

Annual Report 2007



Inspiring Bank

Annual Report 2007 - PT Bank Rakyat Indonesia (Persero) Tbk.

PT Bank Rakyat Indonesia (Persero) Tbk.

Head Office

Gedung BRI I
Jl. Jendral Sudirman Kav. 44-46
Jakarta 10210 - Indonesia
Phone. : (62-21) 251 0244, 251 0254, 575 1966
Faks. : (62-21) 250 0065, 250 0077, 570 0916

Corporate Secretary

Gedung BRI I Lt. 20
Jl. Jendral Sudirman Kav. 44-46
Jakarta 10210 - Indonesia
Phone. : (62-21) 575 1966
Faks. : (62-21) 570 0916
Email : humas@bri.co.id



Serving with Passion

Table of Contents

Financial Highlights	01
112 Years of Devotion and Providing Inspiration	02
Vision and Missions	03
Corporate Cultures	04
Business Strategies	05
Important Events 2007	06
Awards	08
Report from the President Commissioner	10
Report from the President Director	14
Good Corporate Governance	19
Audit Committee Report	22
Risk Management	38
Management Analysis and Discussions	45
Solid and Sustainable Funding Growth	50
Maintaining High Quality Loan Growth	54
Completing Customers' Need with Varied Banking Services	60
Sharia Business	65
International Visitor Program	66
Corporate Expansion	67
Corporate Social Responsibility	74
Information to Shareholders	77
Responsibility for Financial Reporting	81
Financial Report	83
Curriculum Vitae Board of Commissioners and Board of Directors	199
Organizational Structure	210
Networks	212
Senior Managers	214

Financial Highlights

(Audited on and for the year ends on December 31)
in Billion of Rupiah

	2007	2006	2005	2004	2003**
Balance Sheet*)					
Total Assets	203,735	154,725	122,776	107,040	94,710
Total Earning Assets	169,091	139,038	111,475	97,962	84,255
Loans – gross	113,973	90,283	75,533	62,368	47,599
Government Recapitalization Bonds	18,223	18,445	17,722	22,686	27,579
Deposits	165,600	124,468	97,046	82,400	76,316
- Demand Deposits	37,162	27,864	17,722	13,364	14,112
- Saving Deposits	72,300	58,308	49,372	44,569	35,803
- Time Deposits	56,138	38,297	30,290	24,467	26,401
Other Interest Bearing Liabilities	6,262	6,037	5,597	6,384	4,474
Equity	19,438	16,879	13,353	12,450	8,454
Profit/Loss					
Interest Income					
- with Government Recap Bonds Interest	23,241	21,071	17,254	15,531	15,069
- without Government Recap Bonds Interest	21,220	18,731	15,076	12,685	11,519
Net Interest Income					
- with Government Recap Bonds Interest	16,697	13,789	12,426	11,258	8,027
- without Government Recap Bonds Interest	14,676	11,450	10,249	8,412	4,476
Other Operating Income	1,822	1,509	725	1,447	820
Other Operating Expenses	(9,020)	(7,666)	(7,438)	(6,089)	(5,616)
Total Provision for Possible Losses, net of reversal	(1,943)	(1,848)	(401)	(1,328)	75
Income before tax	7,780	5,907	5,608	5,731	3,712
Net Income	4,838	4,258	3,809	3,633	2,579
Earning per Share (Rp)	403.64	355.6	307	307	252
Financial Ratio					
Capital					
Capital Adequacy Ratio (CAR)***	15.84%	18.82%	15.29%	16.19%	19.64%
Fixed Assets to Capital	26.14%	29.03%	32.11%	31.73%	15.32%
Earning Assets					
Non-Performing Earning Assets	2.22%	3.06%	3.20%	2.76%	3.43%
Non-Performing Loans (NPL)	3.46%	4.81%	4.66%	4.19%	6.03%
Allowance for Possible Losses for Earning Assets	4.05%	4.80%	4.86%	5.28%	5.19%
Compliance for Allowance for Possible Losses for Earning Assets	161.20%	155.97%	176.62%	225.24%	210.15%
Profitability					
R O A (Return on Assets)	4.61%	4.36%	5.04%	5.77%	4.11%
R O E (Return on Equity)	31.64%	33.75%	38.00%	42.76%	44.73%
N I M (Net Interest Margin)	10.86%	11.16%	12.18%	12.16%	9.54%
Operating Expenses/Operating Income	69.80%	74.38%	70.83%	68.86%	79.19%
Liquidity					
LDR (Loan to Deposit Ratio)	68.80%	72.53%	77.83%	75.69%	62.37%
Compliance					
Violation on Legal Lending Limit (LLL)					
- Related Parties	0.00%	0.00%	0.00%	0.00%	0.00%
- Third Parties	0.00%	0.00%	0.00%	0.00%	0.00%
Excess of Legal Lending Limit					
- Related Parties	0.00%	0.00%	0.00%	0.00%	0.00%
- Third Parties	0.00%	0.00%	0.00%	0.00%	0.00%
Statutory Reserve	22.09%	12.34%	9.55%	9.39%	10.92%
Net Open Position	7.90%	5.41%	5.23%	10.77%	13.24%

Note :

*) Balance Sheet on the year 2007 is a Consolidated Financial Statement with subsidiary (PT Bank Jasa Arta)

**) Re-presented or re-statement

***) Including market risk since 2004

112 Years of Devotion and Providing Inspiration

Born on 16 December 1895 as a small association with the responsibility of managing the fund of a local mosque, which would then be channeled to the local community through a very simple scheme, a small financial institution called De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden started its long history from Purwokerto, Central Java, and became the pedigree of Bank Rakyat Indonesia.

As time passed, the small setup founded by Raden Aria Wiriaatmadja continued to flourish and meet the need of the community. In the course of its existence, its name was changed several times, beginning with the Hulp-en Spaarbank der Inlandsche Bestuurs Ambtenareen followed by De Poerwokertosche Hulp Spaar-en Landbouw Credietbank (Volksbank), Centrale Kas Voor Volkscredietwesen Algemene in 1912 and Algemene Volkscredietbank (AVB) in 1934. During the Japanese occupation, AVB was changed into Syomin Ginko.

After the Japanese defeat in the Second World War and Indonesia's independence, the Indonesian Government once again changed the name to Bank Rakyat Indonesia (BRI) on February 22, 1946. Based on Government Regulation No. 1 of 1946, BRI became the first bank to be owned by the Government of the Republic of Indonesia.

As a state-owned bank, BRI played a key role in realizing the government's vision in the development of people's economy. In 1960, the government changed BRI's name into Bank Koperasi Tani dan Nelayan (BKTN). Based on Law No. 21 of 1968, the government renamed the bank BRI and it became a public bank. Later, based on Banking Law No. 7 of 1992, BRI had its name and legal status of its entity changed to PT. Bank Rakyat Indonesia (Persero), Tbk. With a focus on micro, small and medium businesses, BRI has inspired a lot of other organizations to empower the businesses in these sectors as they are the backbone of the Indonesian economy.

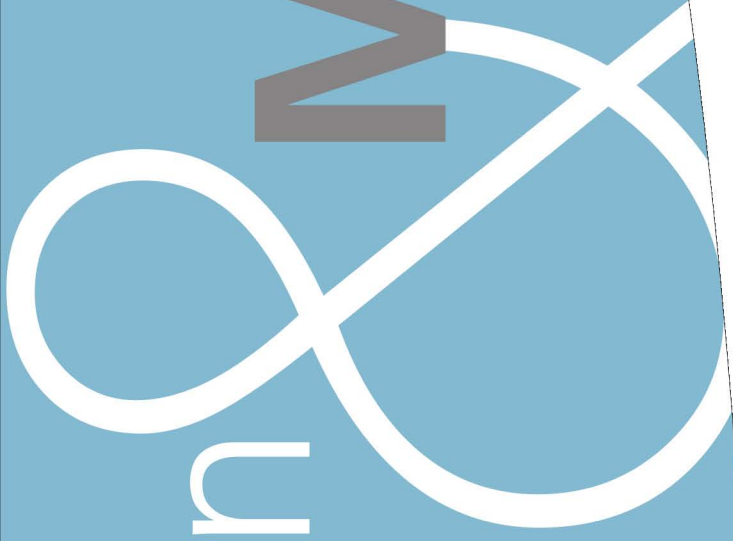
On November 10, 2003, BRI became a publicly listed company and the government divested 30% of its shares to the public. Since the Go Public, the price of BRI's shares have always increased and are now included in the Blue Chips shares belonging to the LQ45 group. With the public controlling 43% of its shares, BRI's shares are actively traded in the capital market. Today, BRI stands out as a strong bank in the midst of the Indonesian economy from the villages to the cities.



Raden Aria Wiriaatmadja

Vision

Missions





Vision

Bank Rakyat Indonesia's vision is to become a leading commercial bank that always prioritizes customer satisfaction.

Missions

To achieve the vision, BRI has decided on three missions that have to be undertaken, namely:

- BRI provides the best banking operation by prioritizing services for Micro, Small, and Medium Businesses in order to support people's economy.
- BRI offers premium services to customers through a network that are spread all over Indonesia and supported by professional human resources who implement the Good Corporate Governance practices.
- BRI creates values and produce optimal benefits to all stakeholders.

Corporate Culture

BRI adheres to corporate values that serve as the foundation for the way of thinking, taking actions, and behaving for every BRI staff and employee, providing it with a solid corporate working culture with a character. The values are Integrity, Professionalism, Customer Satisfaction, Role Model and Appreciation for the Human Resources.

As a public company, BRI is committed to comply with all laws and regulations in performing its operational banking and capital market activities. This has driven BRI to always prioritize prudential banking and shareholders' interests.

This commitment is embodied in the following corporate governance:

- Intensifying the effort to disseminate awareness of risk and compliance among employees in all working units.
- Intensifying the effort to increase the service quality at all working units.
- Formulating and monitoring every progress made by the company against the plan of actions that can be measured and accounted for by every working unit.



Business Strategy

BRI has prepared the Bank Business Plan for the period of 2008-2010 as part of its business development plan. BRI's short- and mid-term business strategies are as follows:

- Loan expansion focusing on financing Micro, Small and Medium Business through improvements of product features and ease of access to credit services.



- Loan expansion for large-scale businesses is focused more on State-Owned Enterprises as well as private businesses in agribusiness and infrastructure sectors and other productive sectors.
- Improvement of service quality is supported by professional human resources, reliable information technology and extensive network coverage.
- Development of new features is targeted to micro business, retail business, consumer banking, treasury and international to meet the needs of the customers. These features include addition of new features on the ATM, credit card, trade finance and cash management.
- Development of consumer banking business is focused on ten major cities with development of priority services.
- Broaden the outreach and networks by having new branches, sub branches, micro outlets, cash offices and electronic channel, ATM and Point of Sales
- New products and activities are developed to support business growth, including bancassurance, private banking and unit link.
- Marketing and communication activities will be increased to create product awareness and establish a Corporate Image in the eyes of the public.

Important Events at BRI in 2007

28 February 2007

The signing of MoU between BRI and Perum Perhutani on the assistance and funding for the Forestry Village-level Organization



19 May 2007

The Launch of Britama Untung Belung program



22 May 2007

BRI's Annual General Meeting of Shareholders



31 May 2007

BRI's Public Expose at Jakarta Convention Center



6 June 2007

The Launch of Cooperation with Pertamina's BizCard in Makassar.



8 June 2007

The Inauguration of BRI's Regional Office 2 in Jakarta



15 June 2007

The signing of MoU with Telkomsel



10 July 2007

The signing of MoU between BRI and the Ministry of Social Affairs on Disbursement of Business Support Fund to Groups of Joint Business



21 August 2007
Business Gathering and Discussion on Mid Year Economic Outlook 2007



24 August 2007
The Signing of MoU between BRI and PT Binawan Inti on the Provision of Loan Facility to Indonesian Migrant Workers.



5 September 2007
BRI Extraordinary General Meeting of Shareholders



4 October 2007
The Signing of MoU between BRI and PT RNI (Persero) on Joint-Operation between PT RNI (Persero) and PTPN XIV (Persero)



11 October 2007
The Signing of MoU on BRI's Loan Guarantee for People's Business Loan (KUR) with PT Askrindo



9 November 2007
The Signing of MoU between BRI and the Hasanudin University on online payment of tuition fees



14 December 2007
The Signing of MoU between BRI and PT Central Proteinaprima and Central Pertiwi Bahari on the disbursement of loans for shrimp breeders



18 December 2007
The Signing of BRI with The Bank of Tokyo – Mitsubishi UFJ Ltd. on the launch of BTMU – BRI Finance



Awards 2007

BISNIS INDONESIA DAILY

Banking Efficiency Award 2007

THE ASIAN BANKER

The Asian Banker: Excellence in Sub-prime Lending Award 2007

INVESTOR MAGAZINE

Best Bank 2007

INVESTOR MAGAZINE

Best Emiten 2007

FINANCE ASIA

Asia Best Companies 2007 (Indonesia)
• Best Investor Relations (Rank 4th)
• Most Committed to a Strong Dividend Policy (Rank 5th)

JAWA POS DAILY

Best of Sales Promo Ad

INFOBANK MAGAZINE

Banks with Very Good Performance



Best Bank 2007

FINANCE ASIA

Best Bank in Indonesia

ALPHA SOUTH EAST ASIA

Best Overall

ATM BERSAMA AWARD

Award for State-Owned Enterprise in
the Financial Category – Listed

ANNUAL REPORT AWARD

- The First Winner of the Best Value for Money
- The First Winner of the Best in Hajj Savings
- The First Winner of the Best in Prizes & Rewards Program

CONSUMER BANKING EXCELLENCE

Best Domestic Bank

ASIAMONEY

The Value Creator Award Rank 3rd
(The Best Public Companies on MVA)

SWA MAGAZINE

Report from
President Commissioner

*"Minimizing Risks Arising
From Every Business Activity"*

Bunasor Sanim






Assalamualaikum Wr. Wb.

We thank Allah SWT, God The Almighty, for the grace and the blessings that we have received, which has enabled PT. Bank Rakyat Indonesia to close 2007 with good results. Bank Indonesia has announced that throughout 2007 our national banking industry demonstrated improving performance, as shown by a number of indicators. Among others, the total asset rose by 17.28%, credit grew by 26.47%, LDR stood at 66.32% and gross NPL went down to 4.07% as opposed to the same period of the previous year. The efficiency level of the banking industry also improved, as can be seen in the BOPO that was lower than 80%. PT. Bank Rakyat Indonesia (Persero) Tbk. showed great performance in 2007, which was demonstrated by the increasing profit compared with the achievement in 2006. We were also able to accomplish most of the targets specified in Work Plan and Company Budget (RKAP) for 2007. PT. Bank Rakyat Indonesia (Persero), Tbk. continued to be trusted by the capital market, as depicted in the high value and stability of its share price. Besides, Bank Rakyat Indonesia (Persero), Tbk. was also trusted by the Government as an Operational Bank, which provided us with the opportunity to raise public fund and offer loan facilities.

Those accomplishments were undoubtedly the results of the hard work contributed by and the support from the shareholders, the Board of Commissioners, the Board of Directors, all BRI employees at all levels, authorized suppliers and other related parties. The Board of Commissioners would like to extend our deepest appreciation and gratitude for all management teams and employees of BRI for their hard work and support in 2007. It is hoped that all the hard work and support will continue into the future so that we will be able to maintain and even raise our rate of sustainable growth. The macro economic condition in Indonesia is projected to be stable in 2008, allowing for an economic growth rate of 6.4%. The economic growth will be affected by the world's rising oil prices, the uncertainty in the capital market stemming from the sub-prime mortgage case in the United States, the pressure of inflation caused by the increasing prices of commodity-especially food-as well as other less beneficial macro economic conditions. We must continue to work hard to achieve maximum results by defining a better strategy to penetrate the market with the support of improved information system and technology, improvement in the services to the customers, development of innovative products and services in light of the increasingly tight competition among banks today and in the future. In addition, we need to improve risk management and implementation of Good Corporate Governance to enable PT. Bank Rakyat Indonesia (Persero), Tbk. to minimize the risk that may result from every business activity.

Loan expansion in 2008 must be oriented toward the innovation in new loan products, so that we will be able to support the Government's programs. These programs include the execution of projects in the agriculture revitalization (agriculture, plantation, fishery and food resilience) and Loans for Small-Scale Businesses (KUR). We must always apply prudential banking principles and give top priority to providing loans to highly productive medium and small-sized companies. Our aim is to maintain the ratio of loan for the small enterprises at least at the 80% level.



The Board of Commissioners shall continue to support the management of PT. Bank Rakyat Indonesia (Persero), Tbk. to meet the regulation on Indonesian Banking Architecture, to apply the principles of Good Corporate Governance, to strengthen internal control and risk management, to improve the Bank's business processes aligned with the best practices, all with the objective to enable the business to keep growing and to support the favorable level of sustainable growth that it had achieved in the past.

The Board of Commissioners is optimistic that, supported by highly competent human resources, vast network of working units, a large number of debtors, stable business fundamentals, loyal employees and customers, and reliable information technology, PT. Bank Rakyat Indonesia (Persero), Tbk. will be able to sustain strong growth in 2008.

May Allah SWT, The Almighty God, always give us His guidance and open the doors for us, Amen.

Wassalamu'alaikum Wr. Wb.
Jakarta, 31 December 2007

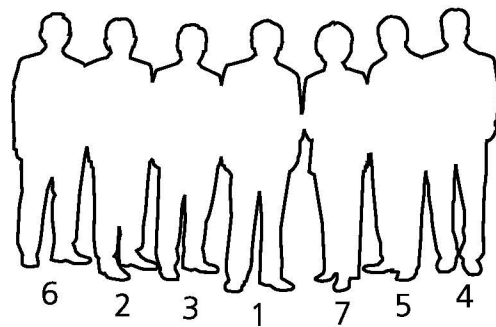


Bunasor Sanim
President Commissioner

Board of Commissioners




- | | |
|------------------------------|------------------------------------|
| 1. Bunasor Sanim | President/Independent Commissioner |
| 2. Agus Pakpahan | Commissioner |
| 3. Agus Suprijanto | Commissioner |
| 4. Saifullah Yusuf | Commissioner |
| 5. B. S. Kusmuljono | Independent Commissioner |
| 6. Baridjussalam Hadi | Independent Commissioner |
| 7. Aviliani | Independent Commissioner |



Report from President Director

"BRI succeeded in posting net after-tax profit of Rp 4.84 trillion, increasing by 13.63% over its last year net profit, and it was the highest profit among other banks in Indonesia."

Sofyan Basir



We thank God, The Almighty, that we have successfully gone through the year 2007. A lot of people viewed 2007 as the continuation of the Indonesia's macro economy recovery, which started in the second half of 2006, despite the crisis at the end of 2007 particularly in the capital market as the result of the sub-prime mortgage case in the United States, which had a global impact.

Throughout 2007, Indonesia's economy grew by 6.3% year-on-year. It was the first time the economy grew above 6% since the 1997 monetary crisis. A more encouraging fact was that, in addition to consumption, the growth was driven by improvement in the real sector (the supply side), particularly in the trade, utility, telecommunication, transportation, construction and services. In other words, improvements in the real sector were also responsible for the economic growth.

In 2007, Indonesia's balance of payments remained positive, making it the third year in a row that our balance of payments had a surplus. The encouraging trend in Indonesia's balance of payments in the midst of the slump in the global economy more and less demonstrated the country's economic resilience against global fluctuation. The resilience was caused by the performance of our main export commodities in the global market as well as the diversification of the destination countries for our export commodities. The favorable growth in the balance of payments also led to the increase in Indonesia's foreign exchange reserves, which stood at US\$ 56.92 billion at the end of 2007. The large sum of reserves enabled Bank Indonesia to more freely implement its inflation targeting policy. This helped control the inflation rate, which stood at 6.59% at the end of 2007. In addition, the rupiah exchange rate remained stable at around Rp 9,000 per U.S. dollar.

The conducive macro economic contributed to the performance of the banking industry in 2007. Bank loans grew by 26.47% by the end of the year, much higher than that of 2006 that reached only 13.9%. The strong growth in the credit side was also accompanied by improvement in the loan quality, as reflected in the drop in the non-performing loans from 6.07% at the end of 2006 to 4.07% at the end of 2007. A positive trend could also be noted on the funding side. Another encouraging fact was the capitalization of the Indonesian banking sector. Up to the fourth quarter of 2007, the average CAR of Indonesian banks reached 19.30%, a healthy level that could support continued business

expansion while providing adequate cushion in facing new regulations on minimum capital as required by Basel II, which we plan to fully implement in 2009.

As one of the largest banks in Indonesia, BRI also showed highly encouraging business growth in 2007. In regards of asset, BRI is ranked the third in Indonesia. The growth in asset was propelled by the steep increase in loans, increasing by 26.11% year-on-year. Meanwhile, the gross NPL continued to be controlled below the 5% level. At the end of 2007, it stood at 3.46%, far better than the average for the banking industry. With such a fairly high growth, BRI has become the second largest bank in Indonesia in terms of loans, with a growing market share that reached 11.37% of the total banking loans at the end of December 2007.

Growth on the funding side was equally favorable. With a funding mix consisting of 60% low-cost funds and 40% high-cost funds throughout 2007, the overall cost of fund declined from 6.27% at the end of 2006 to 4.52% at the end of 2007. Based on such an encouraging business performance, BRI was able to post a net after-tax profit of Rp 4.84 trillion, increasing by 13.63% from the net profit of the previous year, which was also the largest profit among the banks in Indonesia.

In addition to the great performance of BRI's core business, in 2007 the Bank also took several strategic initiatives aimed at ensuring sustainability of its business in the future. These steps were taken since the management was fully aware that the performance having been accomplished up to now has been above industry average. Going forward, it will be more challenging to maintain the same level of performance given the increasing competition, complexity, and demand from the banking industry in the future.

These strategic steps were taken in anticipating the need to safeguard BRI's business in the future. One of the strategic steps was the acquisition of Bank Jasa Artha (BJA) with the objective of transforming it into Bank BRI Syariah, an independent business unit aimed at providing services to members of the public who prefer banking services based on shariah principles. The decision to form an independent shariah bank was BRI's anticipatory measure in capturing the opportunity in the shariah banking growth.

The other strategic move was to set up two new directorates, namely, the Directorate of Institutional Business and the Directorate

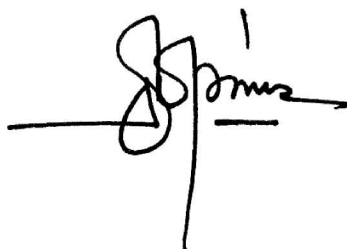
of Network and Services. The Directorate of Institutional Business was formed as the action taken by BRI's management to build a synergy between the Bank and other institutions, including sound state-owned enterprises, as their joint effort to develop the national economy. Meanwhile, the formation of the Directorate of Network and Services reflected the management's attention to maintain BRI's competitive advantage, which is its network of services-the most extensive among the banks in Indonesia, as well as its large customer base. In line with the effort to further grow its customer base, in mid 2007 BRI won the Government's tender and became the only bank (Treasury Single Account) to disburse the State Budget Fund. This success is expected to enable BRI to expand its customer base and obtain a sustainable source for low-cost fund.

In addition, the Directorate of Consumer Banking was also increasingly active in 2007. It launched the *Britama Untung Belung* program, which successfully increased the urban dwellers' awareness of BRI's existence in the urban areas. It was a necessary measure to maintain BRI customers' loyalty, as it let customers know that BRI was also in step with their needs from the rural to the urban areas, especially on the funding side.

It was commonly predicted that we are heading toward more challenging macro economic conditions in 2008, both for Indonesia in general and for the banking industry in particular. The concern of recession in the United States of America and the skyrocketing price of crude oil will somehow affect the performance of the Indonesian economy. In the banking sector, the Single-Present Policy issued by Bank Indonesia will push for more mergers and acquisitions among the banks, which lead to API. All of these will require specific strategies, and BRI management has already worked out the proper strategies to ensure that the Bank will remain one of the largest national banks with great performance and can be relied on by the country's micro, small and medium enterprises.

In conclusion, on behalf of the Board of Directors we extend our deepest gratitude for the confidence and support that we have received from our customers, business partners, shareholders-both the Government of Indonesia and the public, and for the hard work contributed by every BRI employees. May BRI continue to grow and become stronger in capturing all opportunities and facing the challenges that await in the future.

Jakarta, 31 December 2007

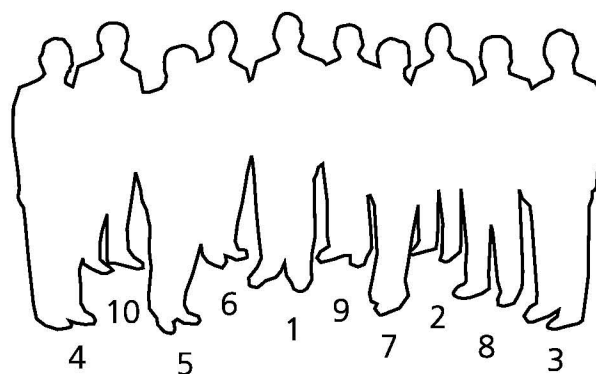


Sofyan Basir
President Director

Director



- | | |
|-------------------------------|---|
| 1. Sofyan Basir | President Director |
| 2. Sarwono Sudarto | Director of Operations |
| 3. Abdul Salam | Director of Finance |
| 4. Sudaryanto Sudargo | Director of Commercial Business |
| 5. Sulaiman A. Arianto | Director of Micro, Small and Medium Enterprises |
| 6. A. Toni Soetirto | Director of Consumer Business |
| 7. Lenny Sugihat | Director of Credit Risk Management |
| 8. Bambang Soepeno | Director of Compliance / Risk Management |
| 9. Asmawi Syam | Director of Institutional Business |
| 10. Suprajarto | Director of Network and Services |



This page is intentionally left blank

Corporate Governance



REPORT ON GOOD CORPORATE GOVERNANCE (GCG) PT. BANK RAKYAT INDONESIA (PERSERO), Tbk.

For the purpose of enhancing the company's performance, protecting stakeholders' interests, and improving compliance with the existing laws, regulations, and ethical values common in banking industry, it is indispensable to implement Good Corporate Governance (GCG).

Through its Commissioners, Directors, and employees, Bank Rakyat Indonesia is committed to implementing GCG principles on the basis of the core values stated in BRI Corporate Culture, consisting of integrity, professionalism, customer satisfactions, role model, and human resource appreciations. The core values, which are intended to build BRI Codes of Conduct, have been implemented by BRI's employees of all layers. These values provide clear and measurable references for their way of thinking and behaving, and are expected to take BRI to the objectives of implementing Good Corporate Governance.

In relation to BRI Commissioners' and Directors' commitments, BRI has designed the Board Manuals specifying clearly the roles and responsibilities of Commissioners and Directors. Besides the Board Manuals, the implementation of Good Corporate Governance is also based on other internal regulations that are in line with the existing laws and regulations and the principles of Good Corporate Governance.

To meet the regulations of Bank Indonesia and boost BRI performance resulting in the increased investors' trusts, Bank BRI has an obligation to disseminate GCG Report—one of the indicators in the implementation of Good Corporate Governance.

The following information shows the implementation of Good Corporate Governance in PT. Bank Rakyat Indonesia (Persero) in 2007.

I. COMMISSIONERS :

A. Execution of Board of Commissioners' Duties and Responsibilities

1. Number, Composition, Criteria, and Independency of Members of Board of Commissioners

BRI Board of Commissioners consists of seven people, four of whom are Independent Commissioners. The number and composition of Board of Commissioners are in accordance with the regulation, that is, it does not outnumber BRI Directors (10 Directors) and the number of Independent Commissioners is more than 50% of that of members of Board of Commissioners. All members of Board of Commissioners domicile in Indonesia.



No	Names	Positions
1	Bunasor Sanim	President Commissioner /Independent
2	Agus Pakpahan	Commissioner
3	Sunarsip	Commissioner
4	B.S. Kusmuljono	Independent Commissioner
5	Baridjussalam Hadi	Independent Commissioner
6	Aviliani	Independent Commissioner

As of May 31, 2007, the structure and composition of BRI Board of Directors is as follow:

No	Names	Positions
1	Bunaser Sanim	President Commissioner /Independent
2	Agus Suprijanto *)	Commissioner
3	Agus Pakpahan	Commissioner
4	Sunarsip **)	Commissioner
5	B.S. Kusmuljono	Independent Commissioner
6	Baridjussalam Hadi	Independent Commissioner
7	Aviliani	Independent Commissioner

As of December 31, 2007, the structure and composition of BRI Board of Directors is as follow:

No	Names	Positions
1	Bunaser Sanim	President Commissioner /Independent
2	Agus Suprijanto	Commissioner
3	Agus Pakpahan	Commissioner
4	Saifullah Yusuf ***)	Commissioner
5	B.S. Kusmuljono	Independent Commissioner
6	Baridjussalam Hadi	Independent Commissioner
7	Aviliani	Independent Commissioner

- *) Appointed based on the decision of the 2007 GMS, on May 22, 2007.
 **) Terminated based on the decision of the 2007 EGMS, on September 5, 2007.
 ***) Appointed based on the decision of the 2007 EGMS, on September 5, 2007.

Board of Commissioners has adequate integrity and competencies, in accordance with the fit & proper test requirements. BRI Commissioners do not have double positions as other member of Board of Commissioners, Directors or Executive Officers in other banks/financial institutions, and do not have familial relationship with other members of Board of Commissioners and Board of Directors.

2. Duties and Responsibilities of Members of Board of Commissioners.

In line with BRI's Articles of Association and the relevant laws and regulations, BRI Commissioners have undertaken their main duties, namely being responsible for overseeing the corporate management performed

by the Board of Directors. For the purpose of supporting the effectiveness of their roles and responsibilities, Commissioners have established three committees:
 a. Audit Committee;
 b. Risk Management Monitoring Committee;
 c. Nomination and Remuneration Committee.

3. Board of Commissioners' Recommendations.

In accordance with their authority, Board of Commissioners have made recommendations for Board of Directors concerning with:

1. Approval of the Bank's Annual Plans and Budgets of 2007
2. Evaluation and review of some strategic issues

B. Completeness and Execution of Committees' Duties and Responsibilities

1. AUDIT COMMITTEE :

Structure, Membership, Expertise, and Independency of Audit Committee's Members

Audit Committee consists of one chairperson-an Independent Commissioner-and four members. The chairman as well as all members of the committee has adequate expertise, background knowledge, and experience. The following is the structure and composition of BRI Audit Committee in 2007:

Names	Positions	Professions
Aviliani	Chairperson	Independent Commissioner
Bunaser Sanim	Member	President Commissioner
Saifullah Yusuf	Member *)	Commissioner
Abdussalam Konstituanto	Member **)	Auditor
H.C. Royke Singgih	Member	Auditor
Dedi Budiman Hakim	Member	Auditor

- *) Effective of service on October 1, 2007.
 **) End of service effective on October 1, 2007.

Duties and Responsibilities of Audit Committee

In 2007, Audit Committee undertook their functions, duties, and responsibilities in accordance with the Audit Committee Charter. In conducting its meetings with other working units, this committee through Commissioners asked some subordinating managements to attend the meetings and provide necessary relevant information.

Audit Committee increased the frequency and expansion of the meetings with subordinating managements, especially those related to the work of Accounting and Financial Management, Information System and Technology, Internal Audit, Strategic Planning, Human Resources Management, Compliance, Consumer Banking, Risk Management, and Logistics. In order to enhance the quality of information for Commissioners, particularly on the effectiveness of Internal Audit functions, Audit Committee did research by distributing questionnaires to and conducting in-depth interviews with all BRI Inspection Offices in Indonesia. It is expected that information on Internal Audit functions will be more accurate and that in the future more optimal strategies can be applied for the company management.

Frequency of Audit Committee's Meetings

Audit Committee's meetings have been conducted accordingly. In 2007 Audit Committee held meetings with some related working units, such as the Accounting and Financial Management Division, Strategic Planning Division, Internal Audit Division, Ernst & Young Public Accountant Office, Delloite Consultant, Credit Administration Division, Compliance Division, and Logistics Division.

The attendance rate of each member in Audit Committee meetings is shown in the table below.

Name	Position	Attendance
Aviliani	Chairperson	100%
Bunador Sanim	Member	100%
Saifullah Yusuf	Member	100%
Abdussalam Konstituanto	Member	100%
H.C. Royke Singgih	Member	100%
Dedi Budiman Hakim	Member	100%

The table below shows the meetings that were conducted by Audit Committee in 2007.

No	Related Parties	Dates	Agenda
1	Delloite Consultant	Jan. 8, 2007	Kick of meeting: organization review and ITS Audit functions
		Jan. 22-23, 2007	Training and workshop: Annual Audit Planning Process and Audit findings reporting
		March 7, 2007	Delloite's project progress report on IST Guidelines
		June 5, 2007	Project progress report on IST Guidelines
2	Ernst & Young Public Account Office	Jan. 16, 2007	Preliminary draft of Audit findings December 2006
		March 27, 2007	Ernst & Young presentation on BRI Audit Findings Report 2006
		Dec. 27, 2007	Audit event: audit process of BRI Annual Report as of Dec. 31, 2007
3	Credit Administration Division	Dec. 4, 2007	Implementation of PP No. 33/2006 and PMK No.87/2006 in BRI write-offs implementation
4	Strategic Planning Division	Oct. 30, 2007	Discussing BRI Organization Structure transformation
5	Internal Audit Division	April 3, 2007	2007 Internal Audit Communication Forum: Internal Audit roles in supporting RBB 2007-2009
		June 5, 2007	Steering Committee review and IST Audit Functions
		Aug. 3, 2007	Evaluation of the First Quarter Audit Findings 2007
		Aug. 21-24, 2007	Research socialization/Audit Committee review to BRI Internal Audit management chains in a discussion forum involving Audit Committee and Internal Audits in Bandung
		Sept. 25, 2007	Evaluation of the Second Quarter Audit Findings 2007
		Oct. 4, 2007	Fraud reporting in BRI working units
		Dec. 18, 2007	<ul style="list-style-type: none"> Third Quarter Audit Findings report 2007 BRI Internal Audit Grand Strategy 2008 BRI Internal Audit HR development in 2008
6	Logistics Division	May 1, 2007	Clarifying and negotiating KAP Service provision 2007-2009
7	Accounting and Financial Management Division	Feb. 19, 2007	Discussing Financial Report and Commercial Bank Report to Bank Indonesia
		Feb. 26, 2007	Discussion on Request for Proposal and TOR for KAP General Audit 2007-2009
		April 30, 2007	Clarification and negotiation of KAP Service provision 2007-2009
		Sept. 24, 2007	Follow ups of the findings in Management Letter 2006
8	Inspection Offices	Nov. 15-16, 2007	Doing research and in-depth interviews in Yogyakarta Inspection Office
		Nov. 26-27, 2007	Denpasar Inspection Office
		Nov. 29-30, 2007	Surabaya Inspection Office

Audit Committee's Work Report

In 2007, Audit Committee executed the following action plans:

1. Internal Activities

- 1.1. Designing Audit Committee's plans and work programs-the description of Audit Committee Charter.

1.2. Conducting meetings with:

- Internal Audit to discuss internal control system and those findings predicted to have risks affecting the Bank business continuity.
- Accounting and Financial Management Division and other related divisions to discuss BRI Financial performance development and other financial information.
- Other Divisions, such as Strategic Planning Division, Logistics Division, and Credit Administration Division to discuss issues related to the functions of those respective organizational units and BRI performance.

1.3. Holding regular meetings (weekly) with committees under Commissioners management chain to discuss important issues related to the effectiveness of Commissioners' functions, roles, and responsibilities

1.4. Making evaluation and providing written reports to Commissioners on every meeting and assignment given to Audit Committee

1.5. Attending meetings concerning the formulation of BRI GCG guidelines, evaluating Internal Audit's performance and communication forum, and visiting some Inspection Offices, Regional/Branch Offices in an attempt to obtain direct information on the problems each of working unit experienced

1.6. Presenting materials in the trainings conducted by Inspection Offices

1.7. Doing research on the transformation of Internal Audit's functions as Strategic Business Partners in the implementation of Risk-Based Audit by distributing questionnaires and conducting in-dept interviews

2. External Activities

2.1. Participating in the seminars related to Audit Committee's functions, such as those conducted by The Institute of Internal Auditor (IIA) Indonesia Chapter, and the Indonesian Audit Committee Association in order to boost competencies and capabilities of Audit Committee

2.2. Holding discussions with external auditors, either before or after the investigations regarding findings in the Bank Financial report

2.3. Holding discussions with other parties, especially those related to the effectiveness enhancement of the internal audit function

2. NOMINATION AND REMUNERATION COMMITTEE (NRC)

Structure, Memberships, Expertise, and Independency of NRC's Members

Nomination and Remuneration Committee is chaired by an Independent Commissioner comprising 5 members with adequate expertise and independency.

The structure of Nomination and Remuneration Committee as of December 31, 2007 is as follows:

Name	Position	Profession
B.S. Kusmuljono	Chairman	Independent Commis
Aviliani	Member	Independent Commis
Agus Pakpahan	Member	Commissioner
M.Jarot Eko Winarno	Member	Executive Officer/ Head of HRM Division
Indira A. Suleiman	Member	Non Commissioner
Eko Boedi Soelistiyo	Member	Non Commissioner

Duties and Responsibilities of NRC

Nomination and Remuneration Committee has undertaken its functions, duties, and responsibilities in accordance with NRC Charter, that is, supporting the effectiveness of Commissioners' duties and responsibilities, especially those related to nomination and remuneration policies.

In 2007, NRC executed its nomination functions by giving recommendations, monitoring and analysing the system and procedures of selecting and replacing members of Board of Commissioners or Board of Directors, or potential candidates of Commissioners and Directors to Board of Commissioners. Its remuneration functions were carried out by evaluating the remuneration policies applicable to Board of Commissioners, Directors, and company's employees.

Frequency of NRC Meetings

NRC meetings are conducted at least once a month and at any time necessary. The decisions in the committee meeting are made on consensus basis. If consensus cannot be reached, decisions are made on voting-basis.

Nomination and Remuneration Committee conducted the following meetings in 2007.

No	Dates	Topics/Agenda
1	January 18, 2007	Discussing the Reports on NRC Activities and Functional Action Plans in 2007
2	February 6, 2007	Discussing Field Commissioners and Replacement Commissioners
3	May 25, 2007	Revision of Nomination and Remuneration Committee Charter
4	June 28, 2007	Reviewing the Commissioners' and Directors' Facilities and Allowances
5	July 17, 2007	Commissioners meeting concerning NRC's recommendations on Commissioners' and Directors' remunerations
6	August 28, 2007	Discussing BRI Policy on Commissioners and Directors Remuneration
7	September 18, 2007	Commissioners meeting discussing NRC's recommendations on Commissioners and Directors Remuneration Policy
8	October 4, 2007	Progress Report on human resources management activities
9	November 27, 2007	Discussing the results of evaluation and analysis of Overhead Costs trends

The attendance rate of members of Nomination and Remuneration Committee in NRC meetings in 2007 is as follows:

Names	Positions	% of Attendance
B.S. Kusmuljono	Chairman: Independent Commissioner	78%
Aviliani	Member: Independent Commissioner	100%
Agus Pakpahan	Member: Commissioner	14.28%
M. Jarot Eko Winarno	Member: Executive Officers/ Head of HRM Division	100%
Indira A. Suleiman	Member: Non Commissioner	100%
E.R.A Taufiq *)	Member: Non Commissioner	100%
Eko Budi Sulistiyo	Member: Non Commissioner	100%

Notes:

*) Since November 2, 2007 he has been transferred to different working unit.

**) Since November 2, 2007 he has been appointed as a member of BRI NRC.

NRC's Action Plans and Realization

The followings are the action plans of BRI Nomination and Remuneration Committee executed in 2007.

No	Action Plants	Targets	Realizations	
1.	Analysing, designing, and giving recommendations regarding the selection and replacement system and procedures of members of Board of Commissioners and Board of Directors	December 2007	Designing the Nomination Policy for Member of BRI Board of Commissioners and Board of Directors	September 2007
2.	Giving recommendations Board of Commissioners regarding candidates of members of Board of Commissioners and Board of Directors	Throughout 2007 (if it is scheduled in GMS)	Providing opinions on employees who can be nominated as Director candidates in BRI EGMS on September 5, 2007	August 2007
3.	Evaluating Remuneration Policy for Commissioners, Directors, and company's employees	September 2007	1. Reviewing Directors' and Commissioners' facilities and allowances 2. Reviewing the 2006's Bonus Policy (decided in 2007)	September 2007
4.	Giving recommendations to Board of Commissioners regarding: • Remuneration Policy for Commissioners and Directors • Remuneration Policy for Executive Officers and all employees to be submitted to Directors	September 2007	1. Providing opinions on Directors' and Commissioners' remuneration policy based on market practices and current conditions 2. Providing opinions and directions in designing future bonus policy	September 2007
5.	Giving recommendations regarding the company's employees pension system	June 2007	Providing opinions on BRI Pension Funds performance	June 2007
6.	Making evaluation and giving recommendations to Board of Commissioners regarding manpower policy and other HR Management functions having legal risks or significant financial impacts on the company	Throughout 2007	1. Reviewing BRI Over Head Costs through internal analysis or benchmark it with other big banks 2. Providing opinions about reward and punishment system to boost BRI service quality 3. Attending Directors' and Commissioners' Meetings discussing BRI monthly progress 4. Along with Audit Committee, RMMC, and Commissioners' Secretary, assisting Commissioners in reviewing the evaluation and recommendation on the change of BRI 2007 Annual Budget 5. Providing opinions on performance assessment policy of Echelon 1 Executive Officers	October 2007 May 2007 Every month

No	Action Plants	Targets	Realizations
7.	Recommending perfecting Commissioners organization structure to improve the effectiveness of Committees' functions	June 2007	Providing opinions and recommendations regarding the perfection of BRI Commissioners organization structure: <ul style="list-style-type: none"> Perfecting Guidelines and Work Order of NRC (NRC Charter) to be adjusted with PBI No. 8/14/2006 Designing Commissioners' Guidelines fixedly stated in BRI Board Manual Perfecting the job descriptions of Commissioners' Secretary

3. RISK MANAGEMENT MONITORING COMMITTEE (RMMC)

Structure, Memberships, Expertise, and Independency of RMMC's Members

RMMC is chaired by an Independent Commissioner with a number of RMMC members who have financial and risk management expertise so as to properly support their duties and responsibilities.

The structure of Risk Management Monitoring Committee as of December 31, 2007 is as follows:

Names	Position	Profession
Baridjussalam Hadi	Chairman	Independent Commis.
Agus Suprijanto	Member	Commissioner
Ridwan D. Ayub	Member	Non Commissioner
Enjang Mukhtar	Member	Non Commissioner
Pamuji Gesang Raharjo	Member	Non Commissioner

Duties and Responsibilities of RMMC

In accordance with the Charter of Risk Management Monitoring Committee, RMMC is in charge of assisting Board of Commissioners to execute their duties and responsibilities in making evaluation and ensuring that the Bank risk management implementation meets the elements of risk management procedures and methodology adequacy. Therefore, the Bank activities will be manageable to the acceptable limits and profitable for the Bank.

Frequency of RMMC's Meetings

Risk Management Monitoring Committee holds meetings regularly at least one a month, or at any time necessary. The decision of the Committee meeting is always made on the basis of deliberations among representatives (consensus). If consensus cannot be reached, the decision is made by the most votes.

