) represents allowance provided for timely payment of incentives, which are given to debtors of *Kupedes* who settle their liabilities on time. The amount of CPBTW is 25% of interest on *Kupedes* working capital loans and *Kupedes* investment loans received monthly. CPBTW is included as part of “Other Liabilities”.

x. Interest income and interest expense

Interest income and expense for all interest bearing financial instruments are recognized in the consolidated statements of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument (or, wherever appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, BRI estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

This calculation includes all commissions, fees and other forms received by the parties in the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

If a financial asset or group of similar financial assets’ value has diminished as a result of impairment losses, interest income subsequently obtained is recognized based on the interest rate used to discount future cash flows in calculating impairment losses.

Loans for which the principal or interest has been past due for 90 (ninety) days or more, or where reasonable doubt exists as to its timely collection, are generally classified as impaired loans. Interest accrued but not yet collected is reversed when a loan is classified as impaired loan.

y. Fees and commissions

Fees and commissions directly related to lending activities, or fees and commissions income which relates to a specific period, is amorti zed over the term of the contract using the effective interest rate method and classified as part of interest income in the consolidated statements of comprehensive income.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

z. Sharia income and charges

Sharia income consists of income from *murabahah, istishna, ijarah* transactions and profit sharing from *mudharabah* and *musyarakah* financing. Income from *murabahah* and *ijarah* transactions is recognized using the accrual method. Income from *istishna* transactions and profit sharing from *mudharabah* and *musyarakah* financing are recognized when the cash installments are received. Expenses based on sharia principles consist of *mudharabah* profit sharing expense and *wadiah* bonus expense.

aa. Pension plan and employee benefits

BRI provides defined benefit pension plans covering substantially all its employees that fulfill the criteria. Under the defined benefit pension plans, current service cost is charged to current operations. Unrecognized past service cost and actuarial adjustment are amortized over the expected future remaining years of service of existing employees as determined by the actuary. In addition, BRI employees are also given Old-Age Benefits and participate in defined contribution pension plan benefits and other long-term benefits (gratuity for services, grand leaves and pension preparation period).

BRI has accounted for the liabilities arising from the implementation of Labor Law No. 13 year 2003 dated March 25, 2003 (Labor Law No. 13/2003). BRI's work separation scheme is calculated following the provisions of Labor Law No. 13/2003.

Based on SFAS No. 24 (Revised 2004) on "Employee Benefits", the cost of providing employee benefits under the prevailing Law is determined using the actuarial valuation based on the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets on that day.

These gains or losses are recognized on a straight-line method over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the remaining period until the benefits concerned become vested.

The post-employment benefits expense recognized during the year consists of current service cost, interest on obligation, actuarial gains or losses and past service costs and reduced by employees' contributions and expected return on plan assets.

ab. Stock options

BRI has granted stock options to its Directors and employees at certain positions and levels based on established criteria. Compensation cost at the grant date is calculated using the fair value of such stock options and is recognized as part of "Salaries and Employee Benefits Expense" based on cliff-vesting scheme using the straight-line method over the vesting period. The accumulation of stock compensation cost is recognized as "Stock Options" in the equity.

The fair values of the stock options granted are calculated using the Black-Scholes option pricing model.

ac. Earnings per share

Basic earnings per share is calculated by dividing the income for the year by the weighted average number of issued and fully paid shares during the related year.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ac. Earnings per share (continued)

Diluted earnings per share is computed after making the necessary adjustments to the weighted average number of common shares outstanding assuming the full exercise of employee stock options at the time of issuance.

ad. Foreign currency transactions and balances

BRI maintains its accounting records in Indonesian Rupiah. Transactions in foreign currencies are recorded at the prevailing exchange rates in effect on the date of the transactions. As of December 31, 2011 and 2010, all foreign currency monetary assets and liabilities are translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian Time). The resulting gains or losses are credited or charged to the current consolidated statements of comprehensive income.

The exchange rates used in the translation of foreign currency amounts into Rupiah are the following (full Rupiah):

	2011	2010
United States Dollar 1	9,067.50	9,010.00
Great Britain Pound Sterling 1	13,975.29	13,941.18
Japanese Yen 100	11,682.00	11,075.00
European Euro 1	11,714.76	12,017.99
Hong Kong Dollar 1	1,167.23	1,159.08

ae. Translation of the financial statements of Overseas Branch and Representative Offices

BRI has 1 (one) branch office in Cayman Islands and 2 (two) representative offices located in New York and Hong Kong which are considered as separate foreign entities.

For consolidation purposes in the consolidated financial statements, all accounts of the overseas branch and representative offices are translated into Rupiah with the following exchange rates:

- Assets and liabilities, commitments and contingencies - using Reuters spot rates at 4.00 p.m. WIB at statements of financial position date.
- Revenues, expenses, gains and losses - using the average middle rate during the month. The ending year balances consist of the sum of the translated monthly balances of revenues, expenses and profit and losses during the year.
- Equity - Capital Stock and Additional Paid-in Capital using historical rates.
- Statements of cash flows - using the spot rate published by Reuters at 4.00 p.m. WIB on statements of financial position date, except for the profit and loss accounts which are translated at the average middle rates and equity accounts which are translated at the historical rates.

The resulting difference arising from the translation process on the above financial statements is included in the equity as “Differences arising from the translation of foreign currency financial statements”.

af. Derivatives transactions

Derivatives financial instruments are valued and recognized in the statements of financial position at fair value less allowances for impairment losses. Each derivatives contract is carried as asset when the fair value is positive and as liability when the fair value is negative.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

af. Derivatives transactions (continued)

Derivatives transactions are recognized in accordance with SFAS No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement". Derivatives receivable and payable are classified as financial assets and liabilities that designated at fair value through profit or loss.

Gains or losses resulting from fair value changes are recognized in the consolidated statements of comprehensive income.

The fair value of derivatives instruments is determined based on discounted cash flows and pricing models or quoted prices from brokers of other instruments with similar characteristics.

ag. Income tax

BRI and Subsidiaries applied SFAS No. 46 on "Accounting for Income Taxes" which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting and tax reporting. SFAS No. 46 also requires the recognition of deferred tax assets which arise from future tax benefits, including accumulated tax loss which can be compensated against the following years, if it is highly probable that the future income subject to tax is adequate to be compensated.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statements of financial position date. The changes in the carrying value of deferred tax assets and liabilities due to the changes in tax rate is charged to current year operations, except transaction which have been previously charged or credited to equity.

Amendments to tax obligations are recorded when an assessment is received or, if there is objection or appeal, when the decision on the objection and or the result of the appeal is received.

The tax effect on temporary differences and accumulated tax losses on the consolidated companies, which consist of assets or liabilities, are presented in net amount for BRI and Subsidiaries.

ah. Segment reporting

Operating segment is a component of BRI and Subsidiaries which is involved in business activities which generate income and incur expense, whereby the results of their operations are reviewed on a regular basis by operating decision maker for decision making on the resources allocated to the segment and assess its performance as well as the availability of financial information can be separated.

BRI discloses its segment information based on the information that is internally provided to the operating decision maker (Board of Directors) in accordance with SFAS No. 5 (Revised 2009).

Segment information is prepared in accordance with the accounting policies adopted in the preparation and disclosures of the consolidated financial statements. The primary segment reporting is based on operating segment that consists of micro business units, retail, corporate and others and Subsidiaries, on the other hand secondary segment is based on geographical segment (Note 40).

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ah. Segment reporting (continued)

A geographical segment is engaged in providing products or services within a particular economic environment with risks and returns that are different from operating segment in other economic environments. BRI's geographical segment covers Indonesia, Asia and United States of America.

ai. Use of significant accounting judgment and estimates

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

Significant accounting judgments and estimates are as follows:

Going concern

BRI's management has made an assessment of BRI's ability to continue as a going concern and is satisfied that BRI has the resources to continue its business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt to the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

If the fair value of financial assets and financial liabilities recorded in the statements of financial position is not available in an active market, such fair value is determined using various valuation techniques including the use of mathematical models.

Inputs for this model come from market data that can be observed as long as the data is available. When observable market data is not available, it is deemed necessary for management to determine the fair value. Management's considerations include liquidity and volatility feedback model for long-term derivatives transactions and discount rate, rate of early payment and default rate assumptions.

Impairment in value of loans and receivables

BRI reviews loans and receivables on each statements of financial position date to assess whether impairment should be recognized in the consolidated statements of comprehensive income. In particular, justification by management is required to estimate the amount and timing of future cash flows when determining impairment. In the estimation of cash flows, BRI justifies the debtor's financial situation and net realizable value of collateral. These estimates are based on the assumptions of several factors and actual results may differ, as reflected in changes in the provision for impairment in the future.

aj. Allowances for impairment losses on non-earning assets and commitments and contingencies

In accordance with Bank Indonesia (BI) Letter No.13/658/DPNP/DPnP dated December 23, 2011, BRI is not required to provide an allowance for impairment losses on non-earning assets and administrative accounts (commitments and contingencies), but BRI should still calculate the allowance for impairment losses in accordance with the applicable accounting standards.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

aj. Allowances for impairment losses on non-earning assets and commitments and contingencies (continued)

Prior to the issuance of Circular Letter by BI, BRI assessed the allowance for impairment losses on non-earning assets and administrative accounts with credit risk based on Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 and in accordance with Letter from Bank Indonesia No. 12/516/DPNP/IDPnP dated September 21, 2010.

The above changes in the determination of allowance for impairment losses represent changes in accounting policy which should generally be applied retrospectively requiring restatements of prior years' comprehensive income. However, as the impact of the change in relation to prior years' results is not material, no restatements were made and the impact of the change is charged to the consolidated statements of comprehensive income in 2011.

For non-earning assets, BRI determines the impairment losses at the lower amount between the carrying value and fair value after deducting cost to sell.

For commitments and contingencies with credit risk, BRI determines the impairment losses based on the difference between the carrying amount and the present value of the payment obligations that are expected to occur (when payment under the guarantee has become probable).

ak. Changes in accounting policies and disclosures

BRI has adopted the following accounting standards, which are considered relevant to BRI, starting January 1, 2011:

i. SFAS No. 1 (Revised 2009), "Presentation of Financial Statements".
ii. SFAS No. 2 (Revised 2009), "Statements of Cash Flows".
iii. SFAS No. 3 (Revised 2010), "Interim Financial Reporting".
iv. SFAS No. 4 (Revised 2009), "Consolidated and Separate Financial Statements".
v. SFAS No. 5 (Revised 2009), "Operating Segments".
vi. SFAS No. 7 (Revised 2010), "Related Party Disclosures".
vii. SFAS No. 8 (Revised 2010), "Events After the Reporting Period".
viii. SFAS No. 15 (Revised 2009), "Investment in Associates".
ix. SFAS No. 19 (Revised 2010), "Intangible Assets".
x. SFAS No. 22 (Revised 2010), "Business Combination".
xi. SFAS No. 23 (Revised 2010), "Revenue".
xii. SFAS No. 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors".
xiii. SFAS No. 48 (Revised 2009), "Impairment of Assets".
xiv. SFAS No. 57 (Revised 2009), "Provisions, Contingent Liabilities and Contingent Assets".
xv. SFAS No. 58 (Revised 2009), "Non-Current Assets Held for Sale and Discontinued Operations".
xvi. IFAS No. 10, "Customer Loyalty Program".
xvii. IFAS No. 14, "Intangible Assets - Website Costs".
xviii. IFAS No. 17, "Interim Financial Reporting and Impairment".

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ak. Changes in accounting policies and disclosures (continued)

The adoption of the aforesaid accounting standards did not have a significant impact on BRI and Subsidiaries except for:

1. Presentation of Financial Statements

   SFAS No. 1 (Revised 2009) regulates the presentation of financial statements as to, among others, the objective, component of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and short-term and long-term liabilities, comparative information, consistency of presentation and introduces new disclosures such as, among others, key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

   The significant changes that arise from the aforementioned accounting standards impacting BRI are as follows:

   - Consolidated financial statements consist of Consolidated Statements of Financial Position, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows and Notes to Consolidated Financial Statements. Consolidated Statements of financial position showing the beginning balance of the comparative period should be presented in case of reclassification or restatements of financial statements account or when the entity adopts an accounting policy retrospectively. Whereas previously, consolidated financial statements consist of consolidated balance sheet, consolidated statements of income, consolidated statements of changes in equity, consolidated statements of cash flows and notes to consolidated financial statements.

   - Change in the term “Minority Interest” to “Non-controlling Interest” and is presented as part of equity. Previously, minority interest is presented separately between liability and equity sections.

   - Additional disclosures are required such as capital management and statement of compliance with accounting standards.

2. Disclosures of Operating Segments

   SFAS No.5 (Revised 2009), “Operating Segment”, requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environment in which it operates.

   A segment is a distinguishable component of the company that is engaged in either providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

   Total of each segment item reported shall be the measure reported to the operating decision maker for the purpose of decision making on allocating resources to the segment and assessing its performance.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ak. Changes in accounting policies and disclosures (continued)

2. Disclosures of Operating Segments (continued)

   Segment revenue, expenses, results, assets and liabilities include items which are directly attributable and can be allocated on a reasonable basis to the respective segment.

   In line with such standards, BRI determines and presents operating segment based on the information that is internally provided to the operating decision maker.

   Comparative information has been restated to conform to SFAS No. 5. There is no impact on the equity position and earnings per share of BRI.

3. Accounting for Business Combination

   SFAS No. 22 (Revised 2010) regarding "Business Combination", is applied prospectively starting January 1, 2011 and requires no adjustment for assets and liabilities of business combination entered prior to January 1, 2011.

   Since January 1, 2011, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are regarded as expense.

   When acquiring a business, BRI assesses the identifiable financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent condition on the acquisition date.

   Goodwill is initially measured at cost or the excess of the aggregate of consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary's acquired, the difference is recognized in consolidated statements of comprehensive income.

   Since January 1, 2011, BRI discontinues amortizing goodwill and annually tests goodwill for impairment in accordance with SFAS No. 48 (Revised 2009): "Impairment of Assets".

3. IMPLEMENTATION OF QUASI-REORGANIZATION

As a result of the effects of the economic conditions, BRI incurred significant losses in 1998 and 1999 amounted to Rp28,221,364. After BRI's recapitalization in July 2000 and October 2000, the allowance for possible losses on earning assets of BRI had been significantly reduced when the non-performing earning assets were transferred to the Indonesian Bank Restructuring Agency (IBRA). BRI had accumulated losses amounted to Rp24,699,387 in its statements of financial position as of June 30, 2003.

3. IMPLEMENTATION OF QUASI-REORGANIZATION (continued)

In order to have a fresh start with a statements of financial position showing the current values without accumulated losses, BRI implemented quasi-reorganization on June 30, 2003 (Note 2d).

BRI's management prepared projections of financial statements that showed strong profitability and sound Capital Adequacy Ratio (CAR) based on the primary strength of BRI as a major bank in Indonesia that focuses on micro-finance, consumer financing, small and middle businesses (UKM) and agribusiness sectors.

4. CURRENT ACCOUNTS WITH BANK INDONESIA

Current accounts with Bank Indonesia consist of:

	2011	2010
Rupiah	28,833,011	19,570,892
United States Dollar	4,207,407	418,791
	33,040,418	**19,989,683**

As of December 31, 2011 and 2010, current accounts with Bank Indonesia based on Sharia banking principles amounted to Rp455,064 and Rp254,882, respectively.

Current accounts with Bank Indonesia are maintained to comply with Bank Indonesia's Minimum Legal Reserve Requirements (GWM).

As of December 31, 2011 and 2010, the GWM ratios of BRI (Parent Entity) (unaudited) are as follows:

	2011	2010
Primary GWM - Rupiah	9.33%	8.05%
Secondary GWM - Rupiah	4.71	3.38
Primary GWM - foreign currency	8.01	1.00

The calculation of the GWM ratios as of December 31, 2011 is based on Bank Indonesia's regulation (PBI) No. 13/10/PBI/2011 dated February 9, 2011, regarding "Changes on PBI No. 12/19/PBI/2010 dated October 4, 2010 on GWM of Commercial Banks with Bank Indonesia in Rupiah and Foreign Currencies".

Starting March 1, 2011 up to May 31, 2011, GWM in foreign currency is set at 5% of total third party funds in foreign currencies and starting June 1, 2011, GWM in foreign currency is set at 8% of total third party funds in foreign currencies.

As of December 31, 2011 and 2010, based on the above Bank Indonesia regulations, the Bank is required to maintain minimum primary reserves in Rupiah of 8% in both years and in United States Dollar of 8% and 1%, respectively. The Bank is also required to maintain secondary reserves in Rupiah of 2.5% as of December 31, 2011 and 2010.

BRI has complied with Bank Indonesia's regulation regarding the minimum legal reserve requirement as of December 31, 2011 and 2010.

5. CURRENT ACCOUNTS WITH OTHER BANKS

a) By Currency:

	2011	2010
Third parties		
Rupiah	66,675	80,115
Foreign currencies		
United States Dollar	3,578,299	3,359,387
European Euro	587,150	1,135,293
Great Britain Pound Sterling	200,708	152,852
Singapore Dollar	162,921	102,781
Hong Kong Dollar	153,426	113,133
Saudi Arabian Riyal	141,816	143,956
Australian Dollar	102,502	54,188
Japanese Yen	87,686	304,615
Arab Emirates Dirham	73,146	153,508
Swiss Franc	10,121	13,727
Others	338,755	9,212
	5,436,530	5,542,652
Related parties (Note 43)		
Rupiah	4,492	971
Foreign currencies		
Hong Kong Dollar	25,502	33,406
United States Dollar	26	972
	25,528	34,378
Total	5,533,225	5,658,116
Less: Allowance for impairment losses	(61)	(63)
	5,533,164	**5,658,053**

b) By Bank:

	2011	2010
Third parties		
Rupiah		
PT Bank Central Asia Tbk	62,744	77,710
PT Bank Pembangunan Daerah Kalimantan Timur	1,476	3
Others	2,455	2,402
	66,675	80,115
Foreign currencies		
Standard Chartered Bank	1,177,572	1,565,042
JP Morgan Chase Bank, N.A.	1,908,780	1,462,694
The Hongkong and Shanghai Banking Corporation Limited	587,634	693,920
The Royal Bank of Scotland	359,690	586,765
Commerzbank, A.G.	294,720	347,932

5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

b) By Bank (continued):

	2011	2010
Third parties (continued)		
Foreign currencies (continued)		
ING Belgium N.V. Brussels	182,308	441,875
Oversea-Chinese Banking Corporation Limited	158,931	95,756
Al Rajhi Bank	133,407	124,262
ANZ Banking Group Limited	102,502	54,188
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,310	125,124
Federal Reserve Bank of New York	117,322	2,752
The Bank of New York Mellon	13,928	14,247
Others	378,426	28,095
	5,436,530	5,542,652
Related parties (Note 43)		
Rupiah		
PT Bank Mandiri (Persero) Tbk	3,980	406
PT Bank Negara Indonesia (Persero) Tbk	502	565
PT Bank Bukopin Tbk	10	-
	4,492	971
Foreign currencies		
PT Bank Negara Indonesia (Persero) Tbk	25,502	33,406
PT Bank Mandiri (Persero) Tbk	26	972
	25,528	34,378
Total	5,533,225	5,658,116
Less: Allowance for impairment losses	(61)	(63)
	5,533,164	**5,658,053**

c) By Collectibility:

BRI assessed current accounts with other banks individually for impairment based on whether an objective evidence of impairment exists, except for current accounts with other banks based on Sharia principles whereby assessment is made using Bank Indonesia's guidelines on collectibility.

Current accounts with other banks as of December 31, 2011 and 2010 were classified as "Current".

d) Average annual interest rates on current accounts with other banks:

	2011	2010
Rupiah	0.52%	0.19%
United States Dollar	0.06	0.20

5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

e) Movements in the allowance for impairment losses on current accounts with other banks:

	2011	2010
Rupiah		
Beginning balance *)	179	547
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(546)
Provision (reversal) during the year (Note 32)	(118)	62
Ending balance	61	63
Foreign currencies		
Beginning balance	-	90,264
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(90,264)
Ending balance	-	-
	61	**63**

*) The beginning balance in 2011 represents additional balance of Bank Agro (Subsidiary) which amounted to Rp116.

The minimum allowance for impairment losses on current accounts with other banks provided based on Bank Indonesia regulations amounted to Rp61 and Rp63 as of December 31, 2011 and 2010, respectively.

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

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS

a) By Currency and Type:

	2011	2010
Third parties		
Rupiah		
Bank Indonesia - Deposit Facility	41,665,793	49,784,790
Bank Indonesia - Term Deposit	27,492,087	18,367,802
Bank Indonesia - Deposit Facility Syariah	567,000	403,500
	69,724,880	68,556,092

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

a) By Currency and Type (continued):

	2011	2010
Third parties (continued)		
Rupiah (continued)		
Inter-bank call money		
Unit Usaha Syariah Bank Danamon	30,000	25,000
PT Bank Pan Indonesia Tbk	-	235,000
PT Bank Mega Tbk	-	225,000
PT Bank Pembangunan Daerah DKI	-	45,000
PT Bank Tabungan Pensiunan Nasional Tbk	-	35,000
PT Bank Commonwealth	-	30,000
PT Bank Rabobank International Indonesia	-	30,000
PT Bank Mayapada Internasional Tbk	-	25,000
PT Bank Sinarmas Tbk	-	25,000
PT Bank Himpunan Saudara 1906 Tbk	-	20,000
	30,000	695,000
	69,754,880	69,251,092
United States Dollar		
Inter-bank call money		
Citibank, N.A.	1,016,104	1,144,270
The Royal Bank of Scotland	581,104	1,114,332
Bank of America, N.A.	527,275	2,136,631
First Union, NY	398,063	2,088,518
The Bank of New York Mellon	120,598	3,257,115
Toronto Dominion Bank, N.A.	-	2,675,767
	2,643,144	12,416,633
Time deposit		
Toronto Dominion Bank, N.A.	22,669	13,515
Deposits on call		
The Industrial and Commercial Bank of China Limited	86,549	-
Standard Chartered Bank	-	991,100
	86,549	991,100
	2,752,362	13,421,248
	72,507,242	82,672,340
Related parties (Note 43)		
Rupiah		
Inter-bank call money		
PT Bank Negara Indonesia (Persero) Tbk	448,000	-
PT Perusahaan Pengelola Aset	250,000	-
PT BTMU-BRI Finance	165,000	215,000

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

a) By Currency and Type (continued):

	2011	2010
Related parties (Note 43) (continued)		
Rupiah (continued)		
PT BNI Securities	20,000	10,000
PT Bank Bukopin Tbk	-	230,000
Lembaga Pembiayaan Ekspor Indonesia	-	100,000
	883,000	555,000
United States Dollar		
Inter-bank call money		
PT Bank Negara Indonesia (Persero) Tbk	206,414	45,050
Total	73,596,656	83,272,390
Less: Allowance for impairment losses	(300)	(250)
	73,596,356	**83,272,140**

b) By Time Period:

The placements are grouped by their remaining period to maturity as follows:

	2011	2010
Third parties		
Rupiah		
≤ 1 month	69,754,880	69,251,092
United States Dollar		
≤ 1 month	2,656,745	12,416,633
> 3 months - 1 year	95,617	1,004,615
	2,752,362	13,421,248
	72,507,242	82,672,340
Related parties (Note 43)		
Rupiah		
≤ 1 month	728,000	555,000
> 3 months - 1 year	155,000	-
	883,000	555,000
United States Dollar		
≤ 1 month	206,414	45,050
Total	73,596,656	83,272,390
Less: Allowance for impairment losses	(300)	(250)
	73,596,356	**83,272,140**

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

c) By Collectibility:

BRI assessed placements with Bank Indonesia and other banks individually for impairment based on whether an objective evidence of impairment exists, except for the placements with Bank Indonesia and other banks based on Sharia principles whereby assessment is made using Bank Indonesia's guidelines on collectibility.

Placements with Bank Indonesia and other banks as of December 31, 2011 and 2010 were classified as "Current".

d) Average annual interest rates are as follows:

	2011	2010
Rupiah		
Deposit Facility and Term Deposit	5.45%	5.86%
Inter-bank call money	5.77	6.60
Foreign currency		
Inter-bank call money	0.30	0.47
Time deposit	0.40	0.63

e) Movements in the allowance for impairment losses on placements with Bank Indonesia and other banks:

	2011	2010
Rupiah		
Beginning balance	250	3,442
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(3,442)
Provision (reversal) during the year (Note 32)	50	250
Ending balance	300	250
United States Dollar		
Beginning balance	-	132,791
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(132,791)
Ending balance	-	-
	300	**250**

The minimum allowance for impairment losses on placements with Bank Indonesia and other banks provided based on Bank Indonesia regulations amounted to Rp300 and Rp250 as of December 31, 2011 and 2010, respectively.

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

e) Movements in allowance for impairment losses on placements with Bank Indonesia and other banks (continued):

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

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

7. SECURITIES

a) By Purpose, Currency and Type:

	2011	2010
Fair value through profit or loss		
Third parties		
Rupiah		
Mutual funds	10,479	9,562
Certificates of Bank Indonesia	-	193,582
	10,479	203,144
United States Dollar		
Credit Linked Notes	498,713	-
	498,713	-
Related parties (Note 43)		
Rupiah		
Government bonds	53,933	-
	53,933	-
	563,125	203,144
Available-for-sale		
Third parties		
Rupiah		
Certificates of Bank Indonesia	8,589,317	8,440,168
Bonds	2,588	-
	8,591,905	8,440,168
United States Dollar		
Bonds	91,868	-
Medium-term notes	46,022	44,589
	137,890	44,589

7. SECURITIES (continued)

a) By Purpose, Currency and Type (continued):

	2011	2010
Available-for-sale (continued)		
Related parties (Note 43)		
Rupiah		
Government bonds	4,107,050	2,365,535
Bonds	197,102	195,883
	4,304,152	2,561,418
United States Dollar		
Government bonds	2,382,083	2,026,120
	2,382,083	2,026,120
	15,416,030	13,072,295
Held-to-maturity		
Third parties		
Rupiah		
Certificates of Bank Indonesia	5,367,445	997,663
Bonds	1,067,799	924,271
Bank Indonesia Sharia Certificates (SBIS)	400,000	200,000
Subordinated notes	89,857	89,843
	6,925,101	2,211,777
United States Dollar		
Credit linked notes	3,096,995	3,175,431
Notes receivable	109,164	397,642
Medium-term notes	181,350	180,200
	3,387,509	3,753,273
Related parties (Note 43)		
Rupiah		
Government bonds	6,537,056	2,736,279
Bonds	691,337	287,228
Medium-term notes	130,000	120,000
	7,358,393	3,143,507
United States Dollar		
Government bonds	268,868	132,177
	268,868	132,177
	17,939,871	9,240,734
Total	33,919,026	22,516,173
Less: Allowance for impairment losses	(1,510)	(1,510)
	33,917,516	**22,514,663**

7. SECURITIES (continued)

b) By Collectibility:

BRI assessed securities individually for impairment based on whether an objective evidence of impairment exists, except for securities of Subsidiary based on Sharia principles whereby assessment is made using Bank Indonesia's guideline on collectibility.

Securities were classified as "Current" as of December 31, 2011 and 2010.

c) By Remaining Period to Maturity:

The classifications of securities based on their remaining period until maturity are as follows:

	2011	2010
Third parties		
Rupiah		
≤ 1 month	10,000,168	9,840,975
> 1 month - 3 months	989,485	-
> 3 months - 1 year	4,094,974	-
> 1 year	442,858	1,014,114
	15,527,485	10,855,089
United States Dollar		
≤ 1 month	138,244	81,831
> 3 months - 1 year	-	360,400
> 1 year	3,885,868	3,355,631
	4,024,112	3,797,862
	19,551,597	14,652,951
Related parties (Note 43)		
Rupiah		
≤ 1 month	4,347,610	2,586,418
> 1 month - 3 months	10,475	-
> 3 months - 1 year	75,000	214,778
> 1 year	7,283,393	2,903,729
	11,716,478	5,704,925
United States Dollar		
≤ 1 month	2,382,083	2,026,120
> 1 year	268,868	132,177
	2,650,951	2,158,297
	14,367,429	7,863,222
Total	33,919,026	22,516,173
Less: Allowance for impairment losses	(1,510)	(1,510)
	33,917,516	**22,514,663**

7. SECURITIES (continued)

d) By Type and Issuer:

d.1. Government Bonds

Government bonds represent bonds issued by the Government of the Republic of Indonesia in connection with the management of Government debentures portfolio such as Government Debentures (SUN), Government Treasury Bills (SPN) and Government bonds issued in foreign currencies which are obtained from the primary and secondary markets. The details of Government bonds are as follows:

Series	Annual Interest Rate (%)	Maturity Date	Fair Value/Carrying Value	
			2011	2010
Fair value through profit or loss				
Rupiah				
FR0058	8.25	June 15, 2032	11,150	-
FR0058	8.25	June 15, 2032	11,150	-
FR0059	9.50	May 15, 2027	20,950	-
FR0061	7.00	May 15, 2022	10,683	-
			53,933	-
Available-for-sale				
Rupiah				
FR0027	9.50	June 15, 2015	267,151	259,107
FR0028	10.00	July 15, 2017	121,058	114,114
FR0031	11.00	November 15, 2020	66,625	61,558
FR0040	11.00	September 15, 2025	502,155	425,862
FR0042	10.25	July 15, 2027	255,526	214,022
FR0045	9.75	May 15, 2037	25,200	-
FR0046	9.50	July 15, 2023	12,300	-
FR0047	10.00	February 15, 2028	227,695	62,281
FR0052	10.50	August 15, 2030	421,448	325,182
FR0053	8.25	July 15, 2021	393,321	206,241
FR0054	9.50	July 15, 2031	196,551	61,559
FR0055	7.38	September 15, 2016	236,523	80,520
FR0056	8.38	September 15, 2026	208,816	39,526
FR0057	9.50	May 15, 2041	62,442	-
FR0058	8.25	June 15, 2032	204,243	-
FR0059	7.00	May 15, 2027	317,836	-
FR0060	6.25	April 15, 2017	31,105	-
FR0061	7.00	May 15, 2022	160,250	-
ORI003	9.40	September 12, 2011	-	115,880
ORI004	9.50	March 12, 2012	135,988	125,835
ORI005	11.45	September 15, 2013	15,113	12,911
ORI006	9.35	August 15, 2012	14,717	9,424
ORI007	7.95	August 15, 2013	65,556	55,013
ORI008	7.30	October 15, 2014	2,671	-
SR001	12.00	February 25, 2012	1,965	902
SR002	8.70	February 10, 2013	14,526	6,592
SR003	8.15	February 23, 2014	12,618	-
IFR0004	9.00	October 15, 2013	53,420	52,365
IFR0006	10.25	March 15, 2030	51,525	52,252
ZC0005	-	February 20, 2013	28,706	26,201
SPN	-	various	-	58,188
			4,107,050	2,365,535

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.1. Government Bonds (continued)

Series	Annual Interest Rate (%)	Maturity Date	Fair Value/Carrying Value 2011	Fair Value/Carrying Value 2010
Available-for-sale (continued)				
United States Dollar				
RI0014	6.75	March 10, 2014	687,033	681,160
RI0014	10.38	May 4, 2014	31,762	33,585
RI0015	7.25	April 20, 2015	194,472	177,294
RI0016	7.50	January 15, 2016	63,246	63,120
RI0017	6.88	March 9, 2017	397,973	395,928
RI0018	6.88	January 17, 2018	117,447	114,968
RI0020	5.88	March 13, 2020	122,955	118,391
RI0021	4.88	May 5, 2021	222,974	-
RI0035	8.50	October 12, 2035	39,308	35,417
RI0037	6.63	February 17, 2037	142,949	127,965
RI0038	7.75	January 17, 2038	73,719	65,818
U.S Treasury Bonds	2.63	November 15, 2020	243,032	212,474
Indois18	4.00	November 21, 2018	45,213	-
			2,382,083	2,026,120
			6,489,133	**4,391,655**
Held-to-maturity				
Rupiah				
FR0026	11.00	October 15, 2014	160,379	161,983
FR0028	10.00	July 15, 2017	307,217	121,019
FR0030	10.75	May 15, 2016	34,099	34,871
FR0039	11.75	August 15, 2023	53,250	-
FR0040	11.00	September 15, 2025	57,750	58,024
FR0042	10.25	July 15, 2027	169,959	146,852
FR0043	10.25	July 15, 2022	521,725	520,920
FR0044	10.00	September 15, 2024	76,741	-
FR0045	9.75	May 15, 2037	223,882	223,762
FR0046	9.50	July 15, 2023	181,362	159,026
FR0047	10.00	February 15, 2028	382,607	108,369
FR0048	9.00	September 15, 2018	106,624	106,215
FR0049	9.00	September 15, 2013	90,263	90,089
FR0050	10.50	July 15, 2038	68,517	68,508
FR0052	10.50	August 15, 2030	296,687	296,634
FR0053	8.25	July 15, 2021	604,184	40,606
FR0054	9.50	July 15, 2031	351,982	-
FR0055	7.38	September 15, 2016	655,325	102,508
FR0056	8.38	September 15, 2026	795,572	190,711
FR0058	8.25	June 15, 2032	168,678	-
FR0059	7.00	May 15, 2027	201,205	-
FR0060	6.25	April 15, 2017	72,132	-
FR0061	7.00	May 15, 2022	201,983	-
IFR0003	9.25	September 15, 2015	115,679	116,760
IFR0005	9.00	January 15, 2017	314,119	-
IFR0007	10.25	January 15, 2025	312,241	49,644
IFR0010	10.00	February 15, 2036	12,894	-
SPN	-	various	-	139,778
			6,537,056	2,736,279

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.1. Government Bonds (continued)

Series	Annual Interest Rate (%)	Maturity Date	Fair Value/Carrying Value 2011	Fair Value/Carrying Value 2010
Held-to-maturity (continued)				
United States Dollar				
RI0015	7.25	April 20, 2015	30,419	-
RI0018	6.88	January 17, 2018	17,279	7,527
RI0020	5.88	March 13, 2020	68,501	-
RI0021	4.88	May 5, 2021	27,203	-
RI0037	6.63	February 17, 2037	125,466	124,650
			268,868	132,177
			6,805,924	**2,868,456**

The market values of Government bonds classified as at fair value through profit or loss and available-for-sale ranged from 95.69% to 144.50% and from 75.33% to 113.96% as of December 31, 2011 and 2010, respectively.

d.2. Bonds

Issuer	Annual Interest Rate (%)	Maturity Date	Rating *) 2011	Rating *) 2010	Fair Value/Carrying Value 2011	Fair Value/Carrying Value 2010
Available-for-sale						
Third parties						
Rupiah						
Thames PAM Jaya	12.50	March 13, 2013	idA-	-	2,588	-
					2,588	-
United States Dollar						
PT Medco Energi Internasional Tbk Series I 2011	6.05	July 14, 2016	idAA-	-	91,868	-
					91,868	-
Related parties (Note 43)						
Rupiah						
PT Jasa Marga (Persero) Tbk Series XIII R	10.25	June 21, 2017	idAA	idAA	105,362	105,005
PT Perusahaan Listrik Negara (Persero) Series IX A	10.40	July 10, 2017	idAA+	idAA+	81,012	80,480
Perum Pegadaian Series XII B	6.37	September 4, 2017	idAA+	idAA+	10,728	10,398
					197,102	195,883
					291,558	195,883

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.2. Bonds (continued)

Issuer	Annual Interest Rate (%)	Maturity Date	Rating *)		Fair Value/Carrying Value	
			2011	2010	2011	2010
Held-to-maturity						
Third parties						
Rupiah						
PT Japfa Comfeed Indonesia Tbk						
Series I	12.75	July 11, 2012	idA	idA-	250,000	250,000
PT Bentoel Internasional Investama Tbk						
Series I	10.50	November 27, 2012	AAA**)	AAA**)	200,000	200,000
PT Bakrieland Development Tbk						
Series I B	12.85	March 11, 2013	idBBB+	idBBB+	100,000	100,000
Sukuk Ijarah I B	16.00	July 7, 2012	idBBB+	idBBB+	50,000	50,000
PT Bank Danamon Indonesia Tbk						
Series I B	10.60	April 19, 2012	idAA+	idAA+	49,880	49,513
Series II A	8.75	December 9, 2013	idAA+	idAA+	20,000	20,000
Series II B	9.00	December 9, 2015	idAA+	idAA+	30,000	30,000
PT Bank Pan Indonesia Tbk						
Series II B	10.75	June 19, 2012	idAA	idAA	49,919	49,758
PT Mitra Adiperkasa Tbk						
Series I A	12.25	December 16, 2012	idA+	idA+	50,000	50,000
Sukuk Ijarah I A	12.25	December 16, 2012	idA+	idA+	25,000	25,000
PT Salim Invomas Pratama						
Sukuk Ijarah I	11.65	December 1, 2014	idAA	idAA-	25,000	25,000
PT Medco Energi Internasional Tbk						
Series II A	13.38	June 17, 2012	idAA-	idAA-	20,000	20,000
PT Ciliandra Perkasa						
Series II	11.50	November 27, 2012	idA+	idA+	20,000	20,000
PT Malindo Feedmill Tbk						
Series I	11.80	March 6, 2013	idAAA	idAA+	10,000	10,000
PT BW Plantation Tbk						
Series I	10.68	November 16, 2015	idA	idA	25,000	25,000
PT Astra Sedaya Finance						
Series XII C	9.70	February 25, 2014	idAA+	-	50,000	-
PT Agung Podomoro Land Tbk						
Series I A	10.00	August 25, 2014	idA	-	6,000	-
Bank Nagari						
Series VI	9.88	January 13, 2016	idA	-	10,000	-
PT Bank CIMB Niaga Tbk						
Series B	8.30	December 23, 2016	idAAA	-	30,000	-
PT Bank Sumut						
Series III	10.13	July 5, 2016	idA+	-	10,000	-
PT Bank Jabar Banten Tbk						
Series VII A	9.20	February 9, 2014	idAA-	-	20,000	-
PT Bank DKI						
Series VI A	9.25	June 17, 2014	idA+	-	17,000	-
					1,067,799	924,271

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.2. Bonds (continued)

Issuer	Annual Interest Rate (%)	Maturity Date	Rating *)		Fair Value/Carrying Value	
			2011	2010	2011	2010
Held-to-maturity (continued)						
Related parties (Note 43)						
Rupiah						
PT Bank Negara Indonesia (Persero) Tbk Series I	13.13	July 10, 2011	idAA	idAA	-	45,000
PT Danareksa (Persero)						
Series III B	13.00	June 20, 2011	-	idA	-	10,000
Series III C	13.50	June 20, 2013	idA	idA	5,000	5,000
Lembaga Pembiayaan Ekspor Indonesia						
Series IV B	11.63	June 18, 2012	idAAA	idAAA	25,000	25,000
Series I B	8.85	July 8, 2013	idAAA	idAAA	29,000	29,000
Series I C	9.60	July 8, 2015	idAAA	idAAA	20,000	20,000
Series A	7.00	December 20, 2014	idAAA	-	37,000	-
Series B	7.75	December 20, 2016	idAAA	-	38,000	-
PT Sarana Multigriya Finansial (Persero)						
Series II	9.50	January 3, 2011	-	AA**)	-	25,000
Series III B	9.75	July 8, 2013	AA***)	AA**)	20,000	20,000
Series IV B	8.80	April 5, 2013	AA***)	-	20,000	-
PT Pupuk Kalimantan Timur						
Sukuk Ijarah I	10.75	December 4, 2014	idAA	idAA	25,000	25,000
Series II	10.75	December 4, 2014	idAA	idAA	10,000	10,000
PT Indosat Tbk						
Sukuk Ijarah IV A	11.25	December 8, 2014	idAA+	idAA+	16,000	16,000
PT Bank Tabungan Negara (Persero) Tbk						
Series XIII A	11.75	May 29, 2012	idAA	idAA-	10,000	10,000
Series XIV	10.25	June 11, 2020	idAA	idAA-	30,000	30,000
Series XV	9.50	June 28, 2021	idAA	-	50,000	-
EBA Series I A	13.00	March 10, 2018	idAAA	idAAA	4,337	7,228
PT PLN (Persero)						
Sukuk Ijarah IV A	11.95	January 12, 2017	idAA+	idAA-	10,000	10,000
Perum Pegadaian						
Series I A	7.50	October 11, 2014	idAA+	-	247,000	-
PT Aneka Tambang (Persero) Tbk						
Series A	8.38	December 14, 2018	idAA	-	20,000	-
Series B	9.05	December 14, 2021	idAA	-	75,000	-
					691,337	287,228
					1,759,136	1,211,499

*) Based on ratings issued by PT Pemeringkat Efek Indonesia (Pefindo).
**) Based on ratings issued by Moody's.
***) Based on ratings issued by Fitch Ratings.