In 2007, RMMC conducted a number of internal as well as external meetings together with the related divisions/working units with the following agenda:

No.	Dates	Topics/Agenda
1	June 6, 2007	<ul style="list-style-type: none"> Revising the organization structure of RMC BRI Risk Profiles Others related to the RM implementation
2	June 26, 2007	<ul style="list-style-type: none"> Discussing job descriptions and job separations of RMMC members Revising the Guidelines and Work Order of RMMC
3	July 3, 2007	<ul style="list-style-type: none"> Finalizing job descriptions and job separations of each RMMC members Discussing the preparation of meeting with Credit Adm. Division and Credit Risk Management Division regarding the implementation of credit risk management
4	July 4, 2007	Credit Risk Management Implementation
5	August 1, 2007	The implementation of KYC Principles and Anti Money Laundry in BRI
6	September 19, 2007	Management Information System (MIS) and information technology to support BRI business, including the implementation of integrated risk management.

The attendance level of RMMC members in RMMC meetings in 2007 are as follows:

Names	Position	% of Attendance
Baridjussalam Hadi	Independent Commissioner	100 %
Sunarsip*)	Member-Commissioner	100 %
Agus Suprijanto**)	Member-Commissioner	100 %
Ridwan D. Ayub	Member-Non Commissioner	100 %
Enjang K. Mukhtar	Member-Non Commissioner	15 %
Pamuji Gesang Raharjo***)	Member-Non Commissioner	100 %

Notes :

*) Since September 5, 2007 he has no longer been BRI Commissioner and Member of RMMC.

**) He has been appointed as BRI Commissioner since May 22, 2007.

***) He has been appointed as Member of RMMC since May 15, 2007.

RMMC Action Plans and Realization

Throughout 2007 RMMC executed the followings activities:

- Revising RMMC Charter and 2007 Working Guidelines in accordance with related Bank Indonesia laws and regulations
- Evaluating:
 - General Policy on BRI Risk Management
 - Credit consultancy mechanism
 - BRI Loan Portfolio Report
 - BRI internal and external compliance
 - Directors' regulations regarding the implementation of risk management policy, including Risk Management Committee working mechanism
 - BRI Credit General Policy
 - Implementation of KYC (Know Your Customers) Principles
- Reviewing:
 - Quarterly Report on Bank BRI Risk Profile Report
 - Monthly Report of Bank BRI Compliance Director
 - Results of Bank BRI RMC Meetings
 - Loan proposal (above certain size) requiring Commissioners' consultation conducted in BRI Credit Committee Meeting
 - Evaluation and recommendations for revising BRI 2007 Annual Budget
- Visiting a number of working units for the purpose of:
 - Accompanying Commissioners in Communication Forums held in some BRI Regional Offices
 - Evaluating the implementation of risk management policy which had been determined by risk management and supporting the implementation of risk-based audits by Internal Auditors and Inspection Offices

5. Attending Board of Commissioners' and Board of Directors' meetings discussing the development of Bank BRI monthly performance

6. Undertaking other assignments mandated by the Commissioners

II. BOARD OF DIRECTORS

A. Directors' Duties and Responsibilities

1. Number, Composition, Criteria, and Independency

Board of Directors consists of 10 people, everyone of whom is experienced in banking operations as the Bank Executives for more than 5 years.

All of BRI Directors domicile in Indonesia. They have adequate competency and integrity in accordance with the fit & proper test requirements.

BRI Directors do not have double positions as the Commissioners, Directors, or Executive Officers in other banks/institutions, and do not have familial relationships with other members of Board of Commissioners or Board of Directors.

The structure of BRI Board of Directors are as follows:

No	Nama	Jabatan
1	Sofyan Basir	President Director
2	Sarwono Sudarto	Director of Operation
3	Abdul Salam	Director of Finance
4	Sulaiman Arif Arianto	Director of MSMEs
5	Sudaryanto Sudargo	Director of Commercial Business
6	A. Toni Soetirto	Director of Consumer Business
7	Lenny Sugihat	Director of Credit Risk Management
8	Bambang Soepeno	Director of Compliance / Risk Management
9	Asmawi Syam	Director of Institutional Business
10	Suprajarto	Director of Networks and Services

2. Directors' Duties and Responsibilities

In undertaking their main duties and responsibilities in managing the company, in accordance with the decision of General Meeting of Shareholders, the fields of each Director was determined as indicated the table above; and each of Director is responsible for his/her field to the President Director.

Directors' Meeting

Regularly Directors hold internal meetings to discuss issues that require Directors' consideration and other strategic plans.

Directors' meetings that were conducted in 2007 are as follows:

Name	No. of Meetings	Attendance	Percentage
Sofyan Basir	26	25	96 %
Sarwono Sudarto	26	26	100 %
Abdul Salam	26	24	92 %
Sulaiman Arif Arianto	26	22	85 %
Sudaryanto Sudargo	26	24	92 %
A. Toni Soetirto	26	25	96 %
Lenny Sugihat	26	25	96 %
Bambang Soepeno	26	23	88 %
Asmawi Syam*)	4	3	75 %
Suprajarto*)	4	4	100 %

*) Appointed as BRI's Directors based on the decision of Extraordinary General Meeting of Shareholders dated September 5, 2007.

In order to give support for effective implementation of their duties and responsibilities, Board of Directors had established committees, namely:

- Risk Management Committee
- Assets and Liabilities Committee
- Credit Committee
- Information Technology Steering Committee

B. Completeness and Execution of Committees' Duties

1. Risk Management Committee (RMC)

Structure, Memberships, Expertise, and Independency of RMC Members

Risk Management Committee is headed by the President Director with 7 permanent members having voting rights.

Chairman	:	President Director (CEO)
Chairman I	:	Director of Compliance
Chairman II	:	Director of Credit Risk Control
Secretary I	:	General Manager of Risk Management Division
Secretary II	:	General Manager of Credit Administration

Permanent Members with voting rights, including :

- Director of Finance
- Director of Operations
- Director of Commercial Business

- Director of Consumer Banking
- Director of MSMEs

Permanent Members without voting rights:

All General Managers, Regional Managers, and General Manager of Specific Branch Office.

Duties and Responsibilities of RMC

RMC help President Director to formulate the company General Policy and Management Strategies, propose to Commissioners and Directors for their approval, and evaluate the effectiveness of the implemented risk management system.

Frequency of RMC's Meetings

The meeting of BRI Risk Management Committee is conducted at least once in 3 months. Besides this regular meeting, RMC's meetings may also be unscheduled in case of urgent matters to discuss.

In 2007, BRI RMC's meetings were conducted on schedule and with predetermined agenda as shown in the following table.

No	Dates	Topik/Agenda rapat KMR
1	January 30, 2007	Handling cleansing and CIF Integration: Savings and Lending
2	April 27, 2007	Determining working units functioning as BRI MIS, especially related information for the purpose of Customers Information File (CIF), Knowing Your Customers (KYC), and Debtors Information System.
3	August 6, 2007	Test Planning Switch Over Phase IV DC-DRC-DC on August 6, 2007
4	November 21, 2007	Adding duties and responsibilities of Credit Adm. Division in relation to monitoring aggregated exposure and compliance to LLL over the portfolio of Non Financial Institutions' Corporate bonds

RMC's Action Plans and Realization

RMC has undertaken its 2007's action plans referring to its duties and responsibilities, that is, evaluating the effectiveness of the implemented risk management system, covering the following aspects:

- Risk Profiles
- Problems on BRI's capital related to risks
- Problems arising in the risk management-based company

2. Assets and Liabilities Committee (ALCO)

Structure, Membership, Expertise, and Independency of Assets and Liabilities Committee Members

The organization structure of the Assets and Liabilities Committee is as follows:

Chairman

(as well as Member) : President Director

Ad interim Chairman I

(as well as Member) : Director of Finance

Ad interim Chairman II

(as well as Member) : Director of Consumer Business

Secretary

(as well as Member) : General Manager of Treasury

Members

1. Directors
2. All of General Managers of Business
3. General Manager of Consumer Banking
4. General Manager of Credit Card Division
5. General Manager of Consumer Loans Division
6. General Manager of Institutional Relation Division
7. General Manager of Accounting & Financial Management (AFM) Division
8. General Manager of Credit Risk Analysis Division
9. General Manager of Restructuring and Settling Problem Loans Division
10. General Manager of Credit Administration Division
11. General Manager of Risk Management Division
12. General Manager of Strategic Planning Division
13. Regional Manager Jakarta I
14. Regional manager Jakarta II
15. Branch Manager of Special Branch Office (KCK)

Roles and Responsibilities of Assets and Liabilities Committee

This committee is in charge of managing BRI assets and liabilities. In broader sense, ALCO is also responsible for managing the Bank liquidity, interest rates, foreign currencies, investment, and time difference.

Frequency of Committee Meeting

ALCO holds a meeting periodically, at least once a month in order to discuss the management of assets and liabilities of BRI related to the Directors' policies and strategies in:

1. Bank performance development
2. Composition and growth of Bank portfolio

3. Risk management (guidelines for mismatch limits and net open positions)
4. Interest rates of deposits, lending, and fund transfer price

Action Plans of Assets and Liabilities Committee and Realization

The Assets and Liabilities Committee put into effects its Action Plans in 2007 as follows:

No	Action Plans	Realization
1	Making Weekly ALMA Reports containing: 1.1 Report of the sources and utilization of funds in rupiah and foreign currencies 1.2 Report of Net Open Position (overall and absolute) 1.3 Interest rate information of competitor banks	• Reports and analysis of ALMA Data could presented by Thursday every week and distributed to ALCO members and BRI Regional Office throughout Indonesia
2	Holding ALCO meetings discussing 2.1 Sources and utilization of funds 2.2 Fund development and costs of fund 2.3 Liquidity management 2.4 Foreign currencies management 2.5 Gap analysis using IRS and PV01 2.6 Interest margin variance analysis 2.7 Performance analysis and financial reports of banks 2.8 Macro economy analysis 2.9 Regulatory compliance 2.10 Money market information 2.11 Recommendation for interest rate and FTP	• ALCO meetings were conducted: once a month, at least on the fourth week. • Analysis and data reporting quality was continuously improved in accordance with the information development • Summaries of ALCO Meetings were immediately distributed to related working units as the follow ups of the meetings.
3	Reviewing ALCO Circular Letters	ALCO Circular Letter was completely finished and approved by Directors.

3. Credit Committee

Structure, Membership, Expertise, and Independency of Credit Committee Members

- (1) Based on the memberships and inherent authority, Head Quarter Credit Committee is divided into four:
 - a. BRI Credit Committee
 - b. Directors' Credit Committee
 - c. General Managers' Credit Committee
 - d. Deputy General Managers' Credit Committee

- (2) Structure of BRI Credit Committee

Credit Committee	Members	Final Decision Makers
BRI Credit Committee (for credit approval)	Director of Commercial Business Director of Institutional Business Director of MSME Director of Consumer Business Director of Credit Risk Control	President Director
BRI Credit Committee (for money market and treasury products approval)	Director of Finance Director of Commercial Business Director of Institutional Business Director of MSME Director of Consumer Business Director of Credit Risk Control	President Director
Directors' Credit Committee	Directors responsible for Businesses Director of Credit Risk Control	
General Managers' Credit Committee	Head of Business Divisions and Sharia Business Head of Accounting and Financial Management Division	
Deputy General Managers' Credit Committee	Head /Deputy of Sharia Business Head/Deputy of Credit Risk Analysis.	

4. IST Steering Committee

The IST Steering Committee is chaired by the Director of Operation, in which some related executives are its members.

Structure, Membership, Expertise, and Independency of the IST Steering Committee Members

Chairman : Director of Operation

Deputy : Head of IST Division

Secretary : Group Head of IST Planning and Strategies
Members :

1. Head of Strategic Planning Division
2. Head of Consumer Banking
3. Head of Micro Business Division
4. Head of Retail Business Division
5. Head of Corporate Business Division
6. Head of Agribusiness Division
7. Head of Program Loans Division
8. Head of Logistic Division
9. Head of Accounting & Financial Management (AFM) Division
10. Head of International Division
11. Chief of Internal Audit
12. Head of Credit Card Team
13. All Deputies of Head of Divisions
14. All Senior System Analysts and Senior Business Analysts
15. Department Heads of Financial Planning and Management Information System of AFM Division

Roles and Responsibilities of IST Steering Committee

The roles and responsibilities of IST Steering Committee are to consider and decide on the policy in relation to technology risks. This committee formulates the development of BRI information technology and decides the strategies.

Frequency of Committee Meetings

The IST Steering Committee hold meetings at least once in three months. The meetings held in 2007 are as follows:

No	Dates	Topics/Agenda
1	April 4, 2007	<ul style="list-style-type: none">• Plan for recruiting IST staff for Information System & Technology Division• Plan for Action Plan and Budgeting 2007• Presentation of TSI development report
2	July 11, 2007	<ul style="list-style-type: none">• Discussion on contingency plan or Disaster Recovery Centre• Efficiency in hardware procurements• Information System & Technology Division priority task is cash management.
3	December 6, 2007	The reports of Information System & Technology Division are: <ul style="list-style-type: none">• ITSP Project 2003-2007• Disaster Recovery Centre• Cash Management System• Trade Finance System (TF)• Standardized Approach (Credit Risk Management)
4	February 14, 2008 *)	<ul style="list-style-type: none">• Problem of IST personnel support that can meet customers satisfaction• Presentation on the development of technology and information system 2008

IST Steering Committee Work Programs and its Realization

The IST Steering Committee put into effect its work programs in 2007, i.e. giving directions of the policies and monitoring the development of BRI information system and technology, so as to get focussed on external as well as internal customers, which covers:

- 1 Implementation of BRI Information System & Technology Strategies, i.e. designing Detailed Architecture of BRI IST
- 2 Implementation of BRI IST Detailed Strategies

III. Implementation of Compliance, Internal Audit, and External Audit Functions

1. Compliance Function

For the sake of upholding compliance to the relevant laws and regulations, the compliance function was undertaken through the following activities:

- a. Testing and monitoring the follow-ups of the test
- b. Reviewing the policy
- c. Forwarding external regulations to related working units

Therefore, BRI Directors have recommended that all BRI working units ensure that the initiated policies and decisions comply with the relevant laws and regulations for the implementation of prudential banking principles by making inventory of and reviewing the relevant laws and regulations.

BRI compliance policies stipulated by BRI Directors are as follows:

- Policy on examining prudential principles regarding Directors' policy and or decision undertaken by BRI Compliance Director.
- Policy on meeting BRI obligation pertaining to compliance with contracts and commitment initiated by BRI Directors with Bank Indonesia and other authorized institutions.
- Policy on operational guidelines for Compliance Desk and policy on Know Your Customers (KYC) to comply with KYC regulations.

2. Internal Audit Functions

BRI implemented an audit methodology called Risk-Based Audit (ABA) which was gradually implemented in accordance with the maturity level of corporate risk management. With

this methodology, business process and business units predicted to have significant risks in achieving company's objectives are given priority to be audited, ensuring the entire potential risks to be minimized to the acceptance risk levels.

In 2007, BRI Internal Audit audited areas which were predicted to be significantly potential for disturbing the achievement of company's objectives. The role of BRI Internal Audit as the catalyst for the growth of management awareness of the significance of risk management was well undertaken in relation to the role of Internal Audit as a Strategic Business Partner (SBP) of BRI Line Management.

In order to maintain the quality of audit findings, sustainable quality development programs are continuously held, both externally and internally (using Internal Review Program). This is conducted by examining all Internal Audit working units every year, or through quality standard testing using international standard ISO 9001 2000 based on samples from some Inspection Offices.

In undertaking their duties, Internal Audits are independent from operational working units, without pressure from any party in the organization. They are directly accountable to President Director and have communication line with Audit Committee in the form of coordination or regular audit findings reporting.

Internal Audits have evaluated the sufficiency and effectiveness of internal control and performance of line management units. Besides, they also have evaluated the sufficiency and effectiveness of risk management process as well as corporate governance of all aspects and elements of the Bank businesses.

Internal Audit function is reviewed periodically every 3 year by External Auditors for its effectiveness and compliance to SPFAIB. The results showed that BRI Internal Audit Function has played its role following the standards given and continuously attempted to make adjustment with the current standard best practices. In the future, BRI Internal Audit will do its best to make it perfect through benchmarking and attending either national or international seminars.

3. External Audit Functions

BRI has appointed Public Accountant Offices (PAO) registered in Bank Indonesia, using GMS' approval and Audit Committees' recommendations. The selection of PAO was in accordance with the existing laws and regulations.



The appointment of PAO considered such aspects as:

- Capacity of PAO
- Contract legality
- Audit coverage
- Standards of Professional public account
- BI communication with PAO—in doing their job, PAO were professional and independent.

IV. Risk Management Implementation, including Internal Control System

Commissioners and BOD are quite active in supervision through the committee created at Directorate/Commissioner level (Risk Management Committee, IT, Credit Committee, ALCO, etc.) for monitoring and strategic decision making.

In accordance with the complexity and business size as well as the Bank business targets, risk management in BRI is implemented for all risks (8 types of risks), which is in line with BI regulations built-in and widespread throughout the entire operational working units. The implementation of risk management comprises risk identification, major risk indicators, risk profiles, and formulation of follow-up actions which are reported to the management for its risk monitoring/control over significant risks.

BRI has adopted policies, operational procedures, risk management, and risk limits parameter/indicators which are used in the measurement and monitoring of risks for maintaining healthy internal bank condition. In addition, information and data management to support the process of risk measurement and monitoring are continuously updated and made perfect to support the Bank business.

V. Related-Party Fund Provision and Large Exposure Fund

BRI has implemented prudential banking practices through its diversified portfolio of the fund provision; so, there was no violation against legal lending limits of BI regulation in terms of fund provision for either the related-party or large exposure fund provision.

Besides, to ensure the Bank management independence from related parties in their decision on fund financing, BRI has

implemented four eyes principles for more than five years. Below is the total balance of fund provision for related party and large exposure fund provision as of December 31, 2007.

No	Fund Provision	Debtors	Amount (Rp mio)
1	Related Party	5	812,245
2	Prime Debtors		
	a. Individual	25	10,655,444
	b. Group	25	11,855,833

Fund provision for related party and prime debtors above has been given based on Good Corporate Governance principles, which was proven by the decision to provide funds in accordance with the Bank General Credit Policies made by Credit Committee as they are authorized.

VI. Bank Rakyat Indonesia Strategic Plans

For the implementation of GCG, BRI has developed a system of corporate planning and control which is systematically arranged, realistic, and integrated without neglecting external and internal factors as well as prudential banking practices as stipulated in BI Regulation No. 6/25/PBI/2004 dated October 22, 2004 and BI Circulars No. 6/44/DPNP dated October 22, 2004.

The Corporate Plan is divided into short-term planning (1 year) which is manifested in Annual Budgeting, medium-term planning (3 years) manifested in Business Plan, and long-term planning (5 years) manifested in Corporate Plan.

The 2003-2007 Corporate Plan is a part of business development plan which refers to the 2002-2006 State-Owned Enterprises (SOE) Action Plans from the Ministry of SOE and Bank Indonesia's National Banking Recovery Program.

To realize those plans, BRI has formulated a number of programs and strategies in business and support sides:

- Focus on MSM businesses (Micro, Small, and Medium)
- Expand network operations
- Strengthen risk management
- Utilize Information Technology for operational efficiency and speed of services

The management accountability regarding the implementation of each planning is done through the mechanism of General Meeting of Shareholders, which includes an evaluation of company organizational structure, system and procedures, human resources, performance appraisal system, as well as internal audit function at every layer and unit in organizational structure.

VII. Transparency of the Bank Financial and Non-Financial Condition Not Stated in Other Reports

BRI has disclosed all required financial and non-financial information in line with the existing regulations to its Shareholders, among others are:

1. Periodic Financial Reports

No	Types of Reports	Submitted to
1.	Monthly Financial Statement	Bank Indonesia
2.	Quarterly Financial Statement	a. Bank Indonesia b. Capital Market Supervisory Agency c. Indonesia Stock Exchange d. Deposit Insurance Corporation e. Ministry of SOE
3.	Published Quarterly Financial Statement in Papers	a. 4th Quarter/06: Kompas, Republika, Bisnis Indonesia, Suara Karya, dated March 30, 2007 b. 1st Quarter/07: Bisnis Indonesia, Media Indonesia, dated April 27, 2007 c. 2nd Quarter/2007: Suara Karya, Bisnis Indonesia, dated July 28, 2007 d. 3rd Quarter/2007: Suara Karya, Bisnis Indonesia, Republika, dated October 31, 2007.
4.	Annual Report	a. Bank Indonesia; b. Capital Market Supervisory Agency c. Indonesia Stock Exchange d. Deposit Insurance Corporation e. Ministry of SOE f. Indonesian Consumer Organization g. Rating agencies h. Bank Association i. Indonesian Banking Institution j. Economy Magazine k. Economy Research Institution

2. Other Reports :

No	Types of Reports	Submitted to
1.	Results of General Shareholders Meeting (GSM) and Extraordinary General Shareholders Meeting (EGSM)	a. Bank Indonesia; b. Capital Market Supervisory Agency c. Indonesia Stock Exchange d. Bisnis Indonesia (GSM/2007) e. Kompas (GSM/2007) f. Republika (EGSM/2007) g. Bisnis Indonesia (EGSM/2007)
2.	Public Expose Event	Indonesia Stock Exchange
3.	Use of Funds from Public Offers	Capital Market Supervisory Agency

VIII. Shares Ownership of Commissioners and BOD

As of December 31, 2007 none of BRI Commissioners and Board of Directors had shares > 5% of the paid-in capital at BRI, other banks, non-bank financial institutions, and other

companies located in Indonesia or abroad.

The statement regarding the shares ownerships has been stated in a Letter of Statement by each of Commissioners and Board of Directors.

IX. Financial and Familial Relationships of Commissioners and Board of Directors with other Commissioners, Directors, and/or Controlling

All members of Commissioners and Board of Directors do not have financial and familial relationships with other members of Commissioners, Board of Directors, and/or Controlling .

The statement of not having financial and familial relationships among member of Commissioners and Board of Directors has been stated in a Letter of Statement.

X. Remuneration Policy/Package and other Facilities for Commissioners and Board of Directors

Commissioners and Board of Directors are entitled to remuneration and facilities stated in the following table. This is the amount that Commissioners and Board of Directors may receive within a year.

Types of Remunerations	Amount received within 1 year			
	Commissioners		Board of Directors	
	Persons	Rupiah	Persons	Rupiah
1. Remunerasi	7	9.203.200.000	10	39.539.500.000
2. Fasilitas	7	2.578.892.000	10	9.584.833.333
TOTAL	7	11.782.092.000	10	49.124.333.333

The amount of remuneration per person in 1 year

Amount of Remuneration per person in 1 year	Number of Commissioners	Number of Directors
> Rp 2 billion	10	1
> Rp 1 billion up to Rp 2 billion	-	6
> Rp 500 million up to Rp 1 billion	-	-
< Rp 500 million	-	-

XI. Share Options

BRI has declared its internal policy pertaining to share options provision by referring to the Regulation of Capital Market Supervisory Agency No.: Kep-44/PM/1998, dated August 14, 1998.

Share Option provision which was conducted in three phases within 3 years is as follow:

1. MSOP I was given during BRI Initial Public Offering (IPO) on November 10, 2003.
2. MSOP II was carried out in the second year after IPO.
3. MSOP III was carried out in the third year after the IPO.

The shares owned by the Board of Directors (except the President Director) were given while they were the Executives of the Bank.

Table of Option Number

Names	No. of Shares owned	No. of Options		Price in Rp	Tenor
		Given	Executed		
Commissioners					
Bunaser Sanim	-	-	-		
Aviliani	-	-	-		
B.S. Kusmuljono	-	-	-		
Baridjussalam Hadi	-	-	-		
Agus Pakpahan	-	-	-		
Agus Suprijanto	-	-	-		
Saifullah Yusuf	-	-	-		
Directors					
Sofyan Basir	-	3,115,500	3,115,500	In accordance with the Stock exchange regulation	5 th.
Sanwono Sudarto *)	160,500	836,500	836,500		5 th.
Sudaryanto Sudargo *)	1,000	836,500	836,500		5 th.
Bambang Soepeno *)	320,500	668,500	528,500		5 th.
Lenny Sugihart *)	630,000	802,500	802,500		5 th.
Abdul Salam **)	-	-	-		
Sulaiman Arif A *)	300,000	805,500	805,500		5 th.
A Toni Soetirto **)	-	-	-		
Suprajarto *)	-	581,000	581,000		5 th.
Asmawi Syam *)	140,000	836,500	836,500		5 th.
Executive Officers ***)	172 people	2,533,500	17,025,000	14,491,500	

Notes
 *) The shares given to BOD were those given while they were officially General Managers, Deputy General managers, Regional Managers, and Deputy Regional Managers (Executive Officers) except for that of President Director, and it is in line with the Regulation of Capital Market Supervisory Agency.
 **) Mr. Abdul Salam and Mr. A. Tony Soetirto do not have MSOP shares in PT. Bank Rakyat Indonesia (Persero), Tbk.
 ***) The Executive Officers are those executives of Echelon 1 and Echelon 2 in the same managerial level as General Managers, Deputy General Managers, Regional Managers, Deputy Regional Managers, and Branch Managers.

XII. Salary Ratio: The Highest and The Lowest

For the purpose of attracting, motivating, and retaining its best employees, BRI has formulated a salary system based on the best practices in banking employment market and keeps reviewing and updating it to suit with business changes and development as well as banking employment market practices. This is carried out by considering the company capability and the existing laws and regulations.

The salary of BRI employees is comprised of principal salary, premium benefits, and transition benefits, which are formulated to give appreciation and recognition so as to achieve internal fairness on the basis of:

- a. Role and contribution of the positions
- b. Relevant and proven working experience
- c. Required expertise/skills and competencies
- d. Performance achievement

Details of Salary Ratio: The Highest and the Lowest

The ratio consists of Total cash=12-month salary + paid leave + Religious Allowance + Incentive + Bonus.

- a. The highest and the lowest employee salary ratio: 21, 12
- b. The highest and the lowest Directors salary ratio: 1, 11
- c. The highest and the lowest Commissioners salary ratio : 1, 11
- d. The highest Directors and the highest employee salary ratio: 2, 51

XIII. Board of Commissioners Meetings

Board of Commissioner Meetings were conducted periodically once a week. In addition, the meetings which invited Board of Directors to attend were held periodically once a month, or more if necessary. Commissioner Meetings are officially legal and eligible for making binding decision if more than ½ (one second) of Commissioner members attend or are represented in the meeting. The making of decision in the meetings are always undertaken on the basis of consensus or the most votes. The results are then stated in an approved decision sheet or minutes, including dissenting opinions during the meetings.

All members of Commissioners are obliged to physically attend the Meetings at least 6 times a year. The following table shows the attendance rate of members of Commissioners in the Meetings in 2007.yang terjadi dalam rapat tersebut.

N a m e	Positions	Attendance	Percentage
Bunaser Sanim	President/ Independent Commissioner	30	84,24%
Agus Suprijanto*)	Commissioner	8	36,36%
Agus Pakpahan	Commissioner	14	41,18%
Sunarsip**)	Commissioner	11	47,83%
Saifullah Yusuf***)	Commissioner	5	50,00%
B.S. Kusmuljono	Independent Commiss.	27	79,41%
Baridjussalam Hadi	Independent Commiss.	28	82,35%
Aviliani	Independent Commiss.	26	76,47%

Notes:
 *) Attending Commissioner Meetings and Commissioner-BOD Meetings since June 19, 2007
 **) Attending Commissioner Meetings and Commissioner-BOD Meetings until August 2007
 ***) Attending Commissioner Meetings and Commissioner-BOD Meetings since September 14, 2007

Commissioner Meetings with BRI Board of Directors in 2007

N a m e	Positions	Attendance	Percentage
Bunaser Sanim	President/ Independent Commiss.	10	100%
Agus Suprijanto*)	Commissioner	4	66,67%
Agus Pakpahan	Commissioner	3	30,00%
Sunarsip**)	Commissioner	5	62,50%
Saifullah Yusuf***)	Commissioner	2	66,67%
B.S. Kusmuljono	Independent Commiss.	5	50,00%
Baridjussalam Hadi	Independent Commiss.	9	90,00%
Aviliani	Independent Commiss.	9	90,00%

Notes:
 *) Attending Commissioner Meetings and Commissioner-BOD Meetings since June 19, 2007
 **) Attending Commissioner Meetings and Commissioner-BOD Meetings until August 2007
 ***) Attending Commissioner Meetings and Commissioner-BOD Meetings since September 14, 2007

XIV. The Number of Internal Frauds and Ways to Overcome them

There was no fraud committed by the Bank management. Efforts to deal with the frauds have been made-these may be done internally or through legal actions.

To uphold discipline, employees who committed frauds/ violations in undertaking their duties were given loud and clear punishments in accordance with the internal regulations and existing relevant laws and regulations.

XIV. Legal Issues

In running its business, BRI will not be excluded from legal actions which are parts of operational risks. In 2007, BRI dealt with 46 legal cases with material claim value of more than IDR 1 billion, spread across 13 Regional Offices throughout Indonesia:

Legal Issues	Number	
	Civil Court	Criminal Court
Settled (having legal power)	0	0
In the process of settlement	46	0
Total	46	

The legal cases which were in the process of settlement are those at the level of First Instance Court, Appellate Court, and appeal to Supreme Court.

XVI. Transactions Causing Conflict of Interests

In 2007, Commissioners and Board of Directors did not show any conflict of interests in making decision and taking actions for the Bank benefits. All regulations regarding the implementation of GCG were formulated in a Joint-Decree between Commissioners and Board of Directors on GCG Policy of PT. Bank Rakyat Indonesia (Persero), Tbk. and Internal Regulations on the Disclosure of Parties with Particular Relationships.

Based on the test against Cooperation Agreement plan and decision in either credit or non-credit transactions undertaken by Directors of Compliance and BRI Compliance Desk, in 2007 there were no transactions between BRI and Parties with Particular Relationships (no conflict of interests).

No	Names and Positions with Conflict of Interests	Names and positions of Decision Makers	Types of Transactions	Transaction Values (IDR Million)	Remarks
N O					

XVII. Buy Back Shares and/or Buy Back Bank Bonds

In 2007, PT. Bank Rakyat Indonesia did not do Buy Back Shares and/or Buy Back Bonds.

XVIII. Fund Provision for Social and Political Activities, both Nominal and Fund Receivers

Fund Provision for Political Activities:

In 2007, PT. Bank Rakyat Indonesia (Persero), Tbk. did not disburse funds for political activities.

Fund Provision for Social Activities:

In 2007, PT. Bank Rakyat Indonesia (Persero), Tbk. disbursed funds for the following social activities:

Types of Activities	Nominal (in Rp)
1. Humanity	50,000,000
2. Religious	4,048,968,315
3. Community	7,338,452,080
4. Health	1,699,183,750
5. MSME Partnerships	3,580,000,000
TOTAL	16,716,604,145

XIX. Self-Assessment on GCG Implementation

In 2007, PT. Bank Rakyat Indonesia (Persero), Tbk. conducted self-assessment on the implementation of Good Corporate Governance (GCG), covering such things formulated in the Bank Indonesia Regulations. The result of this self-assessment was categorized "VERY GOOD". The followings is the summary of the self-assessment:

Summary of Composite Scores Calculation of Good Corporate Governance Self-Assessment :

No	ASPECTS OF EVALUATION	WEIGHT (a)	RANK (b)	SCORES (a) x (b)	REMARKS
1	Undertaking of Commissioners Duties	10.00%	1	0.1	Commissioners' roles and responsibilities were undertaken accordingly, efficiently and effectively.
2	Commissioners' roles and responsibilities were undertaken accordingly, efficiently and effectively.	20.00%	1	0.2	Directors' roles and responsibilities were undertaken accordingly, efficiently, and effectively.
3	Completeness and undertaking of Committee Duties.	10.00%	1	0.1	The composition and duties of Committees were undertaken accordingly, efficiently, and effectively.
4	Handling of Conflict of Interests	10.00%	1	0.1	There were no transactions between BRI and parties with particular relationships (no conflict of interests); BRI has its own internal policy on conflict-of-interests transactions
5	Implementation of Bank Compliance Function	5.00%	2	0.1	The Bank Compliance Function was classified 'good'. The roles and responsibilities of Directors of Compliance and Desk of Compliance were undertaken effectively.
6	Implementation of Internal Audit Function	5.00%	1	0.05	Internal Audit function was effective in line with the internal guidelines and minimum standards of SPFAB.
7	Implementation of External Audit Function	5.00%	1	0.05	The Bank selected 'KAP' on the basis of the existing laws and regulations. The selected KAP and Public Accountant did their work professionally and independently o be account-able for their work.
8	Implementation of Risk Management Function and Internal Control	7.50%	3	0.225	Identification and control of all Bank's risks were effective enough to maintain the Bank's healthiness; so as to overcome weaknesses in the implementation of risk management.
9	Fund Provision for Related Parties and Large Exposure	7.50%	1	0.075	BRI has its own up-to-date, written, comprehensive policies, system and procedures to allow for independency in making decision on fund provision, fair distribution of diversified fund provision, and avoid LLL violation.
10	Transparency of the Bank Financial and non-Financial state, Report on GCG Implementation, and Internal Reports	15.00%	2	0.3	Bank BRI submitted sufficient and accessible financial and non-financial reports to its stakeholders in line with the relevant regulations. GCG reports are currently being processed with reference to the existing regulations.
11	The Bank Strategic Plans	5.00%	1	0.05	Corporate Plan and RBB were formulated in line with the relevant laws and regulations by considering the internal and external factors and prudential banking practices. Deviation of the achieved targets was less than 5%.
Composite Scores		100.00%		1.35	

Categories of Composite Scores Result

Composite Scores	Composite Status
Composite Score < 1.5	Very Good
1.5 = Composite Score < 2.5	Good
2.5 = Composite Score < 3.5	Sufficient
3.5 = Composite Score < 4.5	Not Good
4.5 = Composite Score < 5	Fail

Follow Up Actions

ASPECTS	ACTION PLANS	DUE TIME	OBSTACLES
1. Implementing Risk Management and Internal Control Functions	a. Perfecting risk management database system b. Developing and providing IT or a system supporting risk management c. Socializing risk self-assessment (RSA) to operational lines to increase the accuracy in risk assessment and control; so that the predetermined follow-up actions to improve the still-weak control will be more accurate and effective d. Socializing credit risk limit decision to all BRI Business lines	All year round 2008	—
2. Implementing Bank Compliance Function	Socializing continuously the compliance policy done by Compliance Director and all lines of Compliance Desk, through among others: BRI regional communication forum, and to all BRI personnel by layers.	All year round 2008	—
3. Transparency of Bank Financial and Non-Financial state, GCG Implementation Reports, and Internal Reports	A number of working programs to keep improving the quality and accessibility of financial and non-financial information presented to the stakeholders	All year round 2008	—

Strengths and Weaknesses of GCG Implementation in BRI

Strengths

Commissioners and Board of Directors have strong commitment to implement GCG in every BRI business activities by building understanding, concerns, and commitment of all company's organs in all layers.

To support this condition, BRI has adopted:

- Corporate Values (Core Values), which are continuously implemented and developed by means of performance improvement program in all BRI working units
- Corporate Codes of Conduct, which is agreed on to be the behaviour and action guidelines in undertaking daily tasks
- Policies on evaluating and completing a number of company's regulations for complying with GCG principles
- Socialization programs by related working units regarding the implementation of GCG

Weaknesses

There was no significance weakness which hindered the implementation of GCG. However, with networks widely spread all over Indonesia, it is necessary to have a much better coordination and adequate IT supports, through which the quality of information presented-financial and non-financial-can be improved and easily accessible by the stakeholders.

The Function of Corporate Secretary

Corporate Secretary of a public listed company plays a very important role-it functions as the spokesperson of the company, determines public perception and image toward the company.

One of the effective and efficient means of building understanding and managing public perception of BRI is by maintaining relationship/cooperation and communication with journalism. In 2007, there were a number of visits and discussions involving BRI and journalists or editorial staff of some leading national papers in order to maintain and build understanding between BRI and press community. In those discussions, it was explained that BRI is committed to staying focus on financing MSMEs without neglecting corporate sectors which provide markets and infrastructures for MSMEs' products.

Furthermore, especially for finance journalists, BRI conducted "News Tour Program" by inviting journalists to visit BRI MSMEs' clients and providing trainings on understanding some aspects of banking business and capital market.





As a public listed company, BRI keeps maintaining good communication with capital market community and capital market regulator. In maintaining and developing relationships and communications with capital market communities, BRI participated in a number of programs, such as, road show initiated by leading security companies in Jakarta and other cities

becoming the centers of the world finance in Asia, Europe, and United States of America.

Other actions taken for maintaining communications with investors/ investment managers and analysts are: discussing and explaining BRI performance and its latest business development during their company visits or through conference calls, conducting analysts meeting quarterly, and public exposure once a year. These are other means of communicating BRI financial performance and business prospects.

In addition, BRI also conducted field visits, especially to BRI Units. This is expected to be able to provide investors and analysts with first-hand experience with BRI solid micro business, which in turn, will build up their confidence in the strength of BRI business. All of the communication programs are meant to providing up-to-date and objective information and properly responding to the investors' concerns. By doing so, investors' perception will be built objectively, enhancing their confidence level towards BRI future performance and business prospects.



Risk management has a significant role in bank business to achieve company's objectives since a bank as a financial intermediary always deals with risks. Risk management is aimed at protecting capital and optimizing the risk and return relation.

In managing its risks, BRI has established an Integrated Risk Management of which the implementation is the Board of Directors' commitment to minimize opportunity loss faced by BRI.

BRI manages such risks as credit risk, market risk, liquidity risk and operational risk. Equally important, there are some risks which need to be managed, including legal risk, compliance risk, strategic risk and reputation risk.

Risk Management Organization

Risk management is undertaken by applying three lines of defense, including:

1. Risk Taking Unit, serving as the first line of defense, is a unit responsible for internal control function that maintains the quality of output and business process in accordance with the policies and procedures. Risk Taking Unit directly controls inherent risks to minimize residual risks.

2. Risk Management Unit, serving as the second line of defense, is responsible for managing the risk to ensure that total risk exposure will not exceed the Bank's capital. Managing risks is undertaken through setting and monitoring risk limits.

3. Internal Audit, as the third line of defense, is responsible for ensuring the effectiveness of internal control at both risk taking units and risk management units.

Active Supervision from The Boards of Commissioners and Board of Directors

Authorities and Responsibilities of Board of Commissioners and Board of Directors

Board of Commissioners are responsible for actively overseeing risk management in the Bank, including the approval and evaluation of Risk.



Management General Policy, oversight of Board of Directors' responsibility on the implementation of risk management policy in accordance with the regulations.

Board of Directors are also responsible for establishing a comprehensive written policy and strategy of risk management, setting risk limits, and implementing the policy of risk management and risk exposure of BRI.

Risk Management Committee

In managing risk exposure and determining Risk Management System, Board of Directors is assisted by Risk Management Committee (RMC), which is the highest hierarchy in Risk Management System. Board of Directors and RMC hold quarterly meetings.

Risk Management General Policy and Strategy

To ensure that all business risks have been controlled properly and have taken into account BRI's interests and objectives, Board of Directors set Risk Management Strategies including:

- Setting Risk limit and parameter
- Planning and making necessary actions plan based on BRI risk profiles in a certain period.

Risk limits will be reviewed periodically to ensure that the existing risk profiles can support the achievement of target performance at the risk tolerant level.

Risk Profile

BRI evaluates its aggregate risks through self-assessment process to produce a Risk Profile consisting of Inherent Risks (inherent risks in bank activities prior to control implementation) and Risk Control System (control on inherent risks) on 8 types of risks

which are inherent on seven functions (credit, treasury, trade finance, funding, operations and services, IT system, and support functions).

BRI Risk Profiles for 2007 was Low with score ranging from 1.4 to 1.5. Aggregately, both Inherent Risks and Risk Control show a level of low to moderate.

- **Credit Risk** : inherent risk aggregate in first and second quarter of 2007 was in moderate level due to increasing non performing financing exceeding the limit in risk management strategy. However, due to strong risk control system, the credit risk composite was low. In the third quarter, inherent risk aggregate has improved to low level after some efforts to bring down the non performing financing.
- **Operational Risk** : risk control system in the second quarter of 2007 was in moderate level due to increasing of number of working units with audit rating >3 (high risk). Risk control system in Pillar 3 (measurement, monitoring, management information system) was weak due to data for measuring and monitoring were still in improvement process causing dependency on audit results. However, overall operational risk composite in 2007 was low.
- **Strategic Risk** : inherent risk aggregate increased because some of the targets, especially the fee based income, has not been achieved in the first and second quarter of 2007. With the effort from the business to achieve the target, there was an improvement in the third quarter of 2007 so that the risk became low.

The result of self-assessment showed that BRI aggregate risks in 2007 were low and the trend was stable.

RISK PROFILE TREND IN 2007 WAS AS FOLLOW :

A. INHERENT RISK	Credit	Market	Liquidity	Operational	Legal	Reputation	Compliance	Strategic	Aggregate
QUARTER I-2007	2.10	1.00	1.33	1.46	1.14	1.14	1.57	2.57	1.54
QUARTER II-2007	2.05	1.00	1.50	1.75	1.14	1.00	1.62	2.61	1.67
QUARTER III-2007	1.97	1.00	1.50	1.39	1.00	1.00	1.57	1.82	1.41
QUARTER IV-2007	1.70	1.00	1.50	1.57	1.29	1.07	1.62	1.50	1.41
B. RISK CONTROL	Credit	Market	Liquidity	Operational	Legal	Reputation	Compliance	Strategic	Aggregate
QUARTER I-2007	1.38	1.13	1.13	1.88	1.38	1.38	1.25	1.5	1.38
QUARTER II-2007	1.38	1.25	1.25	2.00	1.38	1.38	1.25	1.50	1.42
QUARTER III-2007	1.25	1.25	1.25	1.88	1.38	1.38	1.25	1.5	1.39
QUARTER IV-2007	1.25	1.25	1.25	2.00	1.38	1.38	1.25	1.5	1.41
C. RISK COMPOSITE	Credit	Market	Liquidity	Operational	Legal	Reputation	Compliance	Strategic	
QUARTER I-2007	1.74	1.06	1.23	1.67	1.26	1.26	1.41	2.04	
QUARTER II-2007	1.71	1.13	1.38	1.88	1.26	1.19	1.44	2.05	
QUARTER III-2007	1.61	1.13	1.38	1.63	1.19	1.19	1.41	1.66	
QUARTER IV-2007	1.48	1.13	1.38	1.79	1.33	1.22	1.44	1.66	
D. OVERALL RISK									
QUARTER I-2007									1.46
QUARTER II-2007									1.50
QUARTER III-2007									1.40
QUARTER IV-2007									1.41

Note :

- Scoring scale : 1 – 5

- Inherent Risk : Low (<2) Moderate (2 - 3.5) High (> 3.5)
- Risk Control : Strong (<2) Acceptable (2 - 3.5) Weak (> 3.5)
- Risk Composite : Low (<2) Moderate (2 - 3.5) High (> 3.5)
- Overall Risk : Low (<2) Moderate (2 - 3.5) High (> 3.5)

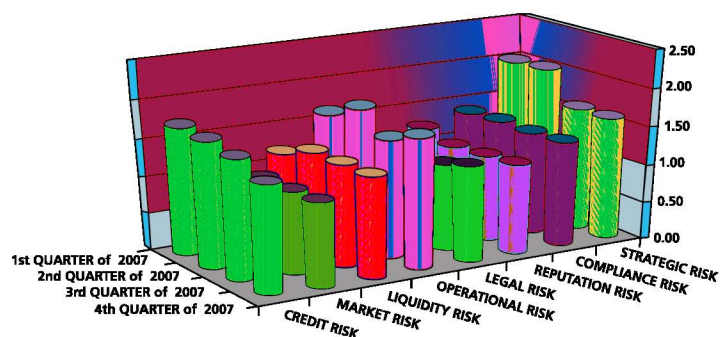
Risk Profile in 2007 for each risk type showed a stable trend as described in the diagram below:

Credit Risk

• Identification, Measurement, and Monitoring of Credit Risk

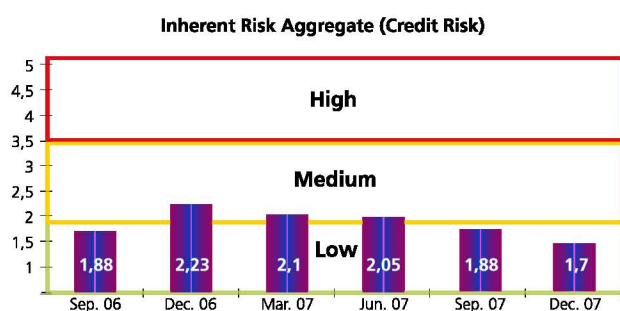
Credit Risk is a risk from the failure of the counterparty to meet the obligation. The source of credit risk may come from many bank activities such as credit, treasury, investment, and financing activities both in trading book and banking book.

Credit Risk is the biggest component of BRI risk portfolio. Credit risk in product/receivables exposure is in form of lending or non-lending (placement, investment, and payable/other assets, such as internal or external receivables)





Based on the self-assessment of Risk Profile in 2007, the average inherent risks was moderate with strong risk control system. Inherent risk in credit risk is monitored through some activities parameters in credit, trade finance, and treasury. Those are shown in the following diagram:



Credit risk from lending activities is monitored through some parameters such as Non Performing Loans (NPLs), credit concentration on 25 largest borrowers, and provision ratio. Credit risk from trade finance activities is monitored through such parameters as NPLs on Export Notes, NPLs on Import LC;

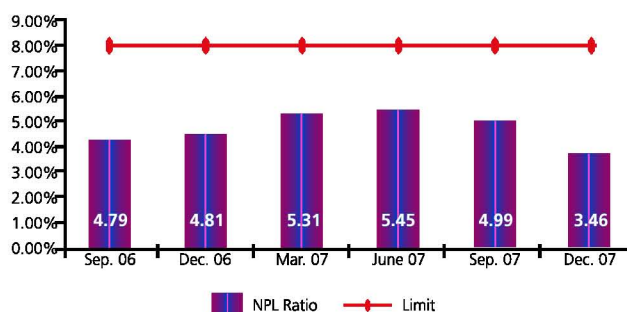
while treasury activities are monitored through Net Performance Asset and outstanding concentration of three largest borrowers/issuers.

Compared to the credit risk limit which is the acceptable credit risk, the risk profile of credit/financing activities in 2007 was still below the limit.

Some parameters for monitoring credit risk are described below:

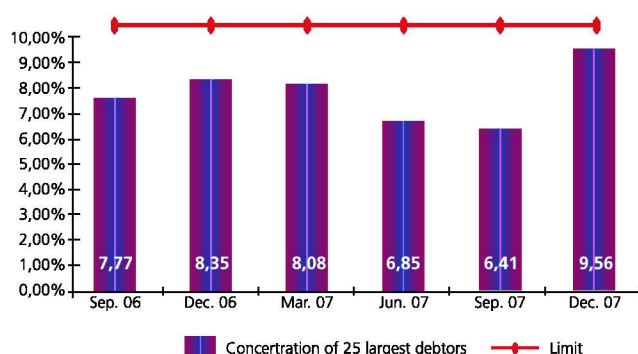
1. NPL ratio to total credit

Average NPL in 2007 was 4.88%, well below the limit set at 8%. The following graph describes Quarterly NPL ratio.



2. Credit concentration of 25 largest borrowers

The average outstanding of 25 largest borrowers to total outstanding is 7.73%, below the limit set at 15 %. The following graph describes Quarterly Credit Concentration of 25 largest borrowers.



• Improvement in Credit Risk Measurement

BRI has been improving the measurement of credit risk to comply with Basel II framework. Due to the complexity of the activities, BRI has formed Project Office Credit Risk Basel II with scope of work including development and implementation of credit risk management using Standardized Approach and Internal Rating Based Approach.

Activities undertaken in preparing the implementation of credit risk measurement using Standardized Approach were as follows:

- Preparing manual for the implementation of credit risk measurement using Standardized Approach
- Developing credit risk management information system, such as sources of data application (Loan approval System/LAS), MIS integration and MIS datamart.
- Performing simulation on regrouping and credit risk weighted-assets measurement using Standardized Approach based on consultative paper credit risk from Bank Indonesia.

Activities that have been undertaken in preparing the implementation of credit risk measurement using Internal Rating Based Approach (IRBA) were as follows:

- Implementing data collection and data cleansing and redesigning Credit Risk Rating (CRR) and Credit Risk Scoring (CRS)
- Reviewing Credit Risk Rating for Corporate and Medium Size Business and preparing the guidance for internal rating on products and activities exposed to credit risk.
- Preparing a method for regrouping based on IRBA.

• Credit Risk Mitigation

BRI has prepared the framework of credit risk management and governance involving all related parties (Board of Commissioners, Board of Directors, risk taking units, Internal Audit, Risk Management Division) for ensuring the function of credit risk management has been carried out.

Risk limit must be set in order to keep credit risk exposure in line with the policy and complying with all regulations. BRI has prepared guidance and procedures to set credit risk limit. Furthermore, BRI is also preparing credit risk limit for loans activities, treasury, trade finance and sharia business. All of credit risk limit parameters will be set with the priority on concentration limit.

Market Risk

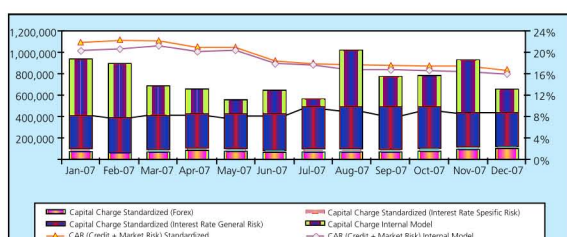
• Identification, Measurement, Monitoring and Mitigation of Market Risk

Market Risk is risk from adverse movements in market variables in portfolio held by BRI that could incur losses. Market variables consist of interest rate and exchange rates.

The scopes of market risk management include treasury activities, investment in marketable securities and money market, investment in other financial institutions, funding activities (in the form of lending), financing activities, securities issuance, and trading. This also includes activities based on sharia principles.

Market risk measurement (for interest rate and exchange rate) uses Standardized Approach as stipulated in Bank Indonesia regulation no.5/12/PBI/2003.

Monthly average of capital allocated to cover market risk (interest rate and exchange rate) using Standardized Approach in 2007 was Rp 422 billion or approximately 2.5% of total equity.



Monthly average of capital allocated to cover interest rate in 2007 was Rp 347 billion per month. From July to December 2007, capital allocated to cover interest rate risk was above the average, caused by an increase in trading book outstanding due to marketable securities purchasing, consisting of mostly low risk government bonds.

Despite the higher allocated capital for interest rate than that of exchange rate, the sensitivity analysis on the repricing gap position with the interest rate increase of 3% up to 5% did not give significant impact on the decreasing of Net Interest Income (NII) and capital.

Stress testing on the November 2007 repricing gap position amounting to Rp 20.89 trillion if only interest rate taken into account, showed that the profit of BRI will become negative if the interest rate increased to $\pm 73\%$ from current $\pm 8\%$.

Meanwhile the monthly average (from January to December 2007) of capital allocated for exchange rate risk in trading book and banking book was only 17% of the market risk capital charge. This low capital charge was caused by daily Net Open Position (NOP) which was maintained at a level of 3%-5%, far below the net open position limit at 20%

In 2007 BRI performed a simulation on Value at Risk (VaR) calculation using variance-covariance approach at 99% confidence level with 10 day holding period in accordance with Bank Indonesia regulation.

The result of VaR calculation of interest rate risk (for trading and available for sale portfolio) and exchange rate (for trading and banking book portfolio) as follows:

(Rp Billion)

Description	Mar'07	Jun'07	Sep'07	Dec'07
VaR Interest rate risk	196.37	167.99	216.69	180.11
VaR Exchange risk	15.90	47.02	32.20	36.92

Overall BRI market risk profile was relatively low because BRI kept maintaining NOP and maturity/repricing gap at a conservative level, hence, the impact on NII and BRI's capital was in-significant.

Operational Risk

Operational risk is a risk resulting from inadequate or failure of internal process, people and system or from external events, which will affect BRI operations.

Risk identification process is undertaken on each function and operations activities of BRI, consisting of seven functions (credit, funds, treasury, trade finance, operations and services, IT system, and support). The results of identification on these functions are important information for BRI in evaluating and establishing its risk profiles.

For operational risk identification, BRI has prepared the tools, including Risk and Control Self Assessment (RCSA), Key Risk Indicator and Incident Management.

In order to lower risk composite in its risk profiles, BRI continuously improve the implementation of framework, governance, and other operational risk management tools, including Incident Management to collect information on incidents in daily operations. In addition to that, BRI also optimizes Risk Management Forum and Risk Management Function in each working unit and risk management group at the Regional Office.

Risk Management on new product/activities

Risk management on new products and/or activities is a phase that has been done in developing new products and activities. This phase is intended to minimize unexpected risks in providing new products and activities.

Risk Management working units are responsible for reviewing the risk management in new products and activities proposal, ensuring the BRI's readiness in providing these new products and activities and recommending its risk management to Compliance Director.

Business Continuity Management (BCM)

In order to assure the business continuity, both in normal condition and in state of disruption, BRI has implemented Business Continuity Management to keep continuity of critical business process, maintain BRI assets, and provide adequate response in state of disruption and disaster.

In June 2007, the Board of Directors formed Business Continuity Management Team to ensure that the development and implementation of BCM could be executed efficiently and effectively in line with the target. The results expected from the implementation of BCM are:

1. BRI can identify the impact of disruption or disaster.
2. BRI has Business Continuity Plan which is capable of minimizing potential loss from disruption and disaster.
3. BRI will still be able to give services to its customers and maintain the continuity of the business.
4. BRI can improve and integrate the coordination among working units in mitigating the disruption and disaster.

In the beginning of 2008, BRI will conduct a trial test on some critical activities to assess the effectiveness of Business Continuity Management documents and create employees' awareness of disaster and care for business continuity.

Risk Management Certification

The success of risk management also lies on the capabilities of individuals assigned in risk taking units, risk management, and supporting units. In order to improve the quality of the human resources and to comply with the Bank Indonesia Regulations, BRI has sent and will continue sending its employees to join the Risk Management Certification Program at all levels.

Sosialization Program

To enhance awareness that the ultimate risk owner of every activity is the risk taking units, BRI develops a risk culture among its employees. If the risk culture among employees increases, BRI expects that risk mitigation capabilities of each employee also improve. Moreover, the risk taking units will be able to better identify, measure, mitigate and monitor all risks which potentially create losses.

BRI has implemented risk management aspects on employee's performance appraisal, working unit's risk-based performance, and routinely provides risk management training to all employees. BRI issues one-page bulletin (called Memo Perisma), and develops Portal and Folder of Risk Management regarding materials, information and discussion on risk management. To develop risk culture, the Board of Director has set risk management functions inherent in each risk taking units, Risk management Forum, and Operational Risk Management tools including Risk and Control Self Assessment (RCSA), Key Risk Indicator and Incident Management.



Management Discussions and Analysis

General Overview of the Company

Committed to Micro, Small and Medium Enterprises (MSMEs)

There is no doubt that since its establishment, BRI has kept focusing its activities on developing MSMEs. The evidence can be seen from the variety of products which are mostly dedicated to serve the MSMEs.

In deposit side, BRI owns prominent saving products called Simpedes and Britama. Simpedes is a product aimed at middle-low income people to save their money in the bank, while Britama is for wider range of target markets.

In loan side, BRI has proved its commitment to support the growth of MSMEs. Kupedes is a leading micro loan product attractive to micro enterprises, for financing working capital, fixed assets, or other purposes. Micro loans in BRI comprises one-third of its total loan portfolio. Other than Kupedes, BRI offers varieties of commercial loans for small and medium businesses. BRI also offers consumer loans including salary-based loans, mortgage loans, vehicle loans and other consumer loan schemes.

From year to year, the loans extended to MSMEs always have a high portion (above 80%), as shown in the table below:

Business Segment	Percentage of Total Loans				
	2003	2004	2005	2006	2007
Micro	30.55%	30.77%	30.17%	30.22%	28.60%
Small / Retail	50.22%	51.08%	50.42%	48.27%	46.69%
- Commercial	26.69%	28.02%	28.01%	27.05%	27.38%
- Consumer	23.53%	23.06%	21.90%	21.22%	19.30%
Medium	4.55%	4.59%	6.25%	8.22%	7.33%
Total MSMEs	85.31%	86.44%	86.83%	86.71%	82.62%
Corporate	14.69%	13.56%	13.17%	13.29%	17.38%

The growth BRI earning assets, especially loans, was 99% coming from organic growth, from BRI's marketing efforts.

Marketing and Customers of BRI lies on its extensive networks

In developing its business, BRI owns a competitive advantage on its largest networks compared to other banks in Indonesia.

BRI has more than 5,000 offices spread out all over Indonesia, covering big and small cities, even rural areas.

In addition to its offices, BRI also operates 1,262 ATMs (Automated Teller Machine). Joining with Link network, ATM Bersama, and ATM Prima, BRI Cards can be used in more than 28,266 ATMs throughout Indonesia. BRI has also expanded its ATM outreach by having cooperation with ATM BankCard and Cirrus network to enable customers to use their ATM cards in ATMs with BankCard and Cirrus logo, all over the world.



To provide better services for customers, BRI keeps improving the ATM cards by introducing BRI Cards which function not only as an ATM card but also as a debit card which can be used in the merchants with Mastercard and Maestro.

In order to improve the company's image and to introduce BRI's products to broader market, a lot of promotion activities and marketing communication were done. The activities have proven effective in increasing the number of customers. Total customers of BRI reached 25 millions that hold around 30 million accounts, consisting of 25 million deposit accounts and 5.2 million loan accounts.

Material Information: Acquisition of Bank Jasa Arta

Besides undertaking conventional banking, BRI also carries out sharia business through its Sharia Business Unit (UUS). To optimize the growth of sharia business and to anticipate future development of sharia banking in Indonesia, it is necessary for BRI to have a sharia bank and spin off its shariah business units into the sharia banks.

The Extraordinary General Meeting of Shareholders convened in 5 September 2007 approved BRI to acquire Bank Jasa Arta. The acquisition process was completed on December 19, 2007. Following the acquisition, Bank Jasa Arta will be converted to a sharia Bank and spin off will be undertaken after its conversion into sharia bank is completed.

Operational Performance Review

The figures below, if not specifically mentioned, include figure of subsidiary PT Bank Jasa Arta (BJA) which was acquired based on Acquisition Deed Number 61 drawn up before the Notary, Imas Fatimah, SH, dated 19 December 2007 with total assets as of 31 December 2007 was Rp 261,216 million. The balance sheet of this subsidiary was consolidated into BRI's balance sheet, while the income statement of the subsidiary was not consolidated into BRI's income statement.

Net Interest Income

In the financial year ended on 31 December 2007, BRI has recorded net interest income (NII) amounting to Rp 16.70 trillion, an increase of 21.08% compared to that of the same period in 2006 which was recorded at Rp 13.79 trillion. The growth in NII was the result of the increase in interest income and investment, altogether with the increase in income from sharia financing, which reached Rp 21.07 trillion in 2006 to became Rp 23.24 trillion or increasing by 10.30%. On the other hand, the interest and sharia financing expenses decreased from Rp 7.28 trillion in 2006 to Rp 6.54 trillion in 2007 or decreasing by 10.12%. The decrease in interest expenses was caused by 1.75% decrease in deposit interest rate in 2007

compared to that of in 2006, even though the amount of deposits in 2007 increased Rp 17.76 trillion compared to that of in 2006. NII in 2007 reflected a net interest margin (NIM) of 10.86%, below the NIM in 2006 of 11.16%.

The 21.08% increase of Net Interest Income in 2007 was contributed by the escalation of loan outstanding, coming from loan expansions and loan quality improvement. Moreover, there was an increase in average earning assets by 24.53% in 2007 compared to that of 2006. Average cost of funds in 2007 was 4.52%. The biggest contributor to interest income was loans. While the contribution of interest income from recap bonds downed to 8.69% from total interest income.

Other Operating Income

Other operating incomes reached Rp 1.82 trillion, an increase of 20.72% compared to 2006 position which reached Rp1.51 trillion. Revenue coming from fee-based income rose by 73.76%, from Rp 838 billion in 2006 to Rp 1,456 billion in 2007, caused by the increase of service fee (deposit administration charge) which was recorded at Rp 461 billion in 2006 becoming Rp 963 billion (an increase of 108.89%).

Allowance for Possible Losses or Earning Assets and Other Assets

In 2006 allowance for possible losses on earning assets and other assets was Rp 1.85 trillion, while in 2007 BRI recorded allowance for possible losses at Rp 1.94 trillion, an increase of 5.11%. The in-significant increase of allowance for possible losses caused by improvement of earning assets quality especially from loans, reflected by a better NPL ratio in 2007 which was recorded at 3.48% compared to 2006 figure at 4.81%

Other Operating Expenses

In 2006, other operating expenses rose by 17.665%, from Rp 7.67 trillion in 2006 to Rp 9.02 trillion in 2007.

The ratio of operating expense to operating income in 2007 was 69.80% slightly decreasing compared to that of 2006 which amounted to 74.38%, showing a better level of efficiency.

Profit

The success of maintaining net interest income growth and managing the costs resulted in the increase of Net Profit by 13.63%, from Rp 4.26 trillion for the year of 2006, to Rp 4.84 trillion for the year of 2007.

Financial Performance Review

Assets

BRI's total assets as of 31 December 2007 reached Rp 203.73 trillion, an increase of 31.68% compared to that of in end of December 2006 which was recorded at Rp 154.73 trillion.

The components of BRI assets were earning assets which constituted 79.52% of total assets, and non earning assets which constituted the remaining 20.58%. In 2007, the earning assets composition declined compared to the composition in 2006 consisting of 85.48% earning assets and 14.52% non earning assets.

Earning Assets include placement with Bank Indonesia and other banks, securities, Government recapitalization bonds, loans, receivables, and investments in stocks. Non earning assets include cash, current accounts with Bank Indonesia, fixed assets, and other assets.

Earning Assets

Total earning assets before provisions as the end of December 2007 was Rp 169.09 trillion, or grew by 21.62% compared to that of the end of December 2006 which was at Rp 139.04 trillion. Loans (including sharia financing) was the biggest component of earning assets comprising 67.40% of total earning assets, an increase from the 2006 portion which was 64.93%. The portion of Government Bonds was also declining, from 13.27% of total earning assets in 2006 to 10.78% in 2007. Other earning assets, including Sertifikat Bank Indonesia (SBI) or Bank Indonesia Certificates was up from 21.80% in 2006 to 21.82% in 2007.

Accumulated allowance for possible losses as of 31 December 2007 increased Rp 288 billion (or 4.24%) from December 2006 figure to Rp 7.07 trillion in line with the growth in earning assets which was recorded at 21.62%.

Loans

Loans, (including sharia financing) recorded a significant growth, 26.24%. Loans outstanding as of December 2007 reached Rp 113.97 trillion, far beyond the achievement in 2006 which stood at Rp 90.28 trillion. As much as 28.60% of total loans was disbursed as micro loans, 46.74% as small loans, 7.33% as medium-sized loans and the remaining 17.38% was loans to corporate. Small loans consist of Small Commercial Loans and Small Consumer Loans, whose portion was 27.38% and 19.30% respectively.

The loans composition showed a 4.09% decrease in Micro and SME loans from 86.71% in 2006 to 82.62% in 2007 (or 82.60 % if BJA was excluded).

Loans' Quality

Loans with category "Current" increased from Rp 80.29 trillion by end of December 2006 to Rp 105.04 trillion by end of December 2007, while loans with category "Special Mention" was down from Rp 5.65 trillion to Rp 4.99 trillion, while Non Performing Loans (NPLs) decreased from Rp 4.34 trillion to Rp 3.94 trillion in the same period.

As such, the ratio of NPLs improved from 4.81% as of end of December 2006 to 3.46% as of end of December 2007.

The 1.35% decline of NPL occurred in all loan segments. NPL in retail loans was down from 4.38% to 4.07%, in medium loans was from 5.87% to 5.67%, and in corporate loans was from 13.55% to 4.62%; while in micro loans was from 1.36% to 1.19%. Similarly, the net NPL fell from 1.29% in the end of 2006 to 0.88% in the end of 2007. NPL Coverage ratio showed an increase from 154.68% in 2006 to 176.34% in 2007.

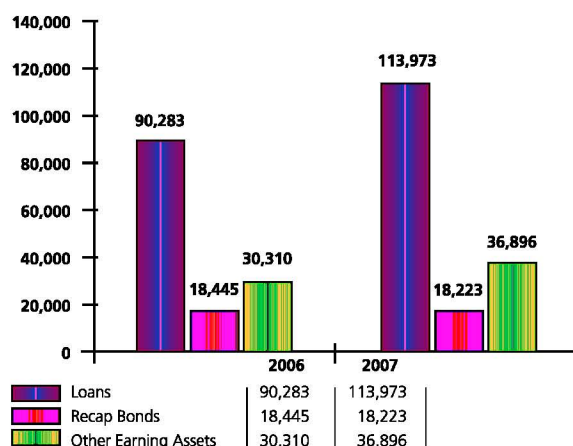
Government Bonds

The management implemented a policy to gradually reduce government bonds holding as reflected in the decline of government bond portfolio in the last three years. The objective of this policy was to obtain sources of financing for loan expansion and higher yield from trading in secondary market. As of 31 December 2007, government bonds portfolio was Rp 18.22 trillion, down 1.21% from the 2006 holding reaching Rp 18.45 trillion.

Therefore, the ratio of government bonds to total assets declined from 11.92% in 2006 to 8.94% in 2007. The ratio of government bonds to total loans also decreased from 20.43% in 2006 to 15.99% in 2007.

Of the total government bonds holding in 2007, 64.11% or amounting to Rp 11.68 trillion was fixed-rate bonds and the remaining 35.89% or a value of Rp 6.54 trillion was floating rate bonds.

Earning Assets Composition in 2006-2007



Third Party Funds

Third Party Funds (TPFs) were funds mobilized from the people in the form of demand deposits, saving deposits and time deposits. Included in the TPFs are *sharia* deposit products, such as demand deposit *Wadiah*, saving deposit *Mudharabah* and time deposit *Mudharabah*.

As of 31 December 2007, TPFs which were successfully accumulated amounted to Rp 165.60 trillion, growing by 33.05% compared to 2006's position of Rp 124.47 trillion. TPFs were the major liabilities for BRI, as it constituted 89.85% of total liabilities.

At the end of 2007, demand deposits reached Rp 37.16%, or grew by 33.37% from previous year position of Rp 27.86 trillion. As the result, the portion of demand deposits in total deposits went up, from 22.39% in 2006 to 22.44% in 2007. Savings position which reached Rp 58.31 trillion in the end of 2006, soared 24% to become Rp 72.30 trillion in 2007. Similar trend occurred in time deposits position, from Rp 38.30 trillion in 2006 to Rp 56.14 trillion, or grew by 46.59%. Time deposit portion to total TPFs increased from 30.77% in 2006 to 33.90% in 2007.

Consequently, high cost of funds portion increased from 30.77% in 2006 to 33.90% in 2007; and subsequently, the portion of low cost funds declined, from 69.23% in 2006 to 66.10% in 2007.

Subordinated Loans

Subordinated loans were intended to strengthen BRI's capital structure (especially tier II capital). The total subordinated loans by end of December 2007 reached Rp 2.14 trillion, a decline from previous year position of Rp 2.23 trillion.

Equity

As of 31 December 2007, BRI's equity was at Rp 19.44 trillion, increasing by 15.16% compared to 2006's position which stood at Rp 16.88 trillion. The increase in equity mainly came from some of 2006 net profits allocation from a total profit of Rp 4.26 trillion as stipulated in 2007 BRI's Annual General Meeting of Shareholders.

Capital Adequacy

Capital Adequacy Ratio (CAR) of BRI at the end of 2007 was 15.84%, below the CAR position in 2006, which was recorded at 18.82%. The declining CAR was due to the faster growth in risk-weighted assets (loans and other earning assets) than the growth of capital to strengthen the capital.

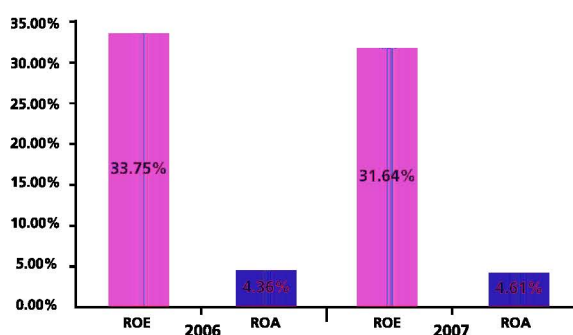
The Table below shows the calculation of the capital adequacy in 2007 and 2006.

Rp billion		
Description	2006	2007
Core Capital (Tier 1)	13,104	15,448
Additional Capital (Tier 2)	1,881	1,819
Placement	(70)	(209)
Total eligible capital	14,915	17,058
Total Risk Weighted Assets (RWA)	79,261	107,711
Capital Adequacy Ratio (CAR)	18.82%	15.84%

Return

Return on Assets (ROA) before tax in 2007 was 4.61%, an increase of 2006's ROA which was recorded at 4.36%. Return on Equity (ROE) which reflects return to the shareholders, decreased from 33.75% in 2006 to 31.64% in 2007.

Financial Ratios : ROE and ROA in 2006-2007



Capital Expenditure

BRI's capital expenditures in 2007 was Rp 417.75 billion, consisting of Rp 43.97 billion for IT expenditure and Rp 373.78 billion for non IT expenditure. This was an increase compared to 2006 expenditure which was recorded at Rp 280 billion, consisting of Rp 69.24 billion for IT expenditures and Rp 210.93 billion for non IT expenditures.

Loans Write off

The written-off loans mentioned here is for written-off loans of PT Bank Rakyat Indonesia (Persero) Tbk., excluding its subsidiary. Principal loans written-off in 2007 amounted to Rp 2,124.36 billion, an increase of 107.66% than that of in 2006 recorded at Rp 1,023 billion. The recovery from written off loans in 2007 was Rp 584.58 billion, a decrease of Rp 37.68 billion (6.06%) from 2006's position which was recorded at Rp 622.26 billion.

Tax Contribution

In addition to the dividend paid to the government, BRI also contributes tax payment to the government. In line with BRI's profit growth, the tax paid by BRI also increased. Tax contributions mentioned in the table below is from PT. Bank Rakyat Indonesia, excluding subsidiary. Tax contribution in 2007 increased by 45.86% compared to that of in 2006.

Tax Contribution of BRI from 2004-2007

(Rp million)

NO	DESCRIPTION	2004	2005	2006	2007
I	HEAD OFFICE				
A	Income Tax (PPh)				
1	PPh Article 4 (2) Final	472,252	519,801	945,076	940,111
2	PPh Article 15	-	-	-	-
3	PPh Article 21	-	-	-	-
4	PPh Employees Article 21 (WAPU)	319,796	417,177	397,624	407,949
5	Corporate Tax (PPh Badan)				
a.	PPh Badan Article 25	2,208,610	1,829,246	1,831,877	3,310,965
b.	PPh Badan Article 29	-	-	-	-
6	PPh Article 22	-	-	-	-
7	PPh Article 22 (WAPU)	5,975	7,705	5,042	3,998
8	PPh Article 23 (WABA)	-	-	-	-
9	PPh Article 23 (WAPU)	82,643	34,798	35,441	41,042
10	PPh Article 26	-	-	-	-
11	PPh Article 26 (WAPU)	-	-	-	-
B	Value Added Tax (PPN)				
1	PPN Goods and Services				
a.	Outgoing	2,982	2,457	2,682	1,966
b.	Incoming	-	-	-	-
2	VAT for Luxuries Goods (PPnBM)	-	-	-	-
C	Land and Building Tax (PBB)	4,624	5,242	6,135	6,984
D	Custom (Bea Masuk dan Cukai)	-	-	-	-
E	BPHTB	-	-	-	-
F	Other Taxes *)	-	-	-	-
	SUB TOTAL	3,096,882	2,816,426	3,223,877	4,713,015
II	REGION				
A	Vehicle Tax (Pajak Kendaraan Bermotor)	12,987	13,565	13,550	9,066
B	Vehicle Transfer Tax (Bea Balik Nama)	-	-	-	-
C	Fuel Tax (Pajak Bahan Bakar Kendaraan Bermotor)	-	-	-	-
D	Others *)	-	-	-	-
	SUB TOTAL	12,987	13,565	13,550	9,066
	TOTAL (I+II)	3,109,869	2,829,991	3,237,427	4,722,081

*) Detailed is according to the tax paid by the company

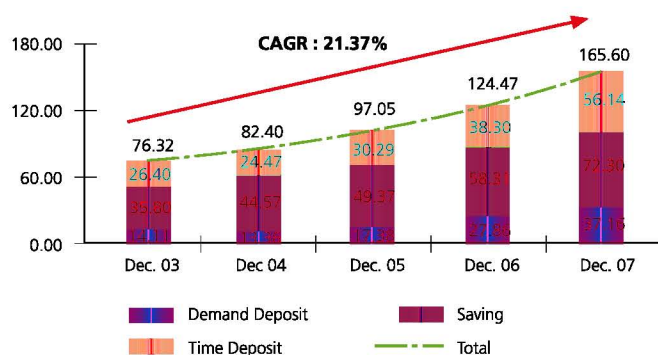
Solid and Sustainable Funding Growth...

Consistent growth of the third party funds relying on low cost of fund sources has benefited BRI in maintaining high Net Interest Margin.

In 2007, BRI recorded a significant growth of Third Party Funds (TPFs), which proved BRI success in collecting funds in the last 5 years. By the end of December 2007, BRI total deposits was recorded at Rp 165.60 trillion, or an average growth of 21.37% yearly from 2003's position at Rp 76.32 trillion. BRI's deposit growth rate for the last 5 years is higher than the industry's rate which reached 14.19%

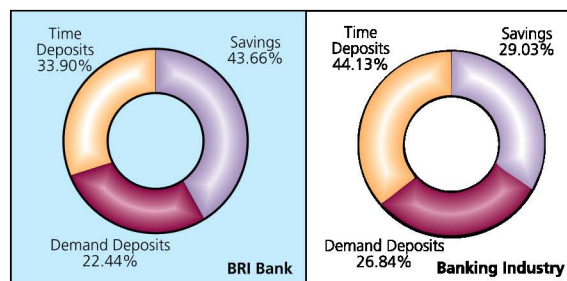
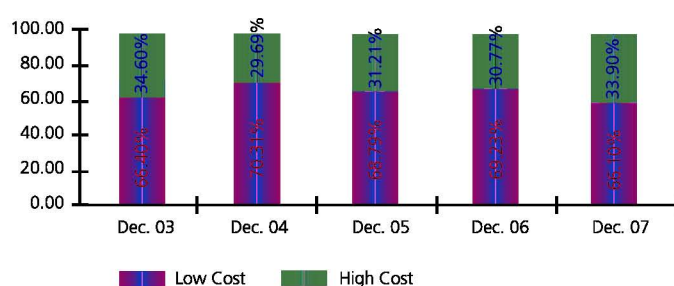
In 2007, low-cost funds consisting of savings and deposits comprised 66.10% and high cost funds or time deposits comprised 33.90%. This composition was better than the industry which stood at 55.87% for low cost funds and 44.13% in high cost funds.

Third Party Funds growth



The BRI's TPFs growth is accompanied by the consistent ratio of low cost of funds maintained at 60 % while high cost of funds was at 40%. Composition of TPFs is shown in the diagram below:

Third Party Funds composition

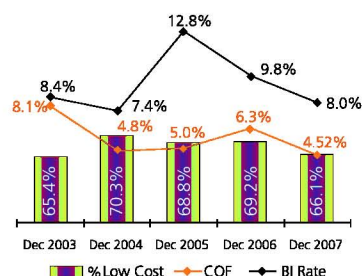


The accomplishment in maintaining low cost funds dominance is an important factor in keeping BRI's Cost of Funds (COF) low besides the declining trend of the BI rate. For the last 5 years, COF BRI has shown a significant drop from 7.85% in 2003 to 4.52% in 2007.

BRI's COF for the last 5 years has been at a lower figure than BI rate which is a benchmark rate for the banking industry. This low cost of funds is a result of retail savers domination on the funding, which has become BRI strength as a bank focusing on MSMEs. By the end of December 2007, there were more than 25 million accounts, providing a huge customer base for BRI's business development in the future.



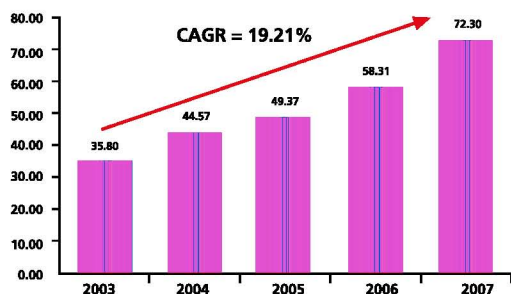
Percentage of low cost funds, COF and 1 month BI rate



Savings

Of BRI's total TPFs, the biggest portion is from savings which comprised 40% of total TPFs. The amount of savings in BRI in 2007 was Rp 72.30 trillion, while in 2003 was Rp 35.80 trillion.

Growth of Savings

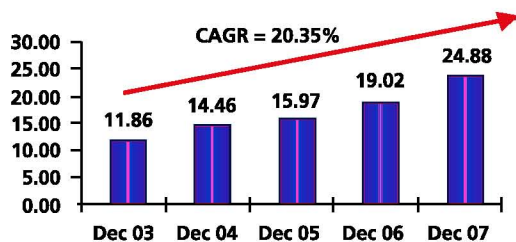


BRI has 2 types of savings, *BritAma* and *Simpedes*.

• BritAma

BritAma is a saving product offered through all BRI's online outlets. This product has complete consumer banking features to attract urban people to save money. For the last 5 years, the average annual growth rate of BritAma was 20.35%, from Rp11.92 trillion in 2003 to Rp 24.88 trillion in 2007.

The Growth of BritAma (Rp trillion)



To increase urban people awareness of BritAma, in mid of 2007 BRI launched a marketing program called "*Untung Beliung BritAma*" which provided 208 cars for 'lucky draw' in 14 big cities. The program which ran from May to September 2007 attracted people attention and contributed to BritAma growth through new savers acquisition and topped up the balance of existing savers. This can be seen from the growth of BritAma in 2007 which was higher than that of previous years. BritAma in 2007 grew by Rp 5.91 trillion or 31.15%; hence BritAma composition to total savings became 34.41%, increasing from 32.53% in 2006.

A creative marketing program, *Untung Beliung BritAma* received many awards including The Best Sales Promo Ad 2007 (*Untung Beliung BritAma* : landed on the tree version) from Jawa Post newspaper and The First Winner: The Best Prize Rewards Program from SWA Magazine. In addition to *Untung Beliung BritAma* program, other marketing activities for promoting BritAma was through BRI outlets using many programs such as direct selling, exhibition, awareness program and merchant discount program.

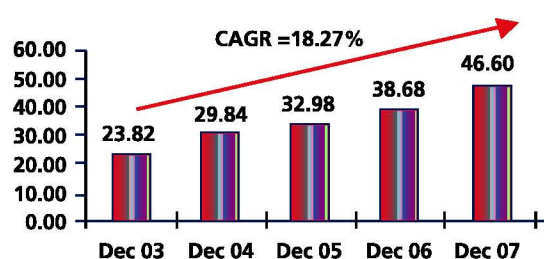




• Simpedes

Simpedes gave the biggest contribution to BRI total savings, 64.45%. This saving product is offered through BRI outlets especially BRI Units (micro outlets) because Simpedes is aimed at absorbing funds from rural areas. Within the last 5 years, Simpedes has grown by 18.27% annually, from Rp 23.95 trillion in 2003 to Rp 46.60 trillion in 2007.

Simpedes Growth (Rp trillion)



To enhance Simpedes features, since 2006, BRI has launched cards for Simpedes (Simpedes Berkartu) for Simpedes savers. This card product enables savers to make on-line transactions, like BritAma savers, in all BRI's on-line outlets.

For Simpedes savers, BRI holds 'lucky draw' twice a year at regional level which provides bigger opportunity for the savers to win many gifts/prizes.

Other Savings products

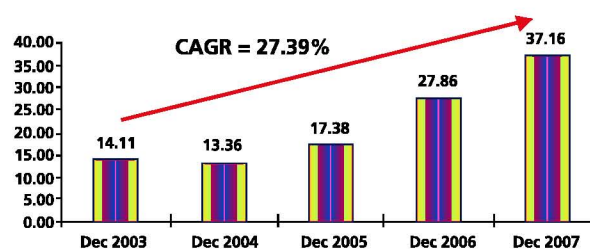
• Hajj Savings

To prepare for Hajj pilgrimage for the moslem customers, BRI offers Hajj Savings through all BRI outlets. In 2007 the amount of Hajj Savings was Rp 590 million, increasing 4% from the amount in 2006.

Demand Deposits

Demand deposits are offered through BRI outlets in rupiah or in foreign currencies. In 2007, demand deposits in BRI was recorded at Rp 37.16 trillion from Rp 14.11 trillion in 2003, growing by 27.39% annually within the last 5 years.

Demand Deposit Growth (Rp trillion)



In the last 2 years, BRI demand deposits grew significantly coming from institutional funds. Realizing a huge market potency from that segment, BRI established new a working unit, Institutional

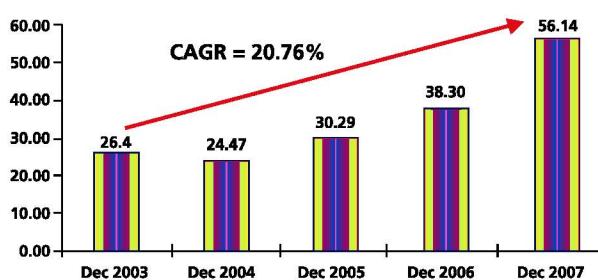
Relations Division, to provide services to the institutions. The main duty of this division is to plan, organize, monitor and evaluate funds mobilization especially sourcing from state budget or regional government budget channeled through departments or regional governments and other institutional funds. Besides fund mobilization, the institutional relations development also aimed at increasing funding-based and fee-based income growth.

In 2007, some efforts were undertaken to increase demand deposits outstanding, such as maintaining the existing customers through business gathering and acquiring new customers through joining TSA (Treasury Single Account) tender from the Ministry of Finance. BRI won the tender as BO I (Operation Bank I) in 162 out of 178 Government Payment Agencies (KPPN), giving an opportunity to have low cost funds in the form of demand deposits from the state budget and increasing customer base to maintain the stable growth of demand deposits.

Time Deposits BRI

This product is offered in BRI outlets both in *rupiah* or foreign currencies, with tenor of 1,2, 3,6,12,18,24 months. For the last 5 years, BRI time deposits has grown by 20.76% annually, from Rp 26.40 trillion in 2003 to Rp 56.14 trillion in 2007.

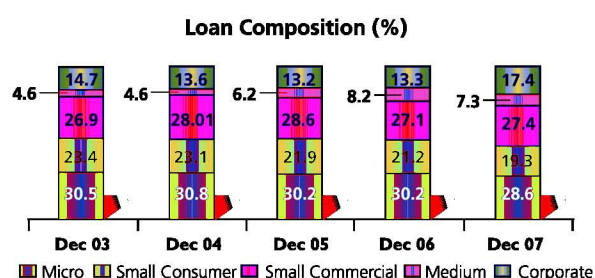
Time Deposits Growth (Rp trillion)



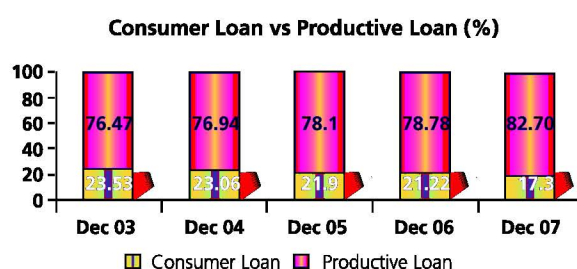
Maintaining High Quality Loan Growth

The experience and success in financing Micro, Small and Medium Enterprises (MSME) had placed BRI on a solid ground to provide best services in MSME sectors and keeps focusing on this sector as BRI's business.

Loan target was still prioritized at minimal 80% from total loan portfolio in MSME sectors, then the remaining 20% was used for Corporate Loans. As of December 2007, the total amount of loans was recorded at Rp 113.97 trillion, in which 82.62% was distributed to MSME segments.



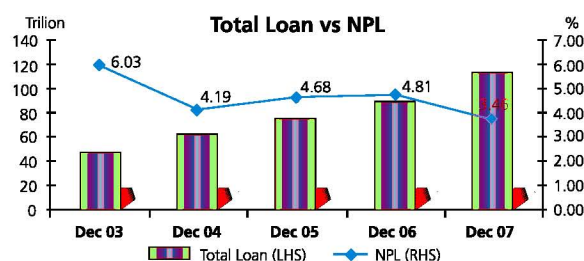
BRI loans expansion strategy is to finance business activities in productive sectors giving multiplier effects for the economy. This strategy is expected to bring positive impact on economic improvement by increasing real sector capacity, opening more job opportunities and increasing purchasing power. Loans disbursed to the productive sector as of December 2007 was recorded at 82.70% of BRI's total loans.



BRI's commitment to giving loans has always in line with prudential banking practices with mainly in loan quality. BRI consistently applies comprehensive risk management to all business lines, by precisely tapping the target markets which have prospective business, well-performed debtors, and conducting advisory and regular monitoring.



With risk management implementation, BRI can maintain Non performing Loan ratio in the minimum level, as reflected in the declining trends of NPL ratio within the last 5 (five) years, with the highest record at 6.03% in December 2003 and 3.46% at year end 2007.

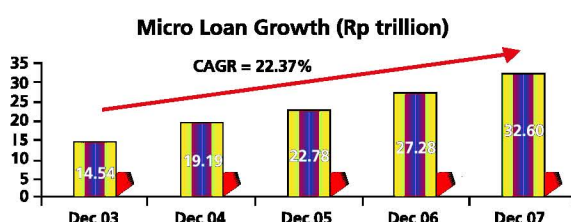


BRI classified loan segments into four: Micro loans, Small loans, Medium Loans, and Corporate Loans.

Micro Loans

Micro loans (Kupedes) are loans extended through BRI Units in the amount up to Rp 100 million. These loans are classified into three categories: working capital loans, fixed asset loans and loans to individuals (fixed-income loans).

Micro loans had increased steadily, from Rp 14.54 trillion in December 2003 to Rp 32.60 trillion in December 2007, or an annual growth of 22.37%. In the same period, there was a significant progress in the number of costumers, from 3.10 million people in December 2003 to 3.52 million people in December 2007.