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.3. Mutual Funds

As of December 31, 2011 and 2010, ITB Mutual Funds - Niaga amounted to Rp10,479 and Rp9,562, respectively.

d.4. Notes Receivable

	2011			2010		
Issuer	Carrying Value	Rating*)	Maturity Date	Carrying Value	Rating*)	Maturity Date
Held-to-maturity						
Third parties						
United States Dollar						
Morgan Stanley	18,135	A-	August 31, 2015			
Morgan Stanley	18,135	A-	August 31, 2017			
Verizon	27,203	A-	March 28, 2014			
Gen Electric Cap Corp	45,338	A-	May 22, 2013			
U.S. Bank, N.A.	353	A-	January 3, 2012	37,242	A-	January 3, 2011
Standard Chartered Bank	-			180,200	A-	December 8, 2011
UBS AG	-			63,070	A-	September 2, 2011
UBS AG	-			27,030	A-	August 30, 2011
Intens Funds	-			45,050	A-	August 30, 2011
Natix	-			45,050	A-	August 12, 2011
	109,164			397,642		
	109,164			**397,642**		

*) Based on ratings issued by Standard & Poor's.

d.5. Subordinated Notes

Issuer	Annual Interest Rate (%)	Maturity Date	Rating *)		Carrying Value	
			2011	2010	2011	2010
Held-to-maturity						
Third parties						
Rupiah						
PT Bank OCBC NISP Series III	11.35	June 30, 2017	AA**)	AA**)	40,000	40,000
PT Bank Pan Indonesia Tbk Series II	11.60	April 9, 2018	idAA-	idAA-	49,857	49,843
					89,857	89,843

*) Based on ratings issued by Pefindo.
**) Based on ratings issued by Fitch Ratings.

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.6. Medium-Term Notes (MTN)

Issuer	Nominal Value: United States Dollar	Nominal Value: Rupiah	Annual Interest Rate (%)	Maturity Date	Fair Value/Carrying Value: 2011	Fair Value/Carrying Value: 2010
Available-for-sale						
Third party						
United States Dollar						
PT Medco Energi Internasional Tbk	5,000,000	-	6.38**)	October 29, 2013	46,022	44,589
Held-to-maturity						
Third party						
United States Dollar						
PT Medco Energi International Tbk	20,000,000	-	8.00**)	December 23, 2012	181,350	180,200
Related Parties (Note 43)						
Rupiah						
PT Perkebunan Nusantara III (Persero)						
Series A	-	25,000	9.10**)	November 22, 2013	25,000	25,000
Series B	-	25,000	9.75**)	November 22, 2015	25,000	25,000
PT Perkebunan Nusantara VII (Persero)						
Series A	-	50,000	10.40**)	July 8, 2013	50,000	50,000
PT Sarana Multigriya Finansial (Persero)						
Series II	-	20,000	8.50**)	December 30, 2011	-	20,000
Series III	-	30,000	8.20**)	October 11, 2012	30,000	-
					130,000	120,000
					311,350	300,200
					357,372	**344,789**

**) The interest is receivable every 3 (three) months.

d.7. Credit Linked Notes (CLN)

As of December 31, 2011 and 2010, the following are the balances of securities in the form of CLN:

Issuer	2010: Effective Date	Maturity Date	Annual Interest Rate	Nominal Value (US$)	Carrying Value
Fair value through profit or loss					
Third parties					
United States Dollar					
Standard Chartered Bank	March 14, 2011	March 20, 2014	3.05%	25,000,000	226,688
The Royal Bank of Scotland	April 6, 2011	March 20, 2014	LIBOR**) + 2%	30,000,000	272,025
				55,000,000	498,713
Held-to-maturity					
Third parties					
United States Dollar					
Restructured in 2011					
Credit Suisse International	October 20, 2011	December 20, 2016	LIBOR*) + 2.95%	50,000,000	502,469
				50,000,000	502,469

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.7. Credit Linked Notes (CLN) (continued)

Issuer	2011 Effective Date	Maturity Date	Annual Interest Rate	Nominal Value (US$)	Carrying Value
Held-to-maturity (continued)					
Third parties (continued)					
United States Dollar (continued)					
Restructured in 2009					
Standard Chartered Bank	February 11, 2009	March 20, 2014	LIBOR**) + 1.50%	90,000,000	897,739
The Hongkong and Shanghai Banking Corporation Limited	April 28, 2009	June 20, 2014	LIBOR**) + 1.50%	70,000,000	694,225
The Royal Bank of Scotland	January 14, 2009	March 20, 2014	LIBOR**) + 2.80%	50,000,000	503,376
The Royal Bank of Scotland	February 10, 2009	March 20, 2014	LIBOR**) + 1.10%	25,000,000	249,926
				235,000,000	2,345,266
Restructured in 2008					
The Royal Bank of Scotland	December 1, 2008	December 20, 2013	LIBOR*) + 1.00%	25,000,000	249,260
					249,260
Total					**3,595,708**

Issuer	2010 Effective Date	Maturity Date	Annual Interest Rate	Nominal Value (US$)	Carrying Value
Held-to-maturity					
United States Dollar					
Restructured in 2009					
Standard Chartered Bank	February 11, 2009	March 20, 2014	LIBOR**) + 1.50%	90,000,000	929,995
The Hongkong and Shanghai Banking Corporation Limited	April 28, 2009	June 20, 2014	LIBOR**) + 1.50%	70,000,000	714,434
The Royal Bank of Scotland	January 14, 2009	March 20, 2014	LIBOR**) + 2.80%	50,000,000	523,114
The Royal Bank of Scotland	February 10, 2009	March 20, 2014	LIBOR**) + 1.10%	25,000,000	259,224
				235,000,000	2,426,767
Restructured in 2008					
Credit Suisse International	September 26, 2008	December 20, 2012	LIBOR*) + 2.65%	50,000,000	489,082
The Royal Bank of Scotland	December 1, 2008	December 20, 2013	LIBOR*) + 1.00%	25,000,000	259,582
				75,000,000	748,664
Total					**3,175,431**

*) US$ LIBOR 6 (six) months.
**) US$ LIBOR 3 (three) months.

CLN represents a debt security where the coupon payments and principal repayment are linked to credit default event of the Republic of Indonesia (reference entity). BRI will receive all interest payments and full principal repayment if there is no credit default event. If credit default event occurs to the reference entity, the issuers will settle the CLN with bonds issued by the reference entity or cash at a certain amount. Credit default events that can occur to the reference entity among others are (i) failure to pay any matured obligation, (ii) repudiation/moratorium and (iii) restructuring in which the payment terms are unfavorable to the creditors.

7. SECURITIES (continued)

d) By Type and Issuer (continued):

d.7. Credit Linked Notes (CLN) (continued)

During 2011, BRI has restructured CLN contracts with Credit Suisse International by changing the period, interest rate and eliminated the requirement to make the top-up payment.

The embedded credit default swap as of December 31, 2011 and 2010 have a negative fair value of US$11,614,086 and US$8,023,069 (equivalent to Rp105,311 and Rp72,288), respectively, which were recognized as derivatives payable in the consolidated statements of financial position (Note 11). The net gain from the decrease in negative fair value of the embedded credit default swap was recognized as income for the years ended December 31, 2011 and 2010 which amounted to US$2,034,218 (equivalent to Rp18,445) and US$20,912,952 (equivalent to Rp188,426), respectively.

On December 31, 2011 BRI recognized net unrealized gains from increase in fair value of CLN classified as "fair value through profit or loss" amounted to US$1,408,049 (equivalent to Rp12,767) which was recorded in the consolidated statements of financial position as derivatives receivable (Note 11) and consolidated statements of comprehensive income as unrealized gain from changes in fair value of securities and Government Recapitalization Bonds.

e) Movements in the allowance for impairment losses on securities:

	2011	2010
Rupiah		
Beginning balance *)	1,535	13,859
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(12,449)
Provision (reversal) during the year (Note 32)	(25)	100
Ending balance	1,510	1,510
United States Dollar		
Beginning balance	-	43,250
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(43,250)
Ending balance	-	-
	1,510	**1,510**

*) The beginning balance of 2011 is including the balance of Bank Agro (Subsidiary) which amounted to Rp25.

The minimum allowance for impairment losses on securities provided based on Bank Indonesia regulations amounted to Rp1,510 as of December 31, 2011 and 2010, respectively.

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

7. SECURITIES (continued)

f) Average annual interest rates

	2011	2010
Rupiah	7.58%	8.01%
United States Dollar	4.38	3.81

g) BRI recognized unrealized gain - net in the value of "Fair Value through Profit or Loss" securities amounting to Rp884 and Rp3,321 for the years ended December 31, 2011 and 2010, respectively, which are recorded under "Unrealized gain from changes in fair value of securities and Government Recapitalization Bonds - net" in the consolidated statements of comprehensive income.

h) BRI recognized gain - net resulting from the sale of securities amounting to Rp132,246 and Rp153,275 for the years ended December 31, 2011 and 2010, respectively, which are recorded under "Gain on sale of securities and Government Recapitalization Bonds - net" in the consolidated statements of comprehensive income.

i) Government bonds amounted to Rp540,600 as of December 31, 2010 were sold under agreement to repurchase (Note 23).

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

8. EXPORT BILLS

a) By Type and Currency:

	2011	2010
Third parties		
Rupiah		
Domestic Documentary Letters of Credit	58,057	42,715
Export bills	1,885	-
	59,942	42,715
Foreign currencies		
Export bills		
Chinese Yuan	3,762,636	-
United States Dollar	690,387	445,105
Japanese Yen	118,818	125,609
European Euro	104,796	34,467
Hong Kong Dollar	46,536	70,927
Arab Emirates Dirham	22,672	4,485
Saudi Arabian Riyal	7,933	12,523
Great Britain Pound Sterling	7,750	3,086
Australian Dollar	4,877	2,840
Singapore Dollar	2,222	-
	4,768,627	699,042
Total	4,828,569	741,757
Less: Allowance for impairment losses	-	(7,418)
	4,828,569	**734,339**

8. EXPORT BILLS (continued)

b) By Collectibility:

All export bills were classified as "Current" as of December 31, 2011 and 2010.

c) By Period:

The classification of export bills based on their remaining period to maturity is as follows:

	2011	2010
Third parties		
≤ 1 month	572,438	480,034
> 1 month - 3 months	816,080	218,257
> 3 months - 1 year	3,440,051	43,466
Total	4,828,569	741,757
Less: Allowance for impairment losses	-	(7,418)
	4,828,569	**734,339**

d) Movements in the allowance for impairment losses on export bills:

	2011	2010
Beginning balance *)	7,638	5,512
Provision (Reversal) during the year (Note 32)	(7,638)	1,906
Ending balance	**-**	**7,418**

*) The beginning balance in 2011 represents additional balance of Bank Agro (Subsidiary) which amounted to Rp220.

The minimum allowance for impairment losses on export bills provided based on Bank Indonesia regulations amounted to RpNil and Rp7,418 as of December 31, 2011 and 2010, respectively.

Management believes that the allowance for impairment losses on export bills is adequate.

Information with respect to the classification of not impaired and impaired financial assets is disclosed in Note 37.

9. GOVERNMENT RECAPITALIZATION BONDS

This account represents bonds issued by the Government related to BRI's recapitalization program and Government Recapitalization Bonds purchased from the secondary market.

In connection with the recapitalization program, BRI received bonds issued by the Government at a nominal amount of Rp29,149,000 in 2 (two) tranches at nominal amounts of Rp20,404,300 on July 25, 2000 and Rp8,744,700 on October 31, 2000, all of which earn interest of a fixed interest rate. Based on the management contract dated February 28, 2001 between the Government and the Directors and Boards of Commissioners of BRI, the total Government Recapitalization Bonds needed for BRI's recapitalization was determined at Rp29,063,531 (Note 28a), therefore the recapitalization excess of Rp85,469 should be returned to the Government and BRI will not earn the interest income on such bonds. On November 5, 2001, BRI returned the Government Recapitalization bonds amounted to Rp85,469, including the related interests on such bonds to the Government.

9. GOVERNMENT RECAPITALIZATION BONDS (continued)

The details of Government Recapitalization Bonds are as follows:

a) By Ownership Purpose and Remaining Period to Maturity:

	2011	2010
Available-for-sale		
≤ 1 month	5,396,026	6,026,463
Held-to-maturity		
> 1 month - 3 months	-	4,000,000
> 1 year - 5 years	1,000,000	500,000
> 5 years - 10 years	2,600,000	3,100,000
	3,600,000	7,600,000
	8,996,026	**13,626,463**

b) By Classification and Type:

Series	Annual Interest Rate (%)	Maturity Date	Fair Value/Carrying Value	
			2011	2010
Available-for-sale				
FR0016	13.45	August 15, 2011	-	1,047,776
FR0017	13.15	January 15, 2012	1,261,849	1,353,485
FR0018	13.18	July 15, 2012	3,420,476	3,625,202
VR0027	SPN 3 months	July 25, 2018	447,714	-
VR0031	SPN 3 months	July 25, 2020	265,987	-
			5,396,026	6,026,463
Held-to-maturity				
FR0015	13.40	February 15, 2011	-	4,000,000
VR0020	SPN 3 months	April 25, 2015	250,000	250,000
VR0021	SPN 3 months	November 25, 2015	250,000	250,000
VR0023	SPN 3 months	October 25, 2016	500,000	500,000
VR0026	SPN 3 months	January 25, 2018	375,000	375,000
VR0027	SPN 3 months	July 25, 2018	375,000	375,000
VR0028	SPN 3 months	August 25, 2018	375,000	375,000
VR0029	SPN 3 months	August 25, 2019	375,000	375,000
VR0031	SPN 3 months	July 25, 2020	1,100,000	1,100,000
			3,600,000	7,600,000
			8,996,026	**13,626,463**

c) Other Significant Information:

The schedule of interest payment for bonds series FR is every 6 (six) months, while for bonds series VR, every 3 (three) months.

Government Recapitalization Bonds sold under agreement to repurchase as of December 31, 2011 and 2010 amounted to Rp100,000 (Note 23).

The market values of several Government Recapitalization Bonds classified under fair value through profit or loss and available-for-sale ranged from 98.51% to 104.44% and from 104.99% to 110.69% as of December 31, 2011 and 2010, respectively.

9. GOVERNMENT RECAPITALIZATION BONDS (continued)

c) Other Significant Information (continued):

BRI recognized net loss from sales of Government Recapitalization Bonds classified as "Fair value through profit or loss" amounting to Rp387 for the year ended December 31, 2010, which was recorded under "Gain on sale of securities and Government Recapitalization Bonds - net" in the consolidated statements of comprehensive income.

10. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

Securities purchased under agreement to resell as of December 31, 2011 and 2010 consist of:

	2011			
	Terms (day)	Resale Date	Nominal Amount	Resale Price - Net
Third parties				
Bank Indonesia				
Government bonds				
Series FR0059	99	February 16, 2012	18,000	18,265
Series FR0056	99	February 16, 2012	171,000	190,451
Series FR0054	21	January 12, 2012	2,000,000	2,458,802
Series FR0053	20	January 12, 2012	1,048,200	1,195,006
Series FR0052	104	February 16, 2012	134,771	177,596
Series FR0052	22	January 12, 2012	84,096	110,386
Series FR0047	22	January 12, 2012	915,904	1,148,998
Series FR0046	20	January 12, 2012	730,800	897,153
Series FR0044	20	January 12, 2012	391,000	492,300
Series FR0043	20	January 12, 2012	830,000	1,062,032
Series FR0043	99	February 16, 2012	61,000	77,627
Series FR0042	100	March 29, 2012	1,000,000	1,288,767
Series FR0023	99	February 16, 2012	250,000	265,915
			7,634,771	**9,383,298**

	2010			
	Terms (day)	Resale Date	Nominal Amount	Resale Price - Net
Third parties				
PT Bank Pan Indonesia Tbk				
Government bonds				
Series FR0031	29	January 14, 2011	110,000	124,511
Series FR0040	29	January 14, 2011	115,000	124,620
Series FR0045	29	January 14, 2011	263,000	252,250
			488,000	**501,381**

BRI assessed securities purchased under agreement to resell individually for impairment based on whether an objective evidence of impairment exists.

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

11. DERIVATIVES RECEIVABLE AND PAYABLE

The summary of the derivatives transactions is as follows:

Transaction	2011 Derivatives receivable	2011 Derivatives payable
Credit linked notes (Note 7)	12,767	105,311
Foreign currency swap	4,976	67,770
Cross currency and interest rate swap	75	-
Purchase and sale of foreign currency spot	-	455
	17,818	**173,536**

Transaction	2010 Derivatives receivable	2010 Derivatives payable
Cross currency and interest rate swap	78,654	5,840
Purchase and sale of foreign currency spot	5,722	3,673
Foreign currency swap	3,494	-
Credit linked notes (Note 7)	-	72,288
	87,870	**81,801**

a) Cross currency and interest rate swap

BRI's cross currency and interest rate swap contracts as of December 31, 2011 and 2010 are as follows:

2011

Counterparties	Notional Amount (US$)	Annual Interest Rate		Date	
		Received	Paid	Effective	Maturity
The Royal Bank of Scotland	20,000,000	6.30%	LIBOR*) + 0.60%	September 23, 2011	September 23, 2012
DBS Bank	65,000,000	7.50%	LIBOR**) + 1.65%	September 27, 2011	September 27, 2014
DBS Bank	35,000,000	7.25%	LIBOR**) + 1.65%	October 6, 2011	October 6, 2013
Standard Chartered Bank	50,000,000	7.00%	LIBOR**) + 1.30%	September 22, 2011	September 22, 2013
The Hongkong and Shanghai Banking Corporation Limited	50,000,000	7.50%	LIBOR**) + 1.70%	September 26, 2011	September 26, 2014
The Hongkong and Shanghai Banking Corporation Limited	50,000,000	7.50%	LIBOR**) + 1.70%	September 21, 2011	September 22, 2014

*) US$ LIBOR 6 (six) months.
**) US$ LIBOR 3 (three) months.

2010

Counterparties	Notional Amount (US$)	Annual Interest Rate		Date	
		Received	Paid	Effective	Maturity
The Royal Bank of Scotland	50,000,000	LIBOR**) + 0.25%	5.40%	December 9, 2010	December 9, 2011
The Royal Bank of Scotland	25,000,000	LIBOR**) + 0.50%	5.95%	October 13, 2010	October 13, 2011
DBS Bank	40,000,000	SBI*) + 0.05%	LIBOR**) + 1.10%	June 9, 2008	June 9, 2011
DBS Bank	25,000,000	LIBOR**) + 1.50%	SBI*) + 1.50%	July 21, 2010	July 21, 2011
Standard Chartered Bank	100,000,000	11%	LIBOR**) + 0.80%	June 19, 2008	June 19, 2011
Standard Chartered Bank	50,000,000	LIBOR**) + 0.25%	SBI*) – 1.50%	November 12, 2010	November 14, 2011
Standard Chartered Bank	100,000,000	LIBOR**) + 0.50%	SBI*)	September 7, 2010	September 7, 2011
The Hongkong and Shanghai Banking Corporation Limited	25,000,000	LIBOR**) + 1.50%	SBI*) + 1.18%	August 12, 2010	August 12, 2011

*) Certificates of Bank Indonesia 3 (three) months.
**) LIBOR USD 3 (three) months.

11. DERIVATIVES RECEIVABLE AND PAYABLE (continued)

a) Cross currency and interest rate swap (continued)

BRI enters into cross currency and interest rate swap contracts with several counterparties, whereby BRI and counterparties agree to exchange funds in US$ and Rupiah with the amount equal to the amount stated on the effective date of the contract. Thus, BRI/counterparties shall pay interest according to the funds received.

If the funds received are in US$, the beneficiary pays fixed rate or floating rate LIBOR 3 (three) or LIBOR 6 (six) months plus certain margin per annum. On the contrary, the beneficiary pays fixed rate or floating rate of Certificates of Bank Indonesia 3 (three) months plus certain margin per annum if funds received are in Rupiah.

b) Foreign currency spots - purchase and sale

As of December 31, 2011, BRI has outstanding foreign currency spot contracts purchase in United States Dollar (US$) with notional amount of US$10,000,000 and contractual amount of Rp91,130.

c) Foreign currency swap

As of December 31, 2011, BRI has outstanding foreign currency swap contract in United States Dollar (US$) with notional amount of US$17,400,000, with the purchased contractual amount of Rp156,881 and sold contractual amount of Rp160,007.

Movements in the allowance for impairment losses on derivatives receivable:

	2010
Beginning balance	1,449
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	(1,449)
Ending balance	**-**

As of December 31, 2011 and 2010, all derivatives receivable were not impaired.

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

12. LOANS

a) By Currency and Type:

	2011	2010
Third parties		
Rupiah		
Kupedes	90,189,492	75,371,389
Working capital	61,633,557	62,290,266
Consumer	55,715,913	50,791,261
Investment	14,031,064	12,714,177

12. LOANS (continued)

a) By Currency and Type (continued):

	2011	2010
Third parties (continued)		
Rupiah (continued)		
Program	7,825,141	6,625,255
Syndicated	934,695	775,934
Others	1,247,900	139,046
	231,577,762	208,707,328
Foreign currencies		
Working capital	11,710,504	4,159,430
Investment	4,113,834	3,704,834
Syndicated	353,748	399,746
	16,178,086	8,264,010
	247,755,848	216,971,338
Related parties (Note 43)		
Rupiah		
Working capital	16,355,057	12,670,289
Syndicated	7,858,316	8,152,188
Investment	3,287,839	1,741,962
Consumer	56,855	35,262
Employees	55,721	35,742
	27,613,788	22,635,443
Foreign currencies		
Working capital	9,016,108	6,936,650
Investment	1,020,513	420,326
Consumer	-	481
	10,036,621	7,357,457
	37,650,409	29,992,900
Total	285,406,257	246,964,238
Less: Allowance for impairment losses	(15,951,531)	(13,991,454)
	269,454,726	**232,972,784**

Details of loans in foreign currencies as of December 31, 2011 and 2010 are Rp26,141,237 and Rp15,596,196 in United States Dollars, Rp73,470 and Rp21,607 in Singapore Dollars, RpNil and Rp3,032 in European Euro, RpNil and Rp632 in Great Britain Pound Sterling, respectively.

b) By Economic Sector:

	2011	2010
Third parties		
Rupiah		
Trading, hotels and restaurants	82,301,568	82,130,884
Agriculture	18,419,819	15,746,727
Business services	7,210,928	6,157,754

12. LOANS (continued)

b) By Economic Sector (continued):

	2011	2010
Third parties (continued)		
Rupiah (continued)		
Manufacturing	7,173,161	7,903,000
Construction	4,252,484	4,400,580
Social services	2,601,608	2,650,878
Transportation, warehousing and communications	1,619,659	1,540,925
Mining	795,759	1,415,313
Electricity, gas and water	432,713	400,548
Others	106,770,063	86,360,719
	231,577,762	208,707,328
Foreign currencies		
Trading, hotels and restaurants	6,319,825	1,156,020
Manufacturing	3,069,287	2,736,052
Agriculture	2,198,047	894,860
Mining	1,620,730	534,798
Transportation, warehousing and communications	882,440	919,773
Construction	707,672	230,940
Business services	200,083	53,500
Social services	90,213	99,629
Electricity, gas and water	67,952	899,656
Others	1,021,837	738,782
	16,178,086	8,264,010
	247,755,848	216,971,338
Related parties (Note 43)		
Rupiah		
Electricity, gas and water	6,013,365	4,572,476
Business services	5,031,028	4,453,355
Social services	4,092,903	25,057
Manufacturing	2,895,110	2,154,595
Agriculture	2,751,043	1,418,477
Transportation, warehousing and communications	2,380,028	2,299,154
Construction	1,467,558	943,091
Mining	307,681	350,000
Trading, hotels and restaurants	33,557	159,633
Others	2,641,515	6,259,605
	27,613,788	22,635,443
Foreign currencies		
Manufacturing	6,131,164	52,591
Mining	2,754,253	3,013,805
Construction	458,021	277,956
Transportation, warehousing and communications	77,074	-
Trading, hotels and restaurants	49,985	3,913,403
Business services	45,338	-

12. LOANS (continued)

b) By Economic Sector (continued):

	2011	2010
Related parties (Note 43) (continued)		
Foreign currencies (continued)		
Agriculture	-	11,864
Others	520,786	87,838
	10,036,621	7,357,457
	37,650,409	29,992,900
Total	285,406,257	246,964,238
Less: Allowance for impairment losses	(15,951,531)	(13,991,454)
	269,454,726	**232,972,784**

c) By Period:

The classification of loans based on the remaining period until maturity is as follows:

	2011	2010
Third parties		
Rupiah		
≤ 1 month	8,636,335	8,114,618
> 1 month - 3 months	11,170,959	11,294,927
> 3 months - 1 year	46,374,408	44,749,348
> 1 year - 2 years	37,071,298	32,326,151
> 2 years - 5 years	65,733,770	60,619,171
> 5 years	62,590,992	51,603,113
	231,577,762	208,707,328
Foreign currencies		
≤ 1 month	744,280	1,025,975
> 1 month - 3 months	802,530	732,191
> 3 months - 1 year	6,644,163	1,190,906
> 1 year - 2 years	1,418,908	512,271
> 2 years - 5 years	4,238,244	2,889,888
> 5 years	2,329,961	1,912,779
	16,178,086	8,264,010
	247,755,848	216,971,338
Related parties (Note 43)		
Rupiah		
≤ 1 month	5,069,059	4,202,001
> 1 month - 3 months	5,472,456	5,959,298
> 3 months - 1 year	3,880,725	1,194,479
> 1 year - 2 years	672,840	1,810,107
> 2 years - 5 years	2,811,474	2,575,554
> 5 years	9,707,234	6,894,004
	27,613,788	22,635,443

12. LOANS (continued)

c) By Period (continued):

	2011	2010
Related parties (Note 43) (continued)		
Foreign currencies		
≤ 1 month	6,126,118	-
> 3 months - 1 year	98,959	71,896
> 1 year - 2 years	112,336	199,229
> 2 years - 5 years	2,754,253	2,824,595
> 5 years	944,955	4,261,737
	10,036,621	7,357,457
	37,650,409	29,992,900
Total	285,406,257	246,964,238
Less: Allowance for impairment losses	(15,951,531)	(13,991,454)
	269,454,726	**232,972,784**

d) By Collectibility:

	2011	2010
Individual	4,261,841	5,011,021
Collective		
Current	257,435,589	225,447,541
Special mention	18,698,719	11,547,910
Substandard	752,016	1,044,966
Doubtful	847,057	894,169
Loss	3,411,035	3,018,631
Total	285,406,257	246,964,238
Less: Allowance for impairment losses	(15,951,531)	(13,991,454)
	269,454,726	**232,972,784**

e) Other Significant Information:

1) Average annual interest rates for loans are as follows:

	2011	2010
Contractual Rate		
Rupiah	16.80%	15.98%
Foreign Currencies	2.84	3.66
Effective Interest Rate		
Rupiah	22.00%	22.76%
Foreign Currencies	6.50	6.51

2) The loans are generally collateralized by registered mortgages, by powers of attorneys to sell, demand deposits, time deposits or by other guarantees generally accepted by banks (Notes 19 and 21).

3) Working capital and investment loans represent loans to customers for capital goods and working capital requirements.

12. LOANS (continued)

e) Other Significant Information (continued):

4) Consumer loans consist of housing, motor vehicles and other personal loans.

5) Program loans represent loan facilities channeled by BRI based on the guidelines from the Government to support the development of Indonesia's small scale industry, middle and cooperative units and to finance the procurement of food supply by the National Logistics Agency (BULOG).

6) *Kupedes* loans represent credit facilities channeled by BRI through BRI's Units. The target of these loans is micro business and fixed income employees that require additional funds, in accordance with the maximum limit amount stated in the *Kupedes* manual. The economic sectors covered under *Kupedes* include agriculture, manufacturing, trading and others.

7) The syndicated loans represent loans provided to customers under syndication agreements with other banks. BRI's participation as member of the syndicated loans ranged from 10% until 74.94% and 12.44% until 74.94% as of December 31, 2011 and 2010, respectively.

8) Loans to employees which earn interest of 5.5% per annum were intended for the acquisition of vehicles, houses and other necessities with 4 (four) to 20 (twenty) years maturity. Loan principal and interest payments were collected through monthly payroll deductions. Difference between employee loan's interest rates and Base Lending Rate (BLR) is deferred and recorded as deferred expense for employee loans as part of other assets. Deferred expense for employee loans amounted to Rp629,188 and Rp757,608 as of December 31, 2011 and 2010, respectively (Note 17).

9) Loans granted by BRI to related parties, other than loans to key employees (Note 43) are as follows:

	2011	2010
PT Perusahaan Listrik Negara (Persero)	6,838,464	6,199,343
PT Pertamina (Persero)	8,539,984	7,217,175
Perum Pegadaian	4,858,401	4,246,385
PT Taspen (Persero)	4,014,051	3,390,000
PT Telekomunikasi Indonesia (Persero) Tbk	1,700,000	1,375,000
Perum BULOG	1,229,276	676,293
PT Petrokimia Gresik	900,518	642,743
Ministry of Finance of the Republic of Indonesia	820,519	270,284
PT Pupuk Kalimantan Timur (Persero)	773,151	417,066
PT Perkebunan Nusantara XI (Persero)	448,706	317,267
PT Bringin Srikandi Finance	193,312	187,218
PT Bringin Indotama Sejahtera Finance	113,445	158,432
PT Bringin Karya Sejahtera	18,020	20,652
PT Bringin Gigantara	3,637	5,971
PT Bringin Sejahtera Artha Makmur	1,134	-
Others	7,142,070	4,833,329
	37,594,688	**29,957,158**

12. LOANS (continued)

e) Other Significant Information (continued):

10) Loans that have been restructured by BRI (Parent Entity) in 2011 and 2010 and are still in the process of restructuring as of December 31, 2011 and 2010 are as follows (unaudited):

	2011	2010
Restructured during the year	985,180	1,034,003
In the process of restructuring	522,971	716,171

The scheme of restructuring is generally extension of the payment period.

11) In its report on Legal Lending Limit to Bank Indonesia as of December 31, 2011 and 2010, BRI indicated that there is no debtor either related party or third party who has not complied with or exceeded the Legal Lending Limit.