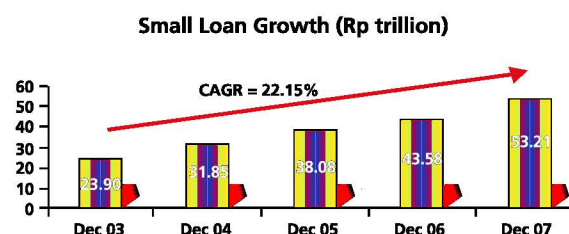
Generally Kupedes clients are small traders in rural and urban areas close to BRI Units. Some factors attributed to the high growth of Kupedes included improved services of BRI Units in general, and Kupedes in particular, by launching Kupedes loan size up to Rp 100 million for businesses, and improving human resources capacity, both in loan services and strategies to encounter the increasing competition in micro segment. In addition, the economic development and trustworthiness of micro entrepreneurs in rural areas has given significant contribution to Kupedes.



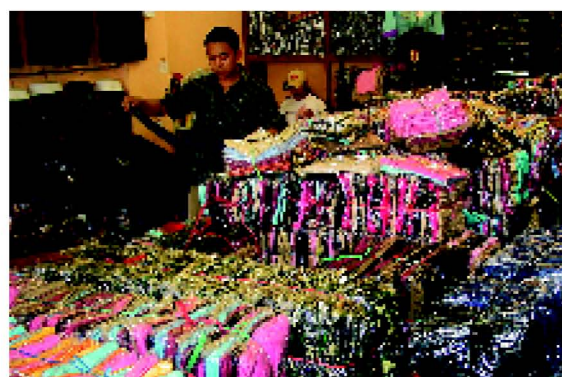
Small Loans

Small (retail) Loans are offered through Branch Offices, Sub Branch Offices and Regional Offices, in the amount of Rp 50 million up to Rp 5 billion, in either direct or contingent facility. Small Loans consist of Small-scale Commercial Loans and Small-scale Consumer Loans. The growth for this segment was

increasing progressively, reaching Rp 53.21 trillion or increasing by 22.10% compared to 2006 which was Rp 43.56 trillion. The average annual growth rate within the last 5 years from 2003 to 2007 was 22.15%.



A sound small loan growth was affected by aggressive selection strategy to penetrate the small loan market even in a tight competition market since BRI has lot of experiences and is supported by qualified human resources which enable market acquisition in this segment.



From the loan purposes point of view, there was a shift of using loans for more productive purposes, which was shown by the growth of small commercial loans faster than that of small consumer loans. From December 2003 to December 2007, small commercial loans grew on average by 25.20% from Rp 12.70 trillion to Rp 31.21trillion. Meanwhile, small consumer loans within the same period (2003 – 2007) grew by 18.39% from Rp 11.20 trillion to Rp 22.00 trillion.

The portion of small commercial loans to total loan as of December 2007 reached 27.38%. The outstanding of small loans increased by 27.81% (Rp 6.79 trillion) becoming Rp 31.21 trillion compared to December 2006 which was Rp 24.42 trillion.

The portion of small consumer loans to total loans decreased from 21.22% in December 2006 to 19.30% as of December 2007.

Small-scale Consumer Loans are loans used for consumption purposes and the products offered are as follow:

This is the type of loan extended to employees of selected private companies, State Owned Enterprises or government institutions, and fixed-income retired employees, for various purposes. With relatively easy procedures and low interest, the loan scheme greatly attracts people. The loan scheme is quite safe since the payment is secured by automatic deduction of consumers' salaries (payroll) every month.

Mortgage

Car and Motorbike Loans

Besides disseminating the loans through marketing effort, BRI has also established a joint-cooperation with a multi-finance company, namely PT. Wahana Oto Mitra (WOM) Finance since March 2004. This cooperation results in a good synergy and risk minimization, since the multi finance assumes the role of payment guarantor. By December 2007, the disbursement of automotive loans reached Rp 349 billion.

The Small-scale Commercial Loan are loans intended to finance business activities as working capital or investment. Besides being used for business development, Small-scale Commercial Loans are also meant for supporting government programs.

Program Loans

The Commercial Program Loans Include:

KUR is loan for working capital and or investment to Micro, Small and Medium Enterprises (MSME) and Cooperatives showing productive and feasible business. KUR, which was launched on November 5, 2007, is a type of loan for feasible but not bankable businesses. KUR loan does not require any additional collateral. The 70% of loan risk will be guaranteed by government. Maximum loan exposure is Rp 500 million with 16% effective interest rate. As of December 2007, the outstanding KUR loan was Rp 238.651 billion.



Loans for Members of Primary Cooperatives

To finance this type of loan, BRI conducted a partnership program with PT. Permodalan Nasional Madani (PT PNM). This loan is intended to finance palm oil plantations, livestock productions, sugar cane plantations, and other primary commodities. By the end of December 2007, the loan outstanding was Rp 377.14 billion or 9.25 % of total Program Loans.



Rural Income Generating Loans

Rural Income Generating Loans (P4K) is a loan extended to farmer groups, which is disbursed in cooperation with The Ministry of Agriculture. The loan is aimed at funding productive businesses for people living below poverty line, with a loan ceiling from Rp 500 thousand to Rp 2 million for each member of the group. The P4K loan distribution reached Rp 35.87 billion by the end of December 2007.

The following loans fall under the category of Subsidized Program Loans.

Food Security Loans

Food Security Loans (KKP) is a government-subsidized loan, in the form of subsidized interest rate for farmers to finance the intensification of some commodities, including rice, corn, soybean, sweet potatoes, cassava, sugar cane, and food production, as well as livestock. By December 2007, KKP loan for commodities was Rp 101.15 billion, for food production was Rp 16.36 billion, for live stocks was Rp 92.78 billion, and for sugar cane was Rp 373.186 billion.

Micro and Small Business Loans (KUMK-SUP)

KUMK is a loan which uses government funds in the form of government bonds (SUP). In 2006 BRI obtained SUP in the amount of Rp 500.00 billion, which was withdrawn in three periods. In the first period, Rp 250.00 billion was withdrawn, the second withdrawal was Rp 100.00 billion, and the third withdrawal was Rp 150.00 billion. By the end of December 2007, the amount of loan disbursement reached Rp 383.37 billion.

PEMP Loans

This is the type of loans intended to empower the economy of people living in coastal areas. PEMP loan is a loan from a joint-cooperation between BRI and The Ministry of Marine and Fishery targeted to cooperatives in coastal areas. This loan is meant for the sustainability of the cooperatives' working capital. As the end of December 2007, the loans expansion was Rp 56.59 billion.

Channeling Loans

BRI was appointed to channel overseas loans granted to State-owned Enterprises, Regional State-Owned Enterprises, Regional Administrative Government, National Electricity Company, National Gas Company, National Telecommunication Company, National Shipping Company, and others. The total Channeling Loans extended until end of December 2007 reached Rp 11.28 billion.

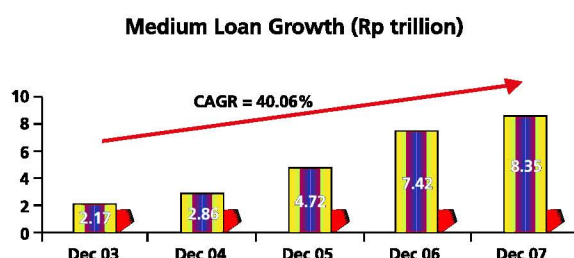
Medium-Scale Loans

Medium-scale Loans are extended through BRI Branch Offices, Regional Offices, and Head office (General Business Division and Agribusiness Division) with loan size of > Rp 5 billion to Rp 50 billion.



The loans may be originated/initiated at Branch Offices, Regional Offices, or the Head Office. Loan decisions will be made at either Regional Offices or Head Office in accordance with the loan approval authority, while the loan is administered by the appointed booking branches.

Medium-scale Loans are intended to finance working capital as well as investments in various economic sectors, such as in agriculture, mining, industry, trading, and business services.



By end of December 2007, the total Medium-scale Loans reached Rp 8.35 trillion, or rose by 12.5% from the previous year's position. The average annual growth rate within the last five years (2003-2007) was 40.06%.

Corporate Loans

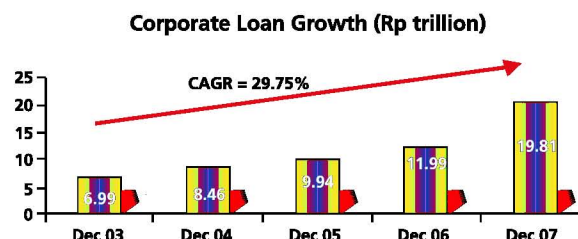
Corporate Loans are loans extended through BRI Head Office (General Business Division and Agribusiness Division) in the amount of over Rp 50 billion up to BRI's legal lending limit.

The originator of Corporate Loans is General Business Division or Agribusiness Division in the Head Office. The loan decisions are made in accordance with the loan approval authority in the Head Office, either by Directors' Credit Committee (2 Directors) or BRI Credit Committee (4 Directors and President Director). Meanwhile, the management of the loan is administered in the appointed booking branch.

The purposes of Corporate Loans are for financing working capitals as well as investment in various economic sectors, such as agriculture, mining, industry, trading, and business services.

To stay focus on MSMEs, the portion of Corporate Loans to total loans is set to be in a maximum of 20%.

By the end of December 2007, the outstanding of Corporate Loans reached Rp 19.81 trillion and the average annual growth rate for the last five years was 29.75%. The portion of corporate loans as of end of December 2007 was 17.38% of BRI total loans.




In accordance with the target market of corporate loans, corporate loans are categorized into Loans to State-Owned Enterprises, loans to agribusiness sectors, and loans to other sectors including trading and infrastructure.

Agribusiness Loans

Agribusiness Loans are loans for individual or corporates dealing with agribusiness in broad term, both for on-farm or off-farm activities, such as agriculture, plantation, forestry, animal husbandry, fisheries, trading and other services related to agribusiness.





Agribusiness loans can be extended by Branch Offices, Regional Offices, and Head Office. In Head Office, the Agribusiness Division is dedicated to managing agribusiness loans for medium-scale and corporate, with loan size of over IDR 5 billion to BRI Legal Lending Limit.

The total loans to Agribusiness as of December 2007 reached Rp 22.25 trillion or grew by 35.39% from December 2006 position. The portion of agribusiness loans was 23.94% to total loans as of December 2007.

Loans distributed in each agribusiness sectors as of December 2007 were as follows: Rp 6.40 trillion micro loans; Rp 11.56 trillion small loans; Rp 1.53 trillion medium loans; and Rp 7.75 trillion corporate loans.

For agribusiness loan scheme, since 2006 BRI has also distributed loans called KPEN RP (Loans for Bio-fuel Developments and Agriculture Revitalization). This loan is directly given to the farmers (through cooperatives) or using nucleus – plasma scheme to support the development of alternative energy and agriculture revitalization. The commodities financed by KPEN-RP scheme are palm oil, sugar and rubber.

The interest rate for KPEN-RP is the same as commercial loan rate. If in cultivation period the plantation area has not produced yet, then government will subsidize the interest. The farmers will only pay 10% interest rate.

Loans to General Businesses

The General business Division is responsible for financing corporations outside of agribusiness sector and State Owned Enterprises, such as manufacturing industry, trading and business services. As an effort to develop the business, BRI has been participating in syndicating loans to finance infrastructure projects (financing power plants and toll roads). The main consideration of entering the infrastructure project was to support the acceleration of economic growth, give trickle down effects to encourage other sectors, and provide employment opportunities which will support the development of banking business.

Loans to Stated-Owned Enterprises

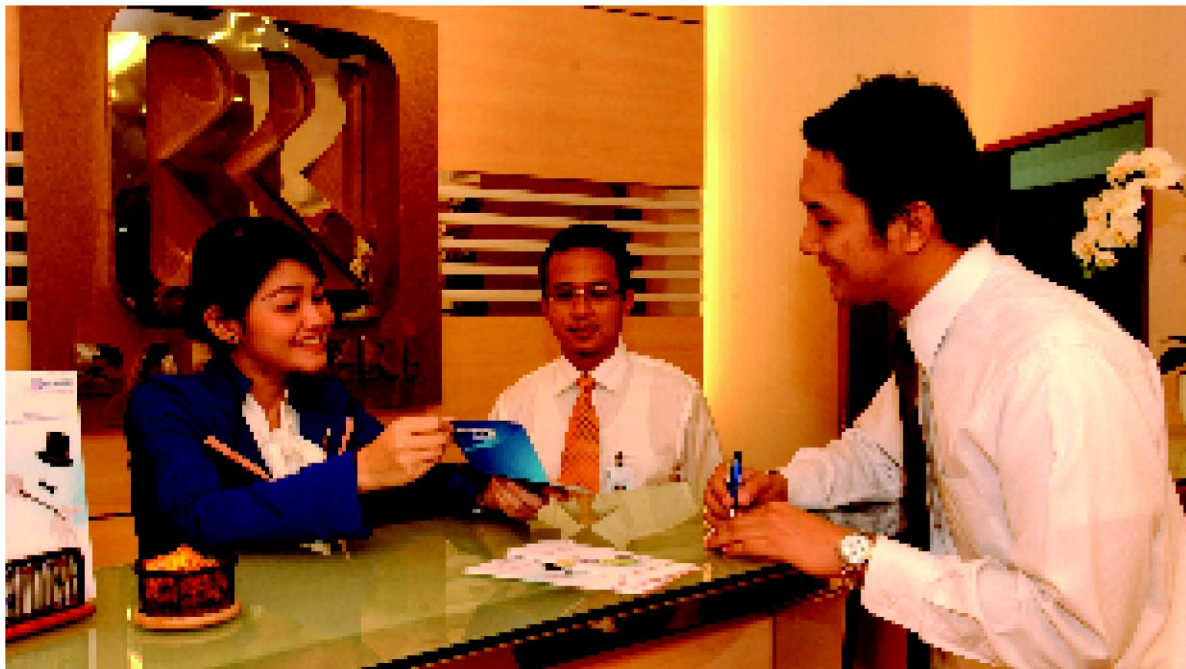
In 2007, BRI set up a new division for financing Stated Owned Enterprises. Loans to Stated Owned Enterprises was distributed through Head office with loans of more than Rp 5 billion to the maximum BRI's Legal lending limit (LLL). The new division was formed in order to build a synergy between Stated Owned Enterprises and State-Owned Banks.

The originator of Corporate Loans is Stated Owned Enterprises Business Division in the Head Office. The loan decisions are made in accordance with the loan approval authority in the Head Office either by Directors' Credit Committee (2 Directors) or BRI Credit Committee (4 Directors and President Director). Meanwhile, the management of the loan is administered in the appointed booking branch.

The total loans to Stated Owned Enterprises (SoE) as of December 2007 reached Rp 4.74 trillion. The SoE's loan composition to total BRI's loan portfolio was 4.16% at year end 2007.

Completing Customers' Needs with Varied Banking Services

BRI provides varied banking services to complete and perfect its services to customers. With much more complete services, BRI is capable of optimizing its fee-based income or commission gained from these banking services.



General Banking Services

- **Transfers**

BRI provides service of transferring money to both national and international receivers. For transferring money to international receivers, BRI has been in cooperation with Western Union, an international money transfer service provider with more than 335,000 agencies in 200 countries. Besides providing this conventional money transfer service, BRI also provides ATMs which customers can use to transfer money from one account to another account in BRI, or among accounts in the banks linked by a network of ATM Bersama or ATM Prima.

- **Bill Payments**

BRI provides services for customers who want to pay their electricity and telephone bills, including cell phones, credit cards, and loans, through tellers in the branch offices, sub-branches, or the nominated BRI Units (micro outlet). Bill payments can also be made by means of ATMs as well as phone banking facility. Currently, credit cards' bills that can be paid through tellers or

BRI ATMs are for those credit cards issued by Standard Chartered Bank, Citibank (Citibank EazyPay Loan and Citifinancial), ANZ Panin Bank, HSBC, and BRI. The service of loan installment payment is provided for such loans as KTA Standard Chartered Bank, HSBC Personal Loans, and Federal International Finance (FIF) Motorbike Loans. In addition, BRI is also providing service for the payment of subscribed satellite TV Channel (Indovision) bills through tellers.



• **BRI Debit Cards**

By December 2007, the number of BRI Debit Cards issued in cooperation with MasterCard stood at 2,076,000, compared to 1,598,478 cards in 2006. There are three kinds of BRI debit cards: regular, gold, and platinum, which can be served at 1,262 BRI ATM stations and other ATMs in cooperation with BRI throughout Indonesia. In addition to being able to be used for shopping in merchants with MasterCard and Maestro logos and cash withdrawal, BRI Cards offer such convenient services as account-to-account transfers, bank-to-bank transfers (including Joint-ATMs and Prime ATMs), payments for credit cards (BRI, ANZ, Citibank, HSBC, SCB, and ABN Amro), payments for consumer loan installments (KTA, Citibank Personal Loans, HSBC, SCB, ABN Amro, Citifinancial, Citibank Ready Cash), payments for Motorbike Loan installments (FIF, BAF, SOF), payments for telephone, electricity, and cell phone bills (Telkomsel, Matrix, IM3), purchases of air-time refill vouchers (Simpati, Mentari, IM3, XL Bebas, Kartu AS, Starone), purchases of airplane tickets (Garuda, Lion Air, and Mandala Airlines), as well as payments for subscribed satellite TV Channel bills (Indovision, Top TV, and Astro).

To complete the services provided for customers of affluent or high net worth individual segments, particularly those living in 14 big cities, with account balance of above Rp500 million, BRI offered BRI Priority Service in December 2007. This service is intended to provide customers of that segment with wealth management consultation services, financial transactions, and other investment alternatives like Bancassurance, Mutual Funds, Pension Funds.

• **Credit Cards**

Since its initiation in February 2006, BRI Credit Cards has significantly increased in number, increasing by 125% (from 50,027 cards to 112,614 cards by December 2007). BRI Platinum Credit Card was then launched in December 2007.

A number of marketing programs were undertaken to increase the sales volume and ending net receivables (ENR). Sales volume increased by 244% from Rp172.38 billion in 2006 to Rp592.67 billions in 2007. ENR grew by 192% from Rp88.75 billions in 2006 to Rp260.29 billions in 2007. The outstanding of each card increased by 33% from Rp1.77 millions in 2006 to Rp2.31 millions in 2007.

This significantly increased BRI fee-based income from Rp4.46 billion in 2006 to Rp21.30 billions in 2007 (increasing by 376%). Interest income also underwent significant increase by 280% from Rp9.40 billions in 2006 to Rp35.72 billions in 2007.

Throughout 2008, BRI will run a number of various programs to raise the number of credit cards and sales volume by optimizing sales channels, adding sales centers, and using branding program, telesales, Staff Get Member mechanism, as well as community program. In order to increase the usage of credit cards, BRI will encourage intensive communications with credit card holders and give additional service features with One Bill Payment for electricity, telephone, and other bills as well as installment features of EDC and other channels.

• **E-Banking**

In order to meet customers' needs of more dynamic and modern banking services, BRI has provided phone banking and mobile banking facilities. By calling BRI Call Center at 14017 or 021-57-987-400, customers can access information on their balance, make payment for their credit cards and KTA, telephone, electricity, and cell phone bills, as well as purchase air-time refill vouchers.



The services provided through mobile banking is SMS banking which can be used for such transactions as balance information, BRI account-to-account transfers, purchases of air-time refill vouchers (Simpati, Mentari, IM3, XL Bebas), payments of credit cards, Citibank Personal Loans, and BRI credit cards, as well as PIN alteration. SMS Banking facility can be utilized by the users of Simpati, Kartu Halo, Mentari, IM3, Matrix, XL, Fren, and Esia.

Furthermore, BRI will also compete its e-Banking facilities by developing Electronic Data Capture (EDC) facility, which can take the function of mini ATM.

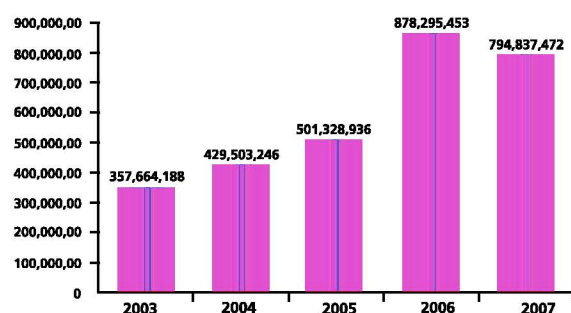


Foreign Currency Transactions

• Export/Import Transactions

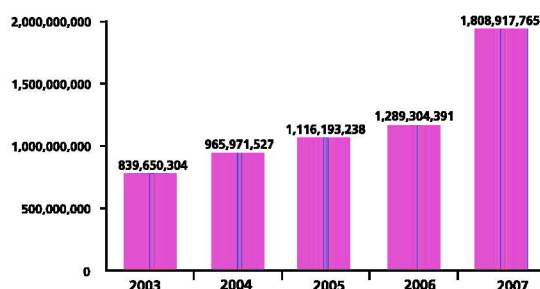
In 2007 BRI export transactions stood at USD 794.84 million, which was realized in more than 70 BRI branch offices. These transactions were slightly below the 2006's achievement (USD 878.30 million) since there were some economic sectors experiencing decline, such as pulp papers, textiles, furniture, etc.

Trends of Export Transactions (USD)



The value of BRI import transactions in 2007 reached USD 1.808 million, increasing by 40.3% from that of 2006 which was USD 1.289 million. This is an obvious increase compared to the increase of import transactions from 2003 to 2007.

Trends of Export Transactions (USD)

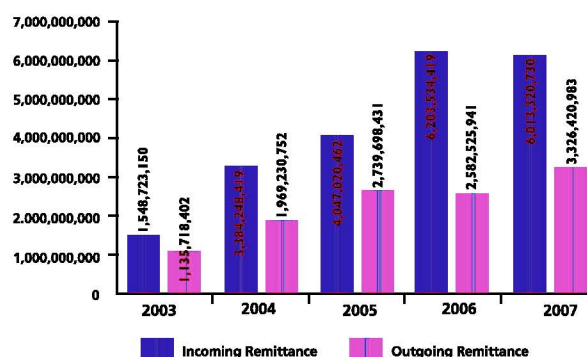


In 2008, BRI will keep developing its export/import services to export-oriented potential customers, particularly small and medium enterprises, by expanding its export networks in all BRI branch offices. In order to expand and ease customers' access to marketing their products overseas, BRI will also provide customers with technical assistance in export/import, send them to trade export exhibitions, and give them facilities for the ease of their export transactions.

• Remittance Transactions

Besides export and import transactions, remittance is one of foreign currency services, which contributed to BRI fee-based income. The value of BRI remittance transactions during 2007 stood at USD 3.326 million of incoming remittance, and USD 6.031 million of the outgoing one; so, the total value of 2007's remittance transactions increased by 65.65% compared to that of 2006.

Trends of Remittance Transactions (USD)



Some of the programs carried out to enhance remittance services are expanding cooperation networks with banks or financial institutions in Indonesian Migrant Workers base countries, like Middle East, Malaysia, Hong Kong, and Singapore. In 2007, BRI was in cooperation with 15 institutions (correspondence banks and remittance companies) of various countries. BRI was also in good cooperation and coordination with a number of



institutions in Indonesia, such as Indonesian Overseas Workers Service Company and Department of Manpower, to execute joint-programs to help and enhance the deploy of Indonesian overseas workers as well as serve their needs of making financial transactions nationally or internationally.

Other Bank Services

• Trustee Services

As a trustee, BRI represents the interests of bondholders both inside and outside the court, oversees the exercise of the bondholders' rights in accordance with the bonds requirements as indicated in the Trusteeship Agreement and the relevant laws and regulations. At present, BRI becomes the trustee of 13 emitters with the total bond value reaching Rp14.04 trillion; while the fee collected from this service reached Rp3.88 billion. As the number of companies issuing bonds through capital market increased, it is expected that BRI trustee service will develop despite the tight competition.

• Mutual Funds Selling Agents

BRI has been licensed to be a Mutual Selling Agent in the form of Collective Investment Contract. At present BRI is a mutual selling agent for AAI Prime Bond Funds, AAI Opportunity Balanced Funds, AAI Liquid Funds, IPB Kresna, and IPB Syariah. BRI was also appointed to be the selling agent for Indonesian Retail Bonds (ORI) with its vast networks all over Indonesia. In 2008, BRI will establish cooperation with some investment managers (such as Trimegah Securities, Darareksa Investment Management, etc.) to add the types of mutual funds sold through BRI networks.

The fee collected from becoming a mutual fund and ORI selling agent in 2007 was Rp 2.156 billion and Rp 837 million.

• Custodian Services

BRI custodian services cover such services as:

- Portfolio valuation and deposit administration
- Settlement handling
- Income collection, including tax payments
- Corporate actions and proxy services
- Information and reporting services, including web information
- Custody of mutual funds and financial institution pension funds
- BBRI stock brokerage on-line services

As of December 2007, BRI managed 44 custodian customers comprising pension funds institutions, financing companies, securities, insurance companies, mutual funds investment managers, and other companies. The total assets which were managed by BRI Custodian as of December 2007 reached Rp14.4 trillion; while the total fee collected from this service was Rp6.2 billion.

BRI Custodian customers can access information on their portfolio values through 'customer information e-access'-making them convenient in monitoring their portfolio and its development.

• Dealing Room

As a part of Treasury Division, Dealing Room Department is inseparable from the strategic role of this division in managing BRI assets and liabilities. Dealing Room keeps increasing its income by developing cooperation with local and international counter parties for its transaction or non-transaction activities.

In 2007 BRI successfully maintained its position as the leader in Indonesia capital market. BRI was also appointed by the Department of Finance as one of the primary dealers in Government Bonds trading as well as the market maker.

BRI as one of the selling agents of Indonesian Retail Bonds (ORI) also provided services for the purchase of ORI in secondary market by giving customers two-way price. This was meant to support customers socialization and education program in retail investment products in Indonesia.



In the future, BRI will continue developing its products to serve priority customers and other individual customers. Information system development will always be maintained to improve the effectiveness and efficiency of management monitoring so as to reduce operational risks.

- **Financial Institution Pension Funds (DPLK)**

BRI Pension Funds (DPLK) refers to the financial institution providing pension fund management services for individual and corporate customers. BRI Pension Funds started its operation on January 9, 2006; and by December 2007 it managed the pension program for 38,000 BRI employees with total assets of Rp670 billion.

BRI Pension Funds keeps developing the types of pension programs to generate better investment benefits for its customers.

The pension programs offered to customers are of four types of investment, namely money market, fixed income, stocks, and combination of those three types. A number of convenient services are provided for customers, for instance the ease in regular fund deposit or at any time fund deposit.

Any BRI Pension Funds customer has access to monitor the development of his/her pension funds through a number of instruments, like mass medias, BRI Pension Funds Quarterly Investment Report, and website at www.investment.bri.id.

In 2008, BRI Pension Funds will develop features of pension programs in order to enhance its service quality and products in accordance with customers' changing needs. For example, BRI Pension Funds provides its customers with insurance protection and easy instruction setting for regular deposits/installments by means of BRI ATMs.

BRI decision to tap into banking business based on sharia principles by opening BRI Sharia Business Units (called BRI Syariah) on December 7, 2001 is an appropriate move.

This decision was not only a means of meeting customers' needs and satisfactions which keep changing, but also one of BRI's responsibilities to improve the condition of people's economy. Another reason for BRI to get into this sharia-based banking business is for the Bank to acquire "competitive advantages" from sharia banking products under the principles of fairness and transparency. This results in high accountability, which is in line with the spirit of Good Corporate Governance BRI has implemented.

BRI Sharia business started on April 14, 2002 with the operation of two BRI Sharia Branch Offices in the city of Jakarta and Serang. BRI Sharia business showed significant development which can be seen from the addition of BRI Sharia networks. By December 2007, BRI Sharia operated 27 BRI sharia branch offices and 18 BRI sharia sub-branch offices all over Indonesia. In the future, the development of BRI Sharia networks will be focused on creating a synergy between BRI Sharia and BRI conventionals through office channeling mechanism in all BRI operational networks potential for opening Sharia businesses.

As of December 2007, the performance of BRI Sharia showed a positive trend. The total Sharia financing stood at Rp1.13 trillion, increasing by 7.68% compared to that of the same period in 2006, which was only Rp 1.05 trillion. This increase was disbursed to 22,200 financing customers, compared to that of 2006 which reached 21,811 customers. From the financing quality point of view, by December 2007 the ratio of non performing financing (NPF) was 4.60%, increasing from the 2006's figure which reached 3.11%. In an effort to reduce the increase of NPF, BRI Sharia had attempted to do restructuring, provisioning, and improving financing quality.

As of December 2007, the total of Sharia third party funds comprising Wadi'ah demand deposits, Mudharabah savings, Mudharabah Hajj savings, and Mudharabah time deposits stood at Rp478.54 billion, increasing from the 2006's achievement of Rp360.82 billion. In an effort to mobilize the third party funds, BRI Sharia conducted such programs as Sharia banking socialization, attractive profit-sharing provision, and door-to-door (office channeling) service for its savers. Besides, BRI Sharia

also developed its savings products by launching card-savings product-Tabungan Britama Syariah using wadi'ah scheme which would make it convenient for customers to take advantage of BRI Sharia banking services.

The increase of sharia financing played significant roles in raising the total assets of BRI Sharia, which by the end of December 2007 reached Rp1.19 trillion, increasing by 4.63% compared to that of 2006 which was Rp1.14 trillion. This increase was followed by the increase of BRI Sharia profits as much as Rp19.60 billion by December 2007, increasing by 13.16% compared to that of 2006 which was Rp17.32 billion.



Within the last five years, sharia banking industry in Indonesia has on average grown by 59%, far beyond the growth of conventional banking industry which was not more than 5% a year. This shows big potentials for the growth of sharia banking in Indonesia.

In order to clarify the development path, enhance the performance, and strengthen BRI competitiveness especially in the segment of sharia banking business, as well as consider the importance of specifically managing sharia banking, in accordance with the Extraordinary General Meeting of Shareholders dated September 5, 2007, BRI management acquired Bank Jasa Arta which would later be converted into a public sharia bank. BRI management had also prepared the spin-off process of BRI Sharia in 2007. After the spin-off, BRI Sharia is expected to grow faster so that it can actively support the strong growth of sharia banking industry in Indonesia.

International Visitors Program

As a bank with international reputation in developing a sustainable microbanking system, BRI always receives visitors from a number of overseas institutions interested in understanding BRI's success in running its microbanking operation.



In 2007, there were approximately 146 visitors representing 23 organizations (banks/non-banks) from 12 countries visiting BRI to attend BRI Microfinance Training & Study Visit Program and see the possibility of establishing a joint cooperation with BRI.

In an effort to maintain and enhance BRI reputation in international microfinance forum, BRI through its International Visitors Program (IVP), in cooperation with The Asian Banker, participated in The Asian Banker Summit 2007 on "Microfinance Forum for Commercial Banks," by assigning several speakers. Through this event, BRI could share knowledge and experience with overseas financial institutions (banks and microfinance institutions) for the development of BRI micro banking business in the future.

BRI also became the resource people (speakers) in a variety of international forums, such as in a seminar and training on Building Partnerships in Micro finance conducted by BWTP (Banking With The Poor) in Jakarta, World Congress on Agricultural and Finance in Bangkok, Asia Pacific Rural Credit Association (APRACA) in Kunming (China), Conference on Micro Credit Financing and Poverty Alleviation (OIC) in Turkey, and Microfinance Network Meeting & Workshop (MFN) in Morocco. In addition, BRI also participated in other international seminars, like Seminar & Training on Building Partnerships in

Microfinance in cooperation with BWTP, GIC, and BRI Training Division; and Asia Pacific Economic Cooperation (APEC) SME Working Group in Bali, which was attended by approximately 100 national and international participants.

At the end of 2007, working together with APRACA, IVP conducted preliminary consulting service for Rural Development Bank (RDB), Cambodia for the purpose of developing a sustainable microbanking system in RDB.

In order to improve micro clients' understanding of financial management, IVP in cooperation with BRI Training Division ran a Financial Literacy Training in Bandung and Surabaya Training Centers. This training was intended to create master trainers who later would provide basic financial management trainings for the end-users—micro customers/non-customers.

These international cooperation forums were used for establishing business cooperation, which was manifested by considering the possibility of building strategic alliances with overseas partner institutions. In this regard, IVP has initiated cooperation in Simpedes TKI (Indonesian Overseas Workers Simpedes Savings) and remittance with Bank Simpanan Nasional Malaysia and Himsataki which is currently being followed up the related divisions.

BRI organization development policy is always adjusted with the demand of business development and banking activities without neglecting prudential banking principles and risk management element in undertaking banking activities.

ORGANIZATION DEVELOPMENT

In order to capture business opportunities in disbursing funds to State-Owned Enterprises (SOEs) and properly manage the funds of private companies and government institutions, in 2007 BRI established the Directorate of Institutional Business (Institutional Banking). This Directorate is supervising two new divisions: SOE Business Division and Institutional Relation Division. The establishment of this Directorate is expected to optimize and become more focused on the fund distributions of SOEs, private companies, and government institutions.

BRI business development strategies still relied on the development of physical outlets in both urban and rural areas as bank offices were still the most attractive outlets for customers in the transactions of micro, retail, and consumer products. In addition to physical outlets, the development of low-cost electronic channels (e-banking) will always be encouraged to improve the operational efficiency and increase fee-based income. In order for them to function optimally and well-coordinated so as to provide the best services, in 2007 BRI established the Directorate of Networks and Services to deal with network development and service enhancement. This Directorate is supervising three new divisions-Retail Business Network Division, Micro Business Network Division, and Service Division.

Furthermore, organization renovations were done in the Head Office and Regional Offices that would enhance coordination and optimize business management, risk management, human resource management, and logistic management in regional levels.

In the future efforts to make perfect BRI organization will always be intended for enhancing business potentials and encouraging performance achievement as indicated in BRI medium- and long-term plan (Business Plan and Corporate Plan).

NETWORK DEVELOPMENT

By the end of 2007, BRI maintained its position as the bank with the most extensive operational networks compared to that of other banks in Indonesia. BRI will keep developing and maintaining its domination of networks and services in urban as well as rural areas.

In an effort to improve its capability in working on business potentials in the region of Jabodetabek and surrounding areas, BRI established Jakarta II Regional Office besides Jakarta I Regional Office. In addition, BRI Yogyakarta Inspection Office was reopened to improve supervisory function. With this transformation, there are currently 14 regional offices and 12 Inspection Offices in BRI Organization.

At present BRI has 5,070 unit offices widespread all over Indonesia in urban and rural areas as well. These operational networks consist of:

- 1 Head Office
- 14 Regional Offices
- 12 Inspection Offices
- 340 Domestic Branch Offices
- 1 Special Branch Office
- 3 Overseas Representatives
- 230 Sub-Branch Offices
- 24 Cash Offices
- 4.300 BRI Units
- 100 Village Service Posts
- 27 Sharia Branch Offices
- 18 Sharia Sub- Branch Offices

With these networks, as of December 2007 there were 2,295 real time on-line working units, covering all divisions in the Head Office, all Regional Offices, all Inspection Offices, all conventional branch offices, all conventional sub-branches, 1,690 BRI Units, and all Training Centers. In the future, real time on-line system will be implemented in all BRI Units.

BUSINESS DEVELOPMENT

Retail Business Development

In searching for new market opportunities and increasing fee-based income, BRI always puts emphasis on cooperation or strategic alliances with either government institutions, private companies, BRI's linkage customers, or the existing network associations.

- **Development of Indonesian Overseas Workers Leading**

The number of and demands for Indonesian Overseas Workers (IOW) keep increasing every year, significantly contributing foreign currencies to Indonesia. To better capture business opportunities of financing these workers, BRI worked together with a number of Private Indonesian Overseas Workers Placement Providers (PIOWPP) to help finance them overseas, like in Australia and Saudi Arabia, by formulating a BRI-PIOWPP lending scheme for IOW.

- **Development of Linkage Business with BRI Partnership Customers**

In developing retail business, BRI ran linkage businesses between retail customers and medium/corporate customers. For example, BRI financed suppliers and distributors of medium and corporate segment customers.

- **Development of Other Strategic Alliances**

Other forms of strategic alliances developed by BRI by December 2007 were as follows:

- Cooperating with some franchisors to realize franchise business potentials in Indonesia.
- Cooperating with PT. Taspen (Savings Fund and Insurance for Government Employees, Ltd) for the payment of pension funds and taking the opportunity of capturing new debtors of Retirement Loans.
- Marketing specific construction loan scheme (BO1 Construction Working Capital Loans) for those contractors whose payments are made through BRI as the Operational Bank 1 (BO 1) optimizing BRI business opportunity as the Operational Bank 1 (BO 1) .
- Initiating businesses with other companies, either private or government.

In the future, BRI will continue building strategic alliances in the forms of retail loan disbursement, new loan scheme creation to suit markets'/customers' needs, and product promotions.

Institutional Banking Development

- **Development of Institution Relation Business**

In order to take the opportunity of mobilizing funds and increasing fee-based income from the existing customers in the institutional banking business, BRI specifically offered products or financial management framework suitable with their financial transaction characteristics, and conducted socialization or business gathering. Meanwhile, the acquisition of new customers was done by participating in Treasury Single Account bidding auction, held by the Department of Finance in which BRI won 162 Operational Bank I (BO 1) out of 178 State Treasury Office regions. BRI also participated in the bidding auction of Subsidy Reserve Funds/Public Service Obligation held by the Department of Finance, offered financial management framework, as well as offered other BRI products based on customers' characteristics.

The Institutional Banking target markets will be expanded in 2008 by developing new Cash Management System (CMS) and opening delivery channels the Departments' and Training Institutions' head offices so as to build up effective and efficient networks.

- **Development of State-Owned Enterprise Business**

State-Owned Enterprises are the most business-potential target markets as they are the backbone of the infrastructure development programs, such as ports, highways, airports, telecommunication, agriculture sector revitalization, and energy security.

With the establishment of a particular division dealing with State-Owned Enterprises and affiliated companies with more than 50% ownership, it is very possible for BRI to be more focused and directed in planning and running its businesses.



Development of Foreign Currency Transactions

In its efforts to improve the performance and quality of remittance services, BRI developed some foreign-currency-related products. Some of the institutional cooperation programs conducted for the purpose of developing remittance transactions are as follows:

- **Cooperation Network Expansion**

The expansion of cooperation networks were undertaken through marketing and cooperation with financial institutions, remittance companies, and exchange house in Indonesian Overseas Workers bases, like Middle East, Hong Kong, Malaysia, and Singapore. In 2007 BRI realized remittance business cooperation with 15 correspondence banks and remittance companies, such as Al Rajhi bank the biggest remittance service provider in Saudi Arabia, Jordan Kuwait bank, and UAE Exchange. The development of remittance market was also followed by the improved remittance service quality by means of the concept of centralized remittance service. This was done by optimizing Remittance Center as remittance backup support in BRI Head Office and implementing remittance automation system cooperation which will be initiated in 2008.

- **Cooperation with Related Domestic and Overseas Institutions.**

While domestic cooperation was established with the Department of Manpower and Indonesia Overseas Workers Service Provider, the overseas cooperation was with Indonesian Embassies overseas through socialization and promotion to Indonesia Overseas Workers, or operational cooperation with Bringin Remittance Co. Ltd., Hong Kong, as BRI subsidiary company which remits the workers' money from Hong Kong to Indonesia.

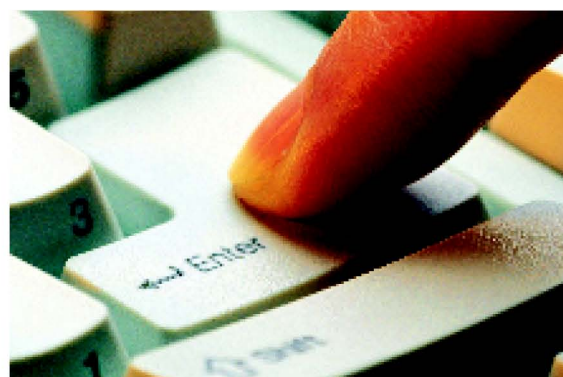
BRI Assets Management

For the sake of optimizing assets in its widespread networks, in 2007 BRI opened a specific working unit in Head Office to undertake Assets Management function. The existence of this working unit is expected to optimize the usage of all BRI assets, including those of problematic assets, to support BRI's businesses. In 2008, BRI will identify problematic assets/properties in all BRI working units and evaluate the effectiveness of its management.

INFORMATION SYSTEM AND BANK OPERATIONS DEVELOPMENT (BUSINESS SYSTEM DEVELOPMENT)

In its long-term strategies, BRI has clearly defined that IT is one of the instruments to win the competition. IT has been developed in line with the strategic planning of business development as indicated in BRI IT Strategic Plan. The implementation of IT Strategic Plan is always monitored by the Information Technology Steering Committee.

In 2007, there were four major activities undertaken in developing BRI IT, namely:



- **BRINETS Core Banking System (CBS) Development**

Throughout the year 2007 on-line working units were added by implementing Core Banking System application called Brinets application in 720 BRI Units. With this implementation the number of BRI Units that were connected 'real time on-line' in 2007 was recorded 1,690 locations distributed in three time zones.





- **Management Information System Development**

The development of Management Information System (MIS) was carried out by perfecting the data accuracy and timeliness and integrating data and information in accordance with business requirements. This was undertaken through the development of Enterprise Data Model, provision of monitoring tools, and development of query builders to support the Bank's comprehensive and integrated operation development and provide business comfort in reporting in line with internal as well as external demands.

- **Electronics Banking Development**

To serve customers 24 hours a day and 7 days a week (twenty four-seven), BRI needs to continuously make perfection of and develop its electronic banking features. Electronic medias enable customers to gain information, communicate, and make banking transactions through ATMs, phone banking facilities, electronic fund transfers, and mobile phones. By using BRI Cards, customers can perform cash and non-cash transactions at more than 1,262 BRI ATMs, more than 28,226 ATM Bersama, ATM Prima, and ATM Links, thousands of Cirrus ATMs and Bankcard—Malaysian ATM Network Cooperation—MEPS, SMS Banking, M-ATM Bersama, and Call BRI. Such ATM features as credit card payment, KTA/Personal Loans, electricity and telephone bills payment, motorbike loan installments, cell phone bills, Open University Tuition Payment, ticketing, and e-banking registrations were also added.

- **Business Continuity Plan and Disaster Recovery Plan**

To maintain customers' trust and mitigate operational risks due to the failures of application system and information technology infrastructures, Bank BRI has prepared Business Continuity Plan and Disaster Recovery Plan which are parts of the company Business Continuity Management. Pilot tests on application system and infrastructures are periodically conducted so that BRI business activities will keep running when something bad happens to the applied information technology infrastructures.

Furthermore, BRI has also prepared a Disaster Recovery Center (DRC) in a location different from that of Data Center to be used as a replacement facility when Data Center experiences problem or does not work properly, for instance, in case of blackouts in the computer room, fire, or computer explosion/damage.

- **Communication Network Availability**

As the Bank with the most extensive networks and operation in Indonesia and aggressive growth of real time on-line working units, BRI has to maintain the availability of the existing communication networks. Availability is made by continuous monitoring through Enterprise Monitoring System and Redundancy and diversifying communication medias by means of satellite, terrestrial, and wireless.

- **Security System and Security Awareness**

Bank BRI evaluated and audited on regular basis the security of technology infrastructures in order to mitigate weakness and vulnerability risks of information technology infrastructures. After the system vulnerability was identified, appropriate corrective actions were taken in accordance with the standards and procedures of Vulnerability Management. In addition, BRI initiated the certification of Operational IT Security, complying with the ISO Standards (ISO 27001 2005) which is internationally recognized. To enhance employees' awareness of IT security system, BRI implemented security awareness program to all BRI employees.

SERVICE QUALITY IMPROVEMENT

In 2007, BRI made a number of efforts to improve its service quality focusing on three service determinants: people, process, and physical environments. Since September 1, 2007 BRI has implemented frontliners service standards in 46 branch offices and 79 sub-branch offices in Jakarta, Medan, Bandung, Semarang, Surabaya, Makassar, and Denpasar.



The people quality improvement was undertaken by deciding frontliners service standards for all employees involved in supporting frontliner services, such as security guards, tellers, customer service groups, supervisors, and managers. The process quality improvement was undertaken by improving the queuing system and reducing interruptions so that customers received faster and personal services. The physical environment quality improvement was achieved by designing standards of service instruments, standards of building completeness so as to make customers convenient when making transactions in BRI. In the future, BRI will keep enhancing its service quality by implementing service standards in 332 branch offices, 209 sub branches, and 300 cities all over Indonesia.

Through a variety of efforts, it is highly expected that the image of BRI services will be better.

DEVELOPMENT OF HUMAN RESOURCES MANAGEMENT

HR Planning, Mentoring, and Developing Policy

- **Manpower Planning**

For the purpose of cadre forming and filling up the open positions in 2007 due to retirement, work termination, and business development, BRI recruited 1,114 employees consisting of 21 staff and 1,093 clerical workers.

Status	Dec 2005	Dec 2006	Dec 2007
Permanent Employees	35,586	36,655	36,772
Retirement Preparation Time	636	753	995
Trainees	1,275	2,491	261
Contract Workers	48	16	13
Total	37,545	39,912	38,041

For the sake of supporting BRI strategic business, the need for human resources was also fulfilled through outsourcing policy for support/non core business types of work, with the number of front liners and administration workers as many as 2,505 people.

• Employees' Welfare

As an appreciation for human resources, BRI continuously makes perfect its remuneration (salary) system to be fairer, more competitive, easily administered, and in accordance with the needs and capability of the company. This salary system is implemented in the form of providing rewards for employees based on their contributions, positions, relevant and proven working experiences, and performance.

In 2007, BRI increased the basic salary of employees by considering the performance appraisal of every single employee (performance-based basic salary increment). Employees with the best performance appraisal received the biggest increment, while those with the worst performance did not receive any increment. On average, employees received 4.59% increment.

In addition, for the purpose of rewarding employees, which is one of BRI Core Values, and encouraging employees to perform better, BRI also provided financial and non-financial rewards. Among others were:

1. Allowance for Performing Hajj Pilgrimage given to employees, which has been in existence since 2005
2. Rewards for being of service for 15, 20, 25, 30, and 35 years

The welfare of employees who have been actively in office with BRI was also taken into consideration. In 2007 BRI Board of Directors determined to change BRI Pension Funds Regulation, namely:

- The increase of pension benefits as much as Rp100,000 for BRI retirees.
- The changing of pension fund memberships for permanent employees nominated since January 2007 (participating in only Defined Contribution Pension Program)
- The changing of Pension Basic Benefits of BRI employees nominated as the State Owned Enterprises Directors as indicated in the Circular Letter of State Minister of State Owned Enterprises No. 04/MBU/2006 dated June 22, 2006.

Industrial Relation, Core Values, and GCG Implementation

Throughout 2007, besides giving rewards to employees based on their performance, BRI also gave punishments consistently to employees. Those who received punishments were employees proven to have violated disciplinary as many as 149 employees. These punishments were in the forms of Written Warning, Position Warning, and Work Termination.

In order to meet the regulations as stipulated in Labor Act No. 13 of 2003, in 2007 BRI signed a Collective Labor Agreement involving the company (BRI) and BRI Labor Union, which is used as a manpower relationship agreement for the period 2007-2009. This Agreement was submitted to all employees by layers.

The Bank also continuously maintained good communication with Labor Union in an attempt to stimulate harmonious relationship—it is the company's strategic partner for future development.

In an effort to improve the quality of its human resources to achieve its vision and missions, BRI Management consistently undertook orientation/introductory training programs for new entries (recruits), development/promotional training programs to provide employees with skills and knowledge, and application training programs for enhancing employees' competencies in accordance with their individual fields. The training programs were conducted internally or externally, in domestic or overseas institutions. At present BRI has one Training Division in Jakarta and six Training Centers in other cities in Indonesia—Padang, Jakarta, Bandung, Yogyakarta, Surabaya, and Makassar—conducting the following training programs:



1. Training Program for New Entries

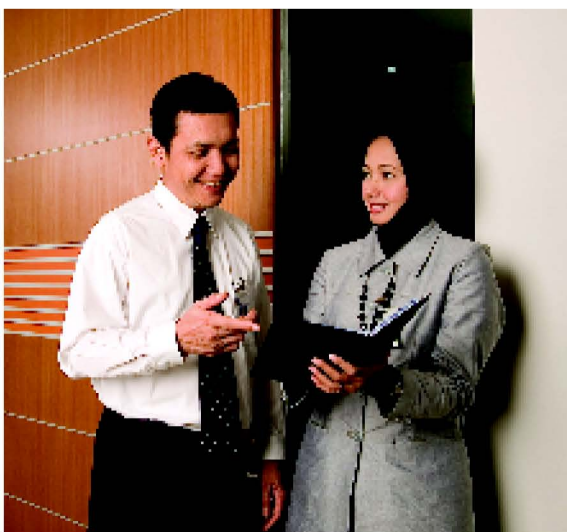
In an effort to equip new entries (recruits) with relevant knowledge and skills, BRI management held an Orientation/Introductory Training Program. In 2007 this type of training covered such programs as Staff Development Program, Associate Auditors, Associate Account Officer, and Funding Officer Training Programs.

2. Development/Promotional Training Programs

This type of training program is conducted to provide existing employees, who will be promoted to higher positions, with knowledge, skills, and expertise, and prepare competent cadres having good mastery of the duties they are in charge of. The Development Training Programs conducted in 2007 includes:

- Bank Executives Training (Sespibank) attended by 8 participants
- Senior Management Development Program (SMDP) attended by 54 participants (3 classes)
- Assistant Manager Development Program (AMDP) attended by 146 participants (7 classes)
- Senior Supervisors Development Program (SSDP) attended by 466 participants (20 classes)

In order to prepare future leaders/managers, BRI also assigned selected employees to take MBA Programs overseas. As of December 2007, there were 10 employees undergoing study for MBAs in some reputable universities in USA.



3. Application Training Programs

In addition to development training programs, BRI employees also have opportunities to join application (skill development) training programs, which may be conducted internally or externally, to support their current tasks and positions. The internally-conducted Application Training Programs held in 2007 includes:

- Training for Marketing Managers attended by 41 participants
- Training for Operation Managers attended by 22 participants
- Training for Sub-branch Managers attended by 27 participants
- Training for Branch Managers of BRI Sharia attended by 27 participants
- Training for Project Manager Officers (PMO) attended by 98 participants
- Leadership Training for AMO attended by 47 participants
- Treasury Single Account Training attended by 370 participants.



In addition to internal trainings, BRI also sends its employees to external trainings conducted by national and international training providers. In 2007 the number of employees assigned to attend external trainings domestically was 1,391 employees and 48 employees to attend overseas external trainings. Moreover, to support its business, 19 Business Profile Modules have been designed. They are Agribusiness (sugar, sugar cane, cocoa, rubber, palm), Construction Materials, Car Workshop, Fish Manufacturing Industry, Training, Hotels, Cell Phone Counters, Modern Retail Markets, Contractors-Developers, Pharmaceutical Trading, Shopping Centers, Hospitals, Gas Stations, Spare Parts, and Franchise.

Overall, the number of employees attending trainings on Business Profiles was 405 (in 15 classes) throughout 2007.

Corporate Social Responsibility

As a bank with the biggest networks widely spread all over Indonesia, BRI has been coming a part of the community. Therefore, BRI is also responsible for enhancing the welfare of the neighborhood communities.

BRI's Corporate Social Responsibility is manifested by providing some funds for Partnership and Community Development Programs, or "BRI Cares" programs; in which the funds are taken from the company's profits. The funds are allocated from the Bank's net profits as mandated by BRI Annual General Meeting of Shareholders. In 2007, BRI allocated 4% of its net profits for these programs. Besides this allocation, BRI also provided funds for other Corporate Social Responsibility activities.

BRI Cares programs are intended to improve the welfare and prosperity of Indonesian communities as well as to boost the Bank's reputation and support its efforts to strengthen its role in rural and urban areas.

A. Partnership Program

BRI Cares for Micro Businesses

This partnership activity is executed by nurturing the non bankable micro businesses by providing financing aids, improving personnel quality, developing business and productivity of the guided partners so that they will be able to 'stand' by themselves. In 2007, the fund distributed in this Program was recorded at Rp94.47 billion, which was realized in the forms of Partnership Loans and Partnership Grants.

Partnership Loans

This is the type of loans extended to finance micro businesses which are not bankable yet in order to increase their productivity and sales. This loan is disbursed to the guided partners classified as micro businesses, including cooperatives, that are expected to become the embryo of commercial customers. In 2007, BRI disbursed partnership loans to the amount of Rp91.41 billion, RP 81.77 billion of which was extended to micro businesses and Rp9.64 billion was to cooperatives throughout Indonesia.

Partnership Grants

This is the type of loans extended to provide guidance for micro businesses which are not bankable yet in the form of personnel quality development by giving trainings and educations, marketing, and promotion to improve business capacity and productivity of the guided partners.

In 2007 Partnership Grants stood at Rp3.06 billion, which was executed in the forms of entrepreneurship capacity building and products exhibition of the guided partners in a number of cities.

B. Community Development Programs

BRI Cares for Education

Realizing that adequate education is strong foundation for the nation development; therefore, BRI always participates in and contributes to this field. The increasing costs of study and educational infrastructure enhancement from time to time are inevitable. On the other hand, lots of people cannot afford and do not opportunities to get proper education. This is one of the obstacles that the country has been experiencing in providing the best education for the people.



On July 25, 2007, BRI Directors and some Rectors and Deputy Rectors of 63 universities in Indonesia gathered in BRI Head Office to attend BRI Scholarship Program, awarded to 3,205 university students of low economy. They were studying at 63 State and Private Universities in Indonesia with the total amount of scholarship reaching Rp11.36 billion.

Contrary to this phenomenon, BRI has developed **BRI Cares for Education Program** since a number of years ago for the sake of lightening the burden from increasing cost of education. This program was conducted through such activities as awarding scholarships to more than 3,565 students of elementary schools, high schools, and universities, providing sport facilities and infrastructures to more than 112 junior high schools outside Java, renovating school libraries and buildings, providing aids of school operational vehicles, school equipment, and executing other activities. In 2007, the funds disbursed for BRI Cares for Education program reached Rp25.88 billion.

BRI Cares for Natural Disasters Program

For this program, BRI disbursed Rp5.76 billion to help victims of natural disasters happening in some areas, such as:

- Earthquake in Solok, Padang, and Bengkulu with the funds amounting to Rp810.93 million
- Flood and landslides in some locations with the funds amounting to Rp1.66 billion
- Tsunami in the southern part of West Java with the funds amounting to Rp1.35 billion
- Tornadoes, mudflow in Lapindo, Sidoarjo (East Java), and fires with the funds amounting to Rp207.85 billion

Due to some floods in Jakarta and other surrounding areas, on February 2, 2007, BRI set up Flood Coordination Post and provided food and medical aids for several affected areas such as:

- Bendungan Hilir Flood Coordination Post for the victims in Bendungan Hilir and Petamburan
- BRI Otista Flood Coordination Post for the victims in Jatinegara, Otista, Kampung Melayu, Cipinang Lontar, and Cawang
- BRI Pasar Minggu Coordination Post functioning as the public kitchen for the victims in Pasar Minggu and Kalibata

BRI Cares for Public Facilities Program

This program is meant to provide funds for street repairs, market establishment and renovation, street vendor kiosk repairs, establishment of learning centers, transit houses, boarding houses and nursing homes, as well as the renovation and repairs of public parks and bus halts.

In 2007, through this BRI disbursed Rp7.093 billion which was used to:

- Build learning centers, transit houses, boarding houses and nursing homes in Jakarta and Bandung, with the funds amounting to Rp1.84 billion
- Establish and repair public parks throughout Indonesia with the funds amounting to Rp162.65 million
- Repair village streets and renovate bus stops with the funds amounting to Rp155.8 million
- Renovate markets and repair street vendor kiosks with the funds amounting to Rp4.9 billion

BRI Cares for Health Program

Throughout the year 2007 BRI provided health care aids to the amount of Rp2.01 billion. The aids which were given through all BRI working units across Indonesia are as follows:

- Free health care/medical treatment with the amounting to Rp 718.16 million
- Medical aids and instruments to public health centers with the funds amounting to Rp566.90 million
- Aids for surgical and treatment expenses with the funds amounting to Rp165.28 million

Bhakti Insani Program

The 2007 Bhakti Insani program was executed by providing free medical services, such as general medical treatment, eye treatment, dental treatment, mass circumcision, and minor surgeries. These programs were conducted in 10 areas—the residential areas of the poor (such as Cilincing, North Jakarta; Muara Gembong, Bekasi; Tigaraksa, Tangerang; Rangkas Bitung, Banten; Gunung Halu, Cimahi; Cigedug, Garut; Pangandaran, Ciamis; Purwokerto, Klanten, and Leuwiliang, Bogor) with the total number of patients reaching 6,682 people.

BRI Cares for Religious Places Program

BRI donated Rp3.57 billion through this program in 2007 by, for example, providing financial aids for renovating and furnishing religious places, as well as conducting religious events and mass circumcisions.

Other BRI's Corporate Social Responsibility Programs

In addition to Partnership and Community Development Programs, BRI also actively conducted other Corporate Social Responsibility programs.

- **Education and Sport Oriented Programs**

This program is conducted for helping the enhancement of public knowledge and sports achievements in Indonesia. In basketball BRI plays significant roles in developing Satria Muda BritAma and Maha Putri BritAma Basketball Clubs, which up to present have turned into respected basket ball clubs in Indonesia. In volleyball, BRI became one of the main sponsors of Indonesian Volley Ball League from 2006 to 2007.

- **Environment and Culture Oriented Programs**

This program is conducted for helping the quality enhancement of environment and national cultures. In 2007, this program included giving 112 motorbikes to Indonesian Armed Forces in border areas and 112 motorbikes to Agricultural Field Elucidators. Other events conducted in this programs were Javanese Traditional Folklore Performances, Juvenile Paintings Competition, Rancage Literacy Awards, Nusantara Symphony Orchestra, Javanese Mixed Stars Comedy Traditional Folklore Performance, Yogya Gamelan Festival, Indonesian Cultural Expo in Amsterdam, Post Disaster Reconstruction Seminar, Bimbo 40 Years Concert, Ramadhan Without Drugs, Reforestation Aids for Purbalingga Regency, Borobudur Javanese Traditional Dances Performance, and Leather Puppet Performance in Yogyakarta.



Information to the Shareholders

The remarkable performance was shown by Indonesian Stock Exchange (IDX) in 2007. This year was the best year in the history of IDX. Indonesian Composite Index reached the highest psychological level at 2,800. The growth in 2007 was the highest in South East Asia and the third in Asia Pacific Region.

Indonesian Capital Market Information

In December 2007, IDX reached the highest Market capitalization for Rp 2,000 trillion and closed at Rp1,982.7 trillion on 27 December 2007 or 57% increase compared to last year. At the end of 2007, the composite Index was closed at 940.31 point increase to become 2,745.83, increasing by 52.08% from the 2006 position, which was 1,805.52.

Domestically, sound economic condition supported the performance of Indonesian Composite Index at the positive level despite the crisis in the United States due to Subprime Mortgage in mid year 2007 and the increase of oil price to reach US\$100/barrel giving negative impacts and unstable global market condition.

In the macro economy, favourable economic growth in the level of 6.3%, controlled inflation from 6.41% in 2006 to 6.59% in 2007, decreased Bank Indonesia's rate from 9.75% in 2006 to 8% in 2007, stable exchange rate at around Rp/USD 9000 – 9400, and increase in foreign reserve by 33.66% compared to last year's became the factors to magnetize the investment in Indonesian Stock Exchange. Furthermore, the political stability, security and Indonesian community condition triggered local investors to raise their contribution in Capital Markets.

The daily average transactions increased by 133.88% compared to that of 2006, which was increasing on average from Rp1.80 trillion to Rp4.30 trillion. The daily average trading frequencies also grew from 19.88 times in 2006 to 48.24 times in 2007, increasing 142.68%. The volume of transactions increased by 133.33% from 1.80 billion/day in 2006 to 4.2 billion/day in 2007.

Indicator	2007	2006
JCI	2,745.83	1,805.52
New Emitten	22	11
Agriculture Index	2,754.75	1,218.45
Property and Real Estate Index	251.81	122.92
Infrastructure, Utility and Transportation Index	874.06	771.64
Financial Index	260.57	207.82
Mining Index	3,270.09	933.21

BBRI Performance

In the early 2007, BRI share price was opened at Rp5.150,- and closed stronger at Rp 7,400 at the end of 2007. BRI contributed greater nominal returns compared to other blue-chips bank shares. The performance of blue-chips bank shares can be shown in the graph below:

Price Comparison of blue chips Banks 2007

Shares	Open	High	Low	Close	Return Rp	Return %
BBRI	5,150	8,700	4,400	7,400	2,250	43.69%
BMRI	2,900	4,050	2,150	3,500	600	20.69%
BBCA	5,200	7,600	4,600	7,300	2,100	40.38%
BBNI	1,870	2,900	1,640	1,970	100	5.35%
BDMN	6,750	9,150	5,200	8,000	1,250	18.52%

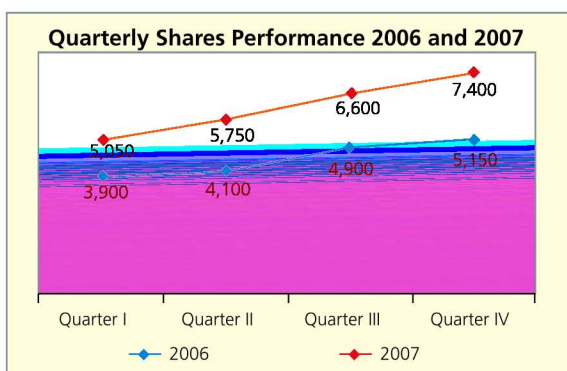
Throughout 2007 BRI shares was fluctuating. The highest price was Rp 8.700 on 1 November 2007, and the lowest price was Rp 4,400 on 28 February 2007. In every quarter BRI's shares were traded, the shares shown an increasing trend, even in the mid year when the IDX plunged as an impact of US economic crisis. However, strong macro economy indicators and fundamental factors enabled BRI to close at a strong figure of Rp 7,400 with 43.69% one-year return.

BBRI's Shares Performance 2007

2007	OPEN	HIGH	LOW	CLOSE
Quarter I	4,750	5,150	4,700	5,050
Quarter II	6,100	6,500	5,600	5,750
Quarter III	6,250	7,050	6,100	6,600
Quarter IV	7,800	8,000	7,250	7,400

2006	OPEN	HIGH	LOW	CLOSE
Quarter I	3,250	4,150	3,225	3,900
Quarter II	3,950	4,250	3,450	4,100
Quarter III	4,350	5,075	4,350	4,900
Quarter IV	5,350	5,400	4,950	5,150

Graph: BBRI Shares Growth 2006 and 2007



Source : * Bloomberg

Comparative Data on BBRI Shares 2007-2006

Data	2007	2006
Number of Shares	12,317,800,500	12,286,421,500
Transaction volume (shares per year)	3,352,241,000	4,020,284,000
Frequency (times per year)	103,589	111,833
Transaction value (Rp trillion)	19,94	15,69
Market capitalization (Rp billion) end of year	90,270	63,570
Price Earning Ratio (PER)*	18.68	16.01
Price to Book Value (PBV)*	4.97	4.64

Source: * Bloomberg

Shares Composition

Compared to the 2006's, the number of BRI's shares increased from 12.28 billion shares to 12.31 billion shares, growing by 0.26%. This was caused by new additional shares from the conversion of Management Option Program, called Management

Stock Option Program (MSOP). From the dilution of shares the composition of government ownership in BRI decreased from 56.97% in 2006 to 56.83% at the end of 2007. The ownership of domestic investors increased by 31.58% from 579.50 million shares to 762.53 million shares. On the other hand, the foreign ownership of BRI's shares was decreasing from 4.71 billion shares to 4.55 billion shares, declining by 3.22%.

The ownership of BRI's floating shares was dominated by Institutional foreign Investors compared to Individual investors.

NUMBERS of SHAREHOLDERS

Category	Number of Shareholders	
	2007	2006
Government of Republic of Indonesia	1	1
Public	8,845	11,605
Domestic Investors	8,331	11,108
Individual	2,201	2,147
Employees	5,755	8,622
Institution	374	339
Foreign Investor	514	497
Individual	9	13
Institution	505	484
Total	8,848	11,606

NUMBER of SHARES

Category	Number of Shares	
	2007	2006
Government of Republic of Indonesia	7,000,000,000	7,000,000,000
Public	5,317,800,500	5,286,421,500
Domestic Investors	762,530,967	579,498,823
Individual	50,852,650	54,246,650
Employees	87,260,000	145,676,500
Institution	624,259,317	379,575,673
Foreign Investor	4,555,269,533	4,706,922,677
Individual	287,000	517,500
Institution	4,554,982,533	4,706,405,177
Total	12,317,800,500	12,286,421,500

COMPOSITION

Category	Composition	
	2007	2006
Government of Republic of Indonesia	56,83%	56,97%
Public	43,17%	43,03%
Domestic Investors	6,19%	4,72%
Individual	0,41%	0,44%
Employees	0,71%	1,19%
Institution	5,07%	3,09%
Foreign Investor	36,98%	38,31%
Individual	0,00%	0,00%
Institution	36,98%	38,31%
Total	100,00%	100,00%

Management Stock Option Program (MSOP)

In the Extraordinary General Meeting of Shareholders on October 3, 2003, the company decided to carry out Management Stock Option Program (MSOP). In this program the number of stock issued reached 588,235,250 with the following composition:

MSOP Phase	Number of MSOP	Percentage	Option Issuing Date	Exercise Price
Phase I	235,294,100	40%	10 Nov. 2003	Rp 962,50
Phase II	235,294,100	40%	10 Nov. 2004	Rp 1,750,00
Phase III	117,647,050	20%	10 Nov. 2004	In line with Capital Market Supervisory Agency's and Indonesian Stock Exchange's Regulations
Total	588,235,250			

The MSOP was executed in 3 (three) phases: MSOP I, MSOP II and MSOP III. The execution of MSOP I and MSOP II were based on the previous Capital Market Supervisory Agency's and JSX' regulations; while MSOP III was based on Capital Market Supervisory Agency's Regulations No. IX D 4 and Regulation on Securities Listing Procedures No.1-A Lamp Keputusan Direksi BEJ No.Kep-305/BEJ/07-2004. The vesting period for all MSOPs were up to 1 year after the commencement date. MSOP I and MSOP II could be exercised at any times after the vesting period, until the maturity date of each MSOP.

1. MSOP I was commenced on November 10, 2003 with exercise price of 110% above IPO's price, or Rp962.50 per share with maturity date on November 9, 2008.
2. MSOP II was commenced on November 10, 2004, with exercise price of Rp1,750 per share and maturity date on November 9, 2009. The exercise price was based on the average closing price of 25 consecutive working days of regular markets before the announcement in the Annual General Meeting of Shareholders for the year of 2004.
3. MSOP III was commenced on November 10, 2005 with the maturity date on November 9, 2010. The exercise price complied with Capital Market Supervisory Agency's Regulation No. IX.D.4 and JSX Regulation on the Listing Procedures No. 1-A Lamp Keputusan Direksi BEJ No.Kep.-305/BEJ/07-2004, which regulate that the exercise price of any MSOP was at least 90% of the average closing price of 25 consecutive working days of regular markets before the date of the report on the commencement of the MSOP to JSX. The regulations also regulate that MSOP can only be exercised twice at the most in a year.

Management Stock Option Plan (MSOP)

Shares from MSOPs which had been exercised until the end of 2007 were as follow:

MSOP Phase	Number of MSOP	Being exercised in 2006 (Shares)	exercise in 2007 (Shares)	Being exercised in 2007 (Shares)
Phase I	235,294,100	229,716,500	484,500	230,201,000
Phase II	235,294,100	215,522,000	10,212,000	225,734,000
Phase III	117,647,050	76,478,000	20,682,500	97,160,500
Total	588,235,250	521,716,500	31,379,000	533,095,500

As of 2007 the MSOP III can be described as follow:

MSOP III Phase	Period	Option Price	Total MSOP being exercised up to 2007 (shares)
Period I 2007	8 June-19 July 2007	Rp 5,188,-	13,581,000
Period II 2007	15 Nov-19 Dec 2007	Rp 6,385,-	7,101,500
Period I 2006	15 Nov-27 Dec 2006	Rp 4,450,-	76,478,000

Dividend Policy

Annual General Meeting of Shareholders (AGSM) for the year 2007 stipulated that BRI had to pay cash dividend for the accounting year of 2006 at the amount of Rp1.98 trillion or Rp173.04 per share, which was paid to the shareholders on July 2, 2007. The cash dividend was increasing by Rp16.86 per share or 10.80% compared to the 2005's cash dividend, which was recorded at Rp156.18 per share.

The dividend pay-out ratio for the financial year of 2007 was decided to be 50% of the net profits. This decision was in line with BRI's management intention to maintain a 50% dividend pay-out ratio over the years prerequisite to the Bank's financial condition and performance and agreement from the AGSM. The Management planned to pay the dividend for the accounting year of 2007 after receiving approval from the AGSM for the year of 2008.

The dividends which was paid out are as follow:

Year	Net Profits (Rp Billion)	Dividends (Rp Billion)	Dividends/shares (Rp)	Dividend Payout Ratio (%)
2003	2,502	990,47*	84,19	75,01%
2004	3,633	1,816,61	152,93	50,00%
2005	3,808	1,904,29	156,18	50,00%
2006	4,257	2,128,78	173,04	50,00%

*) from the second half net profit (1 July-31 Dec 2003) amounting to Rp1.32 trillion, while first half profit were capitalized into equity.

IPO Fund Utilization

As stated in the IPO prospectus, the detailed utilization of funds generated from IPO in the amount of Rp1.471 trillion are as follows:

- 60% or approximately Rp883 billion was allocated for upgrading the information reporting system and the application of core banking.
- 30% or approximately Rp441 billion was allocated for extending the branches and micro unit networks.
- 10% or approximately Rp147 billion was allocated for financing the future growth, research and development, loan distribution and other financings.

Up to December 2007, in the amount of Rp1.287 trillion or 87.47% of IPO funds was successfully utilized, and its realizations can be described as follows:

- Rp698.87 billion for upgrading information reporting system
- Rp441.63 billion for expanding branch and micro unit networks
- Rp147.21 billion for financing future growth

R A T I N G		
I	Fitch	Dec. 07
	• Long Term Issuer Default	BB-/BB*)
	• Short Term Issuer Default	B/B*)
	• Outlook	Positive/Stable*)
	• Individual	C/D/C/D*)
	• Supporting Rating	4/3*)
	• Support Rating Floor	B+/BB-*)
	National Rating	
	• Long Term	AAAid/AAAid*)
	Sovereign Risk	B
II	Moody's	
	• Bank Financial Strength (BFSR)	D+
	• Outlook	
	Foreign Long Term Deposit	B1
	Local Long Term Deposit	Baa2
	Foreign Currency Sub Debt	Ba2
	National Scale Rating	AAAid
III	PEFINDO	
	Obligasi Sub Ordinasi / Obligasi	id AA
	Corporate	id AA+

Rating as of December 2007

*) Being up graded in February 2008

Responsibility for Financial Reporting

This Annual Report and the accompanying financial statements and related 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 and Board of Directors whose signatures appear below:

Commissioners



Bunasor Sanim
President Commissioner



Agus Pakpahan
Commissioner



Agus Suprijanto
Commissioner



Saifullah Yusuf
Commissioner



B.S Kusmuljono
Independent Commissioner



Baridjussalam Hadi
Independent Commissioner




Aviliani
Independent Commissioner

Directors



Sofyan Basir
President Director



Sarwono Sudarto
Director



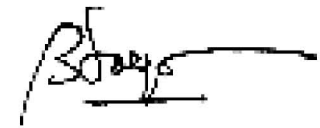
Abdul Salam
Director



Sulaiman A. Arianto
Director




Lenny Sugihart
Director



Bambang Soepeno
Director



Sudaryanto Sudargo
Director



A. Toni Soetirto
Director



Suprajarto
Director



Asmawi Syam
Director

This page is intentionally left blank

Financial Report



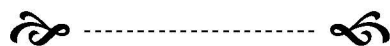
**Consolidated Financial Statements
With Independent Auditors' Report
Years Ended December 31, 2007 and 2006**

**PT BANK RAKYAT INDONESIA (PERSERO) Tbk
AND SUBSIDIARY**

**PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Table of Contents

Independent Auditors' Report	Page
Consolidated Balance	88 - 92
Consolidated Statements of Income	93 - 94
Consolidated Statements of Changes in Stockholders' Equity	95 - 96
Consolidated Statements of Cash Flows	97 - 98
Notes to the Consolidated Financial Statements	99 - 197



Independent Auditors' Report

Report No. RPC-8542

The Stockholders, and the Boards of Commissioners and Directors
PT Bank Rakyat Indonesia (Persero) Tbk

We have audited the consolidated balance sheets of PT Bank Rakyat Indonesia (Persero Tbk (herein referred to as "BRI") and Subsidiary as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of BRI's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the subsidiary as of an for the year ended December 31, 2007, which statements reflect total assets representing 0,13% of the total consolidated assets and total income from operations representing 0.12% of the total consolidated income from operations. The subsidiary's financial statements were audited by other independent auditors, whose report dated February 22, 2008, expressed an unqualified opinion and has been furnished to us and our opinion, in so far as it relates to the amounts included for the Subsidiary, is based solely on the report 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of the other independent auditors provide a reasonable basis for our opinion.

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

Purwantono, Sarwoko & Sandjaja



Drs. Hari Purwantono
Public Accountant License No. 98.1.0065

March 19, 2008



PT. BANK RAKYAT INDONESIA (PERSERO) Tbk.

HEAD OFFICE

Jl. Jenderal Sudirman No. 44 - 46 Tromol Pos 1094 / 1000 Jakarta 10210
Telephone : 2510244, 2510254, 2510264, 2510269, 2510279
Facsimile : 2500065, 2500077, Kawat : KANPUSBRI
website : www.bri.co.id

BOARD OF DIRECTORS' STATEMENT REGARDING THE FINANCIAL STATEMENTS' RESPONSIBILITY AS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006 PT BANK RAKYAT INDONESIA (PERSERO) Tbk

We, the undersigned:

1. Name : Sofyan Basir
Office Address : Jl. Jend. Sudirman No. 44 – 46 Jakarta 10210
Residential Address : Jl. Uranium Blok B 42 Permata Hijau Jakarta Selatan
Telephone : 251-0286
Title : President Director
2. Name : Abdul Salam
Office Address : Jl. Jend. Sudirman No. 44 – 46 Jakarta 10210
Residential Address : Jl. AUP Barat I No. 62 Jati Padang, Pasar Minggu Jakarta Selatan
Telephone : 251-0363
Title : Director

Declared that:

1. We are responsible for the preparation and presentation of Financial Statements of PT Bank Rakyat Indonesia (Persero) Tbk;
2. The Financial Statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia
3. a. All information has been disclosed in a complete and truthful manner;
b. The Financial Statements do not contain false material information or facts, nor do they omit material information or facts;
4. We are responsible for the internal control system of PT Bank Rakyat Indonesia (Persero) Tbk.

This is our declaration, which has been made truthfully.

March 2008

President Director

Director


(Sofyan Basir)


(Abdul Salam)



PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007 ^{*)}	2006
ASSETS			
CASH	2a	5,041,396	3,458,907
CURRENT ACCOUNTS WITH BANK INDONESIA	2a,4	31,047,872	14,021,368
CURRENT ACCOUNTS WITH OTHER BANKS	2a,2e,2f,5	922,852	181,935
Allowance for possible losses		(9,234)	(1,819)
		913,618	180,116
PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS - net of unamortized interest of Rp798 and Rp1,259 as of December 31, 2007 and 2006, respectively	2d,2e,2g,6,44		
Third parties		14,455,860	13,490,867
Related parties		225,000	166,000
		14,680,860	13,656,867
Allowance for possible losses		(51,417)	(41,081)
		14,629,443	13,615,786
SECURITIES - including unamortized premium of Rp190,537 as of December 31, 2007 and net of unamortized interest and discount of Rp19,500 and Rp54,182 as of December 31, 2007 and 2006, respectively	2e,2h,7,11	17,358,248	15,391,806
Allowance for possible losses		(40,349)	(9,074)
		17,317,899	15,382,732
EXPORT BILLS	2e,2i,8	596,293	468,921
Allowance for possible losses		(5,968)	(9,647)
		590,325	459,274
GOVERNMENT RECAPITALIZATION BONDS	2e,2h,9,23	18,222,590	18,445,348
SECURITIES PURCHASED WITH AGREEMENTS TO RESELL	2e,2t,10	2,573,610	201,925

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007 ^{*)}	2006
DERIVATIVES RECEIVABLE			
Allowance for possible losses	2e,2ad,7,11	24,724 (247)	10,607 (106)
		24,477	10,501
 LOANS	 2d,2e,2j,12,44		
Third parties		112,407,295	88,874,032
Related parties		431,511	355,507
		112,838,806	89,229,539
Allowance for possible losses		(6,915,043)	(6,687,654)
		105,923,763	82,541,885
 SHARIA RECEIVABLES AND FINANCING	 2e,2k		
Allowance for possible losses		1,134,147 (43,132)	1,053,213 (30,394)
		1,091,015	1,022,819
 ACCEPTANCES RECEIVABLE	 2e,2l,13		
Allowance for possible losses		661,381 (7,018)	327,666 (4,762)
		654,363	322,904
 INVESTMENTS IN SHARES OF STOCK	 2d,2e,2m,14,44		
Allowance for possible losses		77,979 (1,311)	69,941 (1,230)
		76,668	68,711
 PREMISES AND EQUIPMENT	 2n,2o,15		
Cost		4,486,075	4,330,003
Accumulated depreciation		(2,841,903)	(2,508,025)
Net book value		1,644,172	1,821,978
 DEFERRED TAX ASSETS - net	 2ae,37d	 1,269,743	 865,005
 OTHER ASSETS - net	 2e,2p,2q,16	 2,713,984	 2,306,227
TOTAL ASSETS		203,734,938	154,725,486

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007 ^{*)}	2006
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
IMMEDIATELY PAYABLE LIABILITIES	2r,17	3,955,880	2,356,547
DEPOSITS FROM CUSTOMERS	2d,2s		
Demand Deposits	18,44		
Third parties		37,112,455	27,807,211
Related parties		8,012	3,646
		<u>37,120,467</u>	<u>27,810,857</u>
<i>Wadiah</i> Demand Deposits		41,327	53,235
Savings Deposits	19,44		
Third parties		72,067,052	58,143,328
Related parties		38,774	9,169
		<u>72,105,826</u>	<u>58,152,497</u>
<i>Mudharabah</i> Savings Deposits		194,101	155,127
Time Deposits	20,44		
Third parties		55,596,331	37,585,252
Related parties		298,824	557,025
		<u>55,895,155</u>	<u>38,142,277</u>
<i>Mudharabah</i> Time Deposits		243,107	152,454
Certificates of Deposits - net of unamortized interests of Rp8 as of December 31, 2006	21	-	1,892
Total Deposits From Customers		<u>165,599,983</u>	<u>124,468,339</u>
DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS	2s,22	1,611,033	1,868,440

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007 ^{*)}	2006
SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE - net of unamortized interest of Rp494 as of December 31, 2007 and 2006, respectively	2t,9,23	102,681	102,716
DERIVATIVES PAYABLE	2ad,7,11	180,921	24,226
ACCEPTANCES PAYABLE	2l,13	661,381	327,666
TAXES PAYABLE	2ae,37a	1,140,490	287,337
FUND BORROWINGS	24	2,382,277	1,764,607
ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES	2e,25	73,846	48,262
OTHER LIABILITIES	2d,2o,2u,2y, 26,41,44,45b		
Third parties		6,422,680	4,297,538
Related parties		25,878	69,569
		6,448,558	4,367,107
SUBORDINATED LOANS - net of deferred issuance costs of Rp2,375 and Rp2,768 as of December 31, 2007 and 2006, respectively, and unamortized discount of Rp4,214 and Rp4,845 as of December 31, 2007 and 2006, respectively	27	2,140,253	2,231,431
TOTAL LIABILITIES		184,297,303	137,846,678

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007 ^{*)}	2006
STOCKHOLDERS' EQUITY			
Capital stock - Rp500 (full amount) par value per share			
Authorized capital stock - 30,000,000,000			
Shares (consisting of 1 Series A Dwiwarna share and 29,999,999,999 Series B shares)			
Issued and fully paid capital stock -			
12,317,800,500 shares (consisting of 1 Series A Dwiwarna share and 12,317,800,499 Series B shares)			
as of December 31, 2007 and			
12,286,421,500 shares (consisting of 1 Series A Dwiwarna share and 12,286,421,499 Series B shares)			
as of December 31, 2006	1,28a	6,158,900	6,143,211
Additional paid-in capital	2c,3,28b	2,676,620	2,535,660
Revaluation increment on premises and equipment	2n	786	786
Differences arising from translation of foreign currency financial statements	2ac,28c	103,075	103,017
Stock options	2z,28a,29	23,586	47,047
Unrealized gain from available-for-sale securities and Government recapitalization bonds - net of deferred tax	2h,7,9	496,576	609,907
Retained earnings - (accumulated losses of Rp24,699,387 had been eliminated as a result of quasi-reorganization as of June 30, 2003)	2c,3,28d		
Appropriated		4,553,425	2,850,396
Unappropriated		5,424,667	4,588,784
Total Retained Earnings		9,978,092	7,439,180
TOTAL STOCKHOLDERS' EQUITY		19,437,635	16,878,808
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		203,734,938	154,725,486

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007 ^{*)}	2006
INCOME AND EXPENSES FROM OPERATIONS			
Interest, Investment and Sharia Income			
Interest and investment	2v,30	22,420,308	20,423,813
Fees and commissions	2w,31	653,776	534,696
Sharia income	2k,2x	166,547	112,028
Total Interest, Investment and Sharia Income		23,240,631	21,070,537
Interest Expense, Sharia and Other Charges			
Interest expense and other charges	2v,32	(6,504,724)	(7,262,828)
Sharia charges	2x	(39,335)	(18,354)
Total Interest Expense, Sharia and Other Charges		(6,544,059)	(7,281,182)
Interest Income - net		16,696,572	13,789,355
Other Operating Income			
Fees		1,411,704	808,070
Gain on foreign exchange - net	2ab	176,110	-
Gain on sale of securities and Government recapitalization bonds - net	2h,7,9	48,355	293,860
Other fees and commissions	2w	43,881	29,624
Gain from increase in value of securities and Government recapitalization bonds - net	2h,7,9	-	190,339
Others		141,651	187,157
Total Other Operating Income		1,821,701	1,509,050
Provision for possible losses on earning assets - net	2e,33	(1,870,953)	(1,868,694)
Provision for estimated losses on commitments and contingencies - net	2e,25b	(25,567)	(4,058)
(Provision for) reversal of allowance for possible losses on other assets - net	2e	(46,139)	24,612

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (continued)
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2007^{*)}	2006
Other Operating Expenses			
Salaries and employee benefits	2d,2y,2z, 34,41,44	(5,274,424)	(4,830,775)
General and administrative	2n,35	(2,404,706)	(2,054,030)
Premium paid on Government guarantee program	47	(267,180)	(206,246)
Loss from decline in value of securities and Government recapitalization bonds - net	2h,7,9	(46,326)	-
Other fees and commissions		(2,587)	(2,507)
Loss on foreign exchange - net	2ab	-	(4,610)
Others		(1,024,388)	(567,478)
Total Other Operating Expenses		(9,019,611)	(7,665,646)
INCOME FROM OPERATIONS		7,556,003	5,784,619
NON-OPERATING INCOME - NET	36	224,071	122,102
INCOME BEFORE INCOME TAX (EXPENSE) BENEFIT		7,780,074	5,906,721
INCOME TAX (EXPENSE) BENEFIT	2ae,37b,37d		
Current		(3,310,965)	(1,831,877)
Deferred		368,892	182,728
NET INCOME		4,838,001	4,257,572
EARNINGS PER SHARE	2aa,49		
Basic (in full Rupiah amount)		403.64	355.62
Diluted (in full Rupiah amount)		395.06	349.54

^{*)} Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

These consolidated financial statements are originally issued in Indonesian language.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid Capital Stock	Additional Paid-in Capital	Revaluation Increment on Premises and Equipment	Differences Arising from Translation of Foreign Currency Financial Statements	Stock Options	Unrealized Gain (Loss) from Available- for- Sale Securities and Government Recapitalization Bonds - Net of Deferred Tax	Retained Earnings			Total Stockholders' Equity
								Appropriated	Unappropriated	Total	
Balance as of December 31, 2005		6,017,850	1,916,284	786	103,522	76,587	(292)	1,410,765	3,827,480	5,238,245	13,352,982
Differences arising from translation of foreign currency financial statements	2ac,28c	-	-	-	(505)	-	-	-	-	-	(505)
Distribution of income	28d										
Cash dividends		-	-	-	-	-	-	-	(1,904,293)	(1,904,293)	(1,904,293)
Addition to general and special reserves		-	-	-	-	-	-	1,439,631	(1,439,631)	-	-
Appropriation for <i>Program Kemitraan dan Bina Lingkungan</i> (PKBL)		-	-	-	-	-	-	-	(152,344)	(152,344)	(152,344)
Recognition of stock options	29	-	-	-	-	96,958	-	-	-	-	96,958
Exercise of stock options	2z,28a, 28b,29	125,361	619,376	-	-	(126,498)	-	-	-	-	618,239
Unrealized gain from available-for- sale securities and Government recapitalization bonds - net of deferred tax	2h,7,9	-	-	-	-	-	610,199	-	-	-	610,199
Net income		-	-	-	-	-	-	-	4,257,572	4,257,572	4,257,572
Balance as of December 31, 2006		6,143,211	2,535,660	786	103,017	47,047	609,907	2,850,396	4,588,784	7,439,180	16,878,808

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

These consolidated financial statements are originally issued in Indonesian language.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (continued)
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid Capital Stock	Additional Paid-in Capital	Revaluation Increment on Premises and Equipment	Differences Arising from Translation of Foreign Currency Financial Statements	Stock Options	Unrealized Gain (Loss) from Available- for- Sale Securities and Government Recapitalization Bonds - Net of Deferred Tax	Retained Earnings			Total Stockholders' Equity
								Appropriated	Unappropriated	Total	
Balance as of December 31, 2006		6,143,211	2,535,660	786	103,017	47,047	609,907	2,850,396	4,588,784	7,439,180	16,878,808
Differences arising from translation of foreign currency financial statements	2ac,28c	-	-	-	58	-	-	-	-	-	58
Distribution of income	28d										
Cash dividends		-	-	-	-	-	-	-	(2,128,786)	(2,128,786)	(2,128,786)
Addition to general and special reserves		-	-	-	-	-	-	1,703,029	(1,703,029)	-	-
Appropriation for <i>Program Kemitraan dan Bina Lingkungan</i> (PKBL)		-	-	-	-	-	-	-	(170,303)	(170,303)	(170,303)
Recognition of stock options	29	-	-	-	-	-	-	-	-	-	-
Exercise of stock options	2z,28a, 28b,29	15,689	140,960	-	-	(23,461)	-	-	-	-	133,188
Unrealized loss from available-for-sale securities and Government recapitalization bonds - net of deferred tax	2h,7,9	-	-	-	-	-	(113,331)	-	-	-	(113,331)
Net income		-	-	-	-	-	-	-	4,838,001	4,838,001	4,838,001
Balance as of December 31, 2007		6,158,900	2,676,620	786	103,075	23,586	496,576	4,553,425	5,424,667	9,978,092	19,437,635

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	2007 ⁾	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interest, investment, fees and commissions and sharia income	23,036,254	21,022,791
Payments of interest, sharia expenses and other charges	(6,483,642)	(6,673,483)
Recoveries of written-off loans	584,576	622,263
Other operating income	1,512,167	2,344,823
Other operating expenses	(9,920,377)	(9,961,528)
Non-operating income (expense) - net	218,635	(224,808)
Income before changes in operating assets and liabilities	8,947,613	7,130,058
Changes in operating assets and liabilities:		
Decrease (increase) in operating assets:		
Placements with Bank Indonesia and other banks	(1,024,790)	(4,048,394)
Securities and Government recapitalization bonds - trading	(1,340,257)	(2,700,233)
Export bills	(131,051)	(12,864)
Derivatives receivable	(13,975)	(4,236)
Loans	(24,193,844)	(14,954,796)
Sharia receivables and financing	(80,933)	(416,985)
Other assets	(3,114,193)	432,231
Increase (decrease) in operating liabilities:		
Immediately payable liabilities	1,599,333	400,080
Deposits:		
Demand deposits	9,309,610	10,450,983
Wadiah demand deposits	(11,908)	29,468
Savings deposits	13,953,329	8,860,695
Mudharabah savings deposits	38,974	74,902
Time deposits	17,752,878	7,999,254
Mudharabah time deposits	90,653	5,676
Certificates of deposits	(1,892)	1,320
Deposits from other banks and financial institutions	(257,407)	686,584
Derivatives payable	156,695	(12,646)
Taxes payable	(47,300)	(34,621)
Other liabilities	2,354,696	77,842
Net Cash Provided by Operating Activities	23,986,231	13,964,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of premises and equipment	5,436	7,235
Receipt of dividends	5,535	7,020
Additions in premises and equipment	(419,113)	(299,670)
Increase in available-for-sale and held-to-maturity securities and Government recapitalization bonds	(220,614)	(6,309,101)
Net Cash Used in Investing Activities	(628,756)	(6,594,516)

⁾ Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

	2007⁾	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in additional paid-in capital from exercise of stock options	121,049	492,877
Increase in paid up capital from exercise of stock options	15,689	125,361
Increase (decrease) in securities sold with agreements to repurchase	35	(35)
Proceeds from (payments of) fund borrowings	617,670	(35,312)
Payments of subordinated loans	(91,178)	(156,014)
Increase in securities purchased with agreements to resell	(2,371,684)	(201,925)
Distribution of income for dividends and PKBL	(2,299,089)	(2,056,637)
Net Cash Used in Financing Activities	(4,007,508)	(1,831,685)
EFFECT OF DIFFERENCES ARISING FROM TRANSLATION OF FOREIGN CURRENCY CONSOLIDATED FINANCIAL STATEMENTS	(57)	(505)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,349,910	5,537,612
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,662,210	12,124,598
CASH AND CASH EQUIVALENTS AT END OF YEAR	37,012,120	17,662,210
Cash and Cash Equivalents consist of:		
Cash	5,041,396	3,458,907
Current accounts with Bank Indonesia	31,047,872	14,021,368
Current accounts with other banks	922,852	181,935
Total Cash and Cash Equivalents	37,012,120	17,662,210
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Activities not affecting cash flows:		
Unrealized gain from available-for-sale securities and Government recapitalization bonds - net of deferred tax	496,577	609,907
(Loss) gain from (decline) increase in value of securities and Government recapitalization bonds - net	(46,326)	190,339
Reclassification of stock options to additional paid-in capital	23,461	126,498

⁾ Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

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 as a limited liability corporation (Persero). The change in the status of BRI to become a limited liability corporation was covered by notarial deed No. 133 dated July 31, 1992 of Notary Muhani Salim, S.H., and was approved by the Ministry of Justice in its Decision Letter No. C2-6584.HT.01.01.TH.92 dated August 12, 1992, and published in Supplement No. 3A of the State Gazette No. 73 dated September 11, 1992. BRI's articles of association were then amended by notarial deed No. 7 dated September 4, 1998 of Notary Imas Fatimah, S.H., pertaining to Article 2 on "Corporate Term" and Article 3 on "Purpose, Objectives and Business Activities" to comply with the provisions of Law No. 1 year 1995 on "Limited Liability Corporation" that was approved by the Ministry of Justice 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 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 in its Decision Letter No. C-23726 HT.01.04.TH.2003 dated October 6, 2003 and published in Supplement No. 11053 of the State Gazette No. 88 dated November 4, 2003.