12) The details of non-performing loans and allowance for impairment losses by economic sector are as follows:

	2011	2010
Trading, hotel and restaurant	4,667,692	4,428,668
Manufacturing	1,105,804	1,416,037
Agriculture	576,143	603,940
Business services	497,988	559,596
Construction	413,031	738,139
Social services	212,401	368,854
Transportation, warehousing and communications	154,337	276,623
Electricity, gas and water	24,692	17,528
Mining	21,373	25,279
Others	1,598,488	1,534,123
Total	9,271,949	9,968,787
Less: Allowance for impairment losses	(7,027,144)	(7,646,236)
	2,244,805	**2,322,551**

The ratios of gross non-performing loans (NPL) based on Bank Indonesia regulations are as follows:

(i) Consolidated

	2011	2010
Total non-performing loans	6,586,960	6,865,709
Total loans	285,406,257	246,964,238
% non-performing loans (Gross NPL)	2.31%	2.78%

(ii) BRI (Parent Entity)

	2011	2010
Total non-performing loans	6,522,422	6,865,709
Total loans	283,583,198	246,964,238
% non-performing loans (Gross NPL)	2.30%	2.78%

12. LOANS (continued)

e) Other Significant Information (continued):

Movements in the allowance for impairment losses on loans:

	2011	2010
Beginning balance *)	14,201,100	11,279,891
Adjustment on the beginning balance due to the implementation of SFAS No. 55 (Revised 2006) (Note 39)	-	(17,266)
Provision during the year (Note 32)	5,789,241	7,879,092
Loans written off during the year	(4,394,952)	(4,964,081)
Foreign currency translation	356,142	(186,182)
Ending balance	**15,951,531**	**13,991,454**

*) The beginning balance in 2011 represents additional balance of Bank Agro (Subsidiary) which amounted to Rp209,646.

BRI's (Parent Entity) allowance for impairment losses balance includes the allowance for disaster prone areas amounted to Rp5,961,982 and Rp3,903,584 as of December 31, 2011 and 2010, respectively (Notes 2f and 37).

The minimum allowance for impairment losses on loans provided based on Bank Indonesia regulation (Note 2f) amounted to Rp8,620,578 and Rp7,743,646 as of December 31, 2011 and 2010, respectively.

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

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

13. SHARIA RECEIVABLES AND FINANCING

Sharia receivables and financing based on collectibility are as follows:

	2011	2010
Third parties		
Current	8,517,359	5,138,596
Special mention	216,663	180,244
Substandard	29,280	42,984
Doubtful	71,752	31,043
Loss	151,801	101,630
	8,986,855	5,494,497

13. SHARIA RECEIVABLES AND FINANCING (continued)

	2011	2010
Related parties (Note 43)		
Current	121,860	30,471
	121,860	30,471
Total	9,108,715	5,524,968
Less: Allowance for impairment losses	(138,441)	(111,376)
	8,970,274	**5,413,592**

Sharia receivables and financing consist of *murabahah* receivables, *istishna* receivables, *qardh* receivables, *mudharabah* financing and *musyarakah* financing.

Movements in the allowance for impairment losses on Sharia receivables and financing:

	2011	2010
Beginning balance	111,376	88,257
Provision during the year (Note 32)	18,743	(3,267)
Recoveries	35,964	26,386
Loans written off during the year	(27,642)	-
Ending balance	**138,441**	**111,376**

Management believes that the allowance for provision on Sharia receivables and financing is adequate.

As of December 31, 2011 and 2010, Sharia receivables and financing classified as Non-Performing Financing (NPF) amounted to Rp252,833 (2.78%) and Rp175,657 (3.18%), respectively.

14. ACCEPTANCES RECEIVABLE AND PAYABLE

The details of acceptances receivable from customers are as follows:

a) By Type and Currency:

	2011	2010
Third parties		
Rupiah		
Domestic Document Letters of Credit	56,514	-
Foreign currencies		
Import Letters of Credit and Domestic Document Letters of Credit		
United States Dollar	1,325,538	560,271
European Euro	14,028	35,090
Japanese Yen	1,255	-
Singapore Dollar	-	613
	1,340,821	595,974
	1,397,335	595,974

14. ACCEPTANCES RECEIVABLE AND PAYABLE (continued)

a) By Type and Currency (continued):

	2011	2010
Related parties (Note 43)		
Rupiah		
Import Letters of Credit and Domestic Document		
Letters of Credit	493	-
Foreign currencies		
Import Letters of Credit and Domestic Document		
Letters of Credit		
United States Dollar	280,468	70,904
Japanese Yen	13,880	-
	294,348	70,904
	294,841	70,904
Total	1,692,176	666,878
Less: Allowance for impairment losses	-	(6,669)
	1,692,176	**660,209**

Acceptances payable represent the same amount as acceptances receivable from customers (before allowance for impairment losses).

b) By Collectibility:

As of December 31, 2011 and 2010, all acceptances receivable were classified as “Current”.

c) By Period:

The classifications of acceptances receivable based on the remaining period until maturity are as follows:

	2011	2010
Third parties		
≤ 1 month	395,301	202,717
> 1 month - 3 months	716,137	290,109
> 3 months - 1 year	285,897	103,148
	1,397,335	595,974
Related parties (Note 43)		
≤ 1 month	33,279	66,881
> 1 month - 3 months	23,276	4,023
> 3 months - 1 year	238,286	-
	294,841	70,904
Total	1,692,176	666,878
Less: Allowance for impairment losses	-	(6,669)
	1,692,176	**660,209**

14. ACCEPTANCES RECEIVABLE AND PAYABLE (continued)

d) Movements in the allowance for impairment losses on acceptances receivable:

	2011	2010
Beginning balance *)	7,240	4,502
Provision (reversal) during the year (Note 32)	(7,240)	2,167
Ending Balance	**-**	**6,669**

*) The beginning balance in 2011 represents additional balance of Bank Agro (Subsidiary) which amounted to Rp571.

The minimum allowance for impairment losses on acceptances receivable provided based on Bank Indonesia regulation amounted to RpNil and Rp6,669 as of December 31, 2011 and 2010, respectively.

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

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

15. INVESTMENT IN SHARES OF STOCKS

The details of investment in shares of stocks are as follows:

		2011			
Company Name	Type of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings of Associated Company	Carrying Value
Equity Method					
PT BTMU-BRI Finance	Financing	45.00%	24,750	138,531	163,281
Cost Method					
PT Kustodian Sentral Efek Indonesia	Central securities depository institution	3.00			900
PT Sarana Bersama Pembiayaan Indonesia	Investment	8.00			536
PT Pemeringkat Efek Indonesia	Credit rating agency	2.10			210
BPR Toelongredjo Agroloka	Banking	3.00			77
BPR Tjoekir Agroloka	Banking	3.00			77
BPR Toelangan Agroloka	Banking	9.00			66
BPR Cinta Manis Agroloka	Banking	10.00			35
BPR Bungamayang Agroloka	Banking	9.00			23
PT Aplikanusa Lintasarta	Non-Banking	0.03			20
					1,944
Total					165,225
Less: Allowance for impairment losses					(536)
					164,689

15. INVESTMENT IN SHARES OF STOCKS (continued)

		2010			
Company Name	Type of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings of Associated Company	Carrying Value
Equity Method					
PT BTMU-BRI Finance	Financing	45.00%	24,750	109,380	134,130
Cost Method					
PT Kustodian Sentral Efek Indonesia	Central securities depository institution	3.00			900
PT Sarana Bersama Pembiayaan Indonesia	Investment	8.00			536
PT Pemeringkat Efek Indonesia	Credit rating agency	2.10			210
					1,646
Total					135,776
Less: Allowance for impairment losses					(1,888)
					133,888

As of December 31, 2011 and 2010, all investments were classified as “Current”, except for investment in shares of stocks of PT Sarana Bersama Pembiayaan Indonesia which was classified as “Loss”.

In 2011 and 2010, BRI received cash dividends from PT Pemeringkat Efek Indonesia amounting to Rp134 and Rp147, respectively, from the distribution of income at the end of year 2010 and 2009.

Movements in the allowance for impairment losses on investment in shares of stocks:

	2011	2010
Beginning balance *)	1,891	1,662
Provision during the year (Note 32)	(1,355)	226
Ending balance	**536**	**1,888**

*) The beginning balance in 2011 represents additional balance of Bank Agro (Subsidiary) which amounted to Rp3.

The minimum allowance for impairment losses on investment in shares of stocks provided based on Bank Indonesia regulation amounted to Rp536 and Rp1,888 as of December 31, 2011 and 2010, respectively.

Management believes that the allowance for impairment losses on investment in shares of stocks is adequate.

Information with respect to classification of not impaired and impaired financial assets is disclosed in Note 37.

16. PREMISES AND EQUIPMENT

Premises and equipment consist of:

Description	2011 Beginning Balance	Additions*)	Deductions	Ending Balance
Carrying Value				
Direct Ownership				
Landrights	244,339	43,558	640	287,257
Buildings	1,566,749	166,317	2,951	1,730,115
Motor vehicles	550,400	128,224	20,338	658,286
Computers and machineries	2,289,157	168,472	33,978	2,423,651
Furniture and fixtures	753,412	143,403	5,971	890,844
Museum assets	184	-	-	184
	5,404,241	649,974	63,878	5,990,337
Assets under finance leases	772	-	765	7
Total Carrying Value	5,405,013	649,974	64,643	5,990,344
Accumulated Depreciation				
Direct Ownership				
Buildings	736,700	116,471	2,241	850,930
Motor vehicles	503,047	30,599	19,865	513,781
Computers and machineries	1,998,058	110,799	31,053	2,077,804
Furniture and fixtures	597,491	101,951	4,438	695,004
	3,835,296	359,820	57,597	4,137,519
Assets under finance leases	772	-	765	7
Total Accumulated Depreciation	3,836,068	359,820	58,362	4,137,526
Net Book Value	**1,568,945**			**1,852,818**

*) Included in the addition of premises and equipment is the beginning balance of net book value of the premises and equipment of the acquired Subsidiary (Carrying Value of Rp49,196 and Accumulated Depreciation of Rp37,063).

Description	2010 Beginning Balance	Additions	Deductions	Ending Balance
Carrying Value				
Direct Ownership				
Landrights	231,542	12,857	60	244,339
Buildings	1,349,813	217,536	600	1,566,749
Motor vehicles	536,252	28,765	14,617	550,400
Computers and machineries	2,159,138	154,802	24,783	2,289,157
Furniture and fixtures	664,860	97,952	9,400	753,412
Museum assets	184	-	-	184
	4,941,789	511,912	49,460	5,404,241
Assets under finance leases	3,219	-	2,447	772
Total Carrying Value	4,945,008	511,912	51,907	5,405,013

16. PREMISES AND EQUIPMENT (continued)

Description	2010 Beginning Balance	Additions	Deductions	Ending Balance
Accumulated Depreciation				
Direct Ownership				
Buildings	669,908	67,194	402	736,700
Motor vehicles	486,919	30,082	13,954	503,047
Computers and machineries	1,877,748	142,788	22,478	1,998,058
Furniture and fixtures	541,238	62,528	6,275	597,491
	3,575,813	302,592	43,109	3,835,296
Assets under finance leases	2,983	138	2,349	772
Total Accumulated Depreciation	3,578,796	302,730	45,458	3,836,068
Net Book Value	**1,366,212**			**1,568,945**

Depreciation charged to current operations which is reported in the consolidated statements of comprehensive income amounted to Rp322,757 and Rp302,730 for the years ended December 31, 2011 and 2010, respectively (Note 34).

BRI insured its premises and equipment (excluding landrights) from losses due to risks of fire and theft to PT Asuransi Bringin Sejahtera Arthamakmur (related party), PT Asuransi Jasa Tania, PT Asuransi Bringin Sejahtera Artha Makmur Syariah (related party), with coverage amount of Rp7,934,117 and Rp7,513,307 for the years ended December 31, 2011 and 2010, respectively.

Management believes that there is no impairment in the value of premises and equipment as of December 31, 2011 and 2010.

17. OTHER ASSETS

Other assets consist of:

	2011	2010
Rupiah		
Prepaid expenses	671,315	614,699
Deferred expense for employee loans (Note 12e)	629,188	757,608
Interest receivables		
Government Recapitalization Bonds	331,783	575,703
Securities	321,551	171,967
Placements with Bank Indonesia and other banks	1,449	1,392
Office supplies	202,258	194,108
Foreclosed Collaterals	75,845	39,290
Others	2,119,229	2,452,221
	4,352,618	4,806,988

17. OTHER ASSETS (continued)

	2011	2010
Foreign currencies		
Interest receivables		
Securities	50,902	43,639
Others	27,538	15,080
Prepaid expenses	2,012	1,732
Others	860,435	216,482
	940,887	276,933
Total	5,293,505	5,083,921
Less: Allowance for impairment losses	-	(203,142)
	5,293,505	**4,880,779**

As of December 31, 2010, the allowance for impairment losses mainly represents allowance for suspense accounts in branches, other receivables from third parties, allowance for possible losses on actual cases, foreclosed collaterals and abandoned properties.

Management believes that the allowance for impairment losses on other assets is adequate.

18. LIABILITIES DUE IMMEDIATELY

Liabilities due immediately consist of:

	2011	2010
Rupiah		
Advance payment deposits	711,751	692,391
Tax payment deposits	202,137	157,826
Insurance deposits	156,759	161,402
Deposits for channeling loans	56,009	57,194
Remittance deposits	45,493	58,316
Credit card deposits	38,667	267,895
Deposits for clearing	33,254	15,347
Bank drafts and BRI travelers' checks (Cepebri)	25,040	37,171
Others	2,618,861	2,610,736
	3,887,971	4,058,278
Foreign currencies		
Remittance deposits	348	347
Others	73,321	65,014
	73,669	65,361
	3,961,640	**4,123,639**

19. DEMAND DEPOSITS

Demand deposits consist of:

	2011	2010
Third parties		
Rupiah	51,225,981	65,704,038
Foreign currencies	6,220,301	5,862,602
	57,446,282	71,566,640
Related parties (Note 43)		
Rupiah	14,720,488	4,423,822
Foreign currencies	4,096,130	1,058,235
	18,816,618	5,482,057
	76,262,900	**77,048,697**

Average annual interest rates for demand deposits are as follows:

	2011	2010
Rupiah	3.61%	3.60%
Foreign currencies	0.15	0.43

The details of demand deposits in foreign currencies as of December 31, 2011 and 2010 amounted to Rp9,630,558 and Rp6,348,219 in United States Dollar, Rp298,640 and Rp402,609 in European Euro, Rp160,390 and Rp27,163 in Singapore Dollar, Rp108,782 and RpNil in Chinese Yuan, Rp77,776 and Rp45,276 in Great Britain Pound Sterling, Rp25,551 and Rp6,649 in Japanese Yen, Rp11,582 and Rp38,198 in Hong Kong Dollar and Rp3,152 and Rp52,723 in Australian Dollar, respectively.

Demand deposits used as collateral for banking facilities granted by BRI amounted to Rp64,050 and Rp3,230 as of December 31, 2011 and 2010, respectively.

20. SAVING DEPOSITS

Saving deposits consist of:

	2011	2010
Third parties		
Rupiah		
Simpedes	91,183,270	76,255,535
Britama	59,354,579	47,096,445
Others	2,075,510	1,613,718
	152,613,359	124,965,698
Related parties (Note 43)		
Rupiah		
Britama	29,080	231,820
Others	1,020	-
	30,100	231,820
	152,643,459	**125,197,518**

20. SAVING DEPOSITS (continued)

The average annual interest rates for saving deposits are 2.46% and 2.41% for the years ended December 31, 2011 and 2010, respectively.

21. TIME DEPOSITS

Time deposits consist of:

	2011	2010
Third parties		
Rupiah	109,639,658	82,480,026
Foreign currencies	17,859,908	17,282,840
	127,499,566	99,762,866
Related parties (Note 43)		
Rupiah	15,038,243	21,341,270
Foreign currencies	3,469,172	5,205,450
	18,507,415	26,546,720
	146,006,981	**126,309,586**

Time deposits based on their contractual periods are as follows:

	2011	2010
Third parties		
Rupiah		
Deposits on call	8,685,277	7,848,213
Deposits		
1 month	57,662,930	42,628,246
3 months	17,792,377	11,364,271
6 months	5,877,241	3,399,702
12 months	19,376,504	17,057,141
More than 12 months	245,329	182,453
	109,639,658	82,480,026
Foreign currencies		
Deposits on call	2,199,514	877,604
Deposits		
1 month	5,844,233	8,475,103
3 months	2,537,479	1,773,356
6 months	4,151,461	3,016,867
12 months	3,125,944	3,138,207
More than 12 months	1,277	1,703
	17,859,908	17,282,840
	127,499,566	99,762,866

21. TIME DEPOSITS (continued)

	2011	2010
Related parties (Note 43)		
Rupiah		
Deposits on call	2,251,958	5,516,844
Deposits		
1 month	7,052,168	7,161,512
3 months	535,923	533,662
6 months	43,098	11,660
12 months	5,155,096	8,117,592
	15,038,243	21,341,270
Foreign currencies		
Deposits on call	436,384	1,765,311
Deposits		
1 month	2,977,383	3,429,998
3 months	45,894	2,050
6 months	27	2,685
12 months	9,484	5,406
	3,469,172	5,205,450
	18,507,415	26,546,720
	146,006,981	**126,309,586**

Average annual interest rates for time deposits are as follows:

	2011	2010
Rupiah	6.87%	7.00%
Foreign currencies	1.86	2.41

The details of time deposits in foreign currencies as of December 31, 2011 and 2010 amounted to Rp17,074,486 and Rp22,259,131 in United States Dollar, Rp4,089,697 and RpNil in Chinese Yuan, Rp163,649 and Rp227,699 in European Euro and Rp1,248 and Rp1,460 in Singapore Dollar, respectively.

Time deposits used as collateral for banking facilities granted by BRI amounted to Rp145,418 and Rp108,933 as of December 31, 2011 and 2010, respectively.

22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

Deposits from other banks and financial institutions consist of:

	2011	2010
Third parties		
Rupiah		
Demand deposits	61,358	80,010
Saving deposits	22,997	7,510
Deposits on call	2,400,000	2,578,500

22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)

	2011	2010
Third parties (continued)		
Rupiah (continued)		
Time deposits	974,458	1,151,906
Inter-bank call money	80,000	425,000
	3,538,813	4,242,926
Foreign currency		
Demand deposits	10,640	168
Time deposits	18,135	144,368
Inter-bank call money	114,666	360,400
	143,441	504,936
Related parties (Note 43)		
Rupiah		
Demand deposits	10,559	253
Time deposits	50,000	192,000
Inter-bank call money	100,000	40,000
	160,559	232,253
Foreign currency		
Inter-bank call money	181,350	180,200
	4,024,163	**5,160,315**

Deposits from other banks and financial institutions, consist of demand deposits, saving deposits, time deposits and inter-bank call money based on Sharia banking principles amounted to Rp3,087, Rp2,033, Rp555,405 and Rp150,000, respectively as of December 31, 2011 and Rp4,468, Rp903, Rp666,356 and Rp40,000, respectively as of December 31, 2010.

Average annual interest rates for deposits from other banks and financial institutions are as follows:

	Rupiah		Foreign Currency	
	2011	2010	2011	2010
Demand deposits	1.83%	2.02%	0.16%	0.24%
Saving deposits	2.14	2.49	-	-
Deposits on call	6.22	6.49	-	-
Time deposits	6.59	6.93	1.24	0.95
Inter-bank call money	5.80	6.19	0.25	2.24

The classification of deposits from other banks and financial institutions based on their remaining period until maturity are as follows:

	2011			
	≤ 1 month	> 1 - 3 months	> 3 months - 1 year	Total
Third parties				
Rupiah				
Demand deposits	61,358	-	-	61,358
Saving deposits	22,997	-	-	22,997

22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)

	2011			
	≤ 1 month	> 1 - 3 months	> 3 months - 1 year	Total
Third parties (continued)				
Rupiah (continued)				
Deposits on call	2,400,000	-	-	2,400,000
Time deposits	974,458	-	-	974,458
Inter-bank call money	80,000	-	-	80,000
	3,538,813	-	-	3,538,813
Foreign Currency				
Demand deposits	10,640	-	-	10,640
Time deposits	18,135	-	-	18,135
Inter-bank call money	-	-	114,666	114,666
	28,775	-	114,666	143,441
Related parties (Note 43)				
Rupiah				
Demand deposits	10,559	-	-	10,559
Time deposits	50,000	-	-	50,000
Inter-bank call money	100,000	-	-	100,000
	160,559	-	-	160,559
Foreign Currency				
Inter-bank call money	181,350	-	-	181,350
	3,909,497	**-**	**114,666**	**4,024,163**

	2010			
	≤ 1 month	> 1 - 3 months	> 3 months - 1 year	Total
Third parties				
Rupiah				
Demand deposits	80,010	-	-	80,010
Saving deposits	7,510	-	-	7,510
Deposits on call	2,578,500	-	-	2,578,500
Time deposits	1,151,790	116	-	1,151,906
Inter-bank call money	425,000	-	-	425,000
	4,242,810	116	-	4,242,926
Foreign Currency				
Demand deposits	168	-	-	168
Time deposits	144,368	-	-	144,368
Inter-bank call money	360,400	-	-	360,400
	504,936	-	-	504,936
Related parties (Note 43)				
Rupiah				
Demand deposits	253	-	-	253
Time deposits	192,000	-	-	192,000
Inter-bank call money	40,000	-	-	40,000
	232,253	-	-	232,253

22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)

	2010			
	≤ 1 month	> 1 - 3 months	> 3 months - 1 year	Total
Related parties (Note 43) (continued)				
Foreign Currency				
Inter-bank call money	180,200	-	-	180,200
	5,160,199	**116**	**-**	**5,160,315**

23. SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE

Securities sold under agreement to repurchase consist of:

	2011			
Type of securities	**Terms (day)**	**Repurchase Date**	**Nominal Amount**	**Repurchase Price - Net**
Rupiah				
Deutsche Bank, AG				
Government Recapitalization Bond				
Series FR0017	87	January 12, 2012	100,000	102,681
			100,000	**102,681**

	2010			
Type of securities	**Terms (day)**	**Repurchase Date**	**Nominal Amount**	**Repurchase Price - Net**
Rupiah				
Deutsche Bank, AG				
Government Recapitalization Bond				
Series FR0017	94	January 17, 2011	100,000	102,752
Foreign currency				
Barclays Bank, PLC				
Government bonds				
Series RI0014	730	September 29, 2011	207,230	162,385
Series RI0015	730	September 29, 2011	63,070	49,422
Series RI0016	730	September 29, 2011	27,030	21,181
Series RI0017	730	September 29, 2011	45,050	35,301
Series RI0018	730	September 29, 2011	99,110	77,662
Series RI0035	730	September 29, 2011	27,030	21,181
Series RI0037	730	September 29, 2011	45,050	35,301
Series RI0038	730	September 29, 2011	27,030	21,180
			540,600	423,613
			640,600	**526,365**

24. FUND BORROWINGS

Fund borrowings consist of:

	2011	2010
Rupiah		
Third parties		
Borrowings from Bank Indonesia		
Liquidity loans	53,911	62,147
Borrowings for investments in premises and equipment	-	32,092
Others	12,376	12,376
	66,287	106,615
Related parties (Note 43)		
Borrowings from PT Permodalan Nasional Madani (Persero)	82,634	-
Borrowings from Lembaga Pembiayaan Ekspor Indonesia	149,791	-
	232,425	-
	298,712	106,615
Foreign currencies		
Third parties		
Bilateral borrowings	2,946,938	2,703,000
Others	9,852,266	6,644,930
	12,799,204	9,347,930
	13,097,916	**9,454,545**

The classification of fund borrowings based on their remaining period until maturity is as follows:

	2011	2010
Third parties		
Rupiah		
> 1 month - 3 months	103,362	9,494
> 3 months - 1 year	152,214	16,819
> 1 year - 5 years	43,136	60,365
> 5 years	-	19,937
	298,712	106,615
Foreign currencies		
≤ 1 month	-	695,397
> 1 month - 3 months	2,176,522	4,675,348
> 3 months - 1 year	10,622,682	3,749,307
> 1 year - 5 years	-	227,878
	12,799,204	9,347,930
	13,097,916	**9,454,545**

24. FUND BORROWINGS (continued)

Other significant information related to fund borrowings is as follows:

a) Borrowings from Bank Indonesia

(i) Liquidity Loans

This account represents credit facilities obtained from Bank Indonesia that are channeled to BRI's debtors for purposes of Investment Loans, Primary Cooperatives of Sugar Cane Farmers Loans, BULOG and Village Cooperative Units Loans, Permanent Working Capital Loans, Fertilizer and others.

The classification of liquidity loans from Bank Indonesia based on their remaining period until maturity as of December 31, 2011 and 2010 is as follows:

	2011	2010
> 1 month - 3 months	4,440	9,494
> 3 months - 1 year	18,613	16,819
> 1 year - 5 years	21,825	35,834
> 5 years	9,033	-
	53,911	**62,147**

The average annual interest rates on these loans are 4.74% and 5.13% for the years ended December 31, 2011 and 2010, respectively.

(ii) Borrowings for Investments in Premises and Equipment

This account represents loans obtained for the construction of certain offices of BRI's micro units all over Indonesia.

The average annual interest rate on these borrowings is 5.00% for the years ended December 31, 2011 and 2010. These borrowings have been settled in July 2011.

b) Borrowings from PT Permodalan Nasional Madani (Persero) and Lembaga Pembiayaan Ekspor Indonesia

This account represents credit facilities obtained from PT Permodalan Nasional Madani (Persero) which were used to refinance debtors of Bank Agro (Subsidiary) for investment loan purposes in the form of credit to *Koperasi Primer Untuk Anggotanya* (KKPA) for Koperasi Petani Sawit Makmur, Koperasi Perkebunan Belimbing Makmur and others.

Borrowing facilities obtained from Lembaga Pembiayaan Ekspor Indonesia were used to refinance debtors of Bank Agro (Subsidiary) for KUD Delima Sakti, Kopbun Siampo, KUD Hidup Baru and others.

The average annual interest rate on these borrowings is 7.63% for the year ended December 31, 2011.

24. FUND BORROWINGS (continued)

c) Bilateral Borrowings

On September 29, 2009 and September 27, 2010, BRI obtained loan facilities from Standard Chartered Bank and PT Bank Pan Indonesia Tbk (Panin Bank) which amounted to US$100,000,000 and US$200,000,000, respectively, which were used to fulfill liquidity needs in anticipation of BRI's business expansion. The annual interest rates of the facilities from Standard Chartered Bank and Panin Bank are LIBOR plus 4.00% margin and LIBOR plus 3.75% margin, respectively, payable every 3 (three) months. These facilities were settled on September 29, 2011 and September 27, 2011, respectively.

On August 26, 2011 and September 27, 2011, BRI obtained loan facilities from PT Bank Pan Indonesia Tbk (Panin Bank) which amounted to US$25,000,000 and US$200,000,000, which were used to fulfill liquidity needs in anticipation BRI's business expansion, with annual interest rates of LIBOR plus 1.20% and LIBOR plus 2.20%, respectively, payable every 3 (three) months. Borrowing of US$25,000,000 will be due and payable on August 24, 2012 while borrowing of US$200,000,000 will be payable in 2 (two) installments of US$100,000,000 each on August 27, 2012 and September 27, 2012. These borrowings are collateralized by corporate guarantee of BRI.

On October 18, 2011, BRI obtained loan facility from Standard Chartered Bank which amounted to US$100,000,000 to fulfill liquidity needs in anticipation of BRI's business expansion with annual interest rate of LIBOR plus 1.60%, payable every 3 (three) months. This facility will be due and payable on October 19, 2012, and is collateralized by Credit Linked Notes (CLN) of Standard Chartered Bank and HSBC which amounted to US$90,000,000 and US$70,000,000, respectively (Note 7d).

d) Other Borrowings

	2011	2010
Rupiah		
Others	12,376	12,376
Foreign currencies		
Oversea-Chinese Banking Corporation Limited	2,041,956	3,027,612
The Royal Bank of Scotland	1,700,978	1,661,743
Wells Fargo	1,360,125	-
Sumitomo Mitsui Banking Corporation	995,311	144,895
Citibank, N.A.	852,345	40,857
JP Morgan Chase Bank, N.A.	807,914	-
Bank of America N.A.	597,499	417,952
Australia and New Zealand Bank	544,050	-
Bank of Montreal	544,050	-
The Bank of New York Mellon	226,688	-
The Bank of Tokyo Mitshubishi UFJ, Ltd	181,350	-
Standard Chartered Bank	-	901,073
CoBank	-	449,126
Commerzbank, A.G.	-	1,672
	9,852,266	6,644,930
	9,864,642	**6,657,306**

24. FUND BORROWINGS (continued)

d) Other Borrowings (continued)

Other borrowings facilities represent short-term borrowings obtained from several foreign banks with terms from 1 (one) month up to 3 (three) years and bear interest rate at LIBOR or SIBOR plus a certain margin, including refinancing borrowing facilities which are collateralized by letters of credit issued by BRI.

25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES

a) The details of estimated losses on commitments and contingencies which bear credit risk are as follows:

	2011	2010
Rupiah		
Guarantees issued	152	21,262
Irrevocable L/C	-	2,645
	152	23,907
Foreign currencies		
Irrevocable L/C	-	50,545
Guarantees issued	-	18,970
	-	69,515
	152	**93,422**

b) Movements in estimated losses on commitments and contingencies:

	2011	2010
Rupiah		
Beginning balance *)	24,260	20,693
(Reversal) provision during the year	(24,108)	3,214
Ending balance	152	23,907
Foreign currencies		
Beginning balance	69,515	81,044
Reversal during the year	(69,515)	(11,529)
Ending balance	-	69,515
	152	**93,422**

*) The beginning balance in 2011 represents additional balance of Bank Agro (Subsidiary) which amounted to Rp353.

The minimum estimated losses on commitments and contingencies provided were based on Bank Indonesia regulation amounted to Rp152 and Rp93,422 as of December 31, 2011 and 2010, respectively.

25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

c) The collectibility of commitments and contingencies in administrative accounts (Notes 2aj and 42):

	2011					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
Third parties						
Rupiah						
Guarantees issued	2,108,245	-	-	-	-	2,108,245
Irrevocable L/C	134,585	-	-	-	-	134,585
	2,242,830	-	-	-	-	2,242,830
Foreign currencies						
Irrevocable L/C	2,926,273	-	-	-	-	2,926,273
Guarantees issued	1,329,394	-	-	-	-	1,329,394
	4,255,667	-	-	-	-	4,255,667
Related parties (Note 43)						
Rupiah						
Guarantees issued	1,338,866	-	-	-	-	1,338,866
Irrevocable L/C	178,545	-	-	-	-	178,545
	1,517,411	-	-	-	-	1,517,411
Foreign currencies						
Irrevocable L/C	3,603,848	-	-	-	-	3,603,848
Guarantees issued	1,462,020	-	-	-	-	1,462,020
	5,065,868	-	-	-	-	5,065,868
	13,081,776	**-**	**-**	**-**	**-**	**13,081,776**

	2010					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
Third parties						
Rupiah						
Guarantees issued	1,107,752	11,037	-	3,611	-	1,122,400
Irrevocable L/C	82,202	-	-	-	-	82,202
	1,189,954	11,037	-	3,611	-	1,204,602
Foreign currencies						
Irrevocable L/C	2,696,708	1,984	-	-	3,827	2,702,519
Guarantees issued	670,994	189	-	-	-	671,183
	3,367,702	2,173	-	-	3,827	3,373,702

25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

c) The collectibility of commitments and contingencies in administrative accounts (Notes 2aj and 42) (continued):

	2010					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
Related parties (Note 43)						
Rupiah						
Guarantees issued	782,676	-	-	-	-	782,676
Irrevocable L/C	182,299	-	-	-	-	182,299
	964,975	-	-	-	-	964,975
Foreign currencies						
Irrevocable L/C	1,965,119	-	-	-	-	1,965,119
Guarantees issued	1,225,112	-	-	-	-	1,225,112
	3,190,231	-	-	-	-	3,190,231
	8,712,862	**13,210**	**-**	**3,611**	**3,827**	**8,733,510**

26. OTHER LIABILITIES

Other liabilities consist of:

	2011	2010
Third parties		
Rupiah		
Bonuses and incentives	1,473,927	2,123,124
Provision for pension preparation period (Note 41e)	1,140,913	878,569
Provision for litigation liabilities (Note 44b)	968,064	517,189
Provision for grand leaves (Note 41e)	760,762	628,585
Provision for gratuity for services (Note 41e)	670,744	548,777
Provision for work separation scheme (Note 41d)	564,814	515,410
Defined benefit pension plan (Note 41a)	546,712	258,567
Interests payable	504,263	446,442
Provision for timely-payment of interests (Note 2w)	392,199	359,256
Unearned income	250,154	785,783
Guarantee deposits	52,234	55,532
Others	1,862,858	2,343,381
	9,187,644	9,460,615
Foreign currencies		
Unearned income	80,227	5,353
Interests payable	60,004	51,092
Guarantee deposits	1,550	50,723
Others	190,636	198,243
	332,417	305,411
	9,520,061	**9,766,026**

27. SUBORDINATED LOANS

BRI obtained subordinated loans in Rupiah with details as follows:

	2011	2010
Rupiah		
Subordinated Bond II	1,994,666	1,993,234
Two-step loans	141,622	162,947
	2,136,288	**2,156,181**

a. Subordinated Bond II

On December 22, 2009, BRI issued Rp2,000,000 Bank BRI Subordinated Bond II Year 2009 which are registered in the Indonesia Stock Exchange and bears a fixed interest rate. The Subordinated Bond II were issued at 100.00% of their nominal value with a fixed annual interest rate of 10.95%, payable every 3 (three) months. The Subordinated Bond II will be due and must be settled with the same value as the principal of the Subordinated Bond on December 22, 2014. Principal repayment of the Subordinated Bond can only be done after receiving approval from Bank Indonesia, however, if in the future the obligation to obtain approval from Bank Indonesia as stated above is no longer mandatory, therefore the principal repayment of the Subordinated Bond can be made without receiving the approval from Bank Indonesia.

The net proceeds from the issuance of the Subordinated Bond II are intended for loans expansion under a prudent principle.

The Subordinated Bond II are not guaranteed by special collateral nor guaranteed by the Republic of Indonesia or other third parties and are not included in the bank guarantee program implemented by the Deposit Insurance Agency (Lembaga Penjamin Simpanan/LPS) or other insurance corporation. BRI does not establish provision for principal repayment fund of the Subordinated Bond with consideration to optimize the use of the fund in accordance with the planning of the use of the issuance fund of the Subordinated Bond.

The issuance and classification of the Subordinated Bond II as subordinated loans were approved in principle by Bank Indonesia, through its letter No. 11/90/DPB1/TPB1-3 dated November 11, 2009.

As of December 31, 2011 and 2010, BRI's Subordinated Bond II 2009 obtained a rating of "idAAA" from PT Pemeringkat Efek Indonesia. The trustee of this Subordinated Bond is PT Bank Mandiri (Persero) Tbk.

The trustee agreement covers several covenants affecting BRI and requires a written approval from the trustee before conducting the following:

- Reduction of authorized, issued and paid capital stock, except as requested and or instructed by the Government of the Republic of Indonesia and or authorized parties (including but not limited to Bank Indonesia, Ministry of Finance of the Republic of Indonesia and Ministry of State-Owned Enterprises).

27. SUBORDINATED LOANS (continued)

a. Subordinated Bond II (continued)

- Conduct merger and or separation and or dissolution and or acquisition, or allowing or giving approval to Subsidiaries to conduct merger and or separation and or dissolution and or acquisition, except as requested and or instructed by the Government of the Republic of Indonesia and or authorized parties (including but not limited to Bank Indonesia, Deposit Insurance Agency or other insurance corporation in accordance with the prevailing regulations, Ministry of Finance of the Republic of Indonesia and Ministry of State-Owned Enterprises), in accordance with the prevailing regulations, including but not limited to Bapepam-LK regulations.