BRI's articles of association have been amended several times. The last amendment to the articles of association was conducted as a follow-up of the Management Stock Option Plan (MSOP) program based on the total number of stock options that are exercised (Note 29).

According to Article 3 of BRI's last Articles of Association, BRI's objective is to conduct and support the Government's policy and program in the economic sector and in the national development in general, particularly in the banking sector, in accordance with the prevailing laws and regulations, including the conduct of activities based on sharia principles.

b. Recapitalization Program

As 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 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 to achieve a CAR of 4% was Rp29,063,531. Therefore, BRI returned the excess recapitalization amount of Rp85,469 in the form of Government bonds to the Republic of Indonesia on November 5, 2001 (Notes 9 and 28b).

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 28b).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

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 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 Markets and Financial Institutions Supervisory Agency (Bapepam - LK), and such registration statement became effective based on the decision letter of the Chairman of Bapepam - LK No. S-2646/PM/2003 dated October 31, 2003 (Note 28a).

BRI's initial public offering shares consist 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 59.5% of shares of BRI (Note 28a). On November 10, 2003, the above-mentioned offered shares were initially traded on 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 in BRI I Building, Jl. Jenderal Sudirman Kav. 44-46, Jakarta.

As of December 31, 2007 and 2006, BRI has the following regional offices, inspection offices, branch offices and units:

	2007	2006
Regional Offices	14	13
Inspection Offices	12	11
Domestic Branch Offices	340	330
Special Branch Office	1	1
Overseas Branch/Representative Offices	3	3
Sub-branch Offices/Cash Offices	230	202
BRI Units	4,300	4,229
Village Service Units	100	133
Sharia Branch Offices ("BRI Sharia")	27	27
Sharia Sub-branch Offices	18	18

As of December 31, 2007 and 2006, BRI has an overseas branch located in Cayman Islands and 2 agency offices located in New York and Hong Kong.

As of December 31, 2007 and 2006, BRI has a total of 38,120 and 39,915 employees (unaudited), respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure and Management (continued)

The composition of the Boards of Commissioners and Directors of BRI as of December 31, 2007 and 2006 based on the minutes of BRI's Stockholders' General Meeting held on May 22, 2007, which was stated under the notarial deed No. 40 of Imas Fatimah, S.H. and BRI's Stockholders' General Meeting held on May 30, 2006, which was stated under the notarial deed No. 19 of Imas Fatimah, S.H., respectively, is as follows:

2007			
Board of Commissioners		Board of Directors	
President/Independent Commissioner	: Bunasor Sanim	President Director	: Sofyan Basir
Commissioner	: Saifullah Yusuf ^{*)}	Director	: Abdul Salam
Commissioner	: Agus Pakpahan	Director	: Agus Toni Soetirto
Commissioner	: Agus Suprijanto	Director	: Sarwono Sudarto
Independent Commissioner	: Bangun Sarwito Kusmuljono	Director	: Sulaiman Arif Arianto
Independent Commissioner	: Baridjussalam Hadi	Director	: Sudaryanto Sudargo
Independent Commissioner	: Aviliani	Director	: Lenny Sugihat
		Director	: Suprajarto ^{*)}
		Director	: Asmawi Syam ^{*)}
		Compliance Director	: Bambang Soepeno

2006			
Board of Commissioners		Board of Directors	
President/Independent Commissioner	: Bunasor Sanim	President Director	: Sofyan Basir
Commissioner	: Mulia P. Nasution	Director	: Abdul Salam
Commissioner	: Agus Pakpahan	Director	: Agus Toni Soetirto
Commissioner	: Sunarsip	Director	: Sarwono Sudarto
Independent Commissioner	: Bangun Sarwito Kusmuljono	Director	: Sulaiman Arif Arianto
Independent Commissioner	: Baridjussalam Hadi	Director	: Sudaryanto Sudargo
Independent Commissioner	: Aviliani	Director	: Lenny Sugihat
		Compliance Director	: Bambang Soepeno

^{*)} Appointed based on the Stockholders' Extraordinary General Meeting held on September 5, 2007, which was stated under the notarial deed No. 3 of Imas Fatimah, S.H.

The composition of BRI's Audit Committee as of December 31, 2007 and 2006 based on the Decision Letters of BRI's Commissioners No. B.166-KOM/12/2007 dated December 5, 2007 and No. B.199-KOM/KNR/07/2006 dated July 14, 2006, respectively, is as follows:

	2007	2006
Chairman	: Aviliani	Aviliani
Member	: Bunasor Sanim	Bunasor Sanim
Member	: Saifullah Yusuf	Dedi Budiman Hakim
Member	: Dedi Budiman Hakim	H. C. Royke Singgih
Member	: H. C. Royke Singgih	Abdussalam Konstituanto

The composition of BRI's Sharia Supervisory Board as of December 31, 2007 and 2006 based on the Decision Letter No. 150-DIR/SDM/04/2006 dated April 21, 2006 of BRI's Directors is as follows:

	2007 and 2006
Chairman	: Asjmuni Abdurrahman
Member	: Karnaen Perwataatmaja
Member	: Cholid Fadlulloh

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

e. Subsidiary

On June 29, 2007, BRI entered into a Share Sale and Purchase Agreement with the shareholders of PT Bank Jasa Arta (BJA) to acquire 100% of BJA's shares with a purchase price of Rp61 billion.

Based on the minutes of BRI's Shareholders' Extraordinary General Meeting held on September 5, 2007 which was stated under the notarial deed No. 3 of Imas Fatimah, S.H., the shareholders have approved the above acquisition of BJA.

According to Bank Indonesia letters No. 9/188/GBI/DPIP/Rahasia dated December 18, 2007 and No. 9/1326/DPIP/Prz dated December 28, 2007, BRI has obtained the approval of Bank Indonesia for the acquisition of BJA.

Based on Acquisition Deed No. 61 of Imas Fatimah, S.H. the acquisition was completed on December 19, 2007, whereby BRI owns 99.99875% of the issued shares of BJA and 0.00125% granted to BRI's Employee Welfare Foundation (Yayasan Kesejahteraan Pekerja BRI).

BJA was established on April 3, 1969 based on notarial deed No. 4 of Liem Toeng Kie, S.H. and engaged in banking activities. BJA's head office is located at Jl. Wahid Hasyim No. 228, Jakarta.

As of December 31, 2007, BJA has 4 branch offices, 5 sub-branch offices, 3 cash offices and 2 cash service units.

As of December 31, 2007, BJA has a total of 217 employees (unaudited).

As of December 31, 2007, the total assets (before elimination) of BJA is Rp261,216 or 0.13% of the total consolidated assets. The total interest income of BJA in 2007 is Rp27,685 or 0.12% of the total consolidated interest income.

2. SUMMARY OF ACCOUNTING POLICIES

a. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards ("PSAK") No. 31 (Revised 2000) on "Accounting for Banking" and other related financial accounting standards issued by the Indonesian Institute of Accountants (IAI) and the Accounting Guidelines for Indonesian Banking (PAPI) published by Bank Indonesia and IAI, and, where applicable, prevailing banking industry practices and accounting and reporting guidelines prescribed by the bank regulatory authority in Indonesia and Capital Markets and Financial Institutions Supervisory Agency (Bapepam - LK) regulation No. VIII.G.7 attachment to the Decision of the Chairman of Bapepam - LK No. KEP-06/PM/2000 dated March 13, 2000 regarding the Guidelines for Financial Statements Presentation and Circular Letter No. SE-02/BL/2008 dated January 31, 2008 regarding the Guidelines on Financial Statement Presentations and Disclosures for Public Companies on General Mining, Oil and Gas, and Banking Industry.

BRI's Sharia branches which are engaged in banking activities under the sharia principles present their financial statements in accordance with sharia accounting principles under PSAK No. 59 on "Accounting for Sharia Banking" and the Accounting Guidelines for Indonesian Sharia Banking (PAPSI) issued by Bank Indonesia and IAI.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

a. Basis of preparation of the consolidated financial statements (continued)

The consolidated financial statements have been prepared on:

- (1) accrual basis, except for interest receivable on earning assets which are classified as non-performing.
- (2) historical cost, except for certain premises and equipment which were revalued based on Government Regulation, certain investments in shares which are recorded under equity method, certain securities and Government recapitalization bonds classified as trading and available-for-sale and derivative transactions which are stated at fair value and repossessed assets which are stated at net realizable value.

The consolidated statements of cash flows have been prepared using the direct method which classified cash flows into operating, investing and financing activities. For presentation in the consolidated statements of cash flows, cash and cash equivalents consist of cash, current accounts with Bank Indonesia and current accounts with other banks.

b. Consolidation Principles

The consolidated financial statements include the financial statements of BRI and its Subsidiary whose majority shares are owned or controlled by BRI.

In case where control over a Subsidiary has begun or ended within the current period, the results of operations of a Subsidiary included in the consolidated financial statements are limited on the results as of the date on which control starts to be acquired until such control has ended.

Control on a Subsidiary is presumed to exist if BRI controls more than 50% of the Subsidiary's voting rights, or is able to govern the financial and operating policies of a Subsidiary, or has the ability to terminate or appoint the majority of the Subsidiary's Board of Directors, or is able to control the majority of voting rights in the management's meeting.

In the consolidated financial statements, all significant inter-company balances and transactions have been eliminated.

Minority interest in net income and equity of the Subsidiary represents the minority stockholders' proportionate share in the net income and equity of such Subsidiary, based on the percentage of ownership of the minority stockholders in such Subsidiary.

c. Quasi-reorganization

Based on PSAK 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 a balance sheet showing current values without accumulated losses as the accumulated losses are eliminated against the additional paid-in capital account.

The estimate fair values of assets and liabilities of BRI under the quasi-reorganization is determined based on the best information available that is related to the characteristics of the assets and liabilities, with consideration on the level of risks or market values of the related assets and liabilities. If the market value is not available, the estimate 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 PSAK.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c. Quasi-reorganization (continued)

Based on the minutes of BRI's Stockholder's Extraordinary General Meeting held on October 3, 2003 notarized under the deed No. 6 dated the same date of Notary Imas Fatimah, S.H., (Note 3), the stockholders approved in principle the quasi-reorganization plan of BRI as of June 30, 2003.

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 PSAK No. 51 (before revision in 2003) and PSAK No. 21 on "Accounting for Equity", in the implementation of quasi-reorganization, BRI did not book 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 which was eliminated against the additional paid-in capital account 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 PSAK No. 51 (before revision in 2003) and with consideration to other related aspects in implementing quasi-reorganization.

On December 9, 2003, IAI issued PSAK No. 51 (Revised 2003) which is effective for quasi-reorganization that takes effect after December 10, 2003.

d. Transactions with related parties

Related parties are defined under PSAK No. 7 on "Related Party Disclosures" as follows:

- 1) enterprises that, through one or more intermediaries, control or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);
- 2) associated companies;
- 3) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, and close members of the family of any such individuals (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals in their transactions with the reporting enterprise);
- 4) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting enterprise, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and
- 5) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any persons described in 3) or 4) above, or over which such a person is able to exercise significant influence on the enterprises. This definition includes enterprises owned by the commissioners, directors or major stockholders of the reporting enterprise and enterprises that have a common member of key management as in the reporting enterprise.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

d. Transactions with related parties (continued)

All significant transactions with related parties, whether or not made under normal terms and conditions as those conducted with third parties, have been disclosed in the consolidated financial statements. Based on PSAK No. 7, transactions among BRI and the Government and other state-owned or controlled companies including the Indonesian Bank Restructuring Agency (IBRA), Government Guarantee Implementation Unit (UP3) (an institution which replaced IBRA) and Deposit Insurance Corporation (a new institution which replaced UP3), are not considered as transactions with related parties.

e. Allowance for possible losses on earning assets, non-earning assets and estimated losses on commitments and contingencies

Earning assets consist of current accounts with other banks, placements with Bank Indonesia and other banks, securities, export bills, Government recapitalization bonds, securities purchased with agreement to resell, derivatives receivable, loans, sharia receivables and financing, acceptances receivable and investments in shares of stock and commitments and contingencies in administrative account transactions.

Commitments and contingencies in administrative account transactions, include but is not limited to issued guarantees, letters of credit, standby letters of credit and unused loan facilities granted to customers.

Non-earning assets are bank assets which have a potential loss and include but are not limited to repossessed assets, abandoned properties, inter-office accounts and suspense accounts.

Based on Bank Indonesia Regulation (PBI), assets are classified into performing assets as "Current" or "Special Mention", and non-performing assets as "Sub-standard", "Doubtful" or "Loss".

The classification of assets as current, special mention, sub-standard, doubtful or loss is based on Bank Indonesia Regulation (PBI) No. 7/2/PBI/2005 dated January 20, 2005 regarding the Assessment of the Quality of Commercial Bank Assets, whereby certain articles have been amended by PBI No. 8/2/PBI/2006 dated January 30, 2006 and PBI No. 9/6/PBI/2007 dated March 30, 2007 which consider management's evaluation of each debtor's business prospects, performance and ability to repay, and also further considering other aspects such as the classification based on Bank Indonesia audit results, the classification as determined by other commercial banks on earning assets drawn from more than one bank, and the availability of the debtor's audited financial statements.

The minimum allowance for possible losses on earning assets, non-earning assets and estimated losses on commitments and contingencies is calculated considering the above-mentioned PBI.

The recognition of minimum allowance for possible losses in accordance with the above PBI is as follows:

- 1) General reserve, at a minimum of 1% of earning assets classified as Current, except for earning assets guaranteed with cash collaterals such as demand deposits, time deposits, savings deposits, security deposits, gold, Bank Indonesia Certificates or Government Debentures (Government Bonds and Government Recapitalization Bonds), guarantees of Government in accordance with the prevailing laws and regulations, standby letters of credit from a prime bank which is issued in accordance with the prevailing Uniform Customs and Practice for Documentary Credit (UCP) or International Standard Practices (ISP).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

e. Allowance for possible losses on earning assets and estimated losses on commitments and contingencies (continued)

2) Special reserve, at a minimum of:

- a) 5% of earning assets classified as Special Mention, net of deductible collateral; and
- b) 15% of earning assets classified as Sub-standard, net of deductible collateral; and
- c) 50% of earning assets classified as Doubtful, net of deductible collateral; and
- d) 100% of earning assets classified as Loss, net of deductible collateral.

Collateral value is deducted only in the calculation of allowance for possible losses for earning assets.

Deductible collateral from the calculation of provision for possible losses on earning assets and estimated losses on commitments and contingencies includes securities and shares which are traded actively in the Indonesia Stock Exchange or having the highest investment rating, up to 50% of the value of securities listed in the stock exchanges at month end, certain percentage of land, buildings, residential houses, machinery that are installed on land, aircrafts, ships, motorcycles, inventories and warehouse receipts which are not more than 24 (twenty-four) months and appraisal for the loan principal above Rp5 billion conducted by independent appraisers.

The allowance for possible losses on commitments and contingencies is presented as a liability in the consolidated balance sheets under "Estimated Losses on Commitments and Contingencies".

The outstanding balance of earning assets is written off against the respective allowance for possible losses when management believes that such earning assets are no longer collectible. The recovery of earning assets previously written off is recorded as addition to the allowance/estimate possible losses during the current year. If there is excess from the recovery of the loan principal, such excess will be recognized as interest income.

Effective 2007, the guidelines for calculating the allowance for possible losses and determining the quality of earning assets for BRI Sharia branches are based on PBI No. 8/21/PBI/2006 dated October 5, 2006 regarding the Assessment of the Quality of Assets of Commercial Banks which Operate Its Business Based on Sharia Principles.

Prior to 2007, the guidelines for calculating the allowance for possible losses and determining the quality of earning assets for BRI Sharia branches are based on PBI No. 5/7/PBI/2003 dated May 19, 2003 regarding the Quality of Earning Assets for Sharia Banking and PBI No. 5/9/PBI/2003 dated May 19, 2003 regarding the Allowance for Possible Losses on Earning Assets for Sharia Banks.

f. Current accounts with other banks

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

g. Placements with Bank Indonesia and other banks

Placements with Bank Indonesia and other banks are placements of funds with Bank Indonesia in the form of Bank Indonesia deposit facilities (FASBI) while placements of funds with other banks represent placements of funds in the form of inter-bank call money and time deposits.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

g. Placements with Bank Indonesia and other banks (continued)

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

h. Securities and Government recapitalization bonds

Securities consist of securities traded in the money market such as Bank Indonesia Certificates, notes receivable, subordinated notes, mutual fund units, medium term notes, US Treasury Bonds, guaranteed notes, credit-linked notes and bonds traded in the stock exchanges.

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 other Government recapitalization bonds purchased from the secondary market.

Securities and Government recapitalization bonds are classified based on management's intention at acquisition and based on the following classifications under PSAK No. 50 on "Accounting for Certain Investments in Securities":

- 1) Securities and Government recapitalization bonds for trading purposes are stated at fair value. Unrealized gains (losses) resulting from the increase (decrease) in fair value is reported in the current year's consolidated income statement. Upon sale of the securities and Government recapitalization bonds held for trading, the difference between the selling price and their carrying fair value is recorded as realized gain or loss on sale.
- 2) Held-to-maturity securities and Government recapitalization bonds are stated at acquisition cost after adding (deducting) the amortization of premium (discount), if any.
- 3) Available-for-sale securities and Government recapitalization bonds are stated at fair value. Unrealized gains (losses) resulting from the increase (decrease) in fair value are not recognized in the current year's consolidated income statement but are presented separately as a component of stockholders' equity. Those unrealized gains (losses) are recognized in the consolidated statement of income upon realization.

For securities which are traded in organized financial markets, fair value is generally determined by reference to quoted market bid prices by the stock exchanges at the date close to the balance sheet date, adjusted for transaction costs necessary to acquire such assets. For securities which have no quoted market price, an estimate of the fair value of the securities is determined by reference to the fair value of other instruments which are substantially the same or are calculated based on the expected cash flows of the underlying net asset base of such securities or using the expected market yield approach. The permanent decline in fair value of the held-to-maturity and available-for-sale securities is charged to the current year's consolidated income statement.

Buy and sell transactions of securities for customers and BRI itself are recognized in the consolidated financial statements when the agreement of the securities transactions arise.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

h. Securities and Government recapitalization bonds (continued)

Securities are presented at their net values after deducting the allowance for possible losses and unamortized premium or discount. The premium and discount is amortized using the straight-line method.

Securities are derecognized from consolidated balance sheets when BRI has transferred all significant risks and benefits of these securities.

i. 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 possible losses. The discount arising from export bills has been directly recorded in full in the current year's consolidated income statement as the amount is immaterial.

j. Loans

Loans represent the lending of money or equivalent receivables under contracts or borrowing and lending commitments with borrowers, whereby the borrowers are required to repay their debts with interest after a specified time. Loans are stated at their loan principal net of allowance for possible losses.

For the restructuring of non-performing loans involving the modification of terms (e.g. modification of interest rate and extension of payment maturity date), and not involving the receipt of assets (including receipt of shares) from the debtor, BRI should record the effects of the restructuring prospectively and not change the carrying value of the loan receivable at the time of restructuring, except if the recorded amount exceeds the total future cash receipts specified by the new terms. The deduction amount is charged as loss in the current year's consolidated income statement.

Loans extended under syndication agreements are recognized at the nominal amount to the extent of the risks borne by BRI.

k. Sharia receivables and financing

Sharia receivables are receivables resulting from sell and purchase transactions based on *murabahah*, *istishna* and *ijarah* contracts. Sharia financing consists of *mudharabah* and *musyarakah* financing.

Murabahah is a sale purchase contract between the customer and BRI Sharia, whereby BRI Sharia finances the investment and working capital needs of the customer sold with a principal price increased by the margin that is mutually informed and agreed. Repayment on this financing is conducted by installments within a specified period.

Istishna is a sale contract between *al - mutashni* (buyer) and *al - shani* (producer who also acts as seller). Based on such contract, the buyer assigns the producer to create or conduct *al - mashnu* (order goods) in accordance with the required specifications by the buyer and sells them at the agreed price.

Ijarah is a leasing agreement between the *muajjir* (lessor) with the *mustajir* (lessee) on *ma'jur* (lease items) to obtain the benefits on the items that are being leased.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

k. Sharia receivables and financing (continued)

Mudharabah financing is a joint financing made between BRI Sharia which provides the capital (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).

Musarakah financing is an agreement between the investors (mitra musyarakah) to combine their capital and conduct a joint business in a partnership with the profit or loss sharing based on an agreement or proportionate with the capital contribution.

l. 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 are stated at nominal amount or realization value of the L/C net of allowance for possible losses, while acceptances payable are stated at nominal amount or realization value of the L/C.

m. Investments in shares of stock

Investments in shares of stock represent mainly investment of funds in the form of shares in non-publicly-listed companies engaged in financing activities for long-term investment purposes.

Investments in shares of stock with an ownership interest of 20% up to 50% are recorded based on the equity method. Under this method, the investments are stated at acquisition cost increased or decreased by the share in the net earnings or losses of the associate companies based on the percentage of ownership and reduced by dividends received since the acquisition date.

Investments in shares of stock with an ownership interest of less than 20% are recorded based on the cost method reduced by allowance for possible losses.

n. Premises and equipment

Premises and equipment are stated at acquisition cost, except for premises and equipment which were revalued in accordance with Government regulation, less accumulated depreciation. The incremental values of premises and equipment resulting from the revaluation is recorded in the equity of the consolidated balance sheet under "Revaluation Increment on Premises and Equipment". Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	15
Motor vehicles	5
Computers and machineries	3 - 5
Furniture and fixtures	5

Landrights and museum assets are stated at acquisition cost and not depreciated.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

n. Premises and equipment (continued)

The cost of repairs and maintenances is charged to the consolidated income statement as incurred; significant renewals and betterments which lengthen the useful lives or provide a useful economic value in the future in the form of increase in capacity or standard of performance are capitalized to the related premises and equipment. When assets are retired or otherwise disposed of, their carrying values are removed from the related premises and equipment account and any resulting gains or losses are recorded in the consolidated income statement in the current year.

PSAK No. 48 on "Impairment in Asset Value" requires the review of the asset values for each impairment or write-down to fair value whenever events indicate that the carrying value may not be recoverable.

o. Leases

Lease transactions in which BRI is the lessee are accounted for as capital lease when all the criteria under PSAK No. 30 on "Accounting for Leases" are met. If one of the criteria is not met, the lease transaction is accounted for as an operating lease. Assets under capital lease (included as part of "Premises and Equipment") are stated at the present value of all lease payments during the lease period plus the residual value (option price) to be paid at the end of the lease period. Depreciation is computed on the straight-line method over the estimated economic useful lives of such assets and lease period.

Obligations under capital lease are stated at the present value of all lease payments and presented as part of "Other Liabilities".

p. Repossessed assets

Repossessed assets 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 repossessed assets 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.

q. Prepaid expenses

Prepaid expenses (included as part of "Other Assets") are amortized over the periods benefited by each cost using the straight-line method.

r. Immediately payable liabilities

Immediately payable liabilities represent the obligations of the Bank to external parties that based on its nature should be paid immediately in accordance with the instructions of the agreement which have been previously determined. Immediately payable liabilities are stated at the amount of the liability of the Bank to the account holders.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

s. Deposits from customers and other banks and financial institutions

Demand deposits represent funds deposited by customers in which the withdrawal can be done at any time by use of a check, a bank draft or other forms of payment order, or through a transfer order. These deposits are stated at the amount due to the account holder.

Wadiah demand deposits represent third party funds which can be returned at anytime and customers receive bonus based on BRI Sharia policy.

Savings deposits represent customers' funds from which the depositors are entitled to withdraw under certain agreed conditions. These deposits are stated at the amount due to the account holder.

Mudharabah savings deposits represent third party funds whereby the customers receive predetermined and pre-agreed profit-sharing return ratio (*nisbah*) from income derived by BRI Sharia from the use of such funds.

Time deposits represent funds deposited by customers that can be withdrawn only at a certain point in time as stated in the contract with BRI. Time deposit is stated at the nominal amount provided in the deposit certificate or at the amount stated in the agreement.

Mudharabah time deposits represent third party funds with pre-agreed profit-sharing return ratio (*nisbah*) that can be withdrawn only at a certain point in time based on the agreement between the customer and BRI Sharia. *Mudharabah* time deposits are stated at the nominal amount as agreed by the deposit holder and BRI Sharia.

Certificates of deposits represent time deposits from customers covered by negotiable certificates which are transferable. These deposit certificates are stated at nominal value reduced by unamortized interest.

Deposits from other banks and financial institutions consist of liabilities to other banks, either domestic or overseas, in the form of demand deposits, savings deposits, time deposits and inter-bank call money, through the issuance of promissory notes which have a term up to 90 (ninety) days and stated at the amount due to banks and other financial institutions.

t. Securities purchased with agreements to resell and securities sold with agreements to repurchase

Securities purchased with agreements to resell are recognized as receivables and recorded at their resale values reduced by unearned interest and allowance for possible losses. The difference between the securities purchase and resale price is treated as unearned interest income and will be recognized over the period from the time of purchase until the time of resale.

Securities sold with agreements to repurchase are recognized as liability at their agreed repurchase price, reduced by the balance of prepaid interest. The difference between the selling price and repurchase price is treated as prepaid interest which is recognized as interest expense over the period from the sale of the securities until the time of repurchase.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

u. Allowance and timely payment of interest on BRI unit

Timely Payment of Interest [*Pembayaran Bunga Tepat Waktu* (PBTW)] represent incentives given to Village General Loans (*Kupedes*) borrowers 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 incentives, which are given to borrowers 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".

v. Interest income and interest expense

Interest income and interest expense are recognized on accrual basis, except for interest income on non-performing earning assets (Substandard, Doubtful and Loss) which is recognized at the time cash collections are received (cash basis). Interest receivable which has been accrued is reversed when the earning asset has been classified as non-performing and charged to expense in the current period. Interest income from non-performing assets that has not been received (Interest Receivables on Non-performing Loans) is disclosed in the information on commitments and contingencies.

Cash collections from loans which have been classified as doubtful or loss will be used initially to reduce the loan principal. The excess collections from outstanding balances are recognized as interest income in the consolidated statements of income.

w. Fees and commissions

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

x. Sharia income and charges

Sharia income represents bonuses, margin and profit-sharing on sharia financing and other earning assets recognized on accrual basis.

Sharia expenses represents bonuses and profit sharing distribution which are recognized on accrual basis.

Total margin and profit sharing on the financing facilities provided/receivables and other earning assets for distribution to depositors and BRI Sharia are computed based on the proportion of funds channeled by the depositors and BRI Sharia used in financing facilities and other earning assets. The total margin and profit sharing available are distributed to customers and BRI Sharia in accordance with a predetermined profit-sharing ratio.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

y. Pension plan and employee benefits

BRI has 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 years of service of existing employees as determined by the actuary. In addition, BRI employees are also given Old-Age Benefits, defined contribution pension plan benefits and other long-term benefits (gratuity for services, long sabbatical 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 PSAK No. 24 (Revised 2004) on "Employee Benefits", the cost of providing employee benefits under the prevailing Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded the higher of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at that date. 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 period until the benefits concerned become vested.

z. Stock options

BRI has granted stock options to the 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 equity.

The fair value of the stock options granted is calculated using the Black-Scholes option pricing model.

aa. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit by the weighted average number of issued and fully paid shares during the related year.

Diluted earnings per share is computed after making the necessary adjustments to the weighted average number of ordinary shares outstanding assuming the full exercise of employee stock options at the time of issuance.

ab. Foreign currency transactions and balances

BRI and its Subsidiary maintain their 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, 2007 and 2006, 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) as of December 31, 2007 and December 29, 2006, respectively. The resulting gains or losses are credited or charged to the current consolidated profit and loss.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ab. Foreign currency transactions and balances (continued)

The exchange rates used in the translation of foreign exchange currency amounts into Rupiah are as follows (full Rupiah):

	2007	2006
United States Dollar 1	9,393.00	9,003.00
Great Britain Pound Sterling 1	18,760.64	17,616.19
Japanese Yen 100	8,384.00	7,563.00
European Euro 1	13,821.80	11,846.25
Hong Kong Dollar 1	1,204.08	1,157.71

ac. Translation of the financial statements of overseas branch and representative offices

BRI has a branch office in Cayman Islands and 2 representative offices each in New York and Hong Kong that are separate foreign entities.

For combination 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 - at Reuters spot rates at 4.00 p.m. WIB on balance sheet date.
- Revenues, expenses, gains and losses - at the average middle rate during the month. The ending year balances consist of the sum of the translated amounts of revenues, expenses and profit and losses per month during the year.
- Stockholders' equity - Capital Stock and Additional Paid-in Capital at historical rates.
- Statements of cash flows - at the spot rate published by Reuters at 4.00 p.m. WIB on balance sheet date, except for the profit and loss accounts which are translated at the average middle rates and stockholders' 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 stockholders' equity as "Differences Arising from Translation of Foreign Currency Financial Statements".

ad. Derivative transactions

Based on PSAK No. 55 (Revised 1999) on "Accounting for Derivative Instruments and Hedging Transactions", all derivative instruments are recognized in the balance sheet date at their fair value. Fair value is determined based on market value or Reuters spot rate at balance sheet date or pricing models or quoted prices of other instruments with similar characteristics. The recognition of derivatives as either assets or liabilities is based on the difference between the contract amount and the fair value of the derivative instrument. The difference represents unrealized gains or losses on the reporting date. The changes in the fair value of the derivative instruments that are not designated as hedging or do not meet the criteria for classification as hedging instrument are recognized in the current year consolidated profit and loss. For accounting purposes, BRI's derivative transactions are not designated as effective hedging.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ae. Income tax

BRI and its Subsidiary applies PSAK 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. PSAK 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 for the compensation.

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 balance sheet date.

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.

af. Segment reporting

PSAK No. 5 (Revised 2000) on "Segment Reporting" requires the identification and disclosure of financial information based on the business type (products or services) and geographical segment of the company's operations. BRI only operates in the banking industry, therefore the information for segment reporting disclosed is based on geographical segments.

ag. Use of estimates

In the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, the management used estimations and assumptions that affect the reported amounts in the consolidated financial statements. There is inherent risk in making estimates such that actual amounts reported in future periods may differ from the estimated amounts.

ah. Revised Statements of Financial Accounting Standards

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

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

ah. Revised Statements of Financial Accounting Standards (continued)

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

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

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

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

PSAK Nos. 101 - 106 on Sharia Financial Statements Presentation, *Murabahah* Accounting, *Salam* Accounting, *Istishna* Accounting, *Mudharabah* Accounting, and *Musyarakah* Accounting, supersede PSAK No. 59 on Sharia Banking Accounting that relates to recognition, measurement, presentation and disclosures on these topics. These standards are effective for financial statements covering the periods beginning on or after January 1, 2008.

BRI is presently evaluating and has not determined the effects of these revised PSAKs on its consolidated financial statements.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

3. IMPLEMENTATION OF QUASI-REORGANIZATION

As a result of the effects of the economic conditions as discussed in Note 46, BRI incurred significant losses in 1998 and 1999 totaling 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 of Rp24,699,387 in the balance sheet as of June 30, 2003.

In order to have a fresh start with a balance sheet showing the current values without accumulated losses, BRI implemented quasi-reorganization as of June 30, 2003 (Note 2c).

BRI's management has prepared projections of financial statements that show 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 and lending to a strong consumer sector, small and middle business and agribusiness sectors.

4. CURRENT ACCOUNTS WITH BANK INDONESIA

Current accounts with Bank Indonesia consist of:

	2007	2006
Rupiah	30,633,245	13,713,696
United States Dollar	414,627	307,672
	31,047,872	14,021,368

As of December 31, 2007 and 2006, current accounts with Bank Indonesia under sharia banking principles amounted to Rp26,170 and Rp25,244, respectively.

Current accounts with Bank Indonesia are maintained to comply with Bank Indonesia's Minimum Legal Reserve Requirement (GWM).

As of December 31, 2007 and 2006, the GWM ratios of BRI only (unaudited) are as follows:

	2007	2006
Rupiah	22.09%	12.34%
United States Dollar	3.00	3.00

The calculation of the GWM ratios is based on Bank Indonesia Regulation (PBI) No. 7/49/PBI/2005 dated November 29, 2005 regarding the Second Amendment on PBI No. 6/15/PBI/2004 regarding GWM of Commercial Banks in Bank Indonesia in Rupiah and Foreign Currency.

BRI has complied with Bank Indonesia's regulation regarding the minimum legal reserve requirement as of December 31, 2007 and 2006.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

5. CURRENT ACCOUNTS WITH OTHER BANKS

a) By Currency:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>	23,006	33,335
<u>Foreign currencies</u>		
European Euro	369,234	21,568
United States Dollar	235,825	91,315
Japanese Yen	147,409	5,066
Swiss Franc	87,095	6,708
Great Britain Pound Sterling	23,023	12,425
Hong Kong Dollar	9,549	2,124
Singapore Dollar	9,294	2,610
Others	18,417	6,784
	899,846	148,600
Total	922,852	181,935
Less: Allowance for possible losses	(9,234)	(1,819)
	913,618	180,116

b) By Bank:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
PT Bank Negara Indonesia (Persero) Tbk	5,098	22,254
PT Bank Mandiri (Persero) Tbk	374	1,416
Others	17,534	9,665
	23,006	33,335
<u>Foreign currencies</u>		
JP Morgan Chase Bank, N.A.	347,103	11,622
ABN-AMRO Bank N.V.	150,804	5,047
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	131,499	5,066
UBS AG	87,095	6,708
Bank of America, N.A.	41,245	25,282
The Hongkong and Shanghai Banking Corporation Limited	26,812	8,310
The Bank of New York Mellon	15,031	19,919
Deutsche Bank Trust Company Americas	14,910	2,213
Dresdner Bank AG	13,295	13,484
Others	72,052	50,949
	899,846	148,600
Total	922,852	181,935
Less: Allowance for possible losses	(9,234)	(1,819)
	913,618	180,116

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

c) By Collectibility:

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

d) Average annual interest rates for current accounts with other banks:

	2007	2006
Rupiah	0.01%	1.20%
Foreign currencies		
United States Dollar	4.23	3.91
European Euro	2.67	1.46

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

	2007	2006
<u>Rupiah</u>		
Beginning balance	333	112
(Reversal) provision during the year (Note 33)	(98)	221
	235	333
<u>Foreign currencies</u>		
Beginning balance	1,486	6,417
Provision (reversal) during the year (Note 33)	7,513	(4,931)
	8,999	1,486
	9,234	1,819

The minimum allowance for possible losses on current accounts with other banks that should be provided based on Bank Indonesia regulations amounted to Rp9,234 and Rp1,819 as of December 31, 2007 and 2006, respectively.

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

6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS

a) By Currency and Type:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Bank Indonesia - FASBI (net of unamortized interest of Rp798 and Rp1,259 as of December 31, 2007 and 2006, respectively)	9,574,202	9,548,741

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

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

a) By Currency and Type (continued):

	2007	2006
Inter-bank call money		
Citibank, N.A.	500,000	425,000
PT Bank Danamon Indonesia Tbk	490,000	200,000
JP Morgan Chase Bank, N.A.	450,000	15,000
ABN-AMRO Bank N.V.	275,000	375,000
PT Bank Ekspor Indonesia (Persero)	250,000	-
PT Bank Permata Tbk	200,000	150,000
PT Bank Lippo Tbk	200,000	-
PT Pan Indonesia Bank Tbk	150,000	145,000
PT ANZ Panin Bank	145,000	-
PT Bank UOB Buana Tbk	130,000	-
PT Bank DBS Indonesia	125,000	-
American Express Bank	115,000	30,000
The Hongkong and Shanghai Banking Corporation Limited	103,379	400,000
PT Bank Rabobank International Indonesia	100,000	20,000
PT Bank Niaga Tbk	100,000	-
Standard Chartered Bank	-	200,000
Deutsche Bank AG	-	100,000
Others	445,000	195,000
	<u>3,778,379</u>	<u>2,255,000</u>
	13,352,581	11,803,741
<u>Foreign currencies</u>		
Inter-bank call money		
Standard Chartered Bank	375,720	-
Indonesische Overzeese Bank N.V.	140,895	135,045
PT Bank Mandiri (Persero) Tbk	140,895	-
The Bank of New York Mellon	58,246	144,048
Maybank	56,358	149,450
ABN-AMRO Bank N.V.	-	1,147,937
Others	307,682	88,139
	<u>1,079,796</u>	<u>1,664,619</u>
Time deposits		
Wachovia Bank N.A.	23,483	22,507
	<u>1,103,279</u>	<u>1,687,126</u>
	14,455,860	13,490,867
<u>Related party</u>		
<u>Rupiah</u>		
Inter-bank call money		
PT UFJ-BRI Finance	225,000	166,000
	<u>225,000</u>	<u>166,000</u>
Total	14,680,860	13,656,867
Less: Allowance for possible losses	(51,417)	(41,081)
	<u>14,629,443</u>	<u>13,615,786</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

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

b) By Time Period:

The placements are grouped by their remaining period to maturity as follows:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	13,252,581	11,803,741
> 1 month - 3 months	100,000	-
	<u>13,352,581</u>	<u>11,803,741</u>
<u>Foreign currencies</u>		
≤ 1 month	1,079,796	1,664,619
> 1 month - 3 months	23,483	22,507
	<u>1,103,279</u>	<u>1,687,126</u>
	<u>14,455,860</u>	<u>13,490,867</u>
<u>Related party</u>		
<u>Rupiah</u>		
≤ 1 month	26,000	42,000
> 1 month - 3 months	199,000	124,000
	<u>225,000</u>	<u>166,000</u>
Total	14,680,860	13,656,867
Less: Allowance for possible losses	(51,417)	(41,081)
	<u>14,629,443</u>	<u>13,615,786</u>

c) By Collectibility:

As of December 31, 2007 and 2006, all placements with Bank Indonesia and other banks are classified as current.

d) Average annual interest rates are as follows:

	2007	2006
<u>Rupiah</u>		
FASBI	3.83%	6.68%
Inter-bank call money	6.65	9.62
<u>Foreign currencies</u>		
Inter-bank call money	5.29	5.28
Time deposits	4.25	5.13

e) Movements of allowance for possible losses on placements with Bank Indonesia and other banks:

	2007	2006
<u>Rupiah</u>		
Beginning balance	24,210	16,990
Provision during the year (Note 33)	16,174	7,220
	<u>40,384</u>	<u>24,210</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

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

- e) Movements of allowance for possible losses on placements with Bank Indonesia and other banks (continued):

	2007	2006
<u>Foreign currencies</u>		
Beginning balance	16,871	12,622
(Reversal) provision during the year (Note 33)	(5,838)	4,249
	11,033	16,871
	51,417	41,081

The minimum allowance for possible losses on placements with Bank Indonesia and other banks that should be provided based on Bank Indonesia regulations amounted to Rp51,417 and Rp41,081 as of December 31, 2007 and 2006, respectively.

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

7. SECURITIES

- a) By Purpose, Currency and Type:

	2007	2006
<u>Trading (Fair Value)</u>		
<u>Rupiah</u>		
Government bonds	1,952,680	608,497
Bonds	384,726	75,670
Mutual funds	102,732	95,576
Medium-term notes	-	19,812
	2,440,138	799,555
<u>Foreign currency</u>		
Government bonds	492,448	348,635
Guaranteed notes	93,930	91,380
US Treasury bonds	93,872	84,938
Medium-term notes	92,135	110,111
Notes receivable	-	44,791
Subordinated notes	-	34,394
	772,385	714,249
	3,212,523	1,513,804
<u>Available-for-Sale (Fair Value)</u>		
<u>Rupiah</u>		
Government bonds	1,679,963	-
Bonds	19,859	-
	1,699,822	-

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

a) By Purpose, Currency and Type (continued):

	2007	2006
<u>Foreign currency</u>		
Government bonds	872,776	839,516
Notes receivable	103,896	198,497
	<u>976,672</u>	<u>1,038,013</u>
	<u>2,676,494</u>	<u>1,038,013</u>
<u>Held-to-Maturity (Cost)</u>		
<u>Rupiah</u>		
Bank Indonesia Certificates - net of unamortized interest of Rp19,500 and Rp53,398 as of December 31, 2007 and 2006, respectively	8,325,500	12,687,722
Bonds	501,014	-
Medium-term notes	10,000	-
	<u>8,836,514</u>	<u>12,687,722</u>
<u>Foreign currency</u>		
Credit Linked Notes - net of unamortized premium of Rp190,537 as of December 31, 2007	2,632,717	-
Subordinated notes - net of unamortized discount of Rp784 as of December 31, 2006	-	152,267
	<u>2,632,717</u>	<u>152,267</u>
	<u>11,469,231</u>	<u>12,839,989</u>
Total	17,358,248	15,391,806
Less: Allowance for possible losses	(40,349)	(9,074)
	<u>17,317,899</u>	<u>15,382,732</u>

b) By Collectibility:

As of December 31, 2007 and 2006, all securities are classified as current.

c) By Remaining Period to Maturity:

The classification of maturity of securities based on their remaining period until maturity are as follows:

	2007	2006
<u>Rupiah</u>		
≤ 1 month	12,465,460	13,487,277
> 1 year	511,014	-
	<u>12,976,474</u>	<u>13,487,277</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

c) By Remaining Period to Maturity (continued):

	2007	2006
<u>Foreign currency</u>		
≤ 1 month	1,749,057	1,752,263
> 1 year	2,632,717	152,266
	<u>4,381,774</u>	<u>1,904,529</u>
Total	17,358,248	15,391,806
Less: Allowance for possible losses	(40,349)	(9,074)
	<u>17,317,899</u>	<u>15,382,732</u>

d) By Issuer:

d.1. Government Bonds

Government bonds represent bonds issued by the Government in connection with the management of Government debentures portfolio such as Government Debentures (Surat Utang Negara or SUN), Government Treasury Bills (Surat Perbendaharaan Negara or SPN) and Government bonds issued in foreign currencies which are obtained from primary and secondary markets. The details of Government bonds are as follows:

Series	Annual Interest Rate (%)	Maturity Date	Fair Value	
			2007	2006
<u>Trading</u>				
<u>Rupiah</u>				
FR0022	12.00	September 15, 2011	-	54,810
FR0023	11.00	December 15, 2012	101,888	100,919
FR0024	12.00	October 15, 2010	27,154	27,130
FR0026	11.00	October 15, 2014	165,480	106,288
FR0027	9.50	June 15, 2015	-	229,727
FR0028	10.00	July 15, 2017	121,136	89,553
FR0033	12.50	March 15, 2013	22,616	-
FR0042	10.25	July 15, 2027	146,310	-
FR0043	10.25	July 15, 2022	37,847	-
FR0045	9.75	May 15, 2037	222,317	-
FR0046	9.50	July 15, 2023	157,063	-
FR0047	10.00	February 15, 2028	107,599	-
FR0048	9.00	September 15, 2018	75,413	-
ORI001	12.05	August 9, 2009	945	70
ORI002	9.28	March 18, 2010	11,502	-
ORI003	9.40	September 12, 2011	13,595	-
ZC-01	-	November 20, 2008	667,256	-
ZC-02	-	August 9, 2009	74,559	-
			1,952,680	608,497
<u>Foreign currency</u>				
RI0014	6.75	March 10, 2014	295,454	251,403
RI0015	7.25	April 20, 2015	99,096	97,232
RI0037	6.63	February 17, 2037	97,898	-
			492,448	348,635
			2,445,128	957,132

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.1. Government Bonds (continued)

Series	Annual Interest Rate (%)	Maturity Date	Fair Value	
			2007	2006
<u>Available-for-Sale</u>				
<u>Rupiah</u>				
Government Treasury Bills (SPN)	-	May 28, 2008	1,679,963	-
<u>Foreign currency</u>				
RI0014	6.75	March 10, 2014	358,187	395,803
RI0015	7.25	April 20, 2015	69,620	97,618
RI0016	7.50	January 15, 2016	30,363	29,710
RI0017	6.88	March 9, 2017	369,752	316,385
RI0037	6.63	February 17, 2037	44,854	-
			872,776	839,516
			2,552,739	839,516

The market value of Government bonds held for trading and available-for-sale ranged from 86.36% to 107.37% and 97.76% to 110.00% as of December 31, 2007 and 2006, respectively.

d.2. Bonds

Issuer	Annual Interest Rate (%)	Maturity Date	Rating ^{*)}		Fair Value/Cost	
			2007	2006	2007	2006
Trading						
<u>Rupiah</u>						
PT Jasa Marga (Persero) Series XIII R	10.25	June 21, 2017	idA+	-	102,454	-
PT Perusahaan Listrik Negara (Persero) Series IX A	10.40	July 10, 2017	idA+	-	73,945	-
Series VI B	7.60	August 8, 2007	-	idA	-	17,983
PT Bank Danamon Indonesia Tbk Series I B	10.60	April 19, 2012	idAA-	-	50,090	-
PT Pan Indonesia Bank Tbk Series II B	10.75	June 19, 2012	idA-	-	49,754	-
PT Summit Oto Finance Series C 10 B	8.91	March 8, 2010	idAAA	-	49,208	-
PT Bank Negara Indonesia (Persero) Tbk Series I	13.13	July 10, 2011	idA+	idA-	45,332	47,552
Perum Pegadaian Series XII B	10.03	September 4, 2017	idAA	-	8,876	-
Series VI	9.54	September 8, 2007	-	idAA	-	8,106
PT Bank Tabungan Negara (Persero) Series X	12.20	May 25, 2009	idA+	idA	2,067	2,029

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.2. Bonds (continued)

Issuer	Annual Interest Rate (%)	Maturity Date	Rating ^{*)}		Fair Value/Cost	
			2007	2006	2007	2006
Perum Pegadaian Series IX	16.15	June 6, 2010	idAA	-	3,000	-
					384,726	75,670
<u>Available-for-Sale</u>						
<u>Rupiah</u>						
PT Ciliandra Perkasa Series I	11.50	November 27, 2012	idA-	-	19,859	-
<u>Held-to-Maturity</u>						
<u>Rupiah</u>						
PT Japfa Comfeed Indonesia Tbk Series I	12.75	July 11, 2012	idBBB+	-	250,000	-
PT Bentoel Internasional Investama Tbk Series I	10.50	November 27, 2012	idA	-	200,000	-
PT Summit Oto Finance Series II B	8.65	September 8, 2009	idAAA	-	50,000	-
PT Indofood Sukses Makmur Tbk Series IV	10.01	May 15, 2012	idAA+	-	1,014	-
					501,014	-

^{*)} Based on ratings issued by PT Pemeringkat Efek Indonesia (Pefindo)

d.3. Mutual Funds

	2007	2006
Brivestama Pasti Mutual Funds	75,944	70,845
Surya Mutual Funds	12,600	6,127
Brivestama Pasar Uang Mutual Funds	7,414	11,840
ITB - Niaga Mutual Funds	6,774	6,764
	102,732	95,576

BRI also acts as sponsor of the public offerings of these mutual funds.

d.4. Notes Receivable

Issuer	2007			2006		
	Fair Value	Rating ^{*)}	Maturity Date	Fair Value	Rating ^{*)}	Maturity Date
<u>Trading</u>						
Foreign currency						
PT Bank Negara Indonesia (Persero) Tbk	-	-	-	44,791	B+	February 15, 2007

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.4. Notes Receivable (continued)

Issuer	2007			2006		
	Fair Value	Rating ^{*)}	Maturity Date	Fair Value	Rating ^{*)}	Maturity Date
Available-for-Sale						
Foreign currency						
Evergreen	74,308	A-1	January 2, 2008	7,363	A-1	January 2, 2007
Federal National Mortgage Association	-	-	-	21,975	A-1	January 10, 2007
Montblanc	-	-	-	8,909	A-1	February 14, 2007
Preimer Asset	-	-	-	8,107	A-1	March 13, 2007
Newport Funding Corp.	-	-	-	8,093	A-1	January 9, 2007
Sedna In Inc.	-	-	-	8,092	A-1	January 10, 2007
Quatro-Pmx Funding	-	-	-	8,092	A-1	January 10, 2007
Sydney Capital Corp.	-	-	-	7,995	A-1	January 8, 2007
IXIS Financial	-	-	-	7,454	A-1	January 2, 2007
General Electric Capital Co.	-	-	-	6,572	A-1	January 2, 2007
Beethoven Funding Corp.	-	-	-	6,267	A-1	February 8, 2007
Others	29,588	various	various	99,578	various	various
	103,896			198,497		
	103,896			243,288		

^{*)} Based on ratings issued by Standard & Poor's

d.5. Subordinated Notes

Issuer	2006					
	Nominal Amount		Unamortized Discount	Net Amount/ Fair Value	Annual Interest Rate	Maturity Date
	United States Dollar	Rupiah Equivalent				
Trading						
PT Bank Negara Indonesia (Persero) Tbk	3,700,000	33,311	-	34,394	10.00%	November 15, 2012 ¹⁾
Held-to-Maturity						
PT Bank Mandiri (Persero) Tbk	10,000,000	90,030	(428)	89,602	10.63%	August 2, 2012 ²⁾
PT Bank Negara Indonesia (Persero) Tbk	7,000,000	63,021	(356)	62,665	10.00%	November 15, 2012 ¹⁾
	17,000,000	153,051	(784)	152,267		

¹⁾ Option to be repurchased by the issuer on November 15, 2007

²⁾ Option to be repurchased by the issuer on August 2, 2007

The interest is receivable every 6 (six) months. The Subordinated Notes have been repurchased by the issuers on the option date.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.6. Guaranteed Notes

Issuer	Annual Interest Rate	Maturity Date	Rating ^{*)}		Fair Value	
			2007	2006	2007	2006
Trading						
<u>Foreign currency</u>						
PGN Euro Finance						
2003 Limited	7.50%	February 24, 2014	B+	B+	93,930	91,380

^{*)} Based on ratings issued by Standard & Poor's

d.7. Medium Term Notes (MTNs)

Issuer	Nominal Amount		Annual Interest Rate (%)	Maturity Date	Fair Value/ Cost	
	United States Dollar	Rupiah			2007	2006
<u>Trading</u>						
<u>Rupiah</u>						
PT Telekomunikasi Indonesia (Persero) Tbk	-	20,000	9.40 ^{*)}	June 15, 2007	-	19,812
<u>Foreign currency</u>						
Deutsche Bank AG	10,000,000	-	-	July 17, 2009	92,135	82,900
PT Bank Mandiri (Persero) Tbk	3,000,000	-	7.00 ^{*)}	April 22, 2008	-	27,211
					92,135	110,111
					92,135	129,923
<u>Held-to-Maturity</u>						
<u>Rupiah</u>						
PT Bank Resona Perdania	-	10,000	9.60 ^{*)}	December 6, 2010	10,000	-
					102,135	129,923

^{*)} The interest is receivable every 6 (six) months.

d.8. US Treasury Bonds

Issuer	Nominal Amount (United States Dollar)	Annual Interest Rate (%)	Maturity Date	Fair Value	
				2007	2006
Trading					
<u>Foreign currency</u>					
The Government of the United States of America	10,000,000	3.63 ^{*)}	May 15, 2013	93,872	84,938

^{*)} The interest is receivable every 6 (six) months.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.9. Credit Linked Notes

As of December 31, 2007, the following are the balances of securities in the form of Credit Linked Notes (CLN):

Issuer	Effective Date	Maturity Date	Annual Interest Rate	Nominal Amount (United States Dollar)	Cost
<u>Held-to-Maturity</u>					
<u>Foreign Currency</u>					
Credit Suisse International	October 10, 2007	December 20, 2010	LIBOR ^{*)} + 2.40%	50,000,000	469,650
ABN AMRO Bank N.V.	July 10, 2007	September 20, 2010	LIBOR ^{*)} + 1.45%	25,000,000	234,825
ABN AMRO Bank N.V.	August 13, 2007	September 20, 2010	LIBOR ^{*)} + 2.53%	25,000,000	234,825
ABN AMRO Bank N.V.	October 11, 2007	December 20, 2010	LIBOR ^{*)} + 1.60%	25,000,000	234,825
The Hongkong and Shanghai Banking Corporation Limited	October 24, 2007	December 20, 2010	LIBOR ^{*)} + 1.60%	25,000,000	234,825
The Hongkong and Shanghai Banking Corporation Limited	June 20, 2007	June 20, 2010	LIBOR ^{**) + 1.10%}	20,000,000	187,860
Standard Chartered Bank	August 24, 2007	September 20, 2010	LIBOR ^{*)} + 2.40%	20,000,000	187,860
Standard Chartered Bank	July 11, 2007	September 20, 2010	LIBOR ^{*)} + 1.60%	20,000,000	187,860
Standard Chartered Bank	April 27, 2007	June 20, 2010	LIBOR ^{*)} + 1.10%	30,000,000	281,790
Standard Chartered Bank	April 27, 2007	October 1, 2009	LIBOR ^{*)} + 0.77%	20,000,000	187,860
				260,000,000	2,442,180
Add unamortized premium					190,537
					2,632,717

^{*)} LIBOR US\$ 6 (six) months

^{**)} LIBOR US\$ 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 with certain amount. Credit default event that can occur to the reference entity among others are (i) failure to pay any matured obligation, (ii) repudiation/moratorium, (iii) restructuring which payment terms are unfavourable to creditors.

The embedded credit default swaps as of December 31, 2007 have a fair value as liabilities of US\$15,613,267 (equal to Rp146,655), which were recognized as derivatives payable in the consolidated balance sheet (Note 11). The net gain from the change in fair value of the embedded credit default swaps that was recognized in income during the year ended December 31, 2007 was US\$7,862,947 (equal to Rp73,857).

e) Movements of allowance for possible losses on securities:

	2007	2006
Rupiah		
Beginning balance	1,910	1,862
Provision during the year (Note 33)	8,273	48
	10,183	1,910

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

e) Movements of allowance for possible losses on securities (continued):

	2007	2006
<u>Foreign Currency</u>		
Beginning balance	7,164	8,723
Provision (reversal) during the year (Note 33)	23,002	(1,559)
	30,166	7,164
	40,349	9,074

The minimum allowance for possible losses on securities that should be provided based on Bank Indonesia regulations amounted to Rp40,349 and Rp9,074 as of December 31, 2007 and 2006, respectively.

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

- f) BRI recognized net loss from the decline in value of trading securities amounting to Rp35,491 for the year ended December 31, 2007, which is recorded under "Loss from decline in value of securities and Government recapitalization bonds - net" in the consolidated statements of income. BRI recognized net income from the increase in the value of trading securities amounting to Rp156,797 for the year ended December 31, 2006, which is recorded under "Gain from increase in value of securities and Government recapitalization bonds - net" in the consolidated statements of income.
- g) BRI recognized net gain resulting from the sale of securities amounting to Rp46,211 and Rp156,700 for the years ended December 31, 2007 and 2006, respectively, which is recorded under "Gain on sale of securities and Government recapitalization bonds - net" in the consolidated statements of income.

8. EXPORT BILLS

a) By Collectibility:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Current	2,733	-
<u>Foreign currencies</u>		
Current	593,555	463,913
Loss	5	5,008
	593,560	468,921
Total	596,293	468,921
Less: Allowance for possible losses	(5,968)	(9,647)
	590,325	459,274

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

8. EXPORT BILLS (continued)

b) By Period:

The classification of export bills based on their remaining period to maturity is as follows:

	2007	2006
<u>Third parties</u>		
≤ 1 month	408,067	319,971
> 1 month - 3 months	137,435	41,675
> 3 months - 1 year	50,791	107,275
Total	596,293	468,921
Less: Allowance for possible losses	(5,968)	(9,647)
	590,325	459,274

c) Movements of allowance for possible losses on export bills:

	2007	2006
Beginning balance	9,647	4,727
(Reversal) provision during the year (Note 33)	(3,679)	4,920
	5,968	9,647

The minimum allowance for possible losses on export bills that should be provided based on Bank Indonesia regulations amounted to Rp5,968 and Rp9,647 as of December 31, 2007 and 2006, respectively.

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

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 with the total 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 are bonds with fixed interest rates. Based on the management contract dated February 28, 2001 between the Government with BRI and the Directors and Boards of Commissioners of BRI, they have agreed that the total Government recapitalization bonds needed for BRI's recapitalization amounted to Rp29,063,531 (Note 28b), 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 such bonds amounting to Rp85,469, including the related interests on such bonds to the Government.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

9. GOVERNMENT RECAPITALIZATION BONDS (continued)

The details of Government recapitalization bonds are as follows:

a) By Ownership Purpose and Remaining Period to Maturity:

	2007	2006
Trading (Fair Value)		
≤ 1 month	677,389	851,052
Available-for-Sale (Fair Value)		
≤ 1 month	6,205,907	6,255,002
Held-to-Maturity (Acquisition Cost)		
> 3 months - 1 year	1,269,647	-
> 1 year - 5 years	6,469,647	7,739,294
> 5 years - 10 years	1,000,000	1,000,000
> 10 years	2,600,000	2,600,000
	11,339,294	11,339,294
	18,222,590	18,445,348

b) By Type:

Series	Annual Interest Rate (%)	Maturity Date	Fair Value/Acquisition Cost	
			2007	2006
<u>Trading</u>				
FR0002	14.00	June 15, 2009	-	11,118
FR0010	13.15	March 15, 2010	32,935	33,341
FR0014	15.58	November 15, 2010	531,135	600,315
FR0017	13.15	January 15, 2012	113,319	206,278
			677,389	851,052
<u>Available-for-Sale</u>				
FR0016	13.45	August 15, 2011	1,142,913	1,146,596
FR0017	13.15	January 15, 2012	1,312,333	1,327,156
FR0018	13.18	July 15, 2012	3,750,661	3,781,250
			6,205,907	6,255,002
<u>Held-to-Maturity</u>				
FR0011	13.55	May 15, 2010	800,000	800,000
FR0015	13.40	February 15, 2011	4,000,000	4,000,000
VR0013	SBI 3 months	January 25, 2008	634,823	634,823
VR0014	SBI 3 months	August 25, 2008	634,824	634,824
VR0016	SBI 3 months	July 25, 2009	1,669,647	1,669,647
VR0020	SBI 3 months	April 25, 2015	250,000	250,000
VR0021	SBI 3 months	November 25, 2015	250,000	250,000
VR0023	SBI 3 months	October 25, 2016	500,000	500,000
VR0026	SBI 3 months	January 25, 2018	375,000	375,000
VR0027	SBI 3 months	July 25, 2018	375,000	375,000
VR0028	SBI 3 months	August 25, 2018	375,000	375,000
VR0029	SBI 3 months	August 25, 2019	375,000	375,000
VR0031	SBI 3 months	July 25, 2020	1,100,000	1,100,000
			11,339,294	11,339,294
			18,222,590	18,445,348

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

9. GOVERNMENT RECAPITALIZATION BONDS (continued)

c) Other Significant Information:

The frequency of interest payment for bonds series FR is every 6 (six) months, and for bonds series VR is every 3 (three) months.

Government recapitalization bonds sold under agreements to repurchase as of December 31, 2007 and 2006 each amounted to Rp100,000 (Note 23).

The market values of several Government recapitalization bonds classified under trading and available-for-sale as published by Bank Indonesia, and other sources and based on the expected market yield for similar securities ranged from 109.78% to 118.03% and 111.14% to 120.06% as of December 31, 2007 and 2006, respectively.

BRI recognized net loss from the decline in value of Government recapitalization bonds amounting to Rp10,835 for the year ended December 31, 2007, which was recorded under "Loss from decline in value of securities and Government recapitalization bonds - net" in the consolidated statements of income. BRI recognized net gain from the increase in value of Government recapitalization bonds amounting to Rp33,542 for the year ended December 31, 2006, which is recorded under "Gain from increase in value of securities and Government recapitalization bonds - net" in the consolidated statements of income.

BRI recognized net gain from sales of Government recapitalization bonds classified as trading amounting to Rp2,144 and Rp137,160 for the years ended December 31, 2007 and 2006, respectively, which were recorded under "Gain on sale of securities and Government recapitalization bonds - net" in the consolidated statements of income.

10. SECURITIES PURCHASED WITH AGREEMENT TO RESELL

Securities purchased with agreement to resell as of December 31, 2007 and 2006 consist of:

		2007				
	Terms	Resale Date	Nominal Amount	Resale Price	Unrealized Interest Income	Net Value
PT Bank Mandiri (Persero) Tbk Government recapitalization bonds						
Series VR0031	15 days	January 3, 2008	1,115,000	1,004,576	(431)	1,004,145
PT Pan Indonesia Bank Tbk Government bonds						
Series FR0027	31 days	January 14, 2008	400,000	338,502	(455)	338,047
Series FR0031	33 days	January 7, 2008	600,000	544,022	(1,584)	542,438
Series FR0040	33 days	January 14, 2008	550,000	501,340	(1,505)	499,835
Series FR0047	33 days	January 7, 2008	200,000	189,400	(255)	189,145
			2,865,000	2,577,840	(4,230)	2,573,610

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

10. SECURITIES PURCHASED WITH AGREEMENT TO RESELL (continued)

		2006				
	Terms	Resale Date	Nominal Amount	Resale Price	Unrealized Interest Income	Net Value
PT Pan Indonesia Bank Tbk Government recapitalization bonds						
Series FR0018	31 days	January 15, 2007	100,000	105,882	(399)	105,483
Government bonds Series FR0026	31 days	January 15, 2007	100,000	96,806	(364)	96,442
			200,000	202,688	(763)	201,925

The securities purchased with agreement to resell are classified as current.

11. DERIVATIVES RECEIVABLE AND PAYABLE

The summary of the derivative transactions as of December 31, 2007 and 2006 are as follows:

		2007	
Transaction		Derivatives receivable	Derivatives payable
Cross currency swap		19,422	29,752
Interest rate swap		5,302	-
Purchase of spot foreign currencies		-	4,514
Credit Linked Notes (Note 7)		-	146,655
Total		24,724	180,921
Less: Allowance for possible losses		(247)	-
		24,477	180,921

		2006	
Transaction		Derivatives receivable	Derivatives payable
Cross currency swap		5,050	-
Interest rate swap		-	18,694
Purchase of forward foreign currencies		-	5,532
Sale of forward foreign currencies		5,557	-
Total		10,607	24,226
Less: Allowance for possible losses		(106)	-
		10,501	24,226

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

11. DERIVATIVES RECEIVABLE AND PAYABLE (continued)

a. Cross currency swap

BRI has cross currency swap contracts as follow:

Counterparties	Notional Amount (US\$)	Annual Interest Rate		Date	
		Received by BRI	Paid by BRI	Effective	Maturity
ABN-AMRO Bank N.V.	20,000,000	SBI ^{*)} + 0.10%	LIBOR ^{**) + 0.50%}	October 4, 2006	October 4, 2009
ABN-AMRO Bank N.V.	25,000,000	SBI ^{*)} + 0.10%	LIBOR ^{**) + 0.40%}	August 10, 2007	September 20, 2010
Standard Chartered Bank	30,000,000	SBI ^{*)} + 0.05%	LIBOR ^{**) + 0.75%}	April 19, 2007	June 23, 2010
Standard Chartered Bank	20,000,000	SBI ^{*)} + 0.10%	LIBOR ^{**) + 0.40%}	July 5, 2007	September 21, 2010
The Hongkong and Shanghai Banking Corporation Limited	25,000,000	SBI ^{*)} + 0.10%	LIBOR ^{**) + 0.40%}	July 6, 2007	July 6, 2010

^{*)} Bank Indonesia Certificate 3 (three) months

^{**)} US\$ LIBOR 3 (three) months

^{***)} US\$ LIBOR 6 (six) months

Based on these contracts, BRI receives funds in US\$ from the counterparties and pays interest rate of US\$ LIBOR 3 (three) months + spread per annum. The counterparties receive funds in Rupiah (equivalent US\$ at the contract effective date) from BRI and pays interest rate of Bank Indonesia Certificate 3 (three) months + certain margin per annum. Interest is paid every 3 (three) months. At the end of the contracts, BRI will receive funds in Rupiah (equivalent US\$ at the last date of contract period) and the counterparties will receive funds in US\$.

b. Interest rate swap

BRI has interest rate swap contracts as follows:

Counterparties	Notional Amount (US\$)	Annual Interest Rate		Date	
		Received by BRI	Paid by BRI	Effective	Maturity
ABN-AMRO Bank N.V.	50,000,000	7.750%	LIBOR ^{*)} + 4.405%	October 14, 2003	September 25, 2008
The Hongkong and Shanghai Banking Corporation Limited	50,000,000	7.750%	LIBOR ^{*)} + 4.000%	November 12, 2003	September 25, 2008
ABN-AMRO Bank N.V.	50,000,000	LIBOR ^{*)} + 4.405% x N ^{**) / M}	LIBOR ^{*)} + 2.750%	March 27, 2006	September 25, 2008
The Hongkong and Shanghai Banking Corporation Limited	50,000,000	LIBOR ^{*)} + 4.000% x N ^{***) / M}	LIBOR ^{*)} + 2.150%	March 27, 2006	September 25, 2008

^{*)} US\$ LIBOR 6 (six) months

^{**) N} represents the total number of calendar days within the interest payment period upon which the interest rate for US Dollar swaps with a maturity of 10 (ten) years (CMS 10) subtracted by the interest rate of US Dollar swaps with a maturity of 2 (two) years (CMS 2) is greater than or equal to:
 - 0.04% (for the second and third interest payment periods),
 - 0.05% (for the fourth and fifth interest payment periods)

^{***) N} represents the total number of calendar days within the interest payment period upon which the interest rate for US Dollar swaps with a maturity of 10 (ten) years (CMS 10) subtracted by the interest rate of US Dollar swaps with a maturity of 2 (two) years (CMS 2), is greater than or equal to 0.00%.
 M represents the total number of calendar days within the interest payment period.

The underlying transaction of the interest rate swap contracts is the issuance of US\$150,000,000 Subordinated Notes on September 25, 2003 with fixed interest at 7.75% per annum (Note 27d). Although the transactions are for the purpose of hedging the fixed rate coupon payments of the Subordinated Notes with floating coupon payment, such transaction does not qualify as a hedging transaction for accounting purposes.

c. Spot foreign currencies bought

As of December 31, 2007, BRI has outstanding spot foreign currency purchased contracts in United States Dollar (US\$) with notional amount of US\$199,000,000 and contract amount of Rp1,874,019. These contracts have various due dates and the last date on January 3, 2008.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

11. DERIVATIVES RECEIVABLE AND PAYABLE (continued)

d. Forward foreign currencies bought

As of December 31, 2006, BRI has outstanding forward foreign currency purchased contracts in United States Dollar (US\$) with notional amount of US\$16,600,000 and contract amount of Rp156,066. These contracts have various due dates and the last date on June 27, 2007.

e. Forward foreign currencies sold

As of December 31, 2006, BRI has outstanding forward foreign currency sold contracts in United States Dollar (US\$), with notional amount of US\$16,000,000 and contract amount of Rp150,676. These contracts have various due dates and the last date on June 27, 2007.

Movements of allowance for possible losses on derivatives receivable:

	2007	2006
Beginning balance	106	64
Provision during the year (Note 33)	141	42
	247	106

The minimum allowance for possible losses on derivatives receivable that should be provided based on Bank Indonesia regulations amounted to Rp247 and Rp106 as of December 31, 2007 and 2006, respectively.

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

12. LOANS

a) By Currency and Type:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Working capital	37,537,018	27,788,190
Kupedes	32,601,671	27,284,362
Consumer	21,976,638	18,769,478
Investment	8,600,736	7,397,673
Program	4,078,345	2,012,363
Syndicated	93,858	94,093
Others	16,483	-
	104,904,749	83,346,159
<u>Foreign currencies</u>		
Working capital	5,704,548	4,495,838
Investment	1,388,766	863,820
Syndicated	268,337	168,215
Others	140,895	-
	7,502,546	5,527,873
	112,407,295	88,874,032

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

a) By Currency and Type (continued):

	2007	2006
<u>Related parties</u>		
<u>Rupiah</u>		
Working capital	368,895	293,863
Employees	62,287	61,275
	431,182	355,138
<u>Foreign currencies</u>		
Employees	329	369
	431,511	355,507
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	105,923,763	82,541,885

b) By Economic Sector:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Trading, hotel and restaurant	35,167,234	28,161,852
Agriculture	10,785,141	9,133,276
Manufacturing	8,271,652	6,987,052
Business services	7,179,896	2,570,606
Construction	2,581,326	1,720,482
Transportation, warehousing and communications	838,431	617,435
Social services	380,783	197,260
Mining	151,219	177,039
Electricity, gas and water	57,996	77,232
Others	39,491,071	33,703,925
	104,904,749	83,346,159
<u>Foreign currencies</u>		
Manufacturing	3,563,541	3,431,412
Trading, hotel and restaurant	1,655,473	1,523,541
Agriculture	1,482,719	249,986
Business services	365,885	44,639
Transportation, warehousing and communications	321,516	174,760
Construction	96,342	95,133
Mining	9,392	-
Electricity, gas and water	5,477	-
Others	2,201	8,402
	7,502,546	5,527,873
	112,407,295	88,874,032

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

b) By Economic Sector (continued):

	2007	2006
<u>Related parties</u>		
<u>Rupiah</u>		
Business services	368,895	293,863
Trading, hotel and restaurant	110	-
Others	62,177	61,275
	431,182	355,138
<u>Foreign currencies</u>		
Others	329	369
	431,511	355,507
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	105,923,763	82,541,885

c) By Period:

The classification of loans based on the remaining period to maturity is as follows:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	6,528,338	4,148,708
> 1 month - 3 months	7,055,427	5,680,990
> 3 months - 1 year	28,217,591	23,530,264
> 1 year - 2 years	15,817,637	12,924,022
> 2 years - 5 years	35,169,593	31,584,784
> 5 years	12,116,163	5,477,391
	104,904,749	83,346,159
<u>Foreign currencies</u>		
≤ 1 month	2,482,562	2,698,656
> 1 month - 3 months	1,346,285	173,890
> 3 months - 1 year	780,915	936,492
> 1 year - 2 years	570,149	380,783
> 2 years - 5 years	1,309,229	791,090
> 5 years	1,013,406	546,962
	7,502,546	5,527,873
	112,407,295	88,874,032
<u>Related parties</u>		
<u>Rupiah</u>		
> 3 months - 1 year	368,895	293,863
> 5 years	62,287	61,275
	431,182	355,138

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

c) By Period (continued):

	2007	2006
<u>Foreign currencies</u>		
> 3 months - 1 year	80	-
> 1 year - 2 years	249	-
> 5 years	-	369
	<u>329</u>	<u>369</u>
	431,511	355,507
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	<u>105,923,763</u>	<u>82,541,885</u>

d) By Collectibility:

	2007	2006
Current	104,018,938	79,309,648
Special mention	4,928,570	5,609,633
Sub-standard	827,618	799,330
Doubtful	556,106	936,183
Loss	2,507,574	2,574,745
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	<u>105,923,763</u>	<u>82,541,885</u>

e) Other Significant Information:

1) Average annual interest rates for loans are as follows:

	2007	2006
Rupiah	18.79%	19.96%
Foreign currencies	5.17	6.61

2) The loans are generally collateralized by registered mortgages or by power of attorney to sell, demand deposits, time deposits or by other guarantees generally accepted by banks (Notes 18 and 20).

3) Working capital and investment loans represent loans to customers for capital goods and working capital requirements.

4) Consumer loans consist of housing, motor vehicles and other personal loans.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

e) Other Significant Information (continued):

- 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, and within 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 in the syndicated loans ranged from 7.14% to 40.10% and from 7.14% to 21.33% as of December 31, 2007 and 2006, respectively.
- 8) The loans to BRI's key employees only (related parties) amounted to Rp62,506 and Rp61,644 as of December 31, 2007 and 2006, respectively, and consist of loans which are intended for acquisitions of vehicles, houses and other needs. These loans bear annual interest of 5.5% and have maturities ranging from 4 (four) to 20 (twenty) years and are collected through monthly payroll deductions.
- 9) The loans granted by BRI to related parties, other than loans to employees, include loans to PT Bringin Srikandi Finance, classified as current, of Rp156,812 and Rp153,490 as of December 31, 2007 and 2006, respectively, and to PT Bringin Indotama Sejahtera Finance, classified as current, of Rp212,083 and Rp140,373 as of December 31, 2007 and 2006, respectively.
- 10) Loans that have been restructured in 2007 and 2006 and are still in the process of restructuring as of December 31, 2007 and 2006 are as follows:

	2007	2006
Restructured during the year	1,653,261	907,072
In the process of restructuring	387,546	967,004

The terms of restructuring are generally for the extension of payment period.

- 11) In its report on Legal Lending Limit (LLL) to Bank Indonesia as of December 31, 2007 and 2006, BRI indicated that no debtor either related party or third party has not complied or exceeded the LLL.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

e) Other Significant Information (continued):

12) The details of non-performing loans (consisting of sub-standard, doubtful and loss) which are determined based on management's evaluation of the debtors' business prospects, financial condition and each debtor's ability to repay and the guidelines prescribed by Bank Indonesia regarding the classification of earning assets (Note 2e) are as follows:

(i) Consolidated

Collectibility	2007
Sub-standard	827,618
Doubtful	556,106
Loss	2,507,574
Total non-performing loans	3,891,298
Total loans	112,838,806
% non-performing loans (Gross NPL)	3.45%

(ii) BRI only

Collectibility	2007	2006
Sub-standard	826,047	799,330
Doubtful	549,685	936,183
Loss	2,491,017	2,574,745
Total non-performing loans	3,866,749	4,310,258
Total loans	112,719,188	89,229,539
% non-performing loans (Gross NPL)	3.43%	4.83%

13) Movements of allowance for possible losses on loans:

	2007	2006
Beginning balance	6,687,654	5,393,146
Provision during the year (Note 33)	1,781,201	1,846,793
Bad debt recoveries	584,576	622,263
Loans written off during the year	(2,124,360)	(1,023,003)
Foreign currency translation	(14,028)	(151,545)
Ending balance	6,915,043	6,687,654

The allowance for possible losses includes allowance for possible losses amounting to Rp967,642 and Rp868,154 as of December 31, 2007 and 2006, respectively, provided by BRI for debtors in areas affected by riots and allowance for possible losses for areas affected by natural calamities (including hot mud eruption in East Java) amounting to Rp274,240 and Rp229,138 as of December 31, 2007 and 2006, respectively. Based on Bank Indonesia letter No. 3/360/DPWB2 dated April 10, 2001, Bank Indonesia can evaluate the formation of allowance for BRI's debtors located in such areas affected by riots.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

e) Other Significant Information (continued):

13) Movements of allowance for possible losses on loans (continued):

The minimum allowance for possible losses on loans that should be provided based on Bank Indonesia regulations (Note 2e) amounted to Rp4,024,470 and Rp4,095,685 as of December 31, 2007 and 2006, respectively.

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

13. ACCEPTANCES RECEIVABLE AND PAYABLE

The details of acceptances receivable from customers are as follows:

a) By Collectibility:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Current	65,567	3,293
Special mention	7,917	-
	<u>73,484</u>	<u>3,293</u>
<u>Foreign currencies</u>		
Current	585,698	314,460
Special mention	2,199	8,767
Loss	-	1,146
	<u>587,897</u>	<u>324,373</u>
Total	661,381	327,666
Less: Allowance for possible losses	(7,018)	(4,762)
	<u>654,363</u>	<u>322,904</u>

Acceptances payable represent the same amount as acceptances receivable from customers (before allowance for possible losses).

b) By Period:

The classification of acceptances receivable based on the remaining period to maturity is as follows:

	2007	2006
≤ 1 month	179,545	84,464
> 1 month - 3 months	231,812	75,264
> 3 months - 1 year	250,024	167,938
Total	661,381	327,666
Less: Allowance for possible losses	(7,018)	(4,762)
	<u>654,363</u>	<u>322,904</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

13. ACCEPTANCES RECEIVABLE AND PAYABLE (continued)

c) Movements of allowance for possible losses on acceptances receivable:

	2007	2006
Beginning balance	4,762	14,827
Provision (reversal) during the year (Note 33)	2,256	(10,065)
	7,018	4,762

The minimum allowance for possible losses on acceptances receivable that should be provided based on Bank Indonesia regulation amounted to Rp7,018 and Rp4,762 as of December 31, 2007 and 2006, respectively.

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

14. INVESTMENTS IN SHARES OF STOCK

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

2007					
Company Name	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings of Associate Company	Carrying Value
Equity Method					
PT UFJ-BRI Finance	Financing	45.00%	24,750	51,583	76,333
Cost Method					
PT Kustodian Sentral Efek Indonesia	Central settlement and depository institution	3.00			900
PT Sarana Bersama Pembiayaan Indonesia	Investment	8.00			536
PT Pemeringkat Efek Indonesia	Credit rating	2.10			210
					<u>1,646</u>
Total					77,979
Less: Allowance for possible losses					(1,311)
					<u>76,668</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

14. INVESTMENTS IN SHARES OF STOCK (continued)

2006					
Company Name	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings of Associate Company	Carrying Value
Equity Method					
PT UFJ-BRI Finance	Financing	45.00%	24,750	43,545	68,295
Cost Method					
PT Kustodian Sentral Efek Indonesia	Central settlement and depository institution	3.00			900
PT Sarana Bersama Pembiayaan Indonesia	Investment	8.00			536
PT Pemeringkat Efek Indonesia	Credit rating	2.10			210
					<u>1,646</u>
Total					69,941
Less: Allowance for possible losses					<u>(1,230)</u>
					<u>68,711</u>

As of December 31, 2007 and 2006, all investments are classified as current, except for investments in shares of stock in PT Sarana Bersama Pembiayaan Indonesia which was classified as loss.

In 2007 and 2006, BRI received cash dividends from PT UFJ-BRI Finance amounting to Rp5,535 and Rp7,020, respectively, from the distribution of income for the years ended 2006 and 2005.

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

	2007	2006
Beginning balance	1,230	1,188
Provision during the year (Note 33)	81	42
Ending balance	<u>1,311</u>	<u>1,230</u>

The minimum allowance for possible losses on investments in shares of stock that should be provided based on Bank Indonesia regulations amounted to Rp1,311 and Rp1,230 as of December 31, 2007 and 2006, respectively.

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

15. PREMISES AND EQUIPMENT

Premises and equipment consist of:

2007				
Description	Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land rights	213,982	8,113	-	222,095
Buildings	1,009,330	113,219	4,812	1,117,737
Motor vehicles	254,611	91,918	40,244	306,285
Computers and machineries	1,939,132	43,970	98,614	1,884,488
Furniture and fixtures	528,480	160,534	62,059	626,955
Museum assets	184	-	-	184
	<u>3,945,719</u>	<u>417,754</u>	<u>205,729</u>	<u>4,157,744</u>
<u>Assets under capital leases</u>	<u>384,284</u>	<u>1,359</u>	<u>57,312</u>	<u>328,331</u>
Total Carrying Value	<u>4,330,003</u>	<u>419,113</u>	<u>263,041</u>	<u>4,486,075</u>
<u>Accumulated Depreciation</u>				
<u>Direct Ownership</u>				
Buildings	527,964	44,194	4,812	567,346
Motor vehicles	147,547	143,298	11,944	278,901
Computers and machineries	1,146,441	133,266	32,781	1,246,926
Furniture and fixtures	301,795	129,088	10,259	420,624
	<u>2,123,747</u>	<u>449,846</u>	<u>59,796</u>	<u>2,513,797</u>
<u>Assets under capital leases</u>	<u>384,278</u>	<u>1,140</u>	<u>57,312</u>	<u>328,106</u>
Total Accumulated Depreciation	<u>2,508,025</u>	<u>450,986</u>	<u>117,108</u>	<u>2,841,903</u>
Net book value	<u>1,821,978</u>			<u>1,644,172</u>

2006				
Description	Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land rights	219,511	678	6,207	213,982
Buildings	933,741	83,760	8,171	1,009,330
Motor vehicles	222,273	38,108	5,770	254,611
Computers and machineries	1,899,359	69,239	29,466	1,939,132
Furniture and fixtures	443,940	88,383	3,843	528,480
Museum assets	184	-	-	184
	<u>3,719,008</u>	<u>280,168</u>	<u>53,457</u>	<u>3,945,719</u>
<u>Assets under capital leases</u>	<u>378,611</u>	<u>19,502</u>	<u>13,829</u>	<u>384,284</u>
Total Carrying Value	<u>4,097,619</u>	<u>299,670</u>	<u>67,286</u>	<u>4,330,003</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

15. PREMISES AND EQUIPMENT (continued)

Description	2006			Ending Balance
	Beginning Balance	Additions	Deductions	
<u>Accumulated Depreciation</u>				
<u>Direct Ownership</u>				
Buildings	482,047	53,377	7,460	527,964
Motor vehicles	118,811	34,506	5,770	147,547
Computers and machineries	954,466	221,441	29,466	1,146,441
Furniture and fixtures	253,549	52,089	3,843	301,795
	1,808,873	361,413	46,539	2,123,747
<u>Assets under capital leases</u>	359,476	38,631	13,829	384,278
Total Accumulated Depreciation	2,168,349	400,044	60,368	2,508,025
Net book value	1,929,270			1,821,978

BRI has lease contracts mainly for computers and machineries and motor vehicles under lease contracts for 5 (five) years (Note 26).

Depreciation charged to current operations amounted to Rp440,245 and Rp400,044 for the years ended December 31, 2007 and 2006, respectively (Note 35).

Management believes that there is no impairment in the value of premises and equipment as of December 31, 2007 and 2006.

BRI has insured its premises and equipment (excluding land rights) for the possible loss due to risk of fire and theft with PT Asuransi Bringin Sejahtera Arthamakmur, a Subsidiary of Dana Pensiun BRI (related party), and PT Asuransi Ramayana Tbk with coverage amount of Rp5,657,007 and Rp5,083,115 as of December 31, 2007 and 2006, respectively. Management believes that each sum insured is adequate to cover possible losses arising from the insured premises and equipment.