BRI has complied with the above trustee agreement.

b. Two-step Loans

The two-step loans in Rupiah represent the loans from the Government which were funded by the Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), International Fund for Agricultural Development (IFAD), United States Agency for International Development (USAID) and Islamic Development Bank (IDB). The interest rates of these loans vary based on the respective agreements with terms ranging from 15 (fifteen) up to 40 (forty) years. The average annual interest rates for subordinated loans were 4.47% and 5.54% for the years ended December 31, 2011 and 2010, respectively. These loans will mature at various dates up to 2027.

The classification of subordinated loans based on their remaining period until maturity is as follows:

	2011	2010
Rupiah		
≤ 1 month	232	232
> 3 months - 1 year	21,093	21,093
> 1 year - 5 years	2,079,491	2,078,296
> 5 years	35,472	56,560
	2,136,288	**2,156,181**

28. EQUITY

a. Capital stock

The details of authorized, issued and fully paid capital stock of BRI as of December 31, 2011 (after the stock split) (Note 1a) and 2010 are as follows:

2011	Number of Shares	Nominal Value Per Share (Full Rupiah)	Share Value (Full Rupiah)	Percentage of Ownership
Authorized Capital Stock				
- Series A Dwiwarna share	1	250	250	0.00%
- Series B Ordinary shares	59,999,999,999	250	14,999,999,999,750	100.00
Total Authorized Capital Stock	**60,000,000,000**		**15,000,000,000,000**	**100.00%**

28. EQUITY (continued)

a. Capital stock (continued)

2011	Number of Shares	Nominal Value Per Share (Full Rupiah)	Share Value (Full Rupiah)	Percentage of Ownership
Issued and Fully Paid Capital Stock				
Republic of Indonesia				
- Series A Dwiwarna share	1	250	250	0.00%
- Series B Ordinary shares	13,999,999,999	250	3,499,999,999,750	56.75
Public				
- Series B Ordinary shares	10,669,162,000	250	2,667,290,500,000	43.25
Total Issued and Fully Paid Capital Stock	**24,669,162,000**		**6,167,290,500,000**	**100.00%**

2010	Number of Shares	Nominal Value Per Share (Full Rupiah)	Share Value (Full Rupiah)	Percentage of Ownership
Authorized Capital Stock				
- Series A Dwiwarna share	1	500	500	0.00%
- Series B Ordinary shares	29,999,999,999	500	14,999,999,999,500	100.00
Total Authorized Capital Stock	**30,000,000,000**		**15,000,000,000,000**	**100.00%**
Issued and Fully Paid Capital Stock				
Republic of Indonesia				
- Series A Dwiwarna share	1	500	500	0.00%
- Series B Ordinary shares	6,999,999,999	500	3,499,999,999,500	56.75
Public				
- Series B Ordinary shares	5,334,581,000	500	2,667,290,500,000	43.25
Total Issued and Fully Paid Capital Stock	**12,334,581,000**		**6,167,290,500,000**	**100.00%**

Series A Dwiwarna share is the share that gives the shareholder preferential rights to approve the appointment or dismissal of Commissioners and Directors, changes in Articles of Association, approve on BRI's merger, dissolution, acquisition and separation, submission of request for bankruptcy and liquidation of BRI.

Series B shares are ordinary shares that can be owned by the public.

Capital Structure

In response to the Management Contract entered between the Republic of Indonesia, as represented by the Government through the Ministry of Finance and BRI on February 28, 2001, the Ministry of Finance issued the Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 regarding the final amount and the implementation of the rights of the Government arising from the additional investment of the Republic of Indonesia in the capital of BRI in connection with the recapitalization program for commercial banks. Based on such Decision Letter, the Ministry of Finance determined that the final recapitalization requirement amount of BRI is Rp29,063,531 (Note 9).

The Government's rights arising from the additional investment of the state to BRI were implemented as follows: Rp29,063,531 converted to 3,272,000 new shares issued by BRI with a par value of Rp1 million per share and Rp25,791,531 from the recapitalization fund recorded as additional paid-in capital in BRI's capital structure. This decision of the Ministry of Finance has been implemented retrospectively since June 30, 2003.

28. EQUITY (continued)

a. Capital stock (continued)

Capital Structure (continued)

Based on BRI's Shareholders' Extraordinary General Meeting held on October 3, 2003, as covered by notarial deed No. 6 dated October 3, 2003, of notary Imas Fatimah, S.H., BRI's shareholders decided on, among others, the following:

1. Capital restructuring of BRI as of June 30, 2003 arising from the recapitalization fund of Rp29,063,531 to increase BRI's issued and fully paid capital stock owned by the Republic of Indonesia from Rp1,728,000, consisting of 1,728,000 shares at a par value of Rp1 million per share, to become Rp5,000,000 consisting of 5,000,000 shares at the same par value per share and the balance of Rp25,791,531 recorded as additional paid-in capital.

2. Change in par value per share (stock split) was from Rp1 million to Rp500 (full Rupiah).

3. Increase in BRI's authorized capital stock of Rp5 trillion, divided into 5,000,000 shares at a par value of Rp1 million per share, to Rp15 trillion divided into 30,000,000,000 shares at a par value of Rp500 (full Rupiah) per share.

4. Change in classification of BRI's shares to Series A Dwiwarna and Series B shares.

5. Utilization of general and special reserves as of June 30, 2003 amounted to Rp1,386,616 was to cover the accumulated losses as of June 30, 2003.

6. Quasi-reorganization plan of BRI as of June 30, 2003 was to eliminate the accumulated losses of Rp24,699,387 against the recorded additional paid-in capital (Note 3).

7. Plan to undertake the Initial Public Offering (IPO) of BRI's shares.

8. Follow up actions on the amendments to the Articles of Association:

   i. Agree on the change in the status of BRI, to be a Publicly Listed Limited Liability Company, thereafter the name will be changed from "PT Bank Rakyat Indonesia (Persero)", to "Perusahaan Perseroan (Persero) PT Bank Rakyat Indonesia Tbk" and simplified to "PT Bank Rakyat Indonesia (Persero) Tbk";

   ii. Agree to change all provisions in the Articles of Association of BRI with revisions in accordance with Law No. 8 Year 1995 on "Capital Markets" and Decision of the Chairman of the Capital Market Supervisory Agency (Bapepam) No. KEP-13/PM/1997 dated April 30, 1997 on "The Main Provisions of the Articles of Association of a Company that Conduct an Initial Public Offering of Shares and Public Company".

The changes in BRI's Articles of Association in connection with the above Extraordinary General Shareholders' Meeting were covered in notarial deed No. 7 dated October 3, 2003 by notary Imas Fatimah, S.H. and was approved by the Ministry of Justice and Human Rights through its Decision Letter No. C-23726 HT.01.04.TH.2003 dated October 6, 2003.

28. EQUITY (continued)

a. Capital stock (continued)

Initial Public Offering (IPO) of BRI's Shares

On October 13, 2003, the President of the Republic of Indonesia issued Government Regulation No. 49 Year 2003 regarding the sale of a portion of shares of BRI owned by the Republic of Indonesia and issuance of new shares of BRI, excluding the participation from the Republic of Indonesia, through the capital market and or direct sale to investors.

Based on the letter from the Chairman of Bapepam No. S-2646/PM/2003 dated October 31, 2003, the registration statement submitted by BRI in connection with the IPO of BRI's shares of 3,811,765,000 Series B common shares consisting of 2,047,060,000 Series B common shares owned by the Republic of Indonesia (divestment) and 1,764,705,000 new Series B common shares issued with a par value of Rp500 (full Rupiah) per share and initial offer price of Rp875 (full Rupiah) per share to the public, became effective on October 31, 2003. Such offered shares were initially traded on November 10, 2003 and simultaneously all of BRI shares were listed on the Jakarta and Surabaya Stock Exchanges (currently the Indonesia Stock Exchange).

Subsequently, the over-subscription option of 381,176,000 Series B common shares owned by the Republic of Indonesia (divestment) and over-allotment option of 571,764,000 Series B common shares owned by the Republic of Indonesia (divestment) with a price of Rp875 (full Rupiah) per share were exercised on November 10, 2003 and December 3, 2003, respectively. After BRI's IPO and the exercise of the over-subscription option and the over-allotment option, the Republic of Indonesia owns 59.50% of the outstanding common shares of BRI.

Stock Allocation Program

Based on the above Extraordinary General Shareholders' Meeting, BRI's shareholders agreed to, among others, the employee and management stock ownership plan through an Employee Stock Allocation Program (ESA) and Management Stock Option Plan (MSOP). The ESA consists of a Bonus Share Plan, Shares Purchase at a Discount and Additional Shares Grant programs while MSOP is granted to Directors and employees at certain levels and positions. Costs and discounts related to the ESA and MSOP programs are paid by the Bank through the allocation of reserves. The compensation cost relating to MSOP is recognized through stock options under equity. The management and execution of the ESA and MSOP programs are performed by the Directors, while the supervision is performed by the Board of Commissioners (Note 29).

In accordance with the MSOP, stock options which have been exercised by BRI's employees for the year ended December 31, 2010 amounted to Rp2,365 which consists of 4,728,500 shares. The additional paid up capital arising from the execution of the above stock options is added to the issued and fully paid capital and additional paid-in capital (Note 29).

b. Additional Paid-in Capital

	2011	2010
Additional capital by the Government related to the recapitalization program	1,092,144	1,092,144
Previous balance of paid up capital by the Government	5	5

28. EQUITY (continued)

b. Additional Paid-in Capital (continued)

	2011	2010
Additional paid-in capital from IPO	589,762	589,762
Exercise of stock options (Note 29)		
Year 2004	49,514	49,514
Year 2005	184,859	184,859
Year 2006	619,376	619,376
Year 2007	140,960	140,960
Year 2008	29,013	29,013
Year 2009	14,367	14,367
Year 2010	43,062	43,062
Remaining MSOP Stage-I which already expired	504	504
Remaining MSOP Stage-II which already expired	1,845	1,845
Remaining MSOP Stage-III which already expired	8,447	8,447
	2,773,858	**2,773,858**

In line with the realization of the Recapitalization Program for Commercial Banks as set forth in Government Regulation No. 52 Year 1999 on the "Increase in Investment by the Republic of Indonesia in State-Owned Banks", the Government determined that the recapitalization requirement amount of BRI to achieve a CAR of 4% was Rp29,063,531. Up to June 30, 2003, the authorized and issued capital stock of BRI has not yet been increased by additional capital from the above recapitalization program. Therefore, the paid up capital from the Government of Rp29,063,531 was recorded temporarily under "Additional Paid-in Capital" together with the previous balance of paid up capital of Rp5 from the Government.

Based on the Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 of the Ministry of Finance as explained in letter (a) above, from the final recapitalization requirement of BRI amounted to Rp29,063,531, the amount of Rp3,272,000 was converted to paid up capital and the remaining balance of Rp25,791,531 was recorded as additional paid in capital (Note 28a). Moreover, with the implementation of the quasi-reorganization by BRI, the accumulated losses before quasi-reorganization as of June 30, 2003 amounted to Rp24,699,387 (Note 3) was eliminated against additional paid-in capital, resulting the additional paid-in capital amounted to Rp1,092,149 as of June 30, 2003.

On November 10, 2003, BRI conducted an IPO by issuing 1,764,705,000 new series B ordinary shares with a par value of Rp500 (full Rupiah) per share at the offering price of Rp875 (full Rupiah) per share, resulting in additional paid-in capital as follows:

Total new Series B Ordinary shares issued to the public under the IPO (shares)	1,764,705,000
Premium per share (full Rupiah)	375
Total premium on shares before discount	661,764
Less: 3% discount given to BRI customers	(2,961)
Cost of IPO	(69,041)
Additional paid-in capital from IPO	**589,762**

28. EQUITY (continued)

b. Additional Paid-in Capital (continued)

The employees of BRI exercised their stock options starting on November 10, 2004 for MSOP I, November 10, 2005 for MSOP II and November 15, 2006 for MSOP III. During 2004 until 2010, stock options exercised totaled to 569,876,000 shares for MSOP I, II and III, which consist of 4,728,500 shares in 2010, 4,553,000 shares in 2009, 7,499,000 shares in 2008, 31,379,000 shares in 2007, 250,721,000 shares in 2006, 185,610,000 shares in 2005 and 85,385,500 shares in 2004. The additional paid-in capital arising from the exercise of stock options amounted to Rp43,062 in 2010, Rp14,367 in 2009, Rp29,013 in 2008, Rp140,960 in 2007, Rp619,376 in 2006, Rp184,859 in 2005 and Rp49,514 in 2004 (Note 29).

c. Differences Arising from Translation of Foreign Currency Financial Statements

This account represents the exchange rate differences resulting from the translation of the financial statement of the overseas branch/representative offices of BRI (Cayman Islands, New York and Hong Kong) from United States Dollar and Hong Kong Dollar to Indonesian Rupiah (Note 2ae). Assets and liabilities as well as commitments and contingencies denominated in foreign currencies were translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian time) on the statements of financial position date. The statements of comprehensive income for the year ended as of such date is derived from the accumulation of the monthly statements of comprehensive income balances which are translated into Rupiah by using the average exchange middle rate for the respective months.

d. Distribution of Net Income and Utilization of Appropriated Retained Earnings

Based on the Annual Extraordinary General Shareholders' Meetings of BRI held on April 28, 2011 and May 20, 2010, the Shareholders agreed to distribute the net income for the years ended December 31, 2010 and 2009 as follows:

	Income 2010	Income 2009
Dividends	1,727,950**)	1,628,551*)
General and special reserves	286,810	950,078
Appropriation for partnership and environmental development funds	458,895	219,249

*) Consists of dividends in the year 2009, amounting to Rp2,192,487 less interim dividends which was paid on December 16, 2009, amounting to Rp563,936.
**) Consists of dividends in the year 2010, amounting to Rp2,294,477 less interim dividends which was paid on December 30, 2010, amounting to Rp566,527.

Based on the letter from the Ministry of State-Owned Enterprises No.S-705/MBU/2010 dated November 18, 2010, there is an interim dividend payment for the year 2010 amounted to Rp45.93 (full Rupiah) per share or a total of Rp566,527 which was approved by BRI's Directors based on BRI's Directors' Meeting dated November 29, 2010.

BRI recorded the provision for *tantiem* in the current consolidated statements of comprehensive income in accordance with SFAS No. 24 (Revised 2004) on "Employee Benefits".

29. MANAGEMENT STOCK OPTION PLAN (MSOP)

Based on Extraordinary General Shareholders' Meeting held on October 3, 2003 as mentioned in notarial deed No. 6 of notary Imas Fatimah, S.H., the shareholders approved the issuance of stock options in 3 (three) stages (Note 28a). Stock options are granted to Directors and employees at certain levels and positions who fulfill the determined criteria.

MSOP stage-I was granted at the Initial Public Offering (IPO), while MSOP stage-2 and MSOP stage-3 will be granted each year after the MSOP stage-I. The number of stock options to be issued in MSOP stage-I through stage-III is at a maximum of 5% from the paid up capital of BRI within 3 (three) years without giving priority to the existing shareholders to exercise their rights.

a. MSOP Stage-I

In MSOP stage-I, the exercise price was 110% of the offering price with the option exercisable over 5 (five) years from the granting date. The MSOP vesting period is 1 (one) year. The number of stock options that can be exercised at the end of the first year from the granting date is at a maximum of 50% of the total options granted and the remaining can be executed at the end of the second year up to the end of the fifth year. On November 10, 2003, the date of listing of BRI's shares in the Jakarta Stock Exchange and Surabaya Stock Exchange (currently the Indonesia Stock Exchange), BRI agreed to grant 235,294,100 stock options with an exercise price of Rp962.5 (full Rupiah) per share or 110% of the offering price per share.

The fair value of stock options in MSOP stage-I granted on November 10, 2003 amounted to Rp117.39 (full Rupiah) per share, in accordance with the Valuation Report issued by PT Watson Wyatt Purbajaga dated March 17, 2004 using the Black Scholes option pricing model.

b. MSOP Stage-II

Based on BRI Annual Extraordinary General Shareholders' Meeting held on May 31, 2004, the shareholders granted MSOP stage-II with an exercise period of 5 (five) years and a vesting period of 1 (one) year. The number of stock options that can be exercised anytime after the vesting period until the end of the exercise period with a price of Rp1,750 (full Rupiah) per share and number of shares granted are 235,294,100 shares.

The fair value of stock options in MSOP stage-II granted on November 10, 2004 amounted to Rp351.62 (full Rupiah) per share, in accordance with the Valuation Report issued by PT Watson Wyatt Purbajaga dated February 15, 2005, using the Black Scholes option pricing model.

c. MSOP Stage-III

Based on the Annual Extraordinary General Shareholders' Meeting held on May 20, 2005, the shareholders granted MSOP stage-III with an exercise period of 5 (five) years and a vesting period of 1 (one) year. The number of stock options that can be exercised is twice a year within 5 (five) to 30 (thirty) working days until the end of exercise period with a share closing price of 90% of BRI's average closing price shares in the Jakarta Stock Exchange (currently the Indonesia Stock Exchange) for 25 (twenty-five) consecutive days before reporting date to the Jakarta Stock Exchange (currently the Indonesia Stock Exchange) (the latest within 5 (five) working days) and the number of shares issued are 117,647,050 shares.

The price of shares exercised in 2010 was Rp8,649 (full Rupiah) per share (period 8) and in 2009 was Rp5,458 (full Rupiah) per share (period 6) and Rp6,671 (full Rupiah) per share (period 7).

29. MANAGEMENT STOCK OPTION PLAN (MSOP) (continued)

c. MSOP Stage-III (continued)

The fair value of stock options in MSOP stage-III granted on November 10, 2005 amounted to Rp958 (full Rupiah) per share, in accordance with BRI management's calculation using the Black Scholes - Merton option pricing model.

The summary of the MSOP and its movements for the year ended December 31, 2010 is as follows (Note 28a):

	2010		
	Number of Options		
	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Options outstanding at the beginning of the year	-	-	13,545,550
Options exercised during the year	-	-	(4,728,500)
Options not exercised until the end of the option life	-	-	(8,817,050) *)
Options that can be exercised at the end of the year	**-**	**-**	**-**

*) The remaining balance of MSOP Stage-II that was still outstanding at maturity date on November 9, 2010 and was reported to Indonesia Stock Exchange on December 1, 2010.

The fair value of the options granted was derived using the following assumptions:

		MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Risk free interest rate	:	8.75%	8.75%	13.04%
Expected exercise period	:	5 years	5 years	5 years
Expected share price volatility	:	24.33%	24.33%	42.95%
Expected dividend yield	:	5.50%	5.50%	5.04%
Employee turnover rate	:	1%	1%	-

During 2010, stock options which were exercised amounted to Rp2,365 consisting of 4,728,500 shares (Note 28a) which resulted in the increase in additional paid-in capital of Rp43,062 as of December 31, 2010 (Note 28b).

The balance of accumulated stock options after deduction of the realized stock options amounted to Rp12,977 (including expired stock options of MSOP stage-III) for the year ended December 31, 2010 was RpNil, due to the expiration of the MSOP program, the movements are presented as part of the equity in the consolidated statements of financial position as of December 31, 2010.

30. INTEREST AND INVESTMENT INCOME

Interest and investment income are derived from:

	2011	2010
Rupiah		
Loans	41,267,902	39,116,283

30. INTEREST AND INVESTMENT INCOME (continued)

Interest and investment income are derived from (continued):

	2011	2010
Rupiah (continued)		
Securities		
Certificates of Bank Indonesia	1,153,617	790,973
Government bonds	654,973	680,668
Others	217,980	71,951
Government Recapitalization Bonds	1,114,239	1,506,383
Placements with Bank Indonesia and other banks		
Deposit Facility/Term Deposit	1,583,039	742,272
Inter-bank call money	75,308	51,812
Others	300	159,672
Current accounts with Bank Indonesia	137,664	17,805
Others	365,629	224,239
	46,570,651	43,362,058
Foreign currencies		
Loans	567,876	470,944
Placements with Bank Indonesia and other banks		
Inter-bank call money	14,273	24,737
Others	38,411	45,005
Securities		
Government bonds	85,339	56,528
Others	19,628	12,221
	725,527	609,435
	47,296,178	**43,971,493**

31. INTEREST EXPENSES AND OTHER CHARGES

This account represents interest expenses and other charges incurred on:

	2011	2010
Rupiah		
Time deposits	7,199,658	5,917,970
Saving deposits	2,887,704	2,474,286
Demand deposits	1,375,961	1,087,642
Subordinated loans	224,082	220,496
Deposits from other banks and financial institutions	187,578	287,619
Fund borrowings	143,163	232,909
Securities sold under agreement to repurchase	12,876	12,876
Others	764,697	625,297
	12,795,719	10,859,095

31. INTEREST EXPENSE AND OTHER CHARGES (continued)

This account represents interest expenses and other charges incurred on (continued):

	2011	2010
Foreign currencies		
Time deposits	357,185	499,258
Fund borrowings	65,576	2,230
Deposits from other banks and financial institutions	45,095	65,060
Demand deposits	11,729	23,310
	479,585	589,858
	13,275,304	**11,448,953**

32. PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL AND NON-FINANCIAL ASSETS - NET

This account represents provision (reversal) of allowance for impairment losses on financial assets as follows:

	2011	2010
Loans (Note 12e)	5,789,241	7,879,092
Sharia receivables and financing (Note 13)	18,743	(3,267)
Placements with Bank Indonesia and other banks (Note 6e)	50	250
Securities (Note 7e)	(25)	100
Current accounts with other banks (Note 5e)	(118)	62
Investment in shares of stocks (Note 15)	(1,355)	226
Acceptances receivable (Note 14d)	(7,240)	2,167
Export bills (Note 8d)	(7,638)	1,906
	5,791,658	**7,880,536**

33. SALARIES AND EMPLOYEE BENEFITS

The details of this account are as follows:

	2011	2010
Salaries, wages and allowances	4,118,075	3,608,632
Bonuses, incentives and *tantiem*	2,421,646	2,304,140
Training and development	451,796	373,059
Defined benefit pension (Note 41a)	447,856	276,275
Pension preparation period (Note 41e)	347,952	16,608
Grand leaves (Note 41e)	186,531	91,924
Gratuity for services (Note 41e)	162,604	123,335
Medical allowances	136,890	131,430
Defined contribution pension (Note 41c)	77,670	680,318
Work separation scheme (Note 41d)	65,754	73,437
Others	284,073	996,563
	8,700,847	**8,675,721**

33. SALARIES AND EMPLOYEE BENEFITS (continued)

Salaries and allowances of the Board of Directors amounted to Rp52,078 and Rp45,778, whereas the Board of Commissioners of BRI amounted to Rp10,247 and Rp8,384 for the years ended December 31, 2011 and 2010, respectively (Note 43).

Tantiem, bonuses and incentives paid to the Boards of Directors, Commissioners and key employees of BRI for the years ended December 31, 2011 and 2010, amounted to Rp204,724 and Rp147,180, respectively (Note 43).

34. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	2011	2010
Rent	1,106,078	886,226
Repairs and maintenance	584,717	491,413
Depreciation of premises and equipment (Note 16)	322,757	302,730
Electricity and water	313,097	276,144
Transportation	214,122	201,070
Printing and postage	183,962	152,018
Office supplies	154,428	130,475
Communications	118,105	96,691
Professional fees	50,668	33,911
Computer installations	17,268	17,939
Research and product development	8,761	10,017
Others	2,604,823	2,112,810
	5,678,786	**4,711,444**

35. NON-OPERATING INCOME - NET

The details of this account are as follows:

	2011	2010
Loan insurance claim income	318,568	313,576
Gain on sale of premises and equipment	17,067	5,875
Cash distribution from the liquidation of BRI Finance Limited, Hong Kong	16,519	12,263
Rental income	3,033	6,379
Others - net	816,463	168,136
	1,171,650	**506,229**

36. TAXATION

a) Taxes Payable

As of December 31, 2011 and 2010, the details of taxes payable are as follows:

	2011	2010
BRI (Parent Entity)		
Income tax		
Article 23	-	2,874

36. TAXATION (continued)

a) Taxes Payable (continued)

	2011	2010
BRI (Parent Entity) (continued)		
Income Tax (continued)		
Article 25 (December)	462,148	230,459
Article 26	-	38,400
Article 29	622,506	1,648,319
Article 4 (2)	-	764
	1,084,654	1,920,816
Subsidiaries		
Income tax		
Article 21	3,278	4,046
Article 23	611	457
Article 25 (December)	1,463	-
Article 29	5,938	95
Article 4 (2)	10,003	5,509
Others	50	-
	21,343	10,107
	1,105,997	**1,930,923**

b) Tax Expense

The reconciliation between income before tax benefit (expense) as presented in the consolidated statements of comprehensive income and estimated taxable income is as follows:

	2011	2010
Income before tax benefit (expense) based on the consolidated statements of comprehensive income	18,755,880	14,908,230
Income of Subsidiaries	(56,486)	(15,306)
Income before tax benefit (expense) - BRI (Parent Entity)	18,699,394	14,892,924
Temporary Differences:		
Provision for allowance for possible losses on loans	1,000,151	2,067,026
Provision for personnel expenses	825,581	222,629
Unrealized loss on derivatives transactions	-	139,473
Reversal of provision for estimated losses on commitments and contingencies	(93,294)	(8,422)
Unrealized loss (gain) on trading securities and Government Recapitalization Bonds	2,438	(26,293)
Depreciation of premises and equipment	(83,116)	(52,699)
Reversal of provision for reserve of earning assets excluding loans	(15,439)	(668,304)
	1,636,321	1,673,410

36. TAXATION (continued)

b) Tax Expense (continued)

	2011	2010
Permanent Differences:		
Public relations	159,221	84,836
Representations and donations	34,547	30,390
Sports and religious activities	30,469	26,908
Income subjected to final tax	(4,407)	(4,325)
Income of Subsidiaries (equity method)	(23,797)	(15,406)
Others	(244,533)	2,896,963
	(48,500)	3,019,366
Estimated taxable income	**20,287,215**	**19,585,700**

The computation of corporate income tax expense and income tax payable are as follows:

	2011	2010
Estimated taxable income	20,287,215	19,585,700
Parent Entity		
Corporate income tax expense - current	(4,057,443)	(3,917,140)
Income tax installment payments during the year	3,434,937	2,268,821
Corporate income tax payable - Article 29	**(622,506)**	**(1,648,319)**
Subsidiaries		
Corporate income tax expense - current	(17,761)	(4,909)
Income tax installment payments during the year	11,823	4,814
Corporate income tax payable - Article 29	**(5,938)**	**(95)**

BRI and Subsidiaries' income tax are computed individually as separate legal entities.

c) Deferred Tax Assets

The computation of deferred tax benefit (expense) of BRI is as follows (Note 2ag):

	2011	2010
Provision for allowance for possible losses on earning assets	246,178	420,728
Provision for employee benefits	206,395	52,412
Unrealized loss on derivatives transactions	-	34,868
Reversal of estimated losses on commitments and contingencies	(23,324)	(2,105)
Unrealized loss (gain) on trading securities and Government Recapitalization Bonds	610	(6,573)

36. TAXATION (continued)

c) Deferred Tax Assets (continued)

	2011	2010
Depreciation of premises and equipment	(20,779)	(13,174)
	409,080	486,156
Subsidiaries	(1,760)	48
Total deferred tax benefit	**407,320**	**486,204**

The tax effects of significant temporary differences between commercial reporting and tax (recorded under "Deferred Tax Assets") are as follows (Note 2ag):

	2011	2010
Allowance for possible losses on earning assets	1,855,945	1,609,767
Provision for employee expense	910,615	704,220
Depreciation on premises and equipment	116,481	137,260
Estimated losses on commitments and contingencies	-	23,324
Unrealized gain in the value of trading securities and Government Recapitalization Bonds	(220)	(830)
Unrealized gain on available-for-sale securities and Government Recapitalization Bonds	(255,001)	(187,188)
	2,627,820	2,286,553
Subsidiaries	4,138	8,548
	2,631,958	**2,295,101**

Under article 17 (2) of Law No. 7 year 1983 regarding "Income Tax" which was revised for the fourth time by Law No. 36 year 2008, the corporate tax rate is 25%.

In addition, based on the above Law No. 36 year 2008 dated September 23, 2008, the Government Regulation No. 81 year 2007 dated December 28, 2007 on "Reduction of the Income Tax Rate on Resident Corporate Tax Payers in the Form of Publicly-listed Companies" and the Ministry of Finance Regulation No. 238/PMK.03/2008 dated December 30, 2008 on "The Guidelines on the Implementation and Supervision on the Rate Reduction for Domestic Tax Payers in the Form of Public Companies" stipulates that resident publicly-listed companies in Indonesia can obtain the reduced income tax rate at 5% lower than the highest existing income tax rate, provided they meet the prescribed criteria, i.e., public companies whose shares are owned by the public at a minimum of 40% or more of the total paid-up shares are traded in the Indonesia Stock Exchange and such shares are owned by at least 300 (three hundred) parties and each party owning only less than 5% of the total paid-up shares. These requirements should be fulfilled by the publicly-listed companies for a period of 6 (six) months in 1 (one) tax year. Based on Letter No. DE/I/2012-0017 dated February 5, 2012 and the monthly report of shares ownerships, form No. X.H.I-6 dated January 4, 2012 from the Securities Administration Agency (Biro Administrasi Efek), Datindo Entrycom on the ownership of BRI's shares during 2011, all of the above mentioned required criteria to obtain the tax rate reduction on BRI's financial statements for the year ended December 31, 2011, were fulfilled by BRI.

37. RISK MANAGEMENT

BRI's business activities are constantly facing risks relating to its function as a financial intermediary institution. The rapid business development also caused the risk on the bank's business activities to become more complex. BRI is required to implement effective risk management to adapt to the complex business activities. The applied risk management principles must be able to support BRI to operate more carefully within a rapidly developing banking business and operational activities. The implementation of these risk management principles have become the standard in the global banking industry which is required by Bank Indonesia in line with the recommendation issued by the Bank for International Settlements (BIS) through the Basel Committee on Banking Supervision.

The preparation of Basel Capital Accord II compliance, particularly related to the compliance of minimum capital by using standard as well as advanced approaches (Internal Rating Based Approach/IRBA for credit risk, Advanced Measurement Approach/AMA for operational risk and Internal Model for market risk). Meanwhile, the preparation of the Basel Capital Accord III compliance is related to capital reinforcement, compliance with the liquidity ratio (Liquidity Coverage Ratio/LCR and Net Stable Funding Ratio/NSFR) as well as the Leverage Ratio.

The preparation of BRI's consolidated risk profile in accordance with BI SE No. 13/23/DPNP dated October 25, 2011 is done by implementing enterprise-wide risk management through integrating 8 (eight) types of risks, which are credit risk, liquidity risk, market risk, operational risk, strategic risk, compliance risk, reputation risk and legal risk through implementation of risk profile according to Bank Indonesia Regulation on Implementation of Risk Management for Commercial Banks.

To determine the risk profile, BRI conducts monthly self-assessment process which is an assessment of the risk control system adequacy covering all pillars in risk management implementation, by assessing the inherent risk, which is the embedded risk in bank's business activities that could potentially affect the financial position and risk management quality.

BRI has the Risk Management General Policy (KUMR) which represents the supreme rule in the risk management implementation in BRI's entire business activities. KUMR includes general policy, risk management strategy, risk management organization, risk management process, risk management information system, risk management implementation, internal control system and risk management implementation in using information technology and integrated risk management (Enterprise Risk Management) which includes managing risk profile, Business Continuity Management (BCM) implementation, management of new products and/or activities.

Based on the above KUMR, BRI applies the Guidance on the Application and Implementation of Risk Management (PPPMR), which is a series of technical guidelines that determine the stages in risk management process determined in KUMR, such as risk identification, risk measurement, risk monitoring and risk control. BRI PPPMR consists of Guidance on the Application and Implementation of Credit Risk Management (PPPMRK), Guidance on the Application and Implementation of Operational Risk Management (PPPMRO) and Guidance on the Application and Implementation of Market Risk Management (PPPMRP).

BRI has implemented the concept of first line of defense, second line of defense and third line of defense. First line of defense is the business/operational working unit performing functional activities according to existing policies, limit and operational guidelines. Second line of defense is the risk management working unit which oversees compliance of BRI risk management according to risk tolerance and implements policies, guidelines and risk limits of business/operational working units independently. Third line of defense is the internal audit working unit which functions in performing control through evaluation of the first and second lines of defense as well as reporting independently to the Chief Executive Director and Commissioner.

37. RISK MANAGEMENT (continued)

Credit Risk Management

The implementation of Credit Risk Management is not only intended to position BRI as a bank that has complied with the regulation, but as an obligation of management to implement a good credit risk management system and align the Bank with best practices in the banking industry, which in turn is expected to support BRI's business activities.

In the Credit Risk Management Framework, BRI has a Credit Risk Management Committee/CRMC, which is a sub Risk Management Committee (RMC) to discuss problems regarding the credit risk exposure and the implementation of credit risk management.

BRI has implemented several prudential banking principles in loan policies, procedures for quality assessment, management and loan decision process, by segregation of duties of loan officers into RM (Relationship Management) and CRM (Credit Risk Management), implementation of the Four Eyes Principle, Credit Risk Rating/Scoring (CRR and CRS), the separation of the non-performing loans, as well as the exercise of healthy loans procedures through the determination of Target Market (PS), Acceptable Risk Criteria (KRD) and the Annual Marketing Plan (RPT).

Segregation of RM and CRM functions as well as determination of performing loans in a separate division from performing loans are intended for better performance of loan activities risk management without disrupting the business process-oriented growth.

Line Credit Officer (PKL) is given an authorization limit of loan approval based on integrity, capability and competency as well as experience in the loan business. The authorization limit is given directly by the direct superior of PKL according to existing regulations. Every PKL has to have independence, so as not to influence or intervene with one another. Thus, the granting process will be carried out more objectively and comprehensively by applying the precautionary principle.

Credit analysis and approval process begins with the early introduction of prospective debtors through the assessment of individual risk levels of debtors using the Credit Risk Rating (CRR) for commercial loans and Credit Risk Scoring (CRS) for consumer and micro loans. BRI has determined a cut-off for a prospective debtor who is eligible to be approved based on BRI's acceptable risk.

Loan distribution performed by business working unit is done to take into account credit risk from loan disbursement up to loan settlement by controlling and monitoring loan quality to prevent Non Performing Loans (NPL).

Through the implementation of Early Warning System (EWS) in the development of the condition of the debtor's business, hence the effective credit risk management could minimize risk of possible loss and optimize capital usage to obtain maximum income.

The credit risk management of BRI is intended to minimize possible losses due to unsettled loans and other financial contracts, in the individual or overall portfolio level of loans. Credit risk management is also intended to meet the regulatory requirements of Bank Indonesia.

As a guideline for all personnel involved in credit risk management, credit policies and procedures are stipulated in the Operation Guidelines on the Implementation of Credit Risk Management (PPPMRK), Credit Operation Guidelines (PPK) for each business segment, Procedures of Credit Risk Limit Determination as well as other policies and procedures. The policies and procedures comprehensively stipulate in detail the activities of credit risk management, beginning from loan application, analysis process, decision/approval process, monitoring, documentation, controlling and rescuing/3R (Restructuring, Rescheduling and Reconditioning). In line with the adjustment of policies to current business development, review and improvement on policies and regulations are performed occasionally to ensure that loan expansion is right on target.

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

Credit risk limits are set to ensure that BRI's loan activities are performed carefully by limiting the level of risk to a tolerable extent so that potential losses incurred relating to credit risk can still be absorbed by the capital allocated to credit risk. BRI has set the limit of credit risks and regularly monitoring exposure on credit risk, portfolio, business segments and sectors of the economy.

The development of credit risk management is conducted in stages and in line with the framework set by Bank Indonesia. BRI assesses the credit risk by using the Standardized Approach simultaneously with Internal Rating Based Approach (IRBA) methodology. BRI is still preparing a system to support the database that will be utilized for determining loan risk parameters such as Probability of Default, Loss Given Default and Exposure at Default.

In preparation of IRBA implementation, BRI developed the Loan Approval System (LAS) which functions as a media to capture loan data needed and conduct risk evaluation through CRR/CRS in every loan processing whereby the calculations performed are systematic and integrated, resulting in a more objective result.

BRI conducts stress testing on a quarterly basis by considering the events that may occur or any possibility changes in economic conditions in the future or events of extreme conditions. It is intended to determine the ability of the Bank to adapt to extreme conditions that may cause an unfavorable effect on its credit exposure. The simulation result of stress testing is submitted to the Board of Directors and Risk Monitoring Committee.

(i) Credit risk exposures on financial assets in the consolidated statements of financial position as of December 31, 2011 and 2010 are as follows:

	Maximum Exposure	
	2011	**2010**
Current accounts with Bank Indonesia	33,040,418	19,989,683
Current accounts with other banks	5,533,164	5,658,053
Placements with other banks and Bank Indonesia	73,596,356	83,272,140
Securities		
Fair value through profit or loss	563,125	203,144
Available-for-sale	15,416,030	13,072,295
Held-to-maturity	17,938,361	9,239,224
Export bills	4,828,569	734,339
Government Recapitalization Bonds		
Available-for-sale	5,396,026	6,026,463
Held-to-maturity	3,600,000	7,600,000
Securities purchased under agreement to resell	9,383,298	501,381
Derivatives receivable	17,818	87,870
Loans, Sharia receivables and financing	278,425,000	238,386,376
Acceptances receivable	1,692,176	660,209
Investment in shares of stocks *)	1,408	1,099
Other assets **)	1,128,481	1,295,744
Total	**450,560,230**	**386,728,020**

*) Investment in shares of stocks refers to investment in shares of stocks using the cost method.
**) Other assets consist of interest receivables and other receivables.

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

Credit risk exposure relating to consolidated administrative accounts as of December 31, 2011 and 2010 is as follows:

	Maximum Exposure	
	2011	**2010**
Irrevocable letters of credit	6,843,251	4,932,139
Guarantees issued	6,238,525	3,801,371
	13,081,776	**8,733,510**

The above tables represent the maximum credit risk exposure of BRI as of December 31, 2011 and 2010. For financial assets on consolidated statements of financial position, the exposures set out above are based on net carrying amounts as reported in the consolidated financial statements.

As of December 31, 2011 and 2010, the percentage of maximum exposure of loans, Sharia receivables and financing against the total financial assets subject to credit risk in the consolidated statements of financial position is 61.80% and 61.64%, respectively.

(ii) Risk concentration on consolidated financial assets with credit risk exposure

(a) Geographical sectors

The following table provides details of BRI's credit risk exposure as categorized by geographical region as of December 31, 2011 and 2010. For this table, BRI has allocated exposures to the regions based on the geographical area where activities are undertaken.

	December 31, 2011							
	Jakarta	**West Java**	**Central Java and Yogyakarta**	**East Java**	**Sumatera**	**Central and East Indonesia**	**Others**	**Total**
Assets								
Current accounts with Bank Indonesia	33,040,418	-	-	-	-	-	-	33,040,418
Current accounts with other banks	5,391,983	7	1,613	256	3,610	8,284	127,472	5,533,225
Placements with Bank Indonesia and other banks	73,273,622	-	-	-	-	-	323,034	73,596,656
Securities								
Fair value through profit or loss	563,125	-	-	-	-	-	-	563,125
Available-for-sale	15,306,866	-	-	-	-	-	109,164	15,416,030
Held-to-maturity	17,939,871	-	-	-	-	-	-	17,939,871
Export bills	3,621,012	2,482	117,936	852,960	228,823	5,356	-	4,828,569
Government Recapitalization Bonds								
Available-for-sale	5,396,026	-	-	-	-	-	-	5,396,026
Held-to-maturity	3,600,000	-	-	-	-	-	-	3,600,000
Securities purchased under agreements to resell	9,383,298	-	-	-	-	-	-	9,383,298
Derivatives receivable	17,818	-	-	-	-	-	-	17,818
Loans, Sharia receivables and financing	94,122,066	20,371,025	30,694,648	34,361,550	51,653,813	62,380,390	931,480	294,514,972
Acceptances receivable	687,261	131,479	261,078	262,224	349,039	1,095	-	1,692,176
Investment in shares of stocks*)	1,944	-	-	-	-	-	-	1,944
Other assets**)	1,005,079	21,393	11,957	17,686	24,217	18,279	29,870	1,128,481
Total	**263,350,389**	**20,526,386**	**31,087,232**	**35,494,676**	**52,259,502**	**62,413,404**	**1,521,020**	**466,652,609**
Less: Allowance for impairment losses								(16,092,379)
								450,560,230
Administrative Accounts								
Irrevocable L/C	5,116,045	157,843	480,143	478,575	397,229	206,124	7,292	6,843,251
Guarantees issued	5,306,801	160,277	128,557	418,527	201,881	22,482	-	6,238,525
	10,422,846	**318,120**	**608,700**	**897,102**	**599,110**	**228,606**	**7,292**	**13,081,776**

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(ii) Risk concentration on consolidated financial assets with credit risk exposure (continued)

(a) Geographical sectors (continued)

	December 31, 2010							
	Jakarta	West Java	Central Java and Yogyakarta	East Java	Sumatera	Central and East Indonesia	Others	Total
Assets								
Current accounts with Bank Indonesia	19,989,683	-	-	-	-	-	-	19,989,683
Current accounts with other banks	5,638,933	-	122	4	3	3,147	15,907	5,658,116
Placements with Bank Indonesia and other banks	82,382,398	-	-	-	-	-	889,992	83,272,390
Securities								
Fair value through profit or loss	203,144	-	-	-	-	-	-	203,144
Available-for-sale	11,745,089	-	-	-	-	-	1,327,206	13,072,295
Held-to-maturity	9,240,734	-	-	-	-	-	-	9,240,734
Export bills	417,278	967	58,517	233,006	16,714	15,275	-	741,757
Government Recapitalization Bonds								
Available-for-sale	6,026,463	-	-	-	-	-	-	6,026,463
Held-to-maturity	7,600,000	-	-	-	-	-	-	7,600,000
Securities purchased under agreement to resell	501,381	-	-	-	-	-	-	501,381
Derivatives receivable	87,870	-	-	-	-	-	-	87,870
Loans, Sharia receivables and financing	68,175,661	18,196,339	28,079,160	31,939,822	44,015,924	56,196,356	5,885,944	252,489,206
Acceptances receivable	332,717	31,871	201,160	10,134	90,996	-	-	666,878
Investment in shares of stocks*)	1,646	-	-	-	-	-	-	1,646
Other assets**)	1,295,744	-	-	-	-	-	-	1,295,744
Total	**213,638,741**	**18,229,177**	**28,338,959**	**32,182,966**	**44,123,637**	**56,214,778**	**8,119,049**	**400,847,307**
Less: Allowance for impairment losses								(14,119,287)
								386,728,020
Administrative Accounts								
Irrevocable L/C	4,418,626	30,923	46,429	231,964	199,738	4,459	-	4,932,139
Guarantees issued	3,246,679	51,431	6,803	331,799	158,586	6,073	-	3,801,371
	7,665,305	**82,354**	**53,232**	**563,763**	**358,324**	**10,532**	**-**	**8,733,510**

*) Investment in shares of stocks refers to investment in shares of stocks using cost method.
**) Other assets consist of interest receivables and other receivables.

(b) Industrial sectors

The following table provides the details of credit exposure at carrying amounts, as categorized by the industry sectors as of December 31, 2011 and 2010:

	2011				
	Government (including Bank Indonesia)	Bank and other financial institutions	Companies	Individuals	Total
Current accounts with Bank Indonesia	33,040,418	-	-	-	33,040,418
Current accounts with other banks	-	5,533,225	-	-	5,533,225
Placements with Bank Indonesia and other banks	69,724,880	3,706,776	165,000	-	73,596,656

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(ii) Risk concentration of consolidated financial assets with credit risk exposure (continued)

(b) Industrial sectors (continued)

	2011				
	Government (including Bank Indonesia)	Bank and other financial institutions	Companies	Individuals	Total
Securities					
Fair value through profit or loss	53,933	509,192	-	-	563,125
Available-for-sale	15,078,450	-	337,580	-	15,416,030
Held-to-maturity	12,573,369	3,773,611	1,592,891	-	17,939,871
Export bills	5,351	-	4,823,218	-	4,828,569
Government Recapitulation Bonds					
Available-for-sale	5,396,026	-	-	-	5,396,026
Held-to-maturity	3,600,000	-	-	-	3,600,000
Securities purchased under agreements to resell	9,383,298	-	-	-	9,383,298
Derivatives receivable	-	17,818	-	-	17,818
Loans, Sharia receivables and financing	799,605	5,375,323	1,205,019	287,135,025	294,514,972
Acceptances receivable	198,041	-	1,494,135	-	1,692,176
Investment in shares of stocks*)	-	-	1,944	-	1,944
Other assets**)	262,865	55,904	421,737	387,975	1,128,481
Total	**150,116,236**	**18,971,849**	**10,041,524**	**287,523,000**	**466,652,609**
Less: Allowance for impairment losses					(16,092,379)
					450,560,230

	2010				
	Government (including Bank Indonesia)	Bank and other financial institutions	Companies	Individuals	Total
Current accounts with Bank Indonesia	19,989,683	-	-	-	19,989,683
Current accounts with other banks	2,752	5,655,364	-	-	5,658,116
Placements with Bank Indonesia and other banks	68,556,092	14,716,298	-	-	83,272,390
Securities					
Fair value through profit or loss	193,582	9,562	-	-	203,144
Available-for-sale	12,831,823	-	240,472	-	13,072,295
Held-to-maturity	4,066,119	4,058,415	1,116,200	-	9,240,734
Export bills	-	741,757	-	-	741,757
Government Recapitulation Bonds					
Available-for-sale	6,026,463	-	-	-	6,026,463
Held-to-maturity	7,600,000	-	-	-	7,600,000

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(ii) Risk concentration of consolidated financial assets with credit risk exposure (continued)

(b) Industrial sectors (continued)

	2010				
	Government (including Bank Indonesia)	Bank and other financial institutions	Companies	Individuals	Total
Securities purchased under agreements to resell	-	501,381	-	-	501,381
Derivatives receivable	-	87,870	-	-	87,870
Loans, Sharia receivables and financing	270,284	55,130	73,401,081	178,762,711	252,489,206
Acceptances receivable	-	-	666,878	-	666,878
Investment in shares of stocks*)	-	536	1,110	-	1,646
Other assets**)	749,565	27,591	518,588	-	1,295,744
Total	**120,286,363**	**25,853,904**	**75,944,329**	**178,762,711**	**400,847,307**
Less: Allowance for impairment losses					(14,119,287)
					386,728,020

*) Investment in shares of stocks refers to investment in shares of stocks using the cost method.
**) Other assets consist of interest receivables and other receivables.

Credit risk exposure relating to consolidated administrative accounts as of December 31, 2011 and 2010 is as follows:

	2011				
	Government (including Bank Indonesia)	Bank and other financial institutions	Companies	Individuals	Total
Irrevocable letters of credit	3,189,141	-	3,654,110	-	6,843,251
Guarantees issued	146,245	-	6,086,580	5,700	6,238,525
	3,335,386	**-**	**9,740,690**	**5,700**	**13,081,776**

	2010				
	Government (including Bank Indonesia)	Bank and other financial institutions	Companies	Individuals	Total
Irrevocable letters of credit	2,459,228	393,603	2,079,308	-	4,932,139
Guarantees issued	134,110	1,588,166	2,029,201	49,894	3,801,371
	2,593,338	**1,981,769**	**4,108,509**	**49,894**	**8,733,510**

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(iii) Impairment of financial assets as of December 31, 2011 and 2010:

(a) Current accounts with other banks

As of December 31, 2011 and 2010, this financial asset is not individually or collectively impaired according to the regulation of Bank Indonesia.

(b) Placements with Bank Indonesia and other banks

As of December 31, 2011 and 2010, this financial asset is not individually or collectively impaired according to the regulation of Bank Indonesia, except for Sharia.

	2011	2010
Rupiah		
Bank Indonesia		
Deposit Facility	42,232,793	50,188,290
Term Deposit	27,492,087	18,367,802
Inter-bank call money	913,000	1,250,000
	70,637,880	69,806,092
Forreign currencies		
Inter-bank call money	2,849,558	12,461,683
Time deposits	109,218	1,004,615
	2,958,776	13,466,298
Total	73,596,656	83,272,390
Less: Allowance for impairment losses	(300)	(250)
	73,596,356	**83,272,140**

(c) Securities

As of December 31, 2011 and 2010, this financial asset is not individually or collectively impaired according to the regulation of Bank Indonesia, except for Sharia.

	2011	2010
Rupiah		
Certificates of Bank Indonesia	13,956,762	9,631,413
Government bonds	10,698,039	5,101,814
Bonds	1,958,826	1,407,382
Bank Indonesia Sharia Certificates (SBIS)	400,000	200,000
Medium-term notes	130,000	120,000
Subordinated Bonds	89,857	89,843
Mutual funds	10,479	9,562
	27,243,963	16,560,014
Foreign currencies		
Credit linked notes	3,595,708	3,175,431
Government bonds	2,650,951	2,158,297

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(iii) Impairment of financial assets as of December 31, 2011 and 2010 (continued):

(c) Securities (continued)

	2011	2010
Foreign currencies (continued)		
Medium-term notes	227,372	224,789
Note receivables	109,164	397,642
Bonds	91,868	-
	6,675,063	5,956,159
Total	33,919,026	22,516,173
Less: Allowance for impairment losses	(1,510)	(1,510)
	33,917,516	**22,514,663**

(d) Export bills

As of December 31, 2011, this financial asset is not individually or collectively impaired (Note 2f). Whereas, as of December 31, 2010, this financial asset is impaired with the following details:

	2010
Rupiah	
Domestic Documentary Letter of Credit	42,715
Foreign currencies	
Export bills	699,042
Total	741,757
Less: Allowance for impairment losses	(7,418)
	734,339

(e) Derivatives receivable

As of December 2011 and 2010, this financial asset is not individually or collectively impaired according to the regulation of Bank Indonesia.

(f) Loans, Sharia receivables and financing

As of December 31, 2011 and 2010, this financial asset is individually or collectively impaired according to the regulation of Bank Indonesia with the following details:

	2011			
		Impaired		
Description	Not Impaired	Individual	Collective	Total
Rupiah				
Trading, hotels and restaurants	71,996,626	1,080,659	10,454,381	83,531,666

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(iii) Impairment of financial assets as of December 31, 2011 and 2010 (continued):

(f) Loans, Sharia receivables and financing (continued)

	2011			
		Impaired		
Description	Not Impaired	Individual	Collective	Total
Rupiah (continued)				
Agriculture	20,181,011	311,451	939,545	21,432,007
Business Service	13,338,543	226,473	418,607	13,983,623
Manufacturing	10,053,827	414,514	343,860	10,812,201
Construction	5,398,569	295,497	185,648	5,879,714
Electricity, gas and water	6,430,450	12,406	17,398	6,460,254
Transportation, warehousing and communications	4,205,484	127,394	83,206	4,416,084
Social services	9,177,013	78,591	123,164	9,378,768
Mining	1,121,974	5,203	8,551	1,135,728
Others	108,207,828	568,814	2,493,578	111,270,220
	250,111,325	3,121,002	15,067,938	268,300,265
Foreign currencies				
Trading, hotels and restaurants	5,902,445	466,994	371	6,369,810
Mining	4,363,517	11,466	-	4,374,983
Manufacturing	8,646,482	551,987	1,982	9,200,451
Transportation, warehousing and communications	957,110	2,404	-	959,514
Agriculture	2,185,124	12,923	-	2,198,047
Electricity, gas and water	67,952	-	-	67,952
Construction	1,165,693	-	-	1,165,693
Business services	240,943	4,478	-	245,421
Social services	3,174	87,039	-	90,213
Others	1,539,075	3,548	-	1,542,623
	25,071,515	1,140,839	2,353	26,214,707
Total	275,182,840	4,261,841	15,070,291	294,514,972
Less: Allowance for impairment losses	(3,336,510)	(3,139,888)	(9,613,574)	(16,089,972)
	271,846,330	**1,121,953**	**5,456,717**	**278,425,000**

	2010			
		Impaired		
Description	Not Impaired	Individual	Collective	Total
Rupiah				
Trading, hotels and restaurants	71,170,840	1,109,918	10,003,037	82,283,795

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(iii) Impairment of financial assets as of December 31, 2011 and 2010 (continued):

(f) Loans, Sharia receivables and financing (continued)

	2010			
		Impaired		
Description	Not Impaired	Individual	Collective	Total
Rupiah (continued)				
Agriculture	16,111,480	328,463	725,262	17,165,205
Business service	10,137,563	317,301	341,036	10,795,900
Manufacturing	9,168,337	548,413	340,845	10,057,595
Construction	4,563,250	604,613	175,808	5,343,671
Electricity, gas and water	4,953,897	15,385	3,742	4,973,024
Transportation, warehousing and communications	3,532,409	215,630	92,040	3,840,079
Social services	2,290,643	216,943	168,348	2,675,934
Mining	1,743,551	15,762	6,000	1,765,313
Others	96,311,352	436,066	1,219,805	97,967,223
	219,983,322	3,808,494	13,075,923	236,867,739
Foreign currencies				
Trading, hotels and restaurant	4,846,132	218,668	4,623	5,069,423
Mining	3,543,686	4,917	-	3,548,603
Manufacturing	2,100,613	686,062	1,968	2,788,643
Transportation, warehousing and communications	911,841	7,932	-	919,773
Agriculture	906,723	-	-	906,723
Electricity, gas and water	899,656	-	-	899,656
Construction	508,896	-	-	508,896
Business services	321,964	4,464	-	326,428
Social services	4,858	4,709	90,062	99,629
Others	277,917	275,776	-	553,693
	14,322,286	1,202,528	96,653	15,621,467
Total	234,305,608	5,011,022	13,172,576	252,489,206
Less: Allowance for impairment losses	(2,722,620)	(4,121,560)	(7,258,650)	(14,102,830)
	231,582,988	**889,462**	**5,913,926**	**238,386,376**

(g) Acceptances receivable

As of December 31, 2011, this financial asset is not impaired individually or collectively (Note 2f). While, as of December 31, 2010, this financial asset is impaired with the following details:

	2010
Foreign currencies	
Usance Import Letter of Credit	553,304

37. RISK MANAGEMENT (continued)

Credit Risk Management (continued)

(iii) Impairment of financial assets as of December 31, 2011 and 2010 (continued):

(g) Acceptances receivable (continued)

	2010
Foreign currencies (continued)	
Usance Domestic Documentary Letter of Credit	113,574
Total	666,878
Less: Allowance for impairment losses	(6,669)
	660,209

(iv) Estimated losses on commitments and contingencies

As of December 31, 2011 and 2010, the administrative accounts are impaired with the following details:

	2011	2010
Rupiah		
Bank guarantees issued	3,447,111	1,905,076
Irrevocable Letter of Credit	313,130	264,501
	3,760,241	2,169,577
Foreign currencies		
Irrevocable Letter of Credit	6,530,121	4,667,638
Bank guarantees issued	2,791,414	1,896,295
	9,321,535	6,563,933
Total	13,081,776	8,733,510
Less: Allowance for impairment losses	(152)	(93,422)
	13,081,624	**8,640,088**

For loans in disaster prone areas which experienced disasters and are categorized as disaster prone areas by the Government of the Republic of Indonesia, loan evaluation is performed only for micro market segment, excluding loans with cash collateral, insured loans and payroll-deducted loans.

Considering BRI has sufficient data and information on historical loss of loans in disaster prone areas which experienced disasters and are categorized as disaster prone areas by the Government of the Republic of Indonesia. Therefore, impairment is performed by calculating the entire level of loss which covers actual loss combined with adjustment value decided by the management obtained from periodic surveys.

Liquidity Risk Management

BRI manages liquidity risk as an effort to meet any financial liabilities that have been agreed upon in a timely manner and in order to maintain adequate and optimal liquidity levels.

37. RISK MANAGEMENT (continued)

Liquidity Risk Management (continued)

BRI liquidity management is conducted nationally by the Treasury Division. Liquidity management includes liquidity management for intraday, daily, short term, medium term, denominated in Rupiah or foreign currency. To support liquidity management, BRI prepared the Risk Management Implementation Policy for BRI's liquidity risk according to PBI No. 11/16/DPNP dated July 6, 2009, on "Implementation of Risk Management for Liquidity Risk", which includes active supervision of the Boards of Commissioners and Directors, adequacy of identification, measurement, monitoring and control processes, liquidity risk management information systems, adequate policies and procedures on liquidity and limit as well as a comprehensive system of internal control.

Liquidity management policies include liquidity management, funding strategies, early warning system, establishment of liquidity limit, including management of high quality liquid assets and liquidity contingency plan. These policies aim to ensure sufficient daily funds in meeting its obligations during normal business conditions and during times of crisis, as well as ensuring the availability of high quality liquid assets.

In an effort to properly control the exposure and the concentration of liquidity and manage the daily liquidity, BRI prepares and manages liquidity risk limit which are submitted to the Board of Directors through risk profile, Asset and Liability Committee (ALCO) and Risk Management Committee (RMC). Liquidity risk limit is the concentration ratio of assets and liabilities (minimum SBI in the secondary reserve, concentration of 50 (fifty) core depositors and the concentration of funds among bank liabilities), liquid assets ratio < 1 month towards liquid liabilities < 1 month, maximum ratio of cash outflow, ratio of short-term and long-term cash flow mismatch, Loan to Deposit Ratio (LDR), overnight lending limit (O/N) and liquidity assets or total liabilities.

To determine BRI's ability to meet liquidity needs in times of crisis, BRI conducts stress testing simulation with a series of scenarios that cover normal and crisis conditions, by using a specific scenario and general market stress. The results of stress testing will be presented to the Board of Directors through RMC on a quarterly basis.

In addition, to manage liquidity, BRI conducts daily monitoring for possible withdrawals by customers, performs monitoring of maturing assets and liabilities, maintains sufficient liquid assets to meet its maturing obligations and maintains primary reserve in accordance with Bank Indonesia regulations and the secondary reserve according to the limit determined. BRI also optimizes the determined cash ratio for Regional Offices and Branch Offices by taking into account the cash needs of the working units.

Potential liquidity risk that will be faced by BRI in the future will be measured through Liquidity Gap Analysis, which is the projection of the excess/shortage of liquidity based on the maturity of assets and liabilities, after taking into account the business expansion needs. This information is also used as a consideration in planning and managing BRI's liquidity, including BRI's business expansion needs. With the implementation of effective liquidity risk management, it is expected to minimize liquidity risk in BRI while enhancing the stability of the banking system as a whole.

37. RISK MANAGEMENT (continued)

Liquidity Risk Management (continued)

The table below represents information about the mapping of financial assets and liabilities within a certain time scale (maturity buckets) based on their remaining maturity as of December 31, 2011 and 2010:

2011						
Description	Total	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year	Others without maturity
Assets						
Cash	10,525,973	10,525,973	-	-	-	-
Current accounts with Bank Indonesia	33,040,418	33,040,418	-	-	-	-
Current accounts with other banks	5,533,225	5,533,225	-	-	-	-
Allowance for impairment losses	(61)	-	-	-	-	(61)
Placements with Bank Indonesia and other banks	73,596,656	73,346,039	-	250,617	-	-
Allowance for impairment losses	(300)	-	-	-	-	(300)
Securities	33,919,026	16,868,105	999,960	4,169,974	11,880,987	-
Allowance for impairment losses	(1,510)	-	-	-	-	(1,510)
Export bills	4,828,569	572,438	816,080	3,440,051	-	-
Government Recapitalization Bonds	8,996,026	5,396,026	-	-	3,600,000	-
Securities purchased under agreement to resell	9,383,298	7,364,677	2,018,621	-	-	-
Derivatives receivable	17,818	-	75	-	17,743	-
Loans, Sharia receivables and financing	294,514,972	21,312,081	18,320,438	58,222,345	196,660,108	-
Allowance for impairment losses	(16,089,972)	-	-	-	-	(16,089,972)
Acceptances receivable	1,692,176	428,580	739,413	524,183	-	-
Investment in shares of stocks*)	1,944	-	-	-	1,944	-
Allowance for impairment losses	(536)	-	-	-	-	(536)
Other assets **)	1,128,481	450,920	391,107	286,454	-	-
Total Assets	**461,086,203**	**174,838,482**	**23,285,694**	**66,893,624**	**212,160,782**	**(16,092,379)**
Liabilities						
Liabilities due immediately	3,961,640	3,961,640	-	-	-	-
Deposits from customers	384,264,345	323,891,959	22,228,909	37,896,846	246,631	-
Deposits from other banks and financial institutions	4,024,163	3,909,497	-	114,666	-	-
Securities sold under agreements to repurchase	102,681	102,681	-	-	-	-
Derivatives payable	173,536	455	-	-	173,081	-
Acceptances payable	1,692,176	428,580	739,413	524,183	-	-
Fund borrowings	13,097,916	-	2,279,884	10,774,896	43,136	-
Other liabilities***)	618,051	485,119	55,871	72,190	4,871	-
Subordinated loans	2,136,288	232	-	21,093	2,114,963	-
Total Liabilities	410,070,796	332,780,163	25,304,077	49,403,874	2,582,682	-
Maturity gap	**51,015,407**	**(157,941,681)**	**(2,018,383)**	**17,489,750**	**209,578,100**	**(16,092,379)**

37. RISK MANAGEMENT (continued)

Liquidity Risk Management (continued)

	2010					
Description	Total	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year	Others without maturity
Assets						
Cash	9,975,712	9,975,712	-	-	-	-
Current accounts with Bank Indonesia	19,989,683	19,989,683	-	-	-	-
Current accounts with other banks	5,658,116	5,658,116	-	-	-	-
Allowance for impairment losses	(63)	-	-	-	-	(63)
Placements with Bank Indonesia and other banks	83,272,390	82,267,775	-	1,004,615	-	-
Allowance for impairment losses	(250)	-	-	-	-	(250)
Securities	22,516,173	14,535,344	-	575,178	7,405,651	-
Allowance for impairment losses	(1,510)	-	-	-	-	(1,510)
Export bills	741,757	480,034	218,257	43,466	-	-
Allowance for impairment losses	(7,418)	-	-	-	-	(7,418)
Government Recapitalization Bonds	13,626,463	10,026,463	-	-	3,600,000	-
Securities purchased under agreement to resell	501,381	501,381	-	-	-	-
Derivatives receivable	87,870	9,216	-	78,654	-	-
Loans, Sharia receivables and financing	252,489,206	13,342,542	22,584,488	48,572,108	167,990,068	-
Allowance for impairment losses	(14,102,830)	-	-	-	-	(14,102,830)
Acceptances receivable	666,878	269,598	294,132	103,148	-	-
Allowance for impairment losses	(6,669)	-	-	-	-	(6,669)
Investment in shares of stocks*)	1,646	-	-	-	1,646	-
Allowance for impairment losses	(547)	-	-	-	-	(547)
Other assets **)	1,295,744	924,369	344,424	26,951	-	-
Total Assets	**396,703,732**	**157,980,233**	**23,441,301**	**50,404,120**	**178,997,365**	**(14,119,287)**
Liabilities						
Liabilities due immediately	4,123,639	4,123,639	-	-	-	-
Deposits from customers	333,652,397	284,659,509	13,974,491	34,834,241	184,156	-
Deposits from other banks and financial institutions	5,160,315	5,160,199	116	-	-	-
Securities sold under agreements to repurchase	526,365	102,752	-	423,613	-	-
Derivatives payable	81,801	3,674	-	5,839	72,288	-
Acceptances payable	666,878	269,598	294,132	103,148	-	-
Fund borrowings	9,454,545	695,397	4,684,842	3,766,126	308,180	-
Other liabilities***)	603,789	456,479	44,160	93,522	9,628	-
Subordinated loans	2,156,181	232	-	21,093	2,134,856	-
Total Liabilities	**356,425,910**	**295,471,479**	**18,997,741**	**39,247,582**	**2,709,108**	**-**
Maturity gap	**40,277,822**	**(137,491,246)**	**4,443,560**	**11,156,538**	**176,288,257**	**(14,119,287)**

*) Investment in shares of stocks refers to investment in shares of stocks using the cost method.
**) Other assets consist of interest receivables and other receivables.
***) Other liabilities consists of interest payables and guarantee deposits.

37. RISK MANAGEMENT (continued)

Market Risk Management

Market risk is the loss risk which arises due to the movements of market factors which consist of interest rates and exchange rates that are against the position held by BRI, whether on the statements of financial position or administrative accounts. The position held pertains to those in the trading and banking books. In market risk management, BRI performs monitoring and restricting of losses by determining market risk limits through transaction limits which consist of dealer transactions limits, cut loss limits, stop loss limits and Value-at-Risk (VaR) limits.

BRI manages market risk by implementing the Middle Office function, an independent unit from the front office, which monitors the trading activities undertaken by the dealers (front office) in the Treasury Division.

Market risk management is divided into 3 (three) functions. Firstly is the front office, whereby Treasury Division is a working unit that performs business activities/risk owner. Secondly is the middle office, whereby Risk Management Division is a working unit that performs monitoring/market risk controller. Thirdly is the back office, whereby Operational Center Division is a working unit that performs market transactions settlement/treasury.

BRI has implemented treasury and market risk application system (GUAVA), which is an integrated system used by the front office, middle office and back office function. Through the application, BRI is able to measure the market risk by using an internal model approach which integrates with the daily process transaction. Besides that, BRI is able to monitor the exposure and limit the loss by determining market risk limit through transaction limits which are dealer transaction limits, cut loss limits, stop loss limits and Value at Risk (VaR) limits. Monitoring can be performed on a daily basis, to facilitate the process of market risk monitoring and accelerate in providing the current information for management, in order to support decision making in a timely manner.

In market risk reporting to Bank Indonesia, BRI uses the Standardized Approach in measuring market risk in order to anticipate any potential losses resulting from activities that are exposed to market risk. The capital allocation using the Standardized Approach is computed for interest rate risk on trading book portfolio as well as exchange rate risk on trading book and banking book portfolio.

As with the credit risk and liquidity risk, BRI also performs stress testing periodically on market risk for the trading book and banking book portfolio to evaluate the impact of significant losses should there be any abnormal movements in the market factors. Stress testing is done by taking into account historical scenario of past crisis events.

(a) Interest Rate Risk

Financial instruments based on interest rate contain risk as there are potential changes in interest rates which will impact the future cash flows.

The Board of Directors and senior management are responsible for determining, managing and controlling the interest rate by weighing BRI's acceptable risk and targeted financial objectives, whereby the determination of interest rates is done at least once a month by ALCO.

37. RISK MANAGEMENT (continued)

Market Risk Management (continued)

(a) Interest Rate Risk (continued)

The table below represents the average interest rates per annum of BRI's financial assets and liabilities as of December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
	Rupiah (%)	Foreign Currency (%)	Rupiah (%)	Foreign Currency (%)
ASSETS				
Placements with Bank Indonesia and other banks	4.37	0.27	5.87	0.48
Securities	7.58	4.38	8.01	3.81
Export bills	10.00	8.00	11.00	5.50
Loans	16.80	2.84	15.98	3.66
Government Recapitalization Bonds				
Fixed interest rate	13.17	-	13.29	-
Floating interest rate	4.47	-	6.37	-
LIABILITIES				
Deposit from customers	4.27	1.30	4.30	1.94
Deposit from other banks and other financial institutions	6.19	0.29	6.50	1.97
Fund borrowings	6.60	1.20	4.50	2.79
Subordinated loans	10.95	-	10.95	-

The tables below summarize the financial assets and liabilities exposures to interest rate risk (gross) (unaudited):

	2011					
	Floating interest rate					
Description	Not more than 3 months	More than 3 months but less than 1 year	More than 1 year	Fixed interest rate	Non-interest bearing	Total
Assets						
Cash	-	-	-	-	10,525,973	10,525,973
Current accounts with Bank Indonesia	33,040,418	-	-	-	-	33,040,418
Current accounts with other banks	5,533,225	-	-	-	-	5,533,225
Placement with Bank Indonesia and other banks	-	-	-	73,596,656	-	73,596,656
Securities						
Fair value through profit or loss	-	-	-	563,125	-	563,125
Available-for-sale	-	-	-	15,416,030	-	15,416,030
Held-to-maturity	-	-	-	17,939,871	-	17,939,871
Export bills	4,828,569	-	-	-	-	4,828,569
Government Recapitalization Bonds						
Available-for-sale	713,702	-	-	4,682,324	-	5,396,026
Held-to-maturity	-	-	3,600,000	-	-	3,600,000
Securities purchased under agreement to resell	-	-	-	9,383,298	-	9,383,298
Derivatives receivable	-	-	17,744	-	74	17,818

37. RISK MANAGEMENT (continued)

Market Risk Management (continued)

(a) Interest Rate Risk (continued)

2011						
	Floating interest rate					
Descriptions	Not more than 3 months	More than 3 months but less than 1 year	More than 1 year	Fixed interest rate	Non-interest bearing	Total
Assets (continued)						
Loans, Sharia receivables and financing	12,262,444	13,701,910	125,494,188	133,947,715	9,108,715	294,514,972
Acceptances receivable	1,692,176	-	-	-	-	1,692,176
Investment in shares of stocks*)	-	-	-	-	1,944	1,944
Other assets**)	-	-	-	-	1,128,481	1,128,481
Total Assets	**58,070,534**	**13,701,910**	**129,111,932**	**255,529,019**	**20,765,187**	**477,178,582**
Liabilities						
Liabilities due immediately	3,961,640	-	-	-	-	3,961,640
Deposit from customers						
Current accounts	76,778,729	-	-	-	-	76,778,729
Saving deposits	154,132,973	-	-	-	-	154,132,973
Time deposits	92,980,258	60,125,754	246,631	-	-	153,352,643
Deposits from other banks and other financial institutions	-	-	-	4,024,163	-	4,024,163
Securities sold under agreement to repurchase	-	-	-	102,681	-	102,681
Derivatives payable	-	-	173,081	-	455	173,536
Acceptances payable	1,692,176	-	-	-	-	1,692,176
Fund borrowings	-	2,946,938	-	10,150,978	-	13,097,916
Other liabilities***)	-	-	-	-	618,051	618,051
Subordinated loans	-	-	-	2,136,288	-	2,136,288
Total Liabilities	**329,545,776**	**63,072,692**	**419,712**	**16,414,110**	**618,506**	**410,070,796**
Interest rate re-pricing GAP between financial assets and liabilities	**(271,475,242)**	**(49,370,782)**	**128,692,220**	**239,114,909**	**20,146,681**	**67,107,786**

2010						
	Floating interest rate					
Descriptions	Not more than 3 months	More than 3 months but less than 1 year	More than 1 year	Fixed interest rate	Non-interest bearing	Total
Assets						
Cash	-	-	-	-	9,975,712	9,975,712
Current accounts with Bank Indonesia	19,989,683	-	-	-	-	19,989,683
Current accounts with other banks	5,658,116	-	-	-	-	5,658,116
Placements with Bank Indonesia and other banks	-	-	-	83,272,390	-	83,272,390
Securities						
Fair value through profit or loss	-	-	-	203,144	-	203,144
Available-for-sale	-	-	10,398	13,061,897	-	13,072,295
Held-to-maturity	-	-	3,175,431	6,065,303	-	9,240,734
Export bills	741,757	-	-	-	-	741,757

37. RISK MANAGEMENT (continued)

Market Risk Management (continued)

(a) Interest Rate Risk (continued)

2010						
	Floating interest rate					
Descriptions	Not more than 3 months	More than 3 months but less than 1 year	More than 1 year	Fixed interest rate	Non-interest bearing	Total
Assets (continued)						
Government						
Recapitalization Bonds						
Available-for-sale	-	-	-	6,026,463	-	6,026,463
Held-to-maturity	-	-	4,000,000	3,600,000	-	7,600,000
Securities purchased under agreement to resell	-	-	-	501,381	-	501,381
Derivatives receivable	-	-	78,654	-	9,216	87,870
Loans, Sharia receivables and financing	8,908,769	19,405,453	224,174,984	-	-	252,489,206
Acceptances receivable	666,878	-	-	-	-	666,878
Investment in shares of stocks*)	-	-	-	-	1,646	1,646
Other assets**)	-	-	-	-	1,295,744	1,295,744
Total Assets	**35,965,203**	**19,405,453**	**231,439,467**	**112,730,578**	**11,282,318**	**410,823,019**
Liabilities						
Liabilities due immediately	4,123,639	-	-	-	-	4,123,639
Deposit from customers						
Current accounts	77,364,476	-	-	-	-	77,364,476
Saving deposits	125,989,750	-	-	-	-	125,989,750
Time deposits	130,298,171	-	-	-	-	130,298,171
Deposit from other banks and financial institutions	87,941	-	-	5,072,374	-	5,160,315
Securities sold under agreement to repurchase	-	-	-	526,365	-	526,365
Derivatives payable	-	-	78,128	-	3,673	81,801
Acceptances payable	666,878	-	-	-	-	666,878
Fund borrowings	-	2,703,000	-	6,751,545	-	9,454,545
Other liabilities***)	-	-	-	-	603,789	603,789
Subordinated loans	-	-	-	2,156,181	-	2,156,181
Total Liabilities	**338,530,855**	**2,703,000**	**78,128**	**14,506,465**	**607,462**	**356,425,910**
Interest rate re-pricing GAP between financial assets and liabilities	**(302,565,652)**	**16,702,453**	**231,361,339**	**98,224,113**	**10,674,856**	**54,397,109**

*) Investment in shares of stocks refers to investment in shares of stocks using cost method.
**) Other assets consist of interest receivables and other receivables.
***) Other liabilities consist of interest payables and guarantee deposits.