16. OTHER ASSETS

Other assets consist of:

	2007	2006
<u>Rupiah</u>		
Interest receivables		
Loans	664,737	490,137
Government recapitalization bonds	635,894	676,898
Securities	52,333	13,379
Placements with Bank Indonesia and other banks	11,722	6,613
Others	-	111
Prepaid expenses	208,498	175,261
Office supplies	105,909	125,211
Goodwill	36,237	-
Repossessioned assets	27,020	12,265
Others	1,118,968	882,835
	2,861,318	2,382,710

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

16. OTHER ASSETS (continued)

	2007	2006
<u>Foreign currencies</u>		
Interest receivables		
Securities	54,235	32,505
Loans	8,293	7,721
Others	9,466	2,826
Prepaid expenses	1,328	986
Others	23,126	43,085
	<u>96,448</u>	<u>87,123</u>
Total	2,957,766	2,469,833
Less: Allowance for possible losses	(243,782)	(163,606)
	<u>2,713,984</u>	<u>2,306,227</u>

Allowance for possible losses mainly represents allowance for suspense accounts in branches, other receivables from other parties and allowance for possible losses for actual legal cases.

Management believes that allowance for possible losses on other assets is adequate.

17. IMMEDIATELY PAYABLE LIABILITIES

Immediately payable liabilities consist of:

	2007	2006
<u>Rupiah</u>		
ATM and credit card deposits	298,151	118,513
Advance payment deposits	274,619	239,954
Remittance deposits	231,372	139,208
Tax payment deposits	107,671	97,909
Insurance deposits	63,695	47,173
Deposits for channeling loans	56,723	55,338
Bank drafts and BRI travelers' checks (Cepebri)	51,716	29,974
Deposits for clearing	40,376	31,600
Others	2,064,898	1,230,051
	<u>3,189,221</u>	<u>1,989,720</u>
<u>Foreign currencies</u>		
Remittance deposits	49,796	101,418
Others	716,863	265,409
	<u>766,659</u>	<u>366,827</u>
	<u>3,955,880</u>	<u>2,356,547</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

18. DEMAND DEPOSITS

Demand deposits consist of:

	2007	2006
<u>Third parties</u>		
Rupiah	33,889,145	25,206,330
Foreign currencies	3,223,310	2,600,881
	<u>37,112,455</u>	<u>27,807,211</u>
<u>Related parties</u>		
Rupiah	6,380	1,946
Foreign currencies	1,632	1,700
	<u>8,012</u>	<u>3,646</u>
	<u>37,120,467</u>	<u>27,810,857</u>

Average annual interest rates for demand deposits are as follows:

	2007	2006
Rupiah	2.62%	2.42%
Foreign currencies	1.20	1.26

Demand deposits used as collateral for banking facilities granted by BRI amounted to Rp7,018 and Rp5,490 as of December 31, 2007 and 2006, respectively.

19. SAVINGS DEPOSITS

Savings deposits consist of:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Simpedes	46,602,578	38,684,799
Britama	24,842,406	19,016,795
Others	622,068	441,734
	<u>72,067,052</u>	<u>58,143,328</u>
<u>Related parties</u>		
<u>Rupiah</u>		
Britama	38,238	9,169
Others	536	-
	<u>38,774</u>	<u>9,169</u>
	<u>72,105,826</u>	<u>58,152,497</u>

The average annual interest rates for savings deposits are 2.63% and 4.68% for the years ended December 31, 2007 and 2006, respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

20. TIME DEPOSITS

Time deposits consist of:

	2007	2006
<u>Third parties</u>		
Rupiah	49,822,035	34,063,985
Foreign currencies	5,774,296	3,521,267
	<u>55,596,331</u>	<u>37,585,252</u>
<u>Related parties</u>		
Rupiah	297,167	556,809
Foreign currencies	1,657	216
	<u>298,824</u>	<u>557,025</u>
	<u>55,895,155</u>	<u>38,142,277</u>

Time deposits based on their contract period are as follows:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Deposits on call	2,392,782	2,736,703
Deposits		
1 month	30,713,580	17,058,078
3 months	9,595,313	4,857,924
6 months	2,088,548	2,584,070
12 months	4,923,467	6,707,925
More than 12 months	108,345	119,285
	<u>49,822,035</u>	<u>34,063,985</u>
<u>Foreign currencies</u>		
Deposits on call	67,780	245,206
Deposits		
1 month	5,343,106	2,921,623
3 months	228,597	158,340
6 months	68,711	139,887
12 months	65,914	56,031
More than 12 months	188	180
	<u>5,774,296</u>	<u>3,521,267</u>
	<u>55,596,331</u>	<u>37,585,252</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

20. TIME DEPOSITS (continued)

	2007	2006
<u>Related parties</u>		
<u>Rupiah</u>		
Deposits on call	24,100	20,800
Deposits		
1 month	251,672	138,596
3 months	16,800	43,650
6 months	2,050	51,050
12 months	2,170	302,538
More than 12 months	375	175
	297,167	556,809
<u>Foreign currencies</u>		
Deposits		
1 month	1,657	216
	298,824	557,025
	55,895,155	38,142,277

Average annual interest rates for time deposits are as follows:

	2007	2006
Rupiah	8.17%	11.41%
Foreign currencies	4.02	3.96

Time deposits used as collateral for banking facilities granted by BRI amounted to Rp26,374 and Rp188,675 as of December 31, 2007 and 2006, respectively.

21. CERTIFICATES OF DEPOSITS

The classification by period of certificates of deposits in Rupiah based on their contract period are as follows:

	2007	2006
<u>Third parties</u>		
1 month	-	1,900
Less: Unamortized interest	-	(8)
	-	1,892

Average annual interest rates for certificates of deposits for the year ended December 31, 2006 were 8.74%.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

Deposits from other banks and financial institutions consist of:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Demand deposits	147,122	409,147
Savings deposits	24,722	16,674
Deposits on call	205,000	845,150
Time deposits	284,266	405,576
Inter-bank call money	225,000	182,000
	<u>886,110</u>	<u>1,858,547</u>
<u>Foreign currencies</u>		
Demand deposits	5,419	890
Time deposits	9,393	9,003
Inter-bank call money	710,111	-
	<u>724,923</u>	<u>9,893</u>
	<u>1,611,033</u>	<u>1,868,440</u>

Average annual interest rates for deposits from other banks and financial institutions are as follows:

	Rupiah		Foreign Currencies	
	2007	2006	2007	2006
Demand deposits	2.53 %	2.80 %	1.25 %	1.25 %
Savings deposits	2.50	3.50	-	-
Deposits on call	3.84	6.75	-	-
Time deposits	6.70	8.79	4.00	4.00
Inter-bank call money	5.44	10.46	5.27	-

The classification by period of deposits from other banks and financial institutions based on their remaining period until maturity are as follows:

	2007		
	<u>≤ 1 month</u>	<u>> 1 - 3 months</u>	<u>Total</u>
<u>Third parties</u>			
<u>Rupiah</u>			
Demand deposits	147,122	-	147,122
Savings deposits	24,722	-	24,722
Deposits on call	205,000	-	205,000
Time deposits	284,266	-	284,266
Inter-bank call money	225,000	-	225,000
	<u>886,110</u>	<u>-</u>	<u>886,110</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)

		2007		
		≤ 1 month	> 1 - 3 months	Total
<u>Foreign currencies</u>				
Demand deposits		5,419	-	5,419
Time deposits		9,393	-	9,393
Inter-bank call money		710,111	-	710,111
		724,923	-	724,923
		1,611,033	-	1,611,033
		2006		
		≤ 1 month	> 1 - 3 months	Total
<u>Third parties</u>				
<u>Rupiah</u>				
Demand deposits		409,147	-	409,147
Savings deposits		16,674	-	16,674
Deposits on call		845,150	-	845,150
Time deposits		404,576	1,000	405,576
Inter-bank call money		182,000	-	182,000
		1,857,547	1,000	1,858,547
<u>Foreign currencies</u>				
Demand deposits		890	-	890
Time deposits		9,003	-	9,003
		9,893	-	9,893
		1,867,440	1,000	1,868,440

23. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE

Securities sold with agreements to repurchase as of December 31, 2007 and 2006 consist of:

2007						
Type of securities	Terms	Repurchase Date	Nominal Amount	Repurchase Price	Unamortized Interest	Net Value
Deutsche Bank, AG Government recapitalization bond Series FR0017	90 days	January 15, 2008	100,000	103,175	(494)	102,681
2006						
Type of securities	Terms	Repurchase Date	Nominal Amount	Repurchase Price	Unamortized Interest	Net Value
Deutsche Bank, AG Government recapitalization bond Series FR0017	91 days	January 15, 2007	100,000	103,210	(494)	102,716

These bonds were repurchased by BRI on the agreed dates.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

24. FUND BORROWINGS

Fund borrowings consist of:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Borrowings from the Government	409,860	500,000
Borrowings from Bank Indonesia:		
Liquidity loans	284,210	347,996
Borrowings for investment in premises and equipment	32,092	32,092
Other fund borrowings	14,083	12,398
Refinancing borrowings	-	700,000
	<u>740,245</u>	<u>1,592,486</u>
<u>Foreign currencies</u>		
Refinancing borrowings	890,592	170,722
Bilateral borrowing	751,440	-
Other fund borrowings	-	1,399
	<u>1,642,032</u>	<u>172,121</u>
	<u>2,382,277</u>	<u>1,764,607</u>

The classification by period of fund borrowings based on their remaining period to maturity is as follows:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	453	1,210
> 1 month - 3 months	14,224	710,290
> 3 months - 1 year	50,591	49,225
> 1 year - 5 years	628,382	779,157
> 5 years	46,595	52,604
	<u>740,245</u>	<u>1,592,486</u>
<u>Foreign currencies</u>		
≤ 1 month	150,281	56,137
> 1 month - 3 months	578,154	115,984
> 3 months - 1 year	162,157	-
> 1 year – 5 years	751,440	-
	<u>1,642,032</u>	<u>172,121</u>
	<u>2,382,277</u>	<u>1,764,607</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

24. FUND BORROWINGS (continued)

Other significant information relating to fund borrowings are as follows:

(a) Borrowings from the Government

This account represents loan for distribution to micro and retail businesses with the source of fund from the Government Letter of Indebtedness (Surat Utang Pemerintah or SUP), with total facility of Rp500,000, where BRI acts as a financial institution executor for loan distribution to micro and retail businesses. The period of this loan is from May 14, 2004 up to December 10, 2009 with annual interest rate similar to the SUP interest rate charged by Bank Indonesia.

(b) Borrowings from Bank Indonesia

(i) Liquidity Loans

This account represents credit facilities obtained from Bank Indonesia that are channeled to BRI's debtors for the following purposes, among others: Investment Loans, Primary Cooperatives of Sugar Cane Farmers Loans, BULOG and Village Cooperative Units Loans, Permanent Working Capital Loans, Fertilizer and others.

The classification by period of liquidity loans from Bank Indonesia based on their remaining period until maturity as of December 31, 2007 and 2006 is as follows:

	2007	2006
≤ 1 month	453	-
≤ 1 month - 3 months	14,224	11,500
> 3 months - 1 year	50,591	49,225
> 1 year - 5 years	218,522	266,759
> 5 years	420	20,512
	284,210	347,996

Average annual interest rates on these loans are 6.07% and 5.94% for the years ended December 31, 2007 and 2006, respectively.

(ii) Borrowings for Investments in Premises and Equipment

This account represents loans obtained for the construction of certain office units for BRI's micro banking all over Indonesia.

Average annual interest rate of these borrowings is 5.00% for the years ended December 31, 2007 and 2006. The borrowings are due in 2016.

(c) Refinancing borrowings

	2007	2006
<u>Rupiah</u>		
PT Bank Ekspor Indonesia (Persero)	-	700,000

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

24. FUND BORROWINGS (continued)

(c) Refinancing borrowings (continued)

	2007	2006
<u>Foreign currencies</u>		
Wachovia Bank, N.A.	422,685	-
The Bank of New York Mellon	281,790	115,984
Dresdner Bank AG	160,359	-
OCBC Bank	21,824	-
JP Morgan Chase Bank, N.A.	2,064	-
ABN-AMRO Bank N.V.	1,870	-
Standard Chartered Bank	-	54,738
	890,592	170,722
	890,592	870,722

The credit facility received from PT Bank Ekspor Indonesia (Persero) represents facilities for financing, guarantees, and other businesses to support export activities which are denominated in Rupiah currency with the term of 1 (one) year from February 16, 2001 and can be extended every year. BRI repaid this facility on February 12, 2007. The average annual interest rates for this facility are 11.90% for the year ended December 31, 2006.

Refinancing borrowing facilities in foreign currencies represent short-term borrowings obtained from several foreign banks with terms from 1 (one) month up to 6 (six) months and bear interest rate at LIBOR or SIBOR plus certain margin. These facilities are collateralized by letters of credit issued by BRI.

(d) Bilateral borrowing

Bilateral borrowing is a loan facility from Standard Chartered Bank amounting to US\$80,000,000, which is used to finance BRI's general activities and trade finance requirements. The annual interest rate for this facility is LIBOR plus 1.10% margin and is paid quarterly. This facility is due on December 13, 2010 and will be paid in one lumpsum up to maturity.

25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES

- a) The details of estimated losses on commitments and contingencies bearing credit risk (Note 2e) are as follows:

	2007	2006
<u>Rupiah</u>		
Guarantees issued	6,364	2,184
Outstanding irrevocable L/C	6,504	728
	12,868	2,912
<u>Foreign currencies</u>		
Outstanding irrevocable L/C	55,501	38,532
Guarantees issued	5,477	6,818
	60,978	45,350
	73,846	48,262

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

b) Movements of estimated losses on commitments and contingencies:

	2007	2006
<u>Rupiah</u>		
Beginning balance	2,912	5,594
Provision (reversal) during the year	9,956	(2,682)
	<u>12,868</u>	<u>2,912</u>
<u>Foreign currencies</u>		
Beginning balance	45,350	38,610
Provision during the year	15,628	6,740
	<u>60,978</u>	<u>45,350</u>
	<u>73,846</u>	<u>48,262</u>

The minimum estimated losses on commitments and contingencies that should be provided based on Bank Indonesia regulations amounted to Rp73,846 and Rp48,262 as of December 31, 2007 and 2006, respectively.

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

c) The collectibility of commitments and contingencies in administrative accounts (Notes 2e and 42) are as follows:

2007						
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
<u>Third parties</u>						
<u>Rupiah</u>						
Guarantees issued	636,436	-	-	-	-	636,436
Outstanding irrevocable L/C	634,576	3,165	-	-	-	637,741
	<u>1,271,012</u>	<u>3,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,177</u>
<u>Foreign currencies</u>						
Outstanding irrevocable L/C	5,547,244	586	-	-	-	5,547,830
Guarantees issued	547,699	-	-	-	-	547,699
	<u>6,094,943</u>	<u>586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,095,529</u>
	<u>7,365,955</u>	<u>3,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,369,706</u>
2006						
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
<u>Third parties</u>						
<u>Rupiah</u>						
Guarantees issued	194,286	4,781	9	-	-	199,076
Outstanding irrevocable L/C	20,882	10,377	-	-	-	31,259
	<u>215,168</u>	<u>15,158</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>230,335</u>
<u>Foreign currencies</u>						
Outstanding irrevocable L/C	2,365,712	232,757	-	-	3,237	2,601,706
Guarantees issued	374,490	1,598	-	-	-	376,088
	<u>2,740,202</u>	<u>234,355</u>	<u>-</u>	<u>-</u>	<u>3,237</u>	<u>2,977,794</u>
	<u>2,955,370</u>	<u>249,513</u>	<u>9</u>	<u>-</u>	<u>3,237</u>	<u>3,208,129</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

26. OTHER LIABILITIES

Other liabilities consist of:

	2007	2006
<u>Third parties</u>		
<u>Rupiah</u>		
Bonuses and incentives	1,210,896	849,925
Provision for pension preparation period (Note 41e)	824,664	661,065
Provision for work separation scheme (Note 41d)	395,181	348,409
Provision for gratuity for services (Note 41e)	347,184	322,909
Interest payable	329,290	339,451
Provision for timely-payment of interest (Note 2u)	305,702	287,756
Provision for long sabbatical leaves (Note 41e)	222,752	224,274
Provision for litigation liabilities (Note 45b)	202,355	143,503
Unearned income	163,529	78,963
Defined benefit pension plan (Note 41a)	66,517	-
Guarantee deposits	26,508	21,120
Others	1,723,951	743,948
	<u>5,818,529</u>	<u>4,021,323</u>
<u>Foreign currencies</u>		
Guarantee deposits	234,161	126,186
Interest payable	51,083	49,349
Unearned income	14,008	15,986
Others	304,899	84,694
	<u>604,151</u>	<u>276,215</u>
	6,422,680	4,297,538
<u>Related parties</u>		
<u>Rupiah</u>		
Obligations under capital leases (Notes 2o and 15)		
PT Bringin Srikandi Finance (Subsidiary of Dana Pensiun BRI)	25,878	69,569
	<u>6,448,558</u>	<u>4,367,107</u>

The average annual interest rates for obligations under capital leases were 17.00% and 18.10% for the years ended December 31, 2007 and 2006, respectively.

The installments of obligations under capital leases based on the remaining period to maturity as of December 31, 2007 and 2006 are as follows:

	2007	2006
Up to 1 year	25,237	44,270
> 1 year - 5 years	641	25,299
	<u>25,878</u>	<u>69,569</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

27. SUBORDINATED LOANS

BRI has obtained subordinated loans in Rupiah and foreign currencies with the details as follows:

	2007	2006
<u>Rupiah</u>		
Subordinated bonds I	500,000	500,000
Two-step loans	237,448	267,733
Others	-	108,180
	<u>737,448</u>	<u>875,913</u>
Less: Deferred issuance cost	(2,375)	(2,768)
	<u>735,073</u>	<u>873,145</u>
<u>Foreign currency</u>		
Subordinated notes	1,408,950	1,350,450
Two-step loans	444	12,681
	<u>1,409,394</u>	<u>1,363,131</u>
Less: Unamortized discount	(4,214)	(4,845)
	<u>1,405,180</u>	<u>1,358,286</u>
	<u>2,140,253</u>	<u>2,231,431</u>

a. Subordinated Bonds I

On January 9, 2004, BRI issued Rp500,000 Bank BRI Subordinated Bonds I Year 2004 with fixed interest rate which are registered at the Surabaya Stock Exchange (currently the Indonesia Stock Exchange). These Subordinated Bonds were issued at 100.00% of their nominal value with fixed annual interest rate of 13.50%, payable every 3 (three) months. These Subordinated Bonds are due and must be settled with the same value as the principal in the Jumbo Certificate of Subordinated Bonds on settlement date, on January 9, 2014 (10th anniversary year after the issuance date), or at an earlier date if BRI will exercise a call option, on January 9, 2010 (6th anniversary year after the issuance date). After the first anniversary, BRI may buy back the Subordinated Bonds partially or fully to resell in the future or for settlement considering the existing regulations.

Net proceeds from the issuance of the Subordinated Bonds will be used to increase earning assets and at the same time to strengthen the capital structure of BRI in accordance with Bank Indonesia regulation.

These Subordinated Bonds are not guaranteed with specific collateral from BRI or by the Republic of Indonesia and are not included in the bank guarantee program implemented by Bank Indonesia, Indonesian Bank Restructuring Agency or any acting institutions for the same purpose.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

27. SUBORDINATED LOANS (continued)

a. Subordinated Bonds I (continued)

The issuance and classification of the Subordinated Bonds I as Subordinated Loans have been approved in principle by Bank Indonesia, through its letter No. 5/84/DPWB2/PW/B24 dated August 15, 2003.

The rating of BRI's Subordinated Bonds I 2004 as reported by PT Pemeringkat Efek Indonesia as of December 31, 2007 and 2006 is "id AA" and "id AA-", respectively. The trustee of this Subordinated Bonds is PT Bank Mandiri (Persero) Tbk.

The trustee agreement disclosed several covenants affecting BRI and requires the 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 and or authorized parties.
- Merger and or takeover and or acquisition, or allowing or giving approval to Subsidiaries to conduct merger and or takeover and or acquisition, except as requested and or instructed by the Government and or authorized parties, based on the prevailing regulations.
- Change in BRI's main business.

b. Two-step Loans

The two-step loans in Rupiah represent the loans from the Government which was 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 respective agreements with terms ranging from 15 (fifteen) to 40 (forty) years. The average annual interest rates for subordinated loans were 6.29% and 6.41% for the years ended December 31, 2007 and 2006, respectively. These loans will mature at various dates between 2005 to 2027.

The two-step loan in foreign currency represents the loan from the Government which was funded by ADB based on the Ministry of Finance letter No. S-028/MK.6/2004 dated January 30, 2004. The annual interest rate on this loan is the interest rate determined by ADB to the Government plus a margin of 0.65% per annum. This loan will mature on November 15, 2017.

c. Other loans

These loans represent subordinated loans from the Government to cover the capital shortage and meet the capital adequacy ratio requirements as stated in the loan agreement No. RDI-303/DP3/1996 dated August 30, 1996 and bears an average annual interest rate of 6.00%. These loans matured on June 30, 2006 and were repaid by BRI on March 30, 2007.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

27. SUBORDINATED LOANS (continued)

d. Subordinated Notes

On September 25, 2003, BRI acting through its Cayman Islands Branch, issued US\$150,000,000 Subordinated Notes (the "Notes") listed at the Singapore Stock Exchange. The Notes were issued at 99.47% of their principal amount with interest at 7.75% per annum from and including September 25, 2003 up to but excluding September 25, 2008, if the notice of redemption has not been given on such date, or October 30, 2008, if the notice of redemption has been given. The interest will be payable semi-annually on March 25 and September 25 of each year, commencing from March 25, 2004. The interest rate is calculated from and including September 25, 2008 up to but excluding October 30, 2013 by using the annual interest rate of the U.S. Treasury plus 7.24% and such interest will be payable on due date on March 25 and September 25 of each year commencing from March 25, 2009, except if the Notes are redeemed earlier. The Notes will mature on October 30, 2013, if not redeemed earlier.

The net proceeds from the issuance of the Notes are intended for general corporate purposes of BRI, including to provide additional Tier II capital to strengthen BRI's capital base. The Notes constitute unsecured and subordinated obligations of BRI and will rank *pari passu* and without preference among themselves, but in priority to the rights and claims of holders of all classes of BRI's equity securities, including holders of preference shares, if any.

The issuance and classification of the Notes as subordinated loans have been approved by Bank Indonesia, through its letter No. 5/426/DLN dated September 3, 2003.

The classification by period of subordinated loans based on their remaining period to maturity is as follows:

	2007	2006
<u>Rupiah</u>		
≤ 1 month	232	109,825
> 1 month - 3 months	-	1,266
> 3 months - 1 year	24,483	27,374
> 1 year - 5 years	92,317	95,343
> 5 years	618,041	639,337
	735,073	873,145
<u>Foreign currencies</u>		
> 1 month - 3 months	444	-
> 3 months - 1 year	-	674
> 1 year - 5 years	1,404,736	3,486
> 5 years	-	1,354,126
	1,405,180	1,358,286
	2,140,253	2,231,431

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

28. STOCKHOLDERS' EQUITY

a. Capital Stock

The details of authorized, issued and fully paid capital stock of BRI as of December 31, 2007 and 2006 are as follows:

2007	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	56.83
Public				
- Series B ordinary shares	5,317,800,500	500	2,658,900,250,000	43.17
Total Issued and Fully Paid Capital Stock	12,317,800,500		6,158,900,250,000	100.00%
2006	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	56.97
Public				
- Series B ordinary shares	5,286,421,500	500	2,643,210,750,000	43.03
Total Issued and Fully Paid Capital Stock	12,286,421,500		6,143,210,750,000	100.00%

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 of recapitalization 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 (Note 9). Based on such Decision Letter, the Ministry of Finance determined that the final recapitalization requirement amount of BRI of Rp29,063,531. The Government's rights arising from the additional investment of the state to BRI with such final amount was implemented as follows: Rp3,272,000 converted to 3,272,000 new shares issued by BRI with a par value of Rp1 million (full Rupiah) 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 was implemented retroactively as of June 30, 2003.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

28. STOCKHOLDERS' EQUITY (continued)

a. Capital Stock (continued)

Capital Structure (continued)

Based on BRI's Stockholder's Extraordinary General Meeting held on October 3, 2003, covered by deed No. 6 dated October 3, 2003, of Notary Imas Fatimah, S.H., BRI's stockholder decided, among others, the following:

1. The 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 (full Rupiah) 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. The stock split with the change in par value per share from Rp1 million (full Rupiah) to Rp500 (full Rupiah).
3. The increase in authorized capital stock of BRI from Rp5 trillion (full Rupiah), divided into 5,000,000 shares at a par value of Rp1 million (full Rupiah) per share, to become Rp15 trillion (full Rupiah) divided into 30,000,000,000 shares at a par value of Rp500 (full Rupiah) per share.
4. The change in classification of BRI's shares to become series A Dwiwarna and series B shares.
5. Utilization of general and special reserves as of June 30, 2003, amounting to Rp1,386,616, to cover the accumulated losses as of June 30, 2003.
6. The quasi-reorganization plan of BRI as of June 30, 2003, to eliminate the accumulated losses of Rp24,699,387 against the recorded Additional Paid-in Capital (Note 3).
7. The plan to undertake the Initial Public Offering (IPO) of BRI's shares.
8. The 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 become "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 Markets 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 Stockholder's Extraordinary General Meeting were notarized in 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.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

28. STOCKHOLDERS' 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 in 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 ordinary shares consisting of 2,047,060,000 Series B ordinary shares owned by the Republic of Indonesia (divestment) and 1,764,705,000 new Series B ordinary shares issued with a par value of Rp500 (full Rupiah) per share and initial offer price of Rp875 (full Rupiah) to the public, which became effective on October 31, 2003. Such offered shares were initially traded on November 10, 2003 and simultaneously all BRI shares were listed in the Jakarta and Surabaya Stock Exchanges (currently the Indonesia Stock Exchange).

Subsequently, the over-subscription option of 381,176,000 Series B ordinary shares owned by the Republic of Indonesia (divestment) and over-allotment option of 571,764,000 Series B ordinary 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 the IPO and the exercise of the over-subscription option and the over-allotment option, the Republic of Indonesia owns 59.5% of the outstanding common shares in BRI.

Stock Allocation Program

Based on the above Stockholders' Extraordinary General Meeting, the stockholders agreed to, among others, the employee and management stock ownership plan through an Employee Stock Allocation Program (ESA) and a Management Stock Option Plan (MSOP). The ESA consists of a Bonus Share Plan, Shares Purchase at Discount and Additional Shares Grant programs. MSOP is granted to Directors and employees at certain levels and positions. Costs and discounts related to the ESA and MSOP programs are recognized 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, during 2007 and 2006, BRI employees have exercised stock options (MSOP I, II and III) amounting to 31,379,000 shares or Rp15,689,500,000 (full Rupiah) and 250,721,000 shares or Rp125,360,500,000 (full Rupiah), respectively. The additional shares arising from the execution of the above stock options are added in the issued and fully paid capital (Note 29).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

28. STOCKHOLDERS' EQUITY (continued)

b. The Additional Paid-in Capital:

	2007	2006
Additional paid-in 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
Additional paid-in capital from IPO	589,762	589,762
Exercise of stock options (Note 29)		
2004	49,514	49,514
2005	184,859	184,859
2006	619,376	619,376
2007	140,960	-
	2,676,620	2,535,660

Based on the realization of the Recapitalization Program for Commercial Banks as set forth in Government Regulation No. 52 Year 1999 regarding the Increase in Investment by the Republic of Indonesia in state-owned banks, the Government determined that the final recapitalization requirement amount of BRI to achieve a CAR of 4% was Rp29,063,531. As of June 30, 2003, the authorized and issued capital stock of BRI had 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 of the Republic of Indonesia as explained in letter (a) above, from the final recapitalization requirement of BRI amounting to Rp29,063,531, Rp3,272,000 was converted to paid up capital and the balance of Rp25,791,531 was recorded as additional paid in capital (Note 28a). In addition, with the implementation of the quasi-reorganization by BRI, the accumulated losses before quasi-reorganization as of June 30, 2003 amounting to Rp24,699,387 (Note 3) was eliminated against additional paid-in capital, resulting to additional paid-in capital of 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 with 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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

28. STOCKHOLDERS' EQUITY (continued)

b. The Additional Paid-in Capital (continued)

The employees of BRI have exercised stock options starting November 10, 2004 for MSOP I, November 10, 2005 for MSOP II and November 15, 2006 for MSOP III. During 2004 until 2007, stock options that had been exercised were 553,095,500 shares for MSOP I, II and III, which consist of 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 these exercise of stock options were 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 statements 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 2ac). 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 balance sheet date. The statements of income for the year ended as of such date are derived from the accumulation of the monthly income statement balances which were translated into Rupiah using the average exchange rate for the respective months.

d. Distribution of Net Income and Utilization of Appropriated Retained Earnings

Based on the Annual Stockholders' General Meetings of BRI held on May 22, 2007 and May 30, 2006, the Stockholders agreed to distribute the net income for the years ended December 31, 2006 and 2005 as follows:

	Income 2006	Income 2005
Dividends	2,128,786	1,904,293
General and special reserves	1,703,029	1,439,631
Appropriation for partnership and environmental development fund	170,303	152,344
<i>Tantiem</i>	21,291	19,805

BRI has recorded the provision for *tantiem* in the current consolidated statements of income in accordance with PSAK No. 24 (revised 2004) on Employee Benefits.

29. MANAGEMENT STOCK OPTION PLAN (MSOP)

Based on Stockholder's Extraordinary General Meeting held on October 3, 2003 as mentioned in Deed No. 6 of Notary Imas Fatimah, S.H., the stockholders 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 a maximum of 5% from the paid up capital of BRI within 3 (three) years without giving priority to the existing stockholders to exercise their rights.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

29. MANAGEMENT STOCK OPTION PLAN (MSOP) (continued)

MSOP Stage-I

In MSOP stage-I, the exercise price was 110% of the offering price with the life of the option over 5 (five) years from the grant 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 grant date is a maximum of 50% of the total options granted, and the remainder will be executed at the end of the second year through 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 as of November 10, 2003 amounted to Rp117.39 (full Rupiah), based on the Valuation Report issued by PT Watson Wyatt Purbajaga dated March 17, 2004 using the Black Scholes option pricing model.

MSOP Stage-II

Based on the Annual Stockholder's General Meeting held on May 31, 2004, the stockholder's granted MSOP stage-II with an option life 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 option life with a share 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 as of November 10, 2004 amounted to Rp351.62 (full Rupiah), based on the Valuation Report issued by PT Watson Wyatt Purbajaga dated February 15, 2005 using the Black Scholes option pricing model.

MSOP Stage-III

Based on the Annual Stockholders' General Meeting held on May 20, 2005, the stockholders granted MSOP stage-III with an option life of 5 (five) years and a vesting period of 1 (one) year. The number of stock options that can be exercised twice in a year within 5 (five) until 30 (thirty) working days until the end of the option life with a share closing price of 90% of the average of the share closing price of BRI shares in the Jakarta Stock Exchange (currently the Indonesia Stock Exchange) within 25 (twenty-five) consecutive days before reporting date to the Jakarta Stock Exchange (currently the Indonesia Stock Exchange) (at least 5 working days) and the number of shares issued is 117,647,050 shares. The share price exercised in 2007 is Rp5,118 (full Rupiah) per share (period 2) and Rp6,385 (full Rupiah) per share (period 3) and Rp4,450 (full Rupiah) (period 1) in 2006.

The fair value of stock options in MSOP stage-III granted as of November 10, 2005 amounted to Rp958 (full Rupiah), based on BRI management's calculation using the Black Scholes - Merton option pricing model.

The summary of the MSOP and the movements during the years ended December 31, 2007 and 2006 are as follows (Note 28a):

	2007		
	Number of Options		
	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Options outstanding at the beginning of year	5,577,600	19,772,100	41,169,050
Options exercised during the year	(484,500)	(10,212,000)	(20,682,500)
Options that can be exercised at the end of the year	5,093,100	9,560,100	20,486,550

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

29. MANAGEMENT STOCK OPTION PLAN (MSOP) (continued)

	2006		
	Number of Options		
	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Options outstanding at the beginning of year	39,881,600	159,711,100	117,647,050
Options exercised during the year	(34,304,000)	(139,939,000)	(76,478,000)
Options that can be exercised at the end of the year	5,577,600	19,772,100	41,169,050

The fair value of the options granted represents the estimated values with the following assumptions:

	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Risk free interest rate	8.75%	8.75%	13.04%
Expected period of option	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 2007 and 2006, the total stock options which have been exercised amounted to Rp15,689 and Rp125,361, respectively, consisting of 31,379,000 shares and 250,721,000 shares, respectively, (Note 28a), and resulted in the increase in additional paid-in capital of Rp140,960 and Rp619,376 as of December 31, 2007 and 2006, respectively (Note 28b).

Total MSOP expense recorded in "Salaries and Employee Benefits" (Note 34) for the years ended December 31, 2007 and 2006 amounted to Rp nil and Rp96,958, respectively. Accumulated stock options amounting to Rp23,586 and Rp47,047 are net of realization of stock options amounting to Rp23,461 and Rp126,498, respectively, which are presented as part of the stockholders' equity in the consolidated balance sheets as of December 31, 2007 and 2006, respectively.

30. INTEREST AND INVESTMENT INCOME

Interest and investment income are derived from:

	2007	2006
<u>Rupiah</u>		
Loans	17,674,514	15,460,125
Government recapitalization bonds	2,020,307	2,339,089
Securities		
Bank Indonesia Certificates	1,090,220	1,363,801
Government bonds	160,966	104,638
Others	108,086	14,208
Placements with Bank Indonesia and other banks		
Inter-bank call money	299,661	182,114
Rupiah intervention	196,512	163,862
Others	17,618	16,738
Current accounts with Bank Indonesia	138,049	181,915
Others	62,143	28,399
	21,768,076	19,854,889

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

30. INTEREST AND INVESTMENT INCOME (continued)

	2007	2006
<u>Foreign currencies</u>		
Loans	282,276	303,307
Securities		
Government bonds	64,824	42,829
Others	148,715	100,551
Placements with Bank Indonesia and other banks		
Inter-bank call money	20,469	17,080
Others	135,948	105,157
	652,232	568,924
	22,420,308	20,423,813

31. FEES AND COMMISSIONS INCOME

Fees and commissions income are derived from:

	2007	2006
<u>Rupiah</u>		
Loans	652,788	534,513
Others	-	33
	652,788	534,546
<u>Foreign currencies</u>		
Loans	988	150
	653,776	534,696

32. INTEREST EXPENSE AND OTHER CHARGES

This account represents interest expense and other charges incurred on:

	2007	2006
<u>Rupiah</u>		
Time deposits	3,420,597	3,589,868
Savings deposits	1,624,139	2,330,532
Demand deposits	522,486	405,017
Subordinated loans	100,230	93,946
Fund borrowings	77,110	95,867
Deposits from other banks and other financial institutions	34,855	83,023
Securities sold with agreements to repurchase	17,735	15,221
Certificates of deposit	80	103
Others	321,746	307,589
	6,118,978	6,921,166

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

32. INTEREST AND OTHER FINANCING CHARGES (continued)

	2007	2006
<u>Foreign currencies</u>		
Time deposits	209,655	175,654
Subordinated loans	106,533	106,871
Demand deposits	39,709	23,733
Deposits from other banks and other financial institutions	29,849	35,404
	385,746	341,662
	6,504,724	7,262,828

33. PROVISION FOR POSSIBLE LOSSES ON EARNING ASSETS - NET

This account represents provision (reversal) of allowance for possible losses on earning assets as follows:

	2007	2006
Current accounts with other banks (Note 5e)	7,415	(4,710)
Placements with Bank Indonesia and other banks (Note 6e)	10,336	11,469
Securities (Note 7e)	31,275	(1,511)
Export bills (Note 8c)	(3,679)	4,920
Derivatives receivable (Note 11)	141	42
Loans (Note 12e)	1,781,201	1,846,793
Acceptances receivable (Note 13c)	2,256	(10,065)
Investments in shares of stock (Note 14)	81	42
Sharia financing	41,927	21,714
	1,870,953	1,868,694

34. SALARIES AND EMPLOYEE BENEFITS

The details of this account are as follows:

	2007	2006
Salaries, wages and allowances	2,820,732	2,729,535
Bonuses, incentives and <i>tantiem</i>	1,257,166	889,284
Defined benefit pension (Note 41a)	209,325	180,911
Pension preparation period (Note 41e)	201,980	180,197
Training and development	133,687	134,827
Medical allowances	103,036	86,093
Long sabbatical leaves (Note 41e)	91,540	99,556
Gratuity for services (Note 41e)	70,457	125,427
Work separation scheme (Note 41d)	60,496	55,727
Defined contribution pension (Note 41c)	59,700	57,962
Stock options (Note 29)	-	96,958
Others	266,305	194,298
	5,274,424	4,830,775

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

34. SALARIES AND EMPLOYEE BENEFITS (continued)

The amount of salaries and allowances for the Directors and Board of Commissioners of BRI amounted to Rp23,801 and Rp16,916 for the years ended December 31, 2007 and 2006, respectively (Note 44).

The amount of *tantiem*, bonuses and incentives paid to the Directors and Board of Commissioners, and executive officers of BRI for the years ended December 31, 2007 and 2006, amounted to Rp59,052 and Rp57,076, respectively (Note 44).

35. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	2007	2006
Depreciation of premises and equipment (Note 15)	440,245	400,044
Rent	348,334	321,337
Repairs and maintenance	311,083	256,719
Electricity and water	117,381	103,708
Research and product development	112,054	89,343
Printing and postage	109,690	70,081
Transportation	96,425	91,758
Communications	82,333	80,478
Office supplies	76,731	63,789
Professional fees	31,384	41,937
Computer installations	28,056	15,521
Others	650,990	519,315
	2,404,706	2,054,030

36. NON-OPERATING INCOME - NET

The details of this account are as follows:

	2007	2006
Cash distribution from the liquidation of BRI Finance Limited, Hong Kong	113,608	78,276
Rental income	7,761	5,800
Gain on sale of premises and equipment - net	5,436	7,235
Others - net	97,266	30,791
	224,071	122,102

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

37. TAXATION

a) Taxes Payable

As of December 31, 2007 and 2006, the details of taxes payable are as follows:

	2007	2006
BRI only		
Income tax		
Article 25 (December)	239,798	201,425
Article 29	900,452	85,912
	<u>1,140,250</u>	<u>287,337</u>
Subsidiary		
Income tax		
Article 21	88	-
Article 23	152	-
	<u>240</u>	<u>-</u>
	<u>1,140,490</u>	<u>287,337</u>

b) Corporate Income Tax Expense

The reconciliation between income before tax benefit (expense) as presented in the consolidated statements of income and estimated taxable income is as follows:

	2007	2006
Income before tax benefit (expense) based on the consolidated statements of income	7,780,074	5,906,721
Temporary Differences:		
Provision of allowance for possible losses on loans	296,721	42,908
Provision for personnel expenses	272,152	166,970
Provision of allowance for possible losses on earning assets except loans	73,314	4,245
Decrease (increase) in value of trading securities and Government recapitalization bonds	46,325	(556,829)
Depreciation of premises and equipment	17,037	(89,507)
Share in earnings of associate company (equity method)	(13,573)	(11,101)
	<u>691,976</u>	<u>(443,314)</u>
Permanent Differences:		
Public relations	31,863	20,999
Sports and religious activities	19,213	43,719
Representations and donations	18,576	21,239
Income subjected to final tax	(62,631)	(1,043)
Others	2,557,538	557,993
	<u>2,564,559</u>	<u>642,907</u>
Estimated taxable income	<u>11,036,609</u>	<u>6,106,314</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

37. TAXATION (continued)

b) Corporate Income Tax Expense (continued)

The computation of corporate income tax expense and income tax payable is as follows:

	2007	2006
Estimated taxable income	11,036,609	6,106,314
Corporate income tax expense - current	3,310,965	1,831,877
Income tax installment payments for the year	(2,410,513)	(1,745,965)
Corporate income tax payable - Article 29	900,452	85,912

BRI and Subsidiary's income tax are computed individually as separate legal entities (for the purpose of corporate tax return, consolidated tax computation is not allowed).

c) Tax Assessment

On August 14, 2007 and August 10, 2006, the Directorate General of Taxation (DGT) awarded BRI with the appreciation certificate as the recipient of the Annual Report Award (ARA) for 2006 and 2005, respectively, which exempts BRI from tax examination for the fiscal years 2006 and 2005. The DGT, however, reserves the right to conduct a tax examination if BRI has annual tax return overpayment, if there is new information, or other data are not yet disclosed, and if there is any indication of tax crime.

d) Deferred Tax Assets

The computation of deferred tax benefit (expense) of BRI (tax effects of temporary differences using 30% maximum tax rate) is as follows (Note 2ae):

	2007	2006
Decrease (increase) in value of trading securities and Government recapitalization bonds	180,946	(289,553)
Provision of allowance for possible losses on earning assets	103,341	12,929
Provision for employee benefits	81,646	458,135
Provision for estimated losses on commitments and contingencies	7,670	1,217
Overseas branches	(4,711)	-
Total deferred tax benefit	368,892	182,728

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

37. TAXATION (continued)

d) Deferred Tax Assets (continued)

The tax effects of significant temporary differences between commercial reporting and tax (recorded under Deferred Tax Assets) are as follows (Note 2ae):

	2007	2006
Allowance for possible losses on earning assets	901,247	797,906
Provision for employee expense	562,757	481,111
Estimated losses on commitments and contingencies	22,149	14,479
Decrease (increase) in value of trading securities and Government recapitalization bonds	13,897	(167,049)
Unrealized gain from available-for-sale securities and Government recapitalization bonds	(227,202)	(261,442)
Overseas branches	(4,711)	-
	1,268,137	865,005
Subsidiary	1,606	-
	1,269,743	865,005

Management believes that no valuation allowance is necessary for deferred tax assets as of December 31, 2007 and 2006.

- e) On December 28, 2007, the President of the Republic of Indonesia and the Ministry of Law and Human Rights signed the Government Regulation No. 81 year 2007 ("Gov. Reg. 81/2007") on "Reduction of the Rate of Income Tax on Resident Corporate Taxpayers in the Form of Publicly-listed Companies". This Gov. Reg. 81/2007 provides that resident publicly-listed companies in Indonesia can obtain the reduced income tax rate, i.e., 5% lower than the highest income tax rate under Article 17 paragraph 1b of the Income Tax Law, provided they meet the prescribed criteria, i.e., companies whose shares or other equity instruments are listed in the Indonesian Stock exchanges, whose shares owned by the public is 40% or more of the total paid-up shares and such shares are owned by at least 300 parties, each party owning 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.

This Gov. Reg. 81/2007 becomes effective on January 1, 2008. As of March 19, 2008, further implementation guidelines on this government regulation have not been issued. Therefore, the effect of the reduced tax rate has not been included in the calculation of the Company and Subsidiary's income tax amounts as of consolidated balance sheet date.

38. RISK MANAGEMENT

BRI's business activities are always facing risks relating to its function as an intermediary, in which, as a result, BRI's operations have to be properly managed to avoid the excessive loss for BRI. These risks include credit risk, market risk, liquidity risk, operational risk, legal risk, compliance risk, strategic risk and reputation risk.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

38. RISK MANAGEMENT (continued)

Risk Management Organization

In managing risks, BRI has developed an Integrated and Comprehensive Risk Management System. The implementation of an integrated risk management system is one of BRI Directors' commitments in minimizing potential