(b) Exchange Rate Risk

Exchange rate risk is the risk arising due to the gap of foreign exchange positions held by BRI which is reflected in BRI's Net Open Position (NOP) both individually and at a consolidated level. Included in the foreign exchange positions are the trading book positions conducted to generate profit from foreign exchange transactions in the short-term and banking book position in order to control the NOP. In accordance with Bank Indonesia regulation, NOP is determined to be at a maximum level at 20% of the capital.

37. RISK MANAGEMENT (continued)

Market Risk Management (continued)

(b) Exchange Rate Risk (continued)

The table below represents NOP (BRI only) as of December 31, 2011 and 2010 (unaudited), by currency, as follows:

	2011		
Currencies	**Assets**	**Liabilities**	**NOP**
Statements of financial position			
United States Dollar	49,659,148	48,624,590	1,034,558
European Euro	741,127	506,607	234,520
Australian Dollar	114,542	5,225	109,317
Japanese Yen	242,911	66,802	176,109
Singapore Dollar	250,127	169,986	80,141
Great Britain Pound Sterling	209,226	79,949	129,277
Others	4,579,713	4,267,163	312,550
			2,076,472
Statements of financial position and administrative accounts*)			
United States Dollar	53,821,245	52,569,067	1,252,178
European Euro	741,127	506,607	234,520
Australian Dollar	114,542	5,225	109,317
Japanese Yen	242,911	66,802	176,109
Singapore Dollar	250,127	169,986	80,141
Great Britain Pound Sterling	209,226	79,949	129,277
Others	4,579,713	4,267,163	312,550
			2,294,092
Capital (Note 47a)			41,815,988
NOP Ratio (Statements of financial position)			**4.97%**
NOP Ratio (Overall)			**5.49%**

	2010		
Currencies	**Assets**	**Liabilities**	**NOP**
Statements of financial position			
United States Dollar	43,173,174	44,123,264	(950,090)
European Euro	1,340,027	1,187,084	152,943
Australian Dollar	454,886	37,286	417,600
Japanese Yen	160,917	51,274	109,643
Singapore Dollar	136,815	34,366	102,449
Great Britain Pound Sterling	61,936	54,273	7,663
Others	390,261	61,847	328,414
			168,622
Statements of financial position and administrative accounts*)			
United States Dollar	51,023,235	51,316,690	293,455
European Euro	1,340,027	1,187,084	152,943
Australian Dollar	454,886	37,286	417,600

37. RISK MANAGEMENT (continued)

Market Risk Management (continued)

(b) Exchange Rate Risk (continued)

Currencies	2010 Assets	2010 Liabilities	2010 NOP
Statements of financial position and administrative accounts*) (continued)			
Japanese Yen	160,917	51,274	109,643
Singapore Dollar	136,815	34,366	102,449
Great Britain Pound Sterling	61,936	54,273	7,663
Others	390,261	61,847	328,414
			1,412,167
Capital (Note 47a)			31,710,589
NOP Ratio (Statements of financial position)			**0.53%**
NOP Ratio (Overall)			**4.45%**

*) Total absolute differences between Assets and Liabilities denominated in foreign currencies.

Operational Risk Management

BRI's operational risk management has an equal position with the credit risk, market risk and liquidity risk management. Management of BRI's operational risk exposures includes management of legal, reputational, compliance and strategic risk in every business process and operational activities. BRI has an independent Risk Management Task Force at the main office and at each 18 (eighteen) regional office to implement the operational risk management framework, considering BRI working units are located throughout the region with a heterogeneous geographical characteristics.

Efforts to improve the understanding of risk management is focused on improving the culture of risk to all employees of BRI, improving the quality of risk control at every operational activity and socialization or risk management training to all BRI employees. Thus, the effectiveness of the working unit as the risk owner and the first line of defense in implementing risk management can be improved.

In 2011, BRI focuses its performance to improve the quality of risk management and corporate governance (good governance) in tune with the theme of BRI in 2011, as the year of implementing reliable risk management. Implementation of the theme is carried out based on Bank Indonesia Regulation (PBI) No. 11/25/PBI/2009 on the Application of Risk Management for Banks, stating that the implementation of risk management consists of active monitoring by the Board of Directors and Board of Commissioners, the adequacy of policies and procedures, establishment of limits and the adequacy of the identification, measurement, monitoring, risk control as well as risk management information and internal control systems.

The implementation of risk management process in BRI Regional Offices is supported by the Operational Risk Assessor (OPRA) that contains Risk and Control Self Assessment (RCSA) module, Key Risk Indicator (KRI), Incident Management and Risk Management and Maturity Forum. Each of BRI operational working unit has a Risk Management Function as the first line of defense that is responsible for the implementation of risk management process in functional activities in each working

37. RISK MANAGEMENT (continued)

Operational Risk Management (continued)

unit starting from identification, measurement, monitoring, until risk control. The FMR is found in Headquarters (Division/Desk), Regional Offices, KCK and Branch Offices level which includes FMR in the operational line, marketing and SKMR micro business as the second line of defense has the responsibility to provide the implementation guidelines on risk management and also develop and implement the policies, procedures and methodologies, monitor, assess and evaluate risk management process. Other important functions of SMKR is to prepare and monitor BRI's risk profile, assess the impact and risks of a new product and/or new activity and support the operational working unit/risk owner in developing a culture of risk awareness and compliance to risk management principles. Meanwhile, SKAI (Internal Audit) as the third line of defense has the responsibility to monitor the consistency of the implementation process and the adequacy of internal controls in risk management.

Risk and Control Self Assessment (RCSA)

BRI implements RCSA in all BRI working units which include the Division/Desk of Headquarters of BRI, Regional Offices (Kanwil), Special Branch Office (KCK), Branch Offices (Kanca) which represents KCP and Units of BRI and BRI Priority Service Center. RCSA is intended to support the working unit as the first line of defense in identifying and measuring operational risk independently on its functional activities, including monitoring and determining corrective actions/plans in the future.

Identification of risk issues that are determined as critical point to be observed in RCSA assessment is always updated quarterly in accordance with the development of BRI's business. Updating the risk issues is part of follow-up monitoring which is done periodically as changes in BRI operational, legal, reputational, strategic and compliance due to the implementation of new products and/or activities, new market segments, changes in the internal/external policies and other changes that affect BRI risk exposure.

Incident Management and Measurement of Operational Risk Capital Expenditure

The Implementation of Incident Management (MI) in BRI is conducted by using bottom-up model through the development of Loss Event Database in coordination with the operational and support working units in order to collect the loss incident data. The recording of loss data is performed for each type of loss that includes actual loss, potential loss and near misses. Incident Management has an objective to document the loss incident since the time of occurrence until declaration, including the corrective actions taken.

The Incident Management (MI) module allows BRI to analyze loss incident report based on the cause, functional activity, type of event and business lines. The information system can be used to prepare the preventive actions through the incident settlement process documenting the basis, on financial, loss recovery, litigation process and past incident settlement.

BRI operational loss data which is classified based on 8 (eight) different business lines and 7 (seven) type of incidents is consistently and systematically arranged in a loss matrix database form. The matrix is used as the development method and calculation of operational capital expenditure simulation with AMA methodology, using actuarial approach measured by the Extreme Value Theory (EVT).

Management and operational risk measurements are the part of implementation of good banking practice principles. Basel II states that the Bank should calculate the operational risk in the calculation of capital adequacy in addition to credit risk and market risk that are material. Calculation of operational risk serves as total risk capital required by BRI to run its business activities and bank

37. RISK MANAGEMENT (continued)

Incident Management and Measurement of Operational Capital Expenses Risk (continued)

capital as a buffer in case of risk events that are unexpected loss. BRI has made calculations in accordance with the provisions of operational risk using the Basic Indicator Approach (BIA) which implemented since 2010. BRI has also made the necessary preparations related to the implementation of The Standardized Approach (TSA) and the AMA. As a preparation for TSA, BRI has indentified and mapped of a GL account in accordance with BI password into relevant business lines and grouping Gross Income into eight business lines. BRI has also conducted a simulation of operational risk capital charges calculation with the TSA approach. While in preparation for AMA method implementation, BRI has performed a calculation of operational risk simulation using EVT models considering the risky events that affect the financial loss (severity), the largest for BRI.

Key Risk Indicators (KRI)

KRI is a tool which is useful to identify an increase or decrease in risk (BRI's trend risk), control effectiveness in order to provide prediction in determining the action plan related to operational risks that arise before the occurrence of financial or non financial loss. BRI has identified the key risk indicators for all types of risk and set the risk limits that reflect the conditions and acceptable risk by BRI. The identification of key risk indicators and the determination limit (threshold) of KRI by using the best judgment conducted with the involvement of Internal Audit, Risk Owner and other related parties. BRI's KRI includes bank-wide risk profile and Regional Office risk profile which is reported monthly to the management.

Risk Management Forum (RM Forum)

In relation to support the effectiveness of reliable risk management in every working unit, strong commitment and support from all employees of BRI is needed for risk awareness. RM Forum is an event held whereby heads and subordinates of working units discuss issues/inherent risks in business or operational activities. The result of the forum is used as a source to update risk issue in RCSA in the next period.

Maturity

Risk exposure in BRI working unit is reflected in the risk profile. The readiness of risk management in BRI working unit reflected at the maturity assessments performed by each working unit leader with certain parameters that have been set.

Business Continuity Management

Business Continuity Management Implementation (MKU) BRI is intended to protect the security and life safety of workers, customers and stakeholders in BRI environment. Business Continuity Management main goal is to maintain continuity of critical activities, both business and operation and to protect the assets of BRI as well as providing adequate response in disaster situations or problems. The implementation of Business Continuity Management BRI includes all units that go through the trial and execution of the documents. The implementation of Business Continuity Management is performed at each branch office, regional office, as well as the Head Office Division. During the year 2011, Business Continuity Management has conducted Switch Over trials twice in the Dealing Room and core banking. In addition to the trials, evacuation and disaster management related to fire prevention (fire drill) have been conducted at the level of Head Office, Regional Offices and Branch Offices. The coordination of disaster management during the year 2011 has been conducted by involving the Head Office, Regional Office, Inspection Office and Branch Office (including Sub-Branch Office and BRI Units) performed in the event of natural disasters among others eruption of Mount Gamalama, Lokon and Soputan, riots in Ambon and Aceh and the earthquake in Denpasar.

37. RISK MANAGEMENT (continued)

Business Continuity Management (continued)

In connection with the quality improvement of risk management, BRI has improved the policies/ procedures of risk management in the implementation of functional activity of BRI. In order to prevent BRI as a target of crime, particularly money laundering and terrorism financing as well as to meet the regulations of Bank Indonesia, BRI has developed a methodology that aims segment customers based on their level of risk and the possibility of money laundering or terrorism financing (Risk Based approach). The process of risk identification is done by determining the characteristics of the inherent risks to each customer by analyzing the parameters of risk, namely the identity of customers, business location, customer profile, business activities, structure of ownership for enterprise customers, the number of transactions and other information that can be used to measure the level of customer risk. The results of the identification and measurement of customer risk profile resulted in a mandatory follow-up monitoring and control of individual risk profiles. Furthermore, BRI will document the customers which are included in PEP (Politically Exposed Person) separately. Risk Based Approach business processes are summarized in the policy and SOP (Standard Operational Procedure) application of the APU-related BRI PPT.

For the implementation of risk management related to bancassurance, BRI has developed relevant provisions for the Risk Management Bancassurance. BRI has separated the risk associated bank products and insurance products in agreements between banks and insurance companies about the clarity of rights and obligations of each party, so the risk of each party can be identified, measured, monitored and controlled. It also aims to provide transparency to customers both verbally and written.

In order to assess the adequacy of risk management for any new product or activity at BRI, each product or activity produced by BRI, must go through the process of risk management based on the regulations from the Letter of Board of Directors of BRI Nose. 06-DIR/DMR/11/2009 and the Amendment Letter by the Directors of BRI Nose. 06a-DIR/DMR/11/2009 regarding Risk Management Policies and Procedures on New Product or Activity. BRI performs assessment on any kind of risk that may arise from the issuance of new products or activities, including the establishment of controls and in order to mitigate risk.

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below presents the comparison of the carrying values and fair values of financial assets and liabilities. The fair values disclosed below are based on relevant information available as of December 31, 2011 and 2010 and are not updated to reflect changes in market conditions which have occurred subsequently.

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
ASSETS				
Cash	10,525,973	10,525,973	9,975,712	9,975,712
Current accounts with Bank Indonesia	33,040,418	33,040,418	19,989,683	19,989,683
Current accounts with other banks	5,533,164	5,533,164	5,658,053	5,658,053
Placements with Bank Indonesia and other banks	73,596,356	73,596,356	83,272,140	83,272,140
Securities				
Fair value through profit or loss	563,125	563,125	203,144	203,144
Available-for-sale	15,416,030	15,416,030	13,072,295	13,072,295
Held-to-maturity	17,938,361	19,033,550	9,239,224	9,217,203
Export bills	4,828,569	4,828,569	734,339	734,339

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
ASSETS (continued)				
Government Recapitalization Bonds				
Available-for-sale	5,396,026	5,396,026	6,026,463	6,026,463
Held-to-maturity	3,600,000	3,570,754	7,600,000	7,685,074
Securities purchased under agreements to resell	9,383,298	9,383,298	501,381	501,381
Derivatives receivable	17,818	17,818	87,870	87,870
Loans, Sharia receivables and financing	278,425,000	278,425,000	238,386,376	238,386,376
Acceptances receivable	1,692,176	1,692,176	660,209	660,209
Investment in shares of stocks *)	1,408	1,408	1,099	1,099
Other assets **)	1,128,481	1,128,481	1,295,744	1,295,744
	461,086,203	**462,152,146**	**396,703,732**	**396,766,785**

*) Investment in shares of stocks refers to investment in shares of stocks using the cost method.
**) Other assets consist of interest receivables and other receivables.

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
LIABILITIES				
Liabilities due immediately	3,961,640	3,961,640	4,123,639	4,123,639
Deposits from customers				
Demand deposits	76,778,729	76,778,729	77,364,476	77,364,476
Saving deposits	154,132,973	154,132,973	125,989,750	125,989,750
Time deposits	153,352,643	153,352,643	130,298,171	130,298,171
Deposits from banks and other financial institutions				
Demand deposits	82,557	82,557	80,431	80,431
Saving deposits	22,997	22,997	7,510	7,510
Time deposits and deposits on call	3,442,593	3,442,593	4,066,774	4,066,774
Inter-bank call money	476,016	476,016	1,005,600	1,005,600
Securities sold under agreement to repurchase	102,681	102,681	526,365	526,365
Derivatives payable	173,536	173,536	81,801	81,801
Acceptances payable	1,692,176	1,692,176	666,878	666,878
Fund borrowings	13,097,916	13,097,916	9,454,545	9,454,545
Other liabilities ***)	618,051	618,051	603,789	603,789
Subordinated loan	2,136,288	2,136,288	2,156,181	2,156,181
	410,070,796	**410,070,796**	**356,425,910**	**356,425,910**

***) Other liabilities consist of interest payables and guarantee deposits.

Methods and assumptions used to estimate fair value are as follows:

a) The fair values of certain financial assets and liabilities, except for securities and Government Recapitalization Bonds classified as held-to-maturity, loans, derivatives receivable and payable, fund borrowings and subordinated loans, approximate their carrying values due to their short-term maturities.

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The estimated fair values of certain financial assets are determined based on discounted cash flows using money market interest rates for instruments with similar credit risk and remaining maturities.

The estimated fair values of certain financial obligations which are not quoted in an active market are determined based on discounted cash flows using interest rates of instruments with similar remaining maturities.

b) Securities and Government Recapitalization Bonds

The fair values of securities and Government Recapitalization Bonds classified as held-to-maturity are determined based on market prices or price quotations of intermediary (broker)/securities dealers (dealers). If the information is not available, fair values are estimated by using quoted market price of securities with credit characteristics, maturity and yield.

c) Loans

BRI's loan portfolio generally consists of loans with floating rates and fixed rates. Loans are stated at carrying amount. The fair value of loans is derived based on discounted future cash flows expected to be received by BRI using current market rates.

Carrying value of loans with floating rate and fixed rate is a reasonable estimate of its fair value.

d) Derivatives receivable and payable

The fair values of derivatives instrument valued by valuation techniques using components which can be observed in the market, primarily are interest rate swaps, currency swaps and currency exchange contracts. Most widely used valuation techniques include forward and swap valuation models which use the present value calculation. The models incorporate various components which include the credit quality of the counterparty, exchange spot and forward rates and interest rate curve.

e) Fund borrowings and subordinated loans

Fair value is calculated based on discounted cash flow models by using market rates for the remaining maturity period.

39. THE INITIAL IMPLEMENTATION OF SFAS NO. 50 (REVISED 2006) AND SFAS NO. 55 (REVISED 2006)

SFAS No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosures” and SFAS No. 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”, became effective beginning January 1, 2010 and applied prospectively.

The transitional regulations of the initial implementation of SFAS No. 50 (Revised 2006) and SFAS No. 55 (Revised 2006) are based on Technical Bulletin No. 4 issued by the Indonesian Institute of Accountants (IAI), which provides the following additional guidance:

1. Calculation of Effective Interest Rate

The calculation of effective interest rate for financial instruments measured at amortized cost which were acquired prior to and still have remaining balance as of January 1, 2010 is calculated by referring to the future cash flows that will be generated from the time SFAS No. 55 (Revised 2006) is first implemented up to the maturity of the financial instruments.

39. THE INITIAL IMPLEMENTATION OF SFAS NO. 50 (REVISED 2006) AND SFAS NO. 55 (REVISED 2006) (continued)

2. De-recognition
Financial instruments that have been derecognized prior to January 1, 2010 should not be re-evaluated subsequently to determine whether they would meet the de-recognition criteria under SFAS No. 55 (Revised 2006).

3. Compound Financial Instruments
Compound financial instruments which existed as of January 1, 2010 should be bifurcated into debt and equity components in accordance with the requirements of paragraph 11 of SFAS No. 50 (Revised 2006). The bifurcation should be based on the nature, condition and requirements relating to those financial instruments as of January 1, 2010.

4. Classification of Financial Instruments as Debt or Equity
BRI should reassess its financial instruments existing as of January 1, 2010, to determine whether they should be classified as a debt or equity instrument in accordance with the requirements of paragraph 11 of SFAS No. 50 (Revised 2006).

5. Impairment of Financial Instruments
As of January 1, 2010, BRI should determine any possible impairment of financial instruments based on conditions existing at that date. Any difference between the impairment resulting from implementation of SFAS No. 55 (Revised 2006) and the impairment calculated based on previous applicable accounting principles is recognized in retained earnings as of January 1, 2010.

For the implementation of the new standards, BRI has identified transition adjustments according to SFAS No. 50 (Revised 2006 and PSAK No. 55 (Revised 2006), PAPI (Revised 2008) and Technical Bulletin No. 4 on the transitional regulations of the aforementioned standards.

Transitional adjustments are mainly due to recalculation of allowance for impairment losses. The difference between the allowance for impairment losses calculated based on the new standard and previous standard is adjusted to the beginning balance of retained earnings at 2010, which was on January 1, 2010. The basis of recalculation of allowance for impairment losses is explained in Note 2f.

Details of adjustment on transition date are as follows:

	January 1, 2010		
	Before adjustment	Impact of transitional adjustments on the implementation of SFAS No. 50 (Revised 2006) and SFAS No. 55 (Revised 2006)	After adjustment
Assets-net of allowance for impairment losses			
Current accounts with other banks	8,990,275	90,810	9,081,085
Placements with Bank Indonesia and other banks	40,495,057	136,233	40,631,290
Securities	24,478,132	55,699	24,533,831
Derivatives receivable	143,472	1,449	144,921
Loans	194,242,503	17,266	194,259,769
Deferred tax assets	1,915,026	(71,049)	1,843,977
Equity			
Retained earnings	17,834,694	230,408	18,065,102

40. SEGMENT INFORMATION

Information concerning the segments of BRI and Subsidiaries are as follows:

a. Corporate Name

Corporate Name	Main Business
BRI	Conventional Banking
PT Bank BRISyariah	Sharia Banking
PT Bank Agroniaga Tbk	Conventional Banking
BRIngin Remittance Co. Ltd. Hong Kong	Financial Service

b. Operating Segment

For management purposes, BRI is organized into 5 (five) operating segment based on products as follows:

- Micro Segment
- Retail Segment
- Corporation Segment
- Other Segments
- Subsidiaries

Information concerning the operating segments of BRI and Subsidiaries are as follows:

	2011					
Description	**Micro**	**Retail**	**Corporation**	**Others**	**Subsidiaries**	**Total**
Interest income - net	16,132,720	14,524,830	2,441,114	771,253	557,159	34,427,076
Other operating income	1,464,365	3,448,881	76,809	496,655	289,265	5,775,975
Total income	17,597,085	17,973,711	2,517,923	1,267,908	846,424	40,203,051
Operating expenses	(6,693,499)	(6,824,856)	(1,880,712)	(888,595)	(797,965)	(17,085,627)
Provision for impairment losses	(2,486,984)	(2,843,523)	77,967	(279,926)	(728)	(5,533,194)
Total expenses	(9,180,483)	(9,668,379)	(1,802,745)	(1,168,521)	(798,693)	(22,618,821)
Other income (expenses)	586,739	161,774	464,330	(55,445)	14,252	1,171,650
Income before income tax expense	9,003,341	8,467,106	1,179,508	43,942	61,983	18,755,880
Income tax expense	(1,753,613)	(1,656,166)	(229,737)	(8,847)	(19,521)	(3,667,884)
Non-controlling interest	-	-	-	(5,057)	-	(5,057)
Income for the year	**7,249,728**	**6,810,940**	**949,771**	**30,038**	**42,462**	**15,082,939**
Segment Assets						
Loans	92,267,400	122,363,059	53,084,203	-	10,710,338	278,425,000
Non Loans	-	-	-	186,184,471	2,657,855	188,842,326
	92,267,400	**122,363,059**	**53,084,203**	**186,184,471**	**13,368,193**	**467,267,326**
Segment Liabilities						
Funding	107,527,312	228,634,929	35,985,880	-	12,116,224	384,264,345
Non funding	-	-	-	34,562,641	1,251,969	35,814,610
	107,527,312	**228,634,929**	**35,985,880**	**34,562,641**	**13,368,193**	**420,078,955**

	2010					
Description	**Micro**	**Retail**	**Corporation**	**Others**	**Subsidiaries**	**Total**
Interest income - net	15,212,128	13,871,682	2,986,229	452,500	366,064	32,888,603
Other operating Income	1,096,775	3,174,462	138,055	1,045,243	89,998	5,544,533
Total income	16,308,903	17,046,144	3,124,284	1,497,743	456,062	38,433,136

40. SEGMENT INFORMATION (continued)

b. Operating Segment (continued)

Information concerning the operating segments of BRI and Subsidiaries are as follows (continued):

	2010					
Description	**Micro**	**Retail**	**Corporation**	**Others**	**Subsidiaries**	**Total**
Operating expenses	(6,122,167)	(6,261,146)	(1,789,934)	(1,481,924)	(458,521)	(16,113,692)
Provision for impairment losses	(2,535,763)	(4,090,358)	(583,863)	(716,222)	8,763	(7,917,443)
Total expenses	(8,657,930)	(10,351,504)	(2,373,797)	(2,198,146)	(449,758)	(24,031,135)
Other income (expenses)	342,460	76,334	47,930	30,504	9,001	506,229
Income before income tax expense	7,993,433	6,770,974	798,417	(669,899)	15,305	14,908,230
Income tax expense	(1,840,211)	(1,558,782)	(183,808)	151,817	(4,861)	(3,435,845)
Income for the year	**6,153,222**	**5,212,192**	**614,609**	**(518,082)**	**10,444**	**11,472,385**
Segment Assets						
Loans	77,947,345	112,949,570	42,075,869	-	5,413,592	238,386,376
Non Loans	-	-	-	163,125,253	478,872	163,604,125
	77,947,345	**112,949,570**	**42,075,869**	**163,125,253**	**5,892,464**	**401,990,501**
Segment Liabilities						
Funding	89,994,769	206,376,899	32,184,132	-	5,096,597	333,652,397
Non funding	-	-	-	33,164,228	795,867	33,960,095
	89,994,769	**206,376,899**	**32,184,132**	**33,164,228**	**5,892,464**	**367,612,492**

c. Geographical Segments

	Net interest income, operating and investment income	
Description	**2011**	**2010**
Indonesia	40,118,940	38,376,155
USA	82,516	56,981
Asia	1,595	-
Total	**40,203,051**	**38,433,136**

	Income before tax benefit (expense)	
Description	**2011**	**2010**
Indonesia	18,679,828	14,875,759
USA	75,755	32,471
Asia	297	-
Total	**18,755,880**	**14,908,230**

	Total assets	
Description	**2011**	**2010**
Indonesia	460,573,399	396,031,571
USA	6,691,600	5,958,930
Asia	2,327	-
Total	**467,267,326**	**401,990,501**

	Total liabilities	
Description	**2011**	**2010**
Indonesia	413,541,559	361,741,305
USA	6,537,153	5,871,187
Asia	243	-
Total	**420,078,955**	**367,612,492**

41. EMPLOYEES PROGRAM

a. Defined Benefit Pension Plan (PPMP)

Effective on January 1, 2007, all newly appointed permanent employees are not included in the PPMP program. Under this program, the right to pension benefits is given based on the established conditions which are stated in the regulations of BRI with consideration to the yearly gratuity factor over the working period and income on the Pension Fund. BRI's pension plan is managed by Dana Pensiun BRI (DPBRI). According to the regulation in BRI's Directors' Decision Letter, the employee's contribution for pension contribution amounted to 7% of the employee's pension-based salary and any remaining amount required to fund DPBRI represents the contribution by BRI, amounted to 19.46% (previously 18.91%) since April 1, 2010.

The actuarial calculation of BRI's pension costs as of December 31, 2011 and 2010, was prepared by PT Bestama Aktuaria, an independent actuary, in its reports dated January 17, 2012 and January 26, 2011, which were prepared in accordance with SFAS No. 24 (Revised 2004), by using the "Projected Unit Credit Method" and considering the following assumptions:

	2011	2010
Annual discount rate	6.5%	9.0%
Annual pension-based salary growth rate	7.5	7.5
Annual pension benefit growth rate	4.0	4.0
Mortality rate	CSO 1958	CSO 1958
Disability rate	10.0% of CSO 1958	10.0% of CSO 1958
Normal retirement age	56 years old	56 years old

The assets of DPBRI mainly consist of time deposits, securities and long-term investments in the form of shares of stocks and property.

The status of the pension plan based on the actuarial calculation is as follows:

	2011	2010
Assets at fair value	9,370,652	8,785,181
Present value of defined benefit pension liabilities	(11,345,025)	(8,400,544)
Pension program funded status	(1,974,373)	384,637
(Gain) loss on unrecognized actuarial adjustments	1,345,298	(732,773)
Unrecognized past service cost (non-vested)	82,363	89,569
Unrecognized liabilities of defined benefit pension	**(546,712)**	**(258,567)**

Movements in the defined benefit pension liabilities for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	258,567	130,779
Defined benefit pension expense - net (Note 33)	447,856	276,275
BRI contributions	(159,711)	(148,487)
Ending balance (Note 26)	**546,712**	**258,567**

41. EMPLOYEES PROGRAM (continued)

a. Defined Benefit Pension Plan (PPMP) (continued)

Defined benefit pension expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	228,446	156,281
Interest cost	756,049	682,148
Expected return on plan assets	(922,444)	(795,747)
Recognized actuarial gain-net	-	(10,198)
Immediate recognition of past service cost (non vested)	7,206	-
Immediate recognition of past service cost (vested)	378,599	243,791
Defined benefit pension expense (Note 33)	**447,856**	**276,275**

b. Old-Age Benefits Plan

BRI's employees are also given old-age benefits (THT) based on the regulation as stated in the Decision Letter of the Directors of BRI. BRI's old-age benefits plan is managed by Yayasan Kesejahteraan Pegawai BRI.

Old-age benefit contributions consist of payments from the employees and BRI's contributions in accordance with the requirements of the Decision Letter of Directors of BRI.

Based on the actuarial calculation of BRI's old-age benefits as of December 31, 2011 and 2010, which was prepared by PT Bestama Aktuaria, an independent actuary, in its reports dated January 17, 2012 and January 26, 2011, which were prepared in accordance with SFAS No. 24 (Revised 2004), by using the "Projected Unit Credit Method" with the following assumptions:

	2011	2010
Annual discount rate	6.5%	9.0%
Gross wages growth rate	7.5	7.5
Mortality rate	CSO 1958	CSO 1958
Disability rate	10.0% of CSO 1958	10.0% of CSO 1958

The status of the old-age benefits as of December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Assets at fair value	2,272,191	2,182,880
Present value of old-age benefits liability	(899,849)	(1,031,664)
Funded status	1,372,342	1,151,216
Unrecognized actuarial gain	-	-
Prepaid old-age benefits	**1,372,342**	**1,151,216**

41. EMPLOYEES PROGRAM (continued)

b. Old-Age Benefits Plan (continued)

Old-age benefits expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	24,424	14,699
Interest cost	92,850	99,912
Expected return on plan assets	(196,459)	(186,968)
Net actuarial losses (gain) recognized	(91,704)	48,071
Deferred assets	221,126	72,912
Old-age benefits expense	**50,237**	**48,626**

For the years ended December 31, 2011 and 2010, BRI did not recognize the prepaid old-age benefits and the income of old-age benefits as BRI management has no benefits on those assets and has no plans to reduce its contributions in the future.

c. Defined Contribution Pension Plan

The employees of BRI are also included in the defined contribution pension plan in accordance with BRI Directors' decision which was effective in October 2000. BRI's contributions to the plan which are reported in the consolidated statements of comprehensive income amounted to Rp77,670 and Rp680,318 for the years ended December 31, 2011 and 2010, respectively (Note 33). This pension plan is managed by Dana Pensiun Lembaga Keuangan BRI.

d. Work Separation Scheme

(i) BRI (Parent Entity)

The calculation performed by the management of BRI of liabilities related to allowance for cost settlement of separation which include severance, gratuity and compensation benefits were based on actuarial valuation assumption in compliance with Labor Law No. 13/2003 dated March 25, 2003 as of December 31, 2011 and 2010. The actuarial calculations were performed by PT Bestama Aktuaria, an independent actuary, in its reports dated January 17, 2012 and January 26, 2011, by using the "Projected Unit Credit Method" with the following assumptions:

	2011	2010
Annual discount rate	6.5%	9.0%
Gross wages future growth rate	7.5	7.5
Mortality rate	CSO 1958	CSO 1958
Disability rate	10.0% of CSO 1958	10.0% of CSO 1958

The status of the work separation scheme based on the actuarial calculation is as follows:

	2011	2010
Present value of work separation liability	(583,133)	(259,300)
Unrecognized actuarial (gains) losses	49,662	(245,470)
Work separation scheme liability	**(533,471)**	**(504,770)**

41. EMPLOYEES PROGRAM (continued)

d. Work Separation Scheme (continued)

(i) BRI (Parent Entity) (continued)

Movements in the work separation scheme liability as of December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	504,770	461,621
Work separation scheme expense - net (Note 33)	52,674	69,320
Actual benefit payments by BRI	(23,973)	(26,171)
Ending balance (Note 26)	**533,471**	**504,770**

The calculation of work separation scheme expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	45,524	19,356
Interest cost	23,337	48,347
Recognition of current year (gain) loss	(16,187)	1,617
Work separation scheme expense (Note 33)	**52,674**	**69,320**

(ii) BRISyariah (Subsidiary)

The Subsidiary provides the work separation scheme based on the provisions of Labor Law No. 13/2003 dated March 25, 2003.

The following tables summarize the components of the work separation scheme expense recognized in the consolidated statements of comprehensive income and recognized in the consolidated statements of financial position for the work separation scheme liability as of December 31, 2011 and 2010, as determined by PT Katsir Imam Sapto Sejahtera Aktuaria, an independent actuary, in its reports dated January 20, 2012 and February 16, 2011, respectively, by using the “Projected Unit Credit Method” with the following assumptions:

	2011	2010
Annual discount rate	7.0%	10.0%
Gross wages future growth rate	5.0	5.0
Mortality rate	TMI-II 1999	TMI-II 1999

As of December 31, 2011 and 2010, the status of the work separation scheme based on the actuarial calculation is as follows:

	2011	2010
Present value of work separation liability	(15,610)	(5,631)
Accumulation of unrecognized actuarial gain	(3,018)	(5,009)
Work separation scheme liability	**(18,628)**	**(10,640)**

41. EMPLOYEES PROGRAM (continued)

d. Work Separation Scheme (continued)

(ii) BRISyariah (Subsidiary) (continued)

Movements in the work separation scheme liability for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	10,640	7,119
Work separation scheme expense - net (Note 33)	8,107	4,117
Actual benefit payments	(119)	(596)
Ending balance (Note 26)	**18,628**	**10,640**

The work separation scheme expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	7,919	4,002
Interest expense	394	305
Amortization of accumulated actuarial gains	(206)	(190)
Work separation scheme expense (Note 33)	**8,107**	**4,117**

(iii) Bank Agro (Subsidiary)

The Subsidiary provides the work separation scheme based on the provisions of Labor Law No. 13/2003 dated March 25, 2003.

The following tables summarize the components of the work separation scheme expense recognized in the consolidated statements of comprehensive income and recognized in the consolidated statements of financial position for the work separation scheme liability as of December 31, 2011 as determined by PT Bumi Persada Aktuaria, an independent actuary, in its report dated February 10, 2012, by using the “Projected Unit Credit Method” with the following assumptions:

	2011
Annual discount rate	7.0%
Gross wages future growth rate	8.0
Mortality rate	TMI 1999
Disability rate	10% of TMI 1999

As of December 31, 2011, the status of the work separation scheme based on the actuarial calculation is as follows:

	2011
Present value of work separation liability	27,943
Accumulation of unrecognized actuarial gain	(12,110)
Immediate recognition of past service cost	(2,794)
Immediate recognition of past service cost (non vested)	(324)
Work separation scheme liability	**12,715**

41. EMPLOYEES PROGRAM (continued)

d. Work Separation Scheme (continued)

(iii) Bank Agro (Subsidiary) (continued)

Movements in the work separation scheme liability as of December 31, 2011 are as follows:

	2011
Beginning balance	8,814
Work separation scheme expense (Note 33)	4,973
Actual benefit payments	(1,072)
Ending balance (Note 26)	**12,715**

The work separation scheme expense for the year ended December 31, 2011 based on the actuarial calculation is as follows:

	2011
Current service cost	3,030
Interest expense	1,380
Amortization of accumulated actuarial losses	362
Immediate recognition of past service cost	172
Immediate recognition of past service cost (non vested)	29
Work separation scheme expense (Note 33)	**4,973**

e. Other Long-term Employee Benefits

BRI employees also have long-term employee benefits, such as gratuity for services, grand leaves and pension preparation period (MPP).

(i) Provision for gratuity for services

The actuarial calculation on gratuity for services as of December 31, 2011 and 2010 was prepared by PT Bestama Aktuaria, an independent actuary, in its reports dated January 17, 2012 and January 26, 2011, respectively, by using the "Projected Unit Credit Method" with the following assumptions:

	2011	2010
Annual discount rate	6.5%	9.0%
Gross wages future growth rate	7.5	7.5
Gold price growth rate	10.0	7.0
Mortality rate	CSO 1958	CSO 1958
Disability rate	10.0% of CSO 1958	10.0% of CSO 1958

The present value of obligation for gratuity for services based on the actuarial calculation amounted to Rp670,744 and Rp548,777 as of December 31, 2011 and 2010, respectively.

41. EMPLOYEES PROGRAM (continued)

e. Other Long-term Employee Benefits (continued)

(i) Provision for gratuity for services (continued)

Movements in the provision for gratuity for services for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance of liability	548,777	463,682
Gratuity for service expense - net (Note 33)	162,604	123,335
Benefit payments by BRI	(40,637)	(38,240)
Gratuity for services liability (Note 26)	**670,744**	**548,777**

The gratuity for service expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	44,466	32,766
Interest expense	49,390	46,368
Recognized actuarial losses	68,748	44,201
Gratuity for services expense (Note 33)	**162,604**	**123,335**

(ii) Grand Leaves

i. BRI (Parent Entity)

The actuarial calculation for grand leaves as of December 31, 2011 and 2010 was prepared by PT Bestama Aktuaria, an independent actuary, in its reports dated January 17, 2012 and January 26, 2011, respectively, by using the "Projected Unit Credit Method" with the following assumptions:

	2011	2010
Annual discount rate	6.5%	9.0%
Gross wages future growth rate	7.5	7.5
Mortality rate	CSO 1958	CSO 1958
Disability rate	10.0% of CSO 1958	10.0% of CSO 1958

The present value of obligation for grand leaves based on the actuarial calculation amounted to Rp750,623 and Rp626,199 as of December 31, 2011 and 2010, respectively.

Movements in liability for grand leaves as of December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance of liability	626,199	580,422
Grand leaves expense - net (Note 33)	179,395	90,346
Benefit payments by BRI	(54,971)	(44,569)
Grand leaves liability (Note 26)	**750,623**	**626,199**

41. EMPLOYEES PROGRAM (continued)

e. Other Long-term Employee Benefits (continued)

(ii) Grand Leaves (continued)

i. BRI (Parent Entity) (continued)

The grand leaves expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	70,110	55,535
Interest expense	56,358	58,042
Recognized actuarial (gain) losses	52,927	(23,231)
Grand leaves expense (Note 33)	**179,395**	**90,346**

ii. BRISyariah (Subsidiary)

The Subsidiary also provides grand leaves program to its employees as one of their benefits.

The actuarial calculation for grand leaves as of December 31, 2011 and 2010 was prepared by PT Katsir Imam Sapto Sejahtera Aktuaria, an independent actuary, in its reports dated January 20, 2012 and February 16, 2011, respectively, by using the "Projected Unit Credit Method" with the following assumptions:

	2011	2010
Annual discount rate	7.0%	10.0%
Gross wages future growth rate	5.0	5.0
Mortality rate	TMI-II 1999	TMI-II 1999
Normal retirement age	56 years old	56 years old

The present value of obligation for grand leaves based on the actuarial calculation amounted to Rp6,915 and Rp2,386 as of December 31, 2011 and 2010, respectively.

Movements in the provision for grand leaves for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	2,386	808
Grand leaves expense - net (Note 33)	4,529	1,578
Ending balance (Note 26)	**6,915**	**2,386**

The grand leaves expense of the Subsidiary for the years ended December 31, 2011 and 2010 based on the actuarial calculation are as follows:

	2011	2010
Current service cost	4,305	1,506
Interest expense	224	73
Amortization of accumulated actuarial gains	-	(1)
Grand leaves expense (Note 33)	**4,529**	**1,578**

41. EMPLOYEES PROGRAM (continued)

e. Other Long-term Employee Benefits (continued)

(ii) Grand Leaves (continued)

iii. Bank Agro (Subsidiary)

The Subsidiary also provides grand leaves program to its employees as one of their benefits.

The actuarial calculation for grand leaves recognized in the consolidated statements of comprehensive income and recognized in the consolidated statements of financial position as of December 31, 2011 was prepared by PT Bumi Persada Aktuaria, an independent actuary, in its report dated February 10, 2011, by using the "Projected Unit Credit Method" with the following assumptions:

	2011
Discount rate	7.0%
Gross wages future growth rate	8.0
Mortality rate	TMI 1999

The present value of obligation for grand leaves of the Subsidiary based on the actuarial calculation amounted to Rp3,224 as of December 31, 2011.

Movements in the provision for grand leaves for the year ended December 31, 2011 are as follows:

	2011
Beginning balance	999
Grand leaves expense	2,607
Benefit payments	(382)
Ending balance (Note 26)	**3,224**

The grand leaves expense of the Subsidiary for the year ended December 31, 2011 based on the actuarial calculation is as follows:

	2011
Current service cost	439
Interest expense	90
Actuarial Losses	2,078
Grand leaves expense (Note 33)	**2,607**

(iii) Pension preparation period

The actuarial calculation of pension preparation period as of December 31, 2011 and 2010 was prepared by PT Bestama Aktuaria, an independent actuary, in its reports dated

41. EMPLOYEES PROGRAM (continued)

e. Other Long-term Employee Benefits (continued)

(iii) Pension preparation period (continued)

January 17, 2012 and January 26, 2011, respectively, by using the "Projected Unit Credit Method" with the following assumptions:

	2011	2010
Discount rate	6.5%	9.0%
Gross wages future growth rate	7.5	7.5
Mortality rate	CSO 1958	CSO 1958
Disability rate	10.0% of CSO 1958	10.0% of CSO 1958

The present value of liability of provision for pension preparation period based on the actuarial calculation amounted to Rp1,140,913 and Rp878,569 as of December 31, 2011 and 2010, respectively.

Movements in the provision for pension preparation period for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance of liability	878,569	957,750
Pension preparation period expense - net (Note 33)	347,952	16,608
Benefit payments by BRI	(85,608)	(95,789)
Pension preparation period liability (Note 26)	**1,140,913**	**878,569**

Pension preparation period expense for the years ended December 31, 2011 and 2010 based on the actuarial calculation is as follows:

	2011	2010
Current service cost	90,112	46,385
Interest expense	79,071	95,775
Recognized actuarial (gains) losses	178,769	(125,552)
Pension preparation period expense (Note 33)	**347,952**	**16,608**

42. INFORMATION ON COMMITMENTS AND CONTINGENCIES

	2011	2010
Commitments		
Commitments liabilities		
Unused credit facilities granted to debtors	60,313,628	38,186,517
Irrevocable letters of credit (Note 25c)	6,843,251	4,932,139
Others	89,942	111,513
Total commitments liabilities	67,246,821	43,230,169
Commitments - net	**(67,246,821)**	**(43,230,169)**

42. INFORMATION ON COMMITMENTS AND CONTINGENCIES (continued)

	2011	2010
Contingencies		
Contingent receivables		
Interest receivables under settlement	834,315	756,016
Others	486	602,218
Total contingent receivables	834,801	1,358,234
Contingent liabilities		
Guarantees issued (Note 25c) in the form of:		
Standby letters of credit	1,810,379	1,336,368
Bank guarantees	4,428,146	2,465,003
Total contingent liabilities	6,238,525	3,801,371
Contingencies - net	**(5,403,724)**	**(2,443,137)**

43. TRANSACTIONS WITH RELATED PARTIES

In the normal course of the business, BRI engages in transactions with related parties due to the relationship of ownership and/or management. All transactions with related parties have been made according to the mutually agreed policies and terms.

Balances and transactions with related parties are as follows:

Related parties	Relationship	Element of transactions
PT BTMU-BRI Finance	Ownership	Placement in Bank Indonesia and other banks, Investment in shares of stocks
PT Bringin Srikandi Finance	Ownership through Dana Pensiun BRI	Loans
PT Bringin Indotama Sejahtera Finance	Ownership through Dana Pensiun BRI	Loans
PT Bringin Gigantara	Ownership through Dana Pensiun BRI	Loans, Sharia receivables and financing
PT Bringin Karya Sejahtera	Ownership through Dana Pensiun BRI	Loans, Sharia receivables and financing
PT Bringin Sejahtera Artha Makmur	Ownership through Dana Pensiun BRI	Loans
PT Satkomindo Mediyasa	Ownership through Dana Pensiun BRI	Sharia receivables and financing
Key employees	Control on company's activities	Loans, Sharia receivables and financing

43. TRANSACTIONS WITH RELATED PARTIES (continued)

Related parties	Relationship	Element of transactions
Government of the Republic of Indonesia	Ownership of majority shares through the Ministry of Finance of the Republic of Indonesia	Securities, Government Recapitalization Bonds
Ministry of Finance of the Republic of Indonesia	Control through the Central Government of the Republic of Indonesia	Loans
PT Bank Tabungan Negara (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Securities, Deposits from other Banks and other financial institutions
PT Telekomunikasi Indonesia (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Loans
PT Perusahaan Listrik Negara (Persero)	Control through the Central Government of the Republic of Indonesia	Securities, Loans, Guarantees issued, Irrevocable L/C
PT Pupuk Kalimantan Timur	Control through the Central Government of the Republic of Indonesia	Loans
PT Perkebunan Nusantara III (Persero)	Control through the Central Government of the Republic of Indonesia	Securities
PT Perkebunan Nusantara VII (Persero)	Control through the Central Government of the Republic of Indonesia	Securities
PT Perkebunan Nusantara XI (Persero)	Control through the Central Government of the Republic of Indonesia	Loans
Perum Pegadaian	Control through the Central Government of the Republic of Indonesia	Securities, Loans
PT Jasa Marga (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Securities
PT Aneka Tambang (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Securities

43.TRANSACTIONS WITH RELATED PARTIES (continued)

Related parties	Relationship	Element of transactions
PT Pertamina (Persero)	Control through the Central Government of the Republic of Indonesia	Loans, Guarantees Issued, Irrevocable L/C
PT Perusahaan Gas Negara (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Guarantees issued
PT Permodalan Nasional Madani (Persero)	Control through the Central Government of the Republic of Indonesia	Fund borrowings
Lembaga Pembiayaan Ekspor Indonesia	Control through the Central Government of the Republic of Indonesia	Placements in Bank Indonesia and other Banks, Securities, Fund borrowings
PT Petrokimia Gresik	Control through the Central Government of the Republic of Indonesia	Loans, Acceptances payable, Acceptances receivable, Irrevocable L/C
PT Sarana Multigriya Finansial (Persero)	Control through the Central Government of the Republic of Indonesia	Securities
PT Perusahaan Pengelola Aset	Control through the Central Government of the Republic of Indonesia	Placement in Bank Indonesia and other Banks
PT Bank Negara Indonesia (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Current Accounts with other Banks, Placements in Bank Indonesia and other Banks, Deposits from other Banks and other financial institutions
PT Taspen (Persero)	Control through the Central Government of the Republic of Indonesia	Loans
Perum BULOG	Control through the Central Government of the Republic of Indonesia	Loans, Irrevocable L/C
PT Mega Eltra (Persero)	Control through the Central Government of the Republic of Indonesia	Acceptances receivable, Acceptances payable
Perum DAMRI	Control through the Central Government of the Republic of Indonesia	Sharia receivables and financing

43. TRANSACTIONS WITH RELATED PARTIES (continued)

Related parties	Relationship	Element of transactions
PT Industri Kereta Api	Control through the Central Government of the Republic of Indonesia	Acceptances receivable, Acceptances payable, Irrevocable L/C
PT Inti (Persero)	Control through the Central Government of the Republic of Indonesia	Acceptances receivable, Acceptances payable
PT Wijaya Karya (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Acceptances receivable, Acceptances payable, Guarantees issued
PT Sang Hyang Seri (Persero)	Control through the Central Government of the Republic of Indonesia	Guarantees issued, Irrevocable L/C
PT Pembangkitan Jawa - Bali	Control through the Central Government of the Republic of Indonesia	Guarantees issued
PT Indonesia Power	Control through the Central Government of the Republic of Indonesia	Guarantees issued, Irrevocable L/C
PT Pupuk Kujang (Persero)	Control through the Central Government of the Republic of Indonesia	Guarantees issued
PT Dirgantara Indonesia (Persero)	Control through the Central Government of the Republic of Indonesia	Guarantees issued, Irrevocable L/C
PT Dok dan Perkapalan Kodja Bahari (Persero)	Control through the Central Government of the Republic of Indonesia	Guarantees issued
PT Pelayaran Nasional Indonesia (Persero)	Control through the Central Government of the Republic of Indonesia	Irrevocable L/C
PT Kereta Api (Persero)	Control through the Central Government of the Republic of Indonesia	Irrevocable L/C
PT Bank Mandiri (Persero) Tbk	Control through the Central Government of the Republic of Indonesia	Current Accounts with other Banks, Deposits from other Banks and other financial institutions

43. TRANSACTIONS WITH RELATED PARTIES (continued)

Related parties	Relationship	Element of transactions
PT Bank Bukopin Tbk	Control through the Central Government of the Republic of Indonesia	Current Accounts with other Banks, Placements in Bank Indonesia and other Banks, Deposits from other Banks and other financial institutions
PT BNI Securities	Control through the Central Government of the Republic of Indonesia	Placements in Bank Indonesia and other Banks

For banking activities, BRI engages in significant transactions with the following related parties:

	2011	2010
Assets		
Current Accounts with other Banks (Note 5)		
PT Bank Negara Indonesia (Persero) Tbk	26,004	33,971
PT Bank Mandiri (Persero) Tbk	4,006	1,378
PT Bank Bukopin Tbk	10	-
	30,020	35,349
Placements with Bank Indonesia and Other Banks (Note 6)		
PT Bank Negara Indonesia (Persero) Tbk	654,414	45,050
PT Perusahaan Pengelola Aset	250,000	-
PT BTMU-BRI Finance	165,000	215,000
PT BNI Securities	20,000	10,000
PT Bank Bukopin Tbk	-	230,000
Lembaga Pembiayaan Ekspor Indonesia	-	100,000
	1,089,414	600,050
Securities (Note 7)		
Government of Republic of Indonesia	13,348,990	7,260,111
Perum Pegadaian	257,728	10,398
Lembaga Pembiayaan Ekspor Indonesia	149,000	74,000
PT Jasa Marga (Persero) Tbk	105,362	105,005
PT Aneka Tambang (Persero) Tbk	95,000	-
PT Bank Tabungan Negara (Persero) Tbk	94,337	47,228
PT Perusahaan Listrik Negara (Persero)	91,012	90,480
PT Sarana Multigriya Finansial (Persero)	70,000	65,000
PT Perkebunan Nusantara VII (Persero)	50,000	50,000
PT Perkebunan Nusantara III (Persero)	50,000	50,000
Others	56,000	111,000
	14,367,429	7,863,222
Government Recapitalization Bonds (Note 9)		
Government of Republic of Indonesia	8,996,026	13,626,463

43. TRANSACTIONS WITH RELATED PARTIES (continued)

	2011	2010
Assets (continued)		
Loans (Note 12)		
PT Perusahaan Listrik Negara (Persero)	6,838,464	6,199,343
PT Pertamina (Persero)	8,539,984	7,217,175
Perum Pegadaian	4,858,401	4,246,385
PT Taspen (Persero)	4,014,051	3,390,000
PT Telekomunikasi Indonesia (Persero) Tbk	1,700,000	1,375,000
Perum BULOG	1,229,276	676,293
PT Petrokimia Gresik	900,518	642,743
Ministry of Finance of the Republic of Indonesia	820,519	270,284
PT Pupuk Kalimantan Timur	773,151	417,066
PT Perkebunan Nusantara XI (Persero)	448,706	317,267
PT Bringin Srikandi Finance	193,312	187,218
PT Bringin Indotama Sejahtera Finance	113,445	158,432
PT Bringin Karya Sejahtera	18,020	20,652
PT Bringin Gigantara	3,637	5,971
PT Bringin Sejahtera Artha Makmur	1,134	-
Key employees	55,721	35,742
Others	7,142,070	4,833,329
	37,650,409	29,992,900
Sharia receivables and financing (Note 13)		
Perum DAMRI	73,276	-
PT Bringin Gigantara	25,063	5,029
PT Bringin Karya Sejahtera	13,408	17,018
PT Satkomindo Mediyasa	1,119	2,785
Key employees	8,994	5,639
	121,860	30,471
Acceptances receivable (Note 14)		
PT Industri Kereta Api (Persero)	72,173	-
PT Petrokimia Gresik	126,360	-
PT Inti (Persero)	91,632	15,380
PT Mega Eltra (Persero)	4,676	-
PT Wijaya Karya (Persero) Tbk	-	55,524
	294,841	70,904
Investment in shares of stocks (Note 15)		
PT BTMU-BRI Finance	163,281	134,130
Total assets from related parties	**62,713,280**	**52,353,489**
Total consolidated assets	**469,899,284**	**404,285,602**
Percentage of total assets from related parties to total consolidated assets	**13.35%**	**12.95%**

43. TRANSACTIONS WITH RELATED PARTIES (continued)

	2011	2010
Liabilities		
Demand Deposits (Note 19)		
Government Entities and Institutions	18,766,760	5,472,152
Key employees	21,978	1,498
Others	27,880	8,407
	18,816,618	5,482,057
Saving Deposits (Note 20)		
Government Entities and Institutions	7,400	182,241
Key employees	22,700	40,102
Others	-	9,477
	30,100	231,820
Time Deposits (Note 21)		
Government Entities and Institutions	18,102,800	26,529,739
Key employees	49,220	6,523
Others	355,395	10,458
	18,507,415	26,546,720
Deposits from other Banks and financial institutions (Note 22)		
Government Entities and Institutions	341,909	412,453
Acceptances Payable (Note 14)		
Government Entities and Institutions	294,841	70,904
Fund borrowings (Note 24)		
Government Entities and Institutions	232,425	-
Compensation to key employees management (Note 41)		
Present value of defined benefit pension liability	251,514	197,084
Present value of old-age benefits liability	40,106	39,010
Present value of work separation liability	46,046	15,520
Present value of gratuity for services liability	26,601	22,720
Present value of grand leaves liability	28,709	25,033
Present value of pension preparation period	71,830	55,174
	464,806	354,541
Total liabilities to related parties	**38,688,114**	**33,098,495**
Total consolidated liabilities	**420,078,955**	**367,612,492**
Percentage of liabilities to related parties to total consolidated liabilities	**9.21%**	**9.00%**

43. TRANSACTIONS WITH RELATED PARTIES (continued)

	2011	2010
Commitments and contingencies administrative accounts		
Guarantees issued (Note 25c)		
PT Perusahaan Gas Negara (Persero) Tbk	751,532	604,292
PT Wijaya Karya (Persero) Tbk	604,103	752,181
PT Sang Hyang Seri (Persero)	262,910	94
PT Perusahaan Listrik Negara (Persero)	174,528	134,015
PT Pembangkitan Jawa - Bali	133,370	106,189
PT Indonesia Power	130,089	126,444
PT Pupuk Kujang (Persero)	113,355	112,637
PT Pertamina (Persero)	108,368	89,693
PT Dirgantara Indonesia (Persero)	103,297	6,091
PT Dok dan Perkapalan Kodja Bahari (Persero)	56,319	-
Others	363,015	76,152
	2,800,886	2,007,788
Irrevocable L/C (Note 25c)		
PT Perusahaan Listrik Negara (Persero)	1,097,026	1,560,372
Perum BULOG	1,094,901	-
PT Dirgantara Indonesia (Persero)	517,667	6,333
PT Kereta Api (Pesero)	322,524	-
PT Pertamina (Persero)	276,318	40,326
PT Petrokimia Gresik	202,477	-
PT Industri Kereta Api (Persero)	58,985	35,307
PT Sang Hyang Seri (Persero)	49,131	81,183
PT Indonesia Power	39,221	79,540
PT Pelayaran Nasional Indonesia (Persero)	32,995	92,728
Others	91,148	251,629
	3,782,393	2,147,418
Salaries and allowances for the Boards of Directors and Commissioners (Note 33)	**62,325**	**54,162**
***Tantiem*, bonuses and incentives for the Boards of Directors, Commissioners and key employees (Note 33)**	**204,724**	**147,180**

Percentage of transactions with related parties to total consolidated assets and liabilities of BRI are as follows:

	2011	2010
Assets		
Current Accounts with other Banks	0.006%	0.009%
Placements with Bank Indonesia and other Banks	0.232	0.148
Securities	3.058	1.945
Government Recapitalization Bonds	1.914	3.371
Loans	8.012	7.419

43. TRANSACTIONS WITH RELATED PARTIES (continued)

	2011	2010
Assets (continued)		
Sharia receivables and financing	0.026	0.008
Acceptances receivable	0.063	0.018
Investment in shares of stocks	0.035	0.033
Total	**13.346%**	**12.951%**
Liabilities		
Demand Deposits	4.479%	1.491%
Saving Deposits	0.007	0.063
Time Deposits	4.406	7.221
Deposits from other Banks and financial institutions	0.081	0.112
Acceptances payable	0.070	0.019
Fund borrowings	0.055	-
Compensation to key employees	0.111	0.096
Total	**9.209%**	**9.002%**

As of December 31, 2011 and 2010, BRI (Parent Entity) insured certain premises and equipment to PT Asuransi Bringin Sejahtera Artha Makmur (related party) (Note 16).

44. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Communication Services Agreements

On November 14, 2011, BRI entered into an agreement with PT Satkomindo Mediyasa in connection with the procurement of VSAT communication services in 1,000 (one thousand) locations of offsite ATM for 3 (three) years with the contract value of Rp30,610.

On March 29, 2011, BRI entered into an agreement with PT Telekomunikasi Indonesia in connection with the procurement of IP-VPN MPLS communication service in 800 (eight hundred) locations for 3 (three) years with a contract value of Rp876 per month.

On August 31, 2010, BRI entered into an agreement with PT Satkomindo Mediyasa in connection with the procurement of VSAT communication service in 982 (nine hundred eighty two) locations for 3 (three) years, with a contract value of Rp64,791.

On December 31, 2008, BRI entered into an agreement with PT Aplikanusa Lintasarta in connection with the procurement of IP-VPN MPLS communication services in 15 (fifteen) BRI working unit locations and VSAT networking services in 796 (seven hundred ninety six) BRI working unit locations for 3 (three) years, with a contract value of Rp92,298.

On December 31, 2008, BRI entered into an agreement with PT Satkomindo Mediyasa in connection with the procurement of Multiprotocol Label Switching (MPLS) communication services in 102 (one hundred and two) BRI working unit locations and VSAT networking services in 453 (four hundred fifty three) BRI working unit locations for 3 (three) years, with a contract value of Rp72,406.

44. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

b. Contingent Liabilities

In the conduct of its business, BRI is a defendant in various litigation proceedings and legal claims mainly with respect to matters of contractual compliance. Although there is no clear assurance yet, BRI believes that based on information currently available, the ultimate resolution of these legal proceedings and legal claims will not likely have a material effect on the operations, financial position or liquidity level of BRI.

As of December 31, 2011 and 2010, BRI has established a provision (included in "Other Liabilities") for several pending lawsuits filed against BRI amounting to Rp968,064 and Rp517,189, respectively (Note 26). Management believes that the provision is adequate to cover possible losses arising from pending litigations or legal claims that are currently in progress.

45. GOVERNMENT GUARANTEE ON OBLIGATIONS OF COMMERCIAL BANKS

Based on Presidential Decision No. 26 of 1998 as implemented by the Ministry of Finance Decision dated January 28, 1998 and the Joint Decrees No. 30/270/KEP/DIR and No. 1/BPPN/1998 dated March 6, 1998, of the Director of Bank Indonesia and Head of IBRA, the Government provided a guarantee on certain obligations of all locally incorporated commercial banks. Based on the latest amendment under the Decree of the Ministry of Finance Decision No. 179/KMK.017/2000 dated May 26, 2000, this guarantee is valid from January 26, 1998 up to January 31, 2001 and with automatic extension of the guarantee period continuously every 6 (six) months, unless within 6 (six) months before the maturity of the guarantee period or its extension period, the Ministry of Finance announces to the public the expiry and/or change in the guarantee program. For this guarantee, the Government charges premium which is computed based on a certain percentage in accordance with the prevailing regulations.

The Decision Letter No. 179/KMK.017/2000 dated May 26, 2000 from the Ministry of Finance of the Republic of Indonesia, concerning the "Conditions and Procedures in the Implementation of Government Guarantee for the Payment of Obligations of Commercial Banks" was amended by the Ministry of Finance Decision Letter No. 84/KMK.06/2004 dated February 27, 2004, concerning the "Conditions, Procedures and Policy in the Implementation of Government Guarantee for the Payment of Obligations of Commercial Banks". The changes consist of, among others, the responsibility of accepting payments for the guarantee premium was transferred from the Indonesian Bank Restructuring Agency to the Government Guarantee Implementation Unit (UP3).

In accordance with Regulation No. 17/PMK.05/2005 dated March 3, 2005 of the Ministry of Finance, starting April 18, 2005, commercial bank obligations guaranteed by the Government Guarantee Program include demand deposits, saving deposits, time deposits and borrowings from other banks in the form of inter-bank money market transactions.

The Government Guarantee Program through UP3 ended on September 22, 2005 based on Regulation No. 68/PMK.05/2005 dated August 10, 2005 of the Ministry of Finance regarding the "Calculation and Payment of Premium on Government Guarantee Program on the Payment of Obligations of Commercial Banks" for the period of July 1 up to September 21, 2005. The Government established the Indonesia Deposit Insurance Corporation (LPS), an independent agency, to replace UP3 based on Law No. 24 of 2004 dated September 22, 2004 regarding "Deposit Insurance Corporation", in order to provide guarantees on public funds including funds from other banks in the form of demand deposits, time deposits, certificates of deposits, saving deposits and/or other similar forms.

45. GOVERNMENT GUARANTEE ON OBLIGATIONS OF COMMERCIAL BANKS (continued)

Based on LPS regulation No. 1/PLPS/2006 dated March 9, 2006 regarding "Government Guarantee Program on Saving Account", the balance of saving accounts guaranteed for each customer has a maximum of Rp100 million.

In accordance with Government Regulation No. 66 of 2008, dated October 13, 2008 regarding "The Amount of Public Savings Guaranteed by the Indonesia Deposit Insurance Corporation", the total amount of customers' saving accounts in banks which is guaranteed by the Government has increased to Rp2 billion, from the previous Rp100 million, effective on the date stated above.

46. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following summarizes the revised Statements of Financial Accounting Standards (SFAS) which was issued by the Financial Accounting Standards Board (DSAK) and are relevant to BRI and its Subsidiaries, effective on or after January 1, 2012:

a. SFAS No. 10 (Revised 2010), "Effects of Changes in Foreign Exchange Rates". This revised SFAS prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

b. SFAS No. 13 (Revised 2011), "Investment Property". This SFAS shall be applied in the recognition, measurement and disclosure of investment property including the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease.

c. SFAS No. 16 (2011), "Property, Plant and Equipment". This revised SFAS prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.

d. SFAS No. 24 (Revised 2010), "Employee Benefits". This revised SFAS establishes the accounting and disclosures for employee benefits and requires the recognition of liability and expense when an employee has provided the service and the entity consumes economic benefit arising from the service.

e. SFAS No. 30 (Revised 2010), "Leases". This SFAS prescribes, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases which applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called, for in connection with the operation or maintenance of such assets.

f. SFAS No. 46 (Revised 2010), "Accounting for Income Taxes". This revised SFAS prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the statements of financial position; and transactions and other events of the current period that are recognized in the financial statements.

g. SFAS No. 50 (Revised 2010), "Financial Instruments: Presentation". This revised SFAS establishes the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

46. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (continued)

h. SFAS No. 55 (Revised 2011), "Financial Instruments: Recognition and Measurements". This SFAS establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in SFAS 50 (Revised 2010): Financial Instruments: Presentation. Requirements for disclosing information about financial instruments are in SFAS 60: Financial Instruments: Disclosures.

i. SFAS No. 56 (Revised 2011), "Earnings Per Share". This revised SFAS prescribes principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same period and between different reporting periods for the same entity.

j. SFAS No. 60, "Financial Instruments: Disclosures". This SFAS requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period and how the entity manages those risks.

k. ISAK No. 13, "Hedges of a Net Investment in a Foreign Operation".

l. ISAK No. 15, "SFAS No. 24 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

m. ISAK No. 20, "Income Taxes - Changes in the Tax Status of an Entity or its Shareholders".

n. ISAK No. 23, "Operating Leases - Incentives".

o. ISAK No. 24, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

p. ISAK No. 25, "Land Rights".

q. PPSAK No. 10, "Revocation of SFAS No. 51".

r. ISAK No. 26, "Reassessment of Embedded Derivatives".

s. PPSAK No. 9, "Revocation of ISAK 5".

47. OTHER DISCLOSURES

a. Capital Adequacy Ratio (CAR)

CAR is the ratio of capital to Risk Weighted Assets (RWA). Based on Bank Indonesia Regulation No. 3/21/PBI/2001 dated December 13, 2001, the total capital for credit risk consists of core capital and supplementary capital net of investment in shares of stocks. Based on Bank Indonesia Regulation No. 5/12/PBI/2003 dated July 17, 2003, which was amended with PBI No. 10/15/PBI/2008 dated September 24, 2008, banks which meet certain criteria should consider market risk in the computation of CAR and include additional supplementary capital.

BRI's CAR (Parent Entity) for operational risk and credit risk and for operational risk, market risk and credit risk are 15.08% (unaudited) and 14.96% (unaudited), respectively, as of December 31, 2011 and 13.85% (unaudited) and 13.76% (unaudited), respectively, as of December 31, 2010, calculated as follows (unaudited):

47. OTHER DISCLOSURES (continued)

a. Capital Adequacy Ratio (CAR) (continued)

	2011	2010
Capital		
Core Capital *)	38,215,079	27,673,231
Supplementary Capital **)	3,600,909	4,037,358
Total Capital for Credit, Market and Operational Risks	**41,815,988**	**31,710,589**
RWA for Credit Risk after considering Special Risk	224,304,622	201,883,081
RWA for Operational Risk ***)	52,998,112	27,130,913
Total RWA for Credit and Operational Risks	**277,302,734**	**229,013,994**
RWA for Market Risk	2,299,908	1,433,038
Total RWA for Credit, Operational and Market Risks	**279,602,642**	**230,447,032**
CAR for Credit and Operational Risks *)**	**15.08%**	**13.85%**
CAR for Credit, Market and Opeational Risks *)**	**14.96%**	**13.76%**
Minimum CAR	**8.00%**	**8.00%**

*) Presented by excluding deferred tax assets according to Bank Indonesia Regulation No. 3/21/PBI/2001 dated December 13, 2001.
**) Presented after deducting the amortization of Subordinated Bonds during the period according to Bank Indonesia Letter No. 12/18/DPB1/TPB1-3 dated February 11, 2010.
***) Operational risk is only included in 2010 according to Bank Indonesia Form Letter No. 11/3/DPNP dated January 27, 2009.

b. Non-Performing Loans (NPL) Ratio

As of December 31, 2011 and 2010, BRI's non-performing loans ratio including Sharia receivables and financing are as follows:

(i) Consolidated

	2011	2010
Gross NPL ratio	2.49%	2.79%
Net NPL ratio	0.51	0.75

(ii) BRI (Parent Entity)

	2011	2010
Gross NPL ratio	2.30%	2.78%
Net NPL ratio	0.42	0.74

Net NPL ratio is calculated based on NPL after deducting the minimum allowance for possible losses divided by the total loans amount in accordance with Bank Indonesia regulations.

47. OTHER DISCLOSURES (continued)

c. Custodian Operations and Selling Agent

BRI rendered custodian services since 1996 based on its operating license through Bapepam Chairman Decision Letter No. 91/PM/1996 dated April 11, 1996 and was also selected as the Sub-Registry in the conduct of Government bonds transactions and administration of Scriptless Certificates of Bank Indonesia by Bank Indonesia.

The custodian services business is a part of the Treasury Division, which provides services such as:

- Safekeeping, administration services and portfolio valuation;
- Transaction settlement (settlement/transaction handling) services;
- Income collection services, including the related tax payments;
- Corporate actions and proxy services;
- Information and reporting services, including information through website;
- Custodian Unit Link services, DPLK, KIK EBA; and
- On-line Brokerage services of BBRI Shares.

BRI has (unaudited) 83 (eighty three) and 69 (sixty nine) customers as of December 31, 2011 and 2010, respectively, which mainly consist of pension funds, financial institutions, securities companies, mutual funds and other companies.

The custodian fees earned (unaudited) for the years ended December 31, 2011 and 2010 amounted to Rp11,050 and Rp11,340, respectively.

In order to improve services to customers, BRI Custodian currently provides information system accessible through the “Customer Information E-access” website, in order to provide more convenience to customers in obtaining information on their portfolio value.

BRI, who acts as a custodian Bank, coordinates with PT Asuransi Jiwa Bringin Jiwa Sejahtera, in developing “Unit Link” products which will be marketed through BRI Branch Offices, which are appointed as the selling agents.

d. Trustee Agent Operations

BRI rendered trust services since 1990. The operating license of BRI for trust services was granted by the Ministry of Finance based on its Decision Letter No. 1554/KMK.013/1990 dated December 6, 1990 and registered in Bapepam in conformity with its Operating License as Trust Services No. 08/STTD-WA/PM/1996 dated June 11, 1996.

The trust services business is a part of the Treasury Division which provides services such as:

- Trust services
- Security agent
- Payment agent
- Sinking fund agent
- Selling agent of mutual funds and investment products.

BRI has (unaudited) 15 (fifteen) and 13 (thirteen) customers as of December 31, 2011 and 2010, respectively. The total value of bonds issuance on behalf of bonds issuers managed by BRI as part of its trust services (including security agents) (unaudited) amounted to Rp27,264,603 and Rp24,983,653 as of December 31, 2011 and 2010, respectively.

47. OTHER DISCLOSURES (continued)

d. Trustee Agent Operations (continued)

The fees and commissions on trust services and other related services (payment agent) (unaudited) earned for the years ended December 31, 2011 and 2010 amounted to Rp3,970 and Rp4,414, respectively.

To comply with Bapepam-LK Regulation No. Kep-11/BL/2006 dated August 30, 2006 on "Mutual Funds Selling Agent Behavior", the selling agent services function previously performed by the custodian has been transferred to the Trustee Agent.

The total income from services as mutual funds agent and government retail bonds (unaudited) amounted to Rp1,540 and Rp1,673, for the years ended December 31, 2011 and 2010, respectively.

48. EARNINGS PER SHARE

The following presents the reconciliation of factors in the computation of basic and diluted earnings per share (EPS) for Parent Entity:

	2011		
	Net Income	**Weighted Average Number of Ordinary Shares Outstanding**	**Net Income Per Share (Full Rupiah)**
Basic EPS per share	**15,082,939**	**23,982,840,849**	**628.91**
Add: Assumed shares issued from exercise of Management Stock Ownership Program			
- MSOP I	-	145,734,828	-
- MSOP II	-	62,152,777	-
- MSOP III	-	8,896,151	-
Diluted EPS for Parent Entity	**15,082,939**	**24,199,624,605**	**623.27**

	2010		
	Net Income	**Weighted Average Number of Ordinary Shares Outstanding**	**Net Income Per Share (Full Rupiah)**
Basic EPS per share	**11,472,385**	**23,982,840,850**	**478.36**
Add: Assumed shares issued from exercise of Management Stock Ownership Program			
- MSOP I	-	309,005,682	-
- MSOP II	-	140,286,710	-
- MSOP III	-	145,107,672	-
Diluted EPS for Parent Entity	**11,472,385**	**24,577,240,914**	**466.79**

49. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of BRI is responsible for the preparation of these consolidated financial statements which were completed and authorized for issue as approved by the management of BRI on February 27, 2012.

Press Release

No	Date	Activity
1	5 January 2011	Disbursement of BRI KUR exceeded 2010 target
2	6 January 2011	Cooperation between BRI and Telkom for host-to-host services
3	7 January 2011	BRI won lawsuit against PT Mulia Persada Pacific
4	10 January 2011	BRI Share Stock split
5	19 January 2011	Cooperation between BRI and Medco E&P on the use of BRI products and banking services
6	26 January 2011	Cooperation between BRI and PT Angkasapura II on the use of Brizzi card as alternative mean of payment for airport tax
7	4 February 2011	Optimism of KPR BRI growth in 2011
8	7 February 2011	BRI inaugurates 72 new operating units
9	8 February 2011	BRI ranked 195 on The World's 500 Most Valuable Banking Brands 2011
10	10 February 2011	Britama and BRI Junio receives Top Brand Award 2011 from Frontier Consulting Group
11	16 February 2011	BRI and PTPN II sign loan agreement in the framework of sugar industry revitalization
12	17 February 2011	BRI disburses Partnership Loans to MSME entrepreneurs who were victims of the Mount Merapi eruption
13	22 February 2011	Significant increase in BRI assets
14	3 March 2011	Signing of Acquisition Deed of Bank Agro between BRI and Dapenbun
15	4 March 2011	Distribution of salary for 20 thousand Employees of The Ministry of Public Works through BRI
16	6 March 2011	BRI cooperates with Greenet for the planting of trees in the areas affected by Mount Merapi eruption
17	9 March 2011	BRI disburses syndicated loans to PT KAI
18	14 March 2011	BRI provided financial aid for karatekas in the preparation for Sea Games 2011
19	15 March 2011	Haj installment service in 5,972 BRI operating units
20	25 March 2011	BRI held Pesta Rakyat Simpedes (Simpedes Folks Festival) in Brebes, Central Java
21	25 March 2011	BRI cooperated with POLRI in the issuance of SMART Driving Licence
22	31 March 2011	Financial performance of BRI in 2010: BRI achieved profit of Rp11.472 trillion
23	13 April 2011	BRI inaugurates Priority Service Center in Balikpapan
24	13 April 2011	Growth of BRI assets in the last five years
25	20 April 2011	BRI signs cooperation agreement with PT Taspen
26	25 April 2011	BRI disburses financing to the creative industry sector
27	28 April 2011	BRI 2011 Annual General Meeting of Shareholder
28	29 April 2011	Financial Performance Quarter I 2011: BRI achieved profit of Rp3.260 trillion
29	30 April 2011	BRI undertook education of culture to save in early stage in life by producing BRI Junio Savings
30	3 May 2011	BRI keeps on increasing the number of ATM
31	9 May 2011	BRI is included in The World's 500 Most Valuable Banking Brands 2011
32	10 May 2011	BRI cooperates with Kemang Village in the funding of apartment loan
33	24 May 2011	BRI signs working capital agreement with Perum Pegadaian
34	25 May 2011	BRI commits to enhance its Information Technology service

No	Date	Activity
35	30 May 2011	BRI signs Memorandum of Understanding with Perum Perhutani
36	31 May 2011	BRI provides Rp8 billion in scholarship for students in eastern Indonesia
37	8 June 2011	Bank BRI opens another Priority Service
38	8 June 2011	BRI held Pesta Rakyat Simpedes in Cirebon, West Java
39	16 June 2011	BRI held Peduli Pasar Rakyat (Pesat) in Klender Market
40	20 June 2011	BRI promotes Betawinese culinary to enliven Jakarta Anniversary
41	23 June 2011	BRI signs Memorandum of Understanding with Brawijaya University
42	5 July 2011	BRI opens Priority Services Center in Semarang
43	12 July 2011	BRI continues to develop Brizzi product
44	18 July 2011	BRI opens Priority Service Center in Malang
45	19 July 2011	BRI, in cooperation with Ministry of Internal Affairs, held BRI Pesat.
46	20 July 2011	BRI disburses loan to PT Mitratel
47	25 July 2011	BRI continues to develop custodian service
48	26 July 2011	Working Relationship Agreement is signed between the Management of BRI and BRI Labor Union
49	28 July 2011	BRI gives away free staple food
50	29 July 2011	BRI financial performance Q II 2011: BRI's profit amounted to Rp6.79 trillion
51	2 August 2011	BRI organized flea market together with SOE Care program
52	19 August 2011	President of the Republic of Indonesia attended BRI's breakfasting with 3,300 orphans
53	23 August 2011	BRI in organizing flea markets in 16 cities throughout Indonesia
54	25 August 2011	Free homecoming trip for 3,500 customers of BRI
55	25 August 2011	BRI and Directorate General of Primary and Secondary Education Ministry of National Education signed MoU for utilization of banking services.
56	25 August 2011	BRI disburses loan to Pelindo I
57	6 September 2011	BRI was ranked in the Top 10 Companies 2011
58	15 September 2011	BRI signs cooperation agreement with PT Mitratel
59	21 September 2011	Growth of BRI sms-banking transactions
60	25 September 2011	BRI organizes BRI Junio Cycle Fest
61	28 September 2011	BRI EGMS 2011
62	5 October 2011	BRI cooperates with Gajah Mada University on on-line payment of tuition fee
63	5 October 2011	BRI keeps enhancing its network in order to dominate the MSME market
64	7 October 2011	TiPhone cooperates with BRI to enhance transactional capacity for telephone pulse
65	7 October 2011	BRI keeps increasing its fee based income through the optimization of more than 33 million of existing accounts
66	16 October 2011	BRI organizes Brizzi Rally in Yogyakarta
67	18 October 2011	BRI provides on-line payment of fertilizer throughout Indonesia to PT Pusri
68	27 October 2011	BRI and the Ministry of Religious Affairs sign another cooperation agreement on banking service utilization
69	28 October 2011	BRI financial performance Q III 2011: BRI achieved profit of Rp10.43 trillion

No	Date	Activity
70	9 November 2011	BRI launches Visa Touch credit card
71	11 November 2011	BRI provided catheter devices for Sea Games health team.
72	12 November 2011	BRI supports the organization of Jakarta Fashion Week 2011
73	14 November 2011	BRI and APPMI successfully organized Jakarta Fashion Week 2011
74	15 November 2011	BRI and Obin supports batik exhibition in the Jakarta Fashion Week 2011
75	16 November 2011	BRI launches Touch credit card in order to target young urban segment
76	17 November 2011	BRI supports LPM in the launching of young designers
77	24 November 2011	BRI together with Ministry of Social affairs channeled financial aid for Family Hope Program
78	25 November 2011	BRIZZI funbike in Semarang
79	25 November 2011	BRI distributes Rp1.2 billion bonuses to the Indonesian karatekas
80	11 December 2011	BRI and Jawa Pos organize BRIZZI funwalk
81	14 December 2011	BRI opens Priority Services Center in Medan
82	16 December 2011	BRI launches 11 new products, CSR networks and services
83	21 December 2011	Opening of Priority Services Center in Banjarmasin
84	22 December 2011	BRI cooperates with BNP2TKI to disburse loan to candidate of Indonesia's overseas workers
85	22 December 2011	BRI and PT Angkasa Pura II launched co-branding smart card payment with the name of "e-Airport BRIZZI"
86	24 December 2011	BRI prepared Rp19.25 trillion in cash to anticipate Christmas and New Year holidays.

Correspondence with Bapepam-LK and IDX

Outgoing Letter to Bapepam-LK and Indonesia Stock Exchange

Month	No	Letter		To	Topic
		Number	Date		
January	1	B.01-SKP/ DHI/01/2011	4 January 2011	IDX	Request of Listing of Additional Shares Resulting from Stock Split Exercise
	2	B.05-SKP/ DHI/01/2011	5 January 2011	IDX	Fulfillment of Regulation on Total Number of Listed Shares in IDX
	3	B.06-SKP/ DHI/01/2011	5 January 2011	IDX	Request of Announcement of Schedule and Procedures on Stock Split Exercise
	4	B.08-SKP/ DHI/01/2011	7 January 2011	Bapepam-LK and IDX	Proof of Advertisement
	5	B.10-SKP/ DHI/01/2011	10 January 2011	IDX	Monthly Report of Shareholders Registration
	6	B.12-SKP/ DHI/01/2011	13 January 2011	Bapepam-LK	Report of Fulfillment of the Government Regulation (PP) No. 29 Year 1999 and Shares Stock Split
	7	B.13-SKP/ DHI/01/2011	14 January 2011	Bapepam-LK and IDX	Rating of PT Bank Rakyat Indonesia (Persero) Tbk.
	8	B.14-SKP/ DHI/01/2011	17 January 2011	Bapepam-LK and IDX	Proof of Advertisement
	9	B.15-SKP/ DHI/01/2011	27 January 2011	Bapepam-LK	Disclosure of Information on Specific Shareholders
February	1	B.18-SKP/ DHI/02/2011	7 February 2011	Bapepam-LK	Confirmation on Delay in the Reporting of New Rating
	2	B.20-SKP/ DHI/02/2011	9 February 2011	Bapepam-LK and IDX	Monthly Report of Shareholders Registration
March	1	B.26-SKP/ DHI/03/2011	2 March 2011	Bapepam-LK and IDX	Disclosure on Information to be Immediately Announced to the Public
	2	B.29/SKP/ DHI/03/2011	7 March 2011	Bapepam-LK and IDX	Disclosure of Information on Specific Shareholders
	3	B.31/SKP/ DHI/03/2011	10 March 2011	Bapepam-LK	Proof of Advertisement
	4	B.32/SKP/ DHI/03/2011	10 March 2011	IDX	Proof of Advertisement
	5	B.37-SKP/ DHI/03/2011	10 March 2011	IDX	Monthly Report of Shareholders Registration
	6	B.39-SKP/ DHI/03/2011	30 March 2011	Bapepam-LK	Report of Change in the Plan of BRI AGMS 2011

Month	No	Letter		To	Topic
		Number	Date		
	7	B.41-SKP/ DHI/03/2011	31 March 2011	IDX	BRI Financial Report 2010
	8	B.42-SKP/ DHI/03/2011	31 March 2011	Bapepam-LK and IDX	Proof of Announcement of BRI Financial Report 2010
April	1	B.45-SKP/ DHI/04/2011	7 April 2011	Bapepam-LK and IDX	Proof of Prime Lending Rate Announcement 31 March 2011
	2	B.46-SKP/ DHI/04/2011	11 April 2011	Bapepam-LK	Payment of Administration Penalty
	3	B.47-SKP/ DHI/04/2011	12 April 2011	Bapepam-LK	BRI Annual General Meeting of Shareholders 2011
	4	B.49-SKP/ DHI/04/2011	12 April 2011	IDX	Monthly Report of the List of Securities Holders
	5	B.50-SKP/ DHI/04/2011	13 April 2011	Bapepam-LK and IDX	Call of BRI Annual General Meeting of Shareholders 2011
	6	B.51-SKP/ DHI/04/2011	13 April 2011	Bapepam-LK and IDX	Proof of Advertisement
	7	B.52-SKP/ DHI/04/2011	13 April 2011	Bapepam-LK	BRI 2010 Annual Report
	8	B.53-SKP/ DHI/04/2011	13 April 2011	IDX	BRI 2010 Annual Report
	9	B.59-SKP/ DHI/04/2011	29 April 2011	IDX	BRI Financial Statements of Quarter I 2011
	10	B.60-SKP/ DHI/04/2011	29 April 2011	Bapepam-LK and IDX	Proof of Media Announcement of BRI Financial Statements of Quarter I 2011
May	1	B.61-SKP/ DHI/05/2011	2 May 2011	Bapepam-LK	BRI 2010 Annual Report
	2	B.62-SKP/ DHI/05/2011	2 May 2011	IDX	BRI 2010 Annual Report
	3	B.63-SKP/ DHI/05/2011	2 May 2011	IDX	BRI 2010 Annual Report
	4	B.65-SKP/ DHI/05/2011	2 May 2011	IDX	BRI 2010 Annual Report
	5	B.66-SKP/ DHI/05/2011	2 May 2011	Bapepam-LK	Information Disclosure
	6	B.67-SKP/ DHI/05/2011	2 May 2011	IDX	Information Disclosure

Month	No	Letter		To	Topic
		Number	Date		
	7	B.68-SKP/ DHI/05/2011	2 May 2011	IDX	Report of BRI Annual General Meeting of Shareholders 2011
	8	B.69-SKP/ DHI/05/2011	2 May 2011	Bapepam-LK	Report of BRI Annual General Meeting of Shareholders 2011
	9	B.70-SKP/ DHI/05/2011	2 May 2011	IDX	Announcement of Schedule and Method of Dividend Payment
	10	B.71-SKP/ DHI/05/2011	2 May 2011	Bapepam-LK	Announcement of Schedule and Method of Dividend Payment
	11	B.73-SKP/ DHI/05/2011	2 May 2011	Bapepam-LK	Proof of Advertisement
	12	B.77-SKP/ DHI/05/2011	5 May 2011	IDX	Daiwa-IDX Investment Conference Best of Indonesia 2011
	13	B.78-SKP/ DHI/05/2011	5 May 2011	Bapepam-LK and IDX	Proof of Advertisement
	14	B.79-SKP/ DHI/05/2011	5 May 2011	Bapepam-LK and IDX	Disclosure of Information Related to Bid Offering
	15	B.81-SKP/ DHI/05/2011	6 May 2011	Bapepam-LK and IDX	Monthly Report of List of Securities Holders
June	1	B.86-SKP/ DHI/06/2011	21 June 2011	IDX	Disclosure of Information to be Announced Immediately to the Public
	2	B.87-SKP/ DHI/06/2011	21 June 2011	Bapepam-LK	Disclosure of Information to be Announced Immediately to the Public
July	1	B.89-SKP/ DHI/07/2011	8 July 2011	IDX	Monthly Report of List of Securities Holders
	2	B.92-SKP/ DHI/07/2011	11 July 2011	Bapepam-LK	Disclosure of Information on Specific Shareholders
	3	B.93-SKP/ DHI/07/2011	11 July 2011	IDX	Disclosure of Information on Specific Shareholders
	4	B.95-SKP/ DHI/07/2011	11 July 2011	Bapepam-LK	Report of Stock Tender Offer
	5	B.96-SKP/ DHI/07/2011	11 July 2011	IDX	BRI Financial Statements Quarter II 2011
	6	B.97-SKP/ DHI/07/2011	11 July 2011	Bapepam-LK and IDX	Proof of Media Announcement of BRI Financial Statements Quarter II 2011
	7	B.99-SKP/ DHI/07/2011	11 July 2011	Board of Directors of IDX	Monthly Report of List of Securities Holders
August	1	B.100-SKP/ DHI/08/2011	16 August 2011	Bapepam-LK	Plan of BRI Extraordinary General Meeting of Shareholders 2011
	2	B.101-SKP/ DHI/08/2011	23 August 2011	Bapepam-LK and IDX	Announcement of BRI Extraordinary General Meeting of Shareholders 2011
	3	B.102-SKP/ DHI/08/2011	23 August 2011	Bapepam-LK and IDX	Proof of Advertisement

Month	No	Letter		To	Topic
		Number	Date		
September	1	B. 110-SKP/ DHI/09/2011	12 September 2011	Bapepam-LK	Disclosure of Information
	2	B.111-SKP/ DHI/09/2011	13 September 2011	Bapepam-LK and IDX	Call of BRI EGMS 2011
	3	B.112-SKP/ DHI/09/2011	13 September 2011	Bapepam-LK and IDX	Proof of Advertisement
	4	B.114-SKP/ DHI/09/2011	13 September 2011	IDX	Monthly Report of List of Securities Holders
	5	B.116-SKP/ DHI/09/2011	19 September 2011	IDX	Plan of Public Expose
	6	B.117-SKP/ DHI/09/2011	21 September 2011	IDX	Disclosure of Information
	7	B.120-SKP/ DHI/09/2011	30 September 2011	Bapepam-LK and IDX	Proof of Media Announcement of BRI EGMS
	8	B.121-SKP/ DHI/09/2011	30 September 2011	Bapepam-LK and IDX	Report of BRI Extraordinary General Meeting of Shareholders 2011
	9	B.122-SKP/ DHI/09/2011	30 September 2011	IDX	Public Expose Information
October	1	B.123-SKP/ DHI/10/2011	6 October 2011	IDX	Monthly Report of List of Securities Holders
	2	B.126-SKP/ DHI/10/2011	7 October 2011	IDX	Report of Public Expose
	3	B. 127-SKP/ DHI/10/2011	10 October 2011	Bapepam-LK	Report of Progress of PT Bank Agroniaga Tbk Stock Tender Offer
	4	B.131-SKP/ DHI/10/2011	20 October 2011	IDX	Disclosure of Information
	5	B.132-SKP/ DHI/10/2011	28 October 2011	IDX	BRI Financial Statements Quarter III 2011
	6	B.133-SKP/ DHI/10/2011	28 October 2011	Bapepam-LK and IDX	Proof of Media Announcement of BRI Financial Statements Quarter III 2011
	7	B.135-SKP/ DHI/10/2011	28 October 2011	IDX	Monthly Report of List of Securities Holders
November	1	B.136-SKP/ DHI/11/2011	21 November 2011	IDX	Disclosure of Information
	2	B.139-SKP/ DHI/11/2011	29 November 2011	Bapepam-LK and IDX	Proof of Advertisement
December	1	B.141-SKP/ DHI/12/2011	12 December 2011	IDX	Monthly Report of List of Securities Holders
	2	B.143-SKP/ DHI/12/2011	21 December 2011	Bapepam-LK	BRI Rating

Incoming Letter from Bapepam-LK and Indonesia Stock Exchange

Month	No	Letter		From	Topic
		Number	Date		
January	1	S.08368/BEI. ANG/12/2010	7 January 2011	IDX	Changes in Regulation No. II-A on Trading of Shares and Regulation No. III-A on Stock Exchange Membership
	2	S.00096/BEI. PPJ/01/2011	7 January 2011	IDX	Approval for Stock Delisting
	3	S.00126/BEI. PPJ/01/2011	10 January 2011	IDX	Report of Final Interim Dividend Financial year 2010
	4	S.00126/BEI. PPJ/01/2011	14 January 2011	IDX	Approval for Stock Split
	5	PENG-00014/ BEI.PSH/01/2011	14 January 2011	IDX	Announcement of Teoritical BRI Stock Price Peng.00014/BEI.PSH/01--2011
	6	S.00512/BEI. PSH/01/2011	26 January 2011	IDX	Change of Decision of IDX Board of Directors
March	1	S.01537/BEI. PPJ/03/2011	11 March 2011	IDX	Reminder of PT Bank Agroniaga Tbk Stock Acquisition by PT Bank Rakyat Indonesia (Persero) Tbk.
April	1	S.02415/BEI. PPU/04/2011	19 April 2011	IDX	Financial Statements (unaudited) 31 March 2011
May	1	S.02697/BEI. PPU/04/2011	3 May 2011	IDX	Request of Participation to the Annual Report Award 2010
	2	S.002014/BEI. PMR/06/2011	9 June 2011	IDX	Invitation of Technical Meeting Preparation for Best of Indonesia 2011. Daiwa-IDX Investment Conference in London and New York
June	1	S.03899/BEI. PPU/06/2011	17 June 2011	IDX	Invitation to Presentation for Nomination of Capital Market Award 2011
July	1	S.04955/BEI. PPU/07/2011	29 July 2011	IDX	Financial Statements of Listed Companies
September	1	S.05958/BEI. PMR/09/2011	8 September 2011	IDX	Confirmation of IDX Availability to Deliver Presentation on Public Companies and Press Conference at the Investor Summit & Capital Market Expo 2011
	2	S.05873/BEI. PSH/08/2011	9 September 2011	IDX	Calendar of Market Holidays for 2012
	3	S.05824/BEI. PMR/08/2011	9 September 2011	IDX	Invitation to Participate in the Capital Market Expo 2011
	4	S.05958/BEI. PMR/09/2011	12 September 2011	IDX	Confirmation of IDX Availability to Deliver Presentation on Public Companies and Press Conference at the Investor Summit & Capital Market Expo 2011
October	1	S.07182/BEI. SPR/10/2011	20 October 2011	IDX	Certificate of Capital Market Award 2011
	2	S.07274/BEI. PGU/10/2011	31 October 2011	IDX	Request of Feedback on Draft of IDX Regulation related to Structured Warrant
December	1	S.08403/BEI. PPU/12/2011	7 December 2011	IDX	Reminder of Regulation of Bapepam-LK and IDX
	2	S.08486/BEI. PMR/12/2011	13 December 2011	IDX	Note of Appreciation
	3	S.08755/BEI. PPS/12/2011	28 December 2011	IDX	Deliver of Securities Listing Regulation Summary Matrix

Office Addresses

Position as of December 2011

Office	Address	City	Telephone	Facsimile
Head Office	BRI I Building Jl. Jend. Sudirman No. 44-46	Jakarta	(021) 2510244, 2510254	(021) 2500065, 2500077
Banda Aceh	Jl. Cut Meutia No 17	Banda Aceh	(0651) 22822 (hunting)	(0651) 23487, 22352
Medan	Jl. Putri Hijau No. 2A	Medan	(061) 45256666, 4528323	(061) 4525601
Padang	Jl. Bagindo Azis Chan No. 30 (temporary) Jl. Dr. Moh. Hatta No. 01, Pauh	Padang	(0751) 31964-68, 31970, 31970 / (temporary) (0751) 778907	(0751) 778905
Pekanbaru	Jl. Jend Sudirman Blok E Kavling No.01, Rt.01, Rw.01, Kel. Simpang Tiga, Kec. Bukit Raya	Pekanbaru	(0761) 44494, 35351, 33149	(0761) 44533, 34875
Palembang	Jl. Kapten A. Rivai No.15	Palembang	(0711) 313411	(0711) 312262
Jakarta 1	Jl. Veteran No. 8	Jakarta Pusat	(021) 3840802	(021) 3453685
Jakarta 2	Mulia Building 2th Floor Jl. Gatot Subroto Kav. 9 - 11	Jakarta Selatan	(021) 52920581, 52920585	(021) 52920586, 52920587
Jakarta 3	Jl. S.Parman Kav. G No.9-11, Slipi	Jakarta Barat	(021) 53653470 (hunting), 53653467-69, 53653473-74	(021) 5481766
Bandung	Jl. Asia Afrika No. 57-59	Bandung	(022) 4200356 (hunting)	(022) 432038, 4200348, 4200368
Yogyakarta	Jl. Cik Ditiro No. 3	Yogyakarta	(0274) 520270, 561403	(0274) 514166
Semarang	Jl. Teuku Umar No. 24	Semarang	(024) 8440728, 8440729, 8440730, 84418146	(024) 84473154, 8318463
Surabaya	BRI Tower Building 20th Floor Jl. Jend Basuki Rahmat No.122-138	Surabaya	(031) 5324230	(031) 5324033, 5324044, 5324840, 5324322
Malang	Jl. A. Yani Ruko De Panorama Square Kav. A6-A7	Malang	(0341) 474949 (hunting)	(0341) 474944, 474945, 474935
Denpasar	Jl. Dr. Kusumaatmaja No. 1	Denpasar	(0361) 228715, 221979, 236231	(0361) 234796, 264858, 225791
Banjarmasin	Jl. Jend. A.Yani KM 3,5 No. 151	Banjarmasin	(0511) 3250256/57, 3268350	(0511) 3251649, 3252992
Makassar	Jl. Achmad Yani No. 8	Makassar	(0411) 3613174, 3612931	(0411) 3655351
Manado	Jl. Sarapung No. 4-6	Manado	(0431) 863592, 863378, 863778	(0431) 862779
Jayapura	Pelni Building 1th & 2th Floor Jl. Raya Argapura No.15	Jayapura	(0967) 524470, 524453	(0967) 524452
Special Branch Office	BRI II Building Jl. Jend. Sudirman No. 44-46	Jakarta	(021) 5713105	(021) 5707570
- BRI New York Agency - BRI Cayman Island	140 Broadway 36th floor New York	New York	+1 (212) 3793840-3845	+1 (212) 3793850
BRI Representative Office Hong Kong	Room 1115, 11/F, Tower 2 Lippo Centre 89 Queensway, Admiralty	Hong Kong	(+85) 2 25271318	(+85) 2 28613693

Operating Units

Position as of December 2011

Regional Office BANDA ACEH

10 Branch Offices
13 Sub-branch Offices
10 Cash Outlets
132 BRI Units
24 Teras BRI
4 Mobile Teras

Regional Office MEDAN

21 Branch Offices
32 Sub-branch Offices
18 Cash Outlets
244 BRI Units
66 Teras BRI
6 Mobile Teras

Regional Office PADANG

13 Branch Offices
6 Sub-branch Offices
8 Cash Outlets
137 BRI Units
30 Teras BRI
4 Mobile Teras

Regional Office PEKANBARU

17 Branch Offices
16 Sub-branch Offices
15 Cash Outlets
130 BRI Units
43 Teras BRI
6 Mobile Teras

Regional Office PALEMBANG

30 Branch Offices
31 Sub-branch Offices
18 Cash Outlets
345 BRI Units
80 Teras BRI
8 Mobile Teras

Regional Office JAKARTA I

26 Branch Offices
50 Sub-branch Offices
60 Cash Outlets
90 BRI Units
40 Teras BRI
3 Mobile Teras

Regional Office JAKARTA II

30 Branch Offices
57 Sub-branch Offices
62 Cash Outlets
177 BRI Units
53 Teras BRI
4 Mobile Teras

Regional Office JAKARTA III

31 Branch Offices
50 Sub-branch Offices
37 Cash Outlets
217 BRI Units
71 Teras BRI
6 Mobile Teras

Regional Office BANDUNG

30 Branch Offices
37 Sub-branch Offices
57 Cash Outlets
583 BRI Units
134 Teras BRI
8 Mobile Teras

Regional Office YOGYAKARTA

33 Branch Offices
32 Sub-branch Offices
47 Cash Outlets
578 BRI Units
149 Teras BRI
8 Mobile Teras

Regional Office SEMARANG

22 Branch Offices
26 Sub-branch Offices
45 Cash Outlets
397 BRI Units
97 Teras BRI
7 Mobile Teras

Regional Office SURABAYA

23 Branch Offices
32 Sub-branch Offices
18 Cash Outlets
277 BRI Units
89 Teras BRI
6 Mobile Teras

Regional Office MALANG

20 Branch Offices
28 Sub-branch Offices
15 Cash Outlets
485 BRI Units
134 Teras BRI
6 Mobile Teras

Regional Office DENPASAR

30 Branch Offices
20 Sub-branch Offices
12 Cash Outlets
261 BRI Units
83 Teras BRI
6 Mobile Teras

Regional Office BANJARMASIN

28 Branch Offices
24 Sub-branch Offices
19 Cash Outlets
241 BRI Units
63 Teras BRI
5 Mobile Teras

Regional Office MAKASSAR

36 Branch Offices
21 Sub-branch Offices
15 Cash Outlets
311 BRI Units
89 Teras BRI
7 Mobile Teras

Regional Office MANADO

14 Branch Offices
17 Sub-branch Offices
15 Cash Outlets
177 BRI Units
37 Teras BRI
4 Mobile Teras

Regional Office JAYAPURA

13 Branch Offices
10 Sub-branch Offices
10 Cash Outlets
67 BRI Units
22 Teras BRI
3 Mobile Teras

Note :
Not include 389 Cash Outlets to serve drive licence, vehicle tax & vehicle title payment in Police offices

Contact Address

PT Bank Rakyat Indonesia (Persero) Tbk.

HEAD OFFICE
BRI I Building
Jl. Jenderal Sudirman no. 44-46
Jakarta 10210 - Indonesia
Tel. (62-21) 251 0244, 251 0254
Fax. (62-21) 250 0065, 250 0077

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BRI I Building
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Jakarta 10210 - Indonesia
Tel. (62-21) 575 1966
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EMAIL
humas@bri.co.id

Navigation of Annual Report BRI 2011 for Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK)

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I. General			
1	In good and proper Bahasa Indonesia, it is also recommendended to present the report in English.	√	Annual Report in English is presented separetely
2	Printed on light-colored paper, so it is clear and easy to read.	√	
3	State clearly identity of the Company name of the Company and year of Annual Report are displayed on: 1. Front cover, side-cover, back-cover. 2. Each page.	√	
4	The Annual Report is presented on the Company's website.	√	
II. Summary of Key Financial Information			
1	Financial information is presented in a comparison within the period of 5 financial years, or since the commence of the business if the company conducts business activities for less than 5 years. The information includes: 1. Sales/Income from business 2. Gross Profit (Loss) 3. Business Profit (Loss) 4. Net Profit (Loss) 5. Net Profit (Loss) per Share	10	Chapter 1. Foreword, Financial Highlights
2	Financial information is presented in a comparison within the period of 5 financial years, or since the commence of the business if the company conducts business activities for less than 5 years. The information includes: 1. Net Working Capital 2. Total Investment 3. Total Assets 4. Total Liabilities 5. Total Equity	10	Chapter 1. Foreword, Financial Highlights
3	Financial information is presented in a comparison within the period of 5 financial years, or since the commence of the business if the company conducts business activities for less than 5 years. The information include 5 (five) financial ratios related to the economy sector of the company.	10 11	Chapter 1. Foreword, Financial Highlights : Capital 1. Capital Adequacy Ratio (CAR) 2. Fixed Assets to Capital Earning Assets 1. Non Performing Earning Assets 2. Non Performing Loan 3. Allowance for Possible Losses to Earning Assets 4. Non Performing Loan 5. Allowance for Earning Assets 6. Compliance for Allowance Profitability 1. ROA 2. ROE 3. NIM 4. BOPO Liquidity 1. LDR Compliance 1. Percentage of Violation of Legal Lending Limit 2. Percentage of Excess Legal Lending Limit 3. Statutory Reserve 4. Net Open Position

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4	The Annual Report must include information on the highest price of shares, lowest price of shares, closing price and the number of shares placed on the market (listed) for each quarterly period in the last two financial years. The price of shares prior to the last revision in capital should be adjusted in the event, among others, that it was due to share split, dividends shares and bonus shares. The information includes: 1. The highest price 2. The lowest price 3. Closing price 4. Transaction volume	12 55	Chapter 1. Foreword, Share Highlights : 1. Quarterly Share Price 2. Dividend Payment 3. BRI Stock Price and Transaction Volume Chapter 2. Company Profile, Information to Shareholders : 1. Shareholders Composition 2. Dividend Payment 3. Annual General Meeting of Shareholder 2010 4. Extraordinary General Meeting of Shareholder 2010 5. Subordinated Debt Issuance 6. Chronology of Share Listing 7. Management Stock Option Plan
5	The Annual Report must include the number of bonds or convertible bonds issued within the last two financial years. The information includes: 1. Total Bond and Convertible Bond outstanding 2. Interest Rate 3. Maturity date 4. Rating of Bonds	13	Chapter 1. Foreword, Bonds Highlights
III. Report of the Board of Commissioners and the Board of Directors			
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3	Signatures of Members of Directors and Members of Commissioners The information includes: 1. Signatures on the Separate Page 2. Statement that the Board of Directors and the Board of Commissioners are fully responsible for the accuracy of the annual report 3. Signed of All Members of Board of Commissioners and Directors stating their names and positions 4. Written Explanation on separate Letter from each member of the Board of Commissioners or Board of Directors who refuses to sign the annual report, or written explanation in a separate letter from the other members in the event that there is no written explanation provided by the said members	40 41	Chapter 1. Foreword, Statement of Responsibility of Financial Report

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9	Composition of Shareholders Covering: 1. Name of Shareholders who own 5% or More of Shares 2. Directors and Commissioners Who Own Shares 3. Public Shareholders, whom of each owns less than 5% of shares	61 216 219	Chapter 2. Company Profile, information to Shareholders, Shareholders Composition Chapter 4. Good Corporate Governance, Disclosure, Share Ownership of Commissioners and Directors
10	Subsidiaries and or Associated Companies The information includes: 1. Name of Subsidiaries/Associated Companies 2. Percentage of Shares Ownership 3. Information on Subsidiaries or Associated Companies 4. Information on Operating Status of Subsidiaries or Associated Company	62 233	Chapter 2. Company Profile, Subsidiaries Chapter 6. Subsidiaries

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12	Chronology of other securities listing Covering: 1. Chronology of other securities listing 2. Corporate Action that cause changes the number of securities 3. Change of the number of securities from the beginning of listing to the end of financial year 4. Name of Stock Exchange where company securities are listed 5. Rating of securities	13 58	Chapter 1. Foreword, Bond Highlight Chapter 2. Company Profile, Information to Shareholders, Sub Ordinated-Debt Issuance
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7	Description of substantial components of other income and expenses to calculate company profit.	73	Chapter 3. Management Discussion and Analysis, Financial Review, Income Statement
8	If Financial Statements discloses material improvement or deterioration of Sales or Net Income, then it should be explained the impact related with the company sales or new product/services.	73 88	Chapter 3. Management Discussion and Analysis, Financial Review, Income Statement Chapter 3. Management Discussion and Analysis, Business Review
9	Discussion and analysis of the impact of price changes to Company's Sales , net Profit as well as operating profit in 2 (two) years or since the company set up the business if the company has been operating less than 2 (two) years.	73 74	Chapter 3. Management Discussion and Analysis, Financial Review, Income Statement, Interest Income Chapter 3. Management Discussion and Analysis, Financial Review, Income Statement, Interest Expense
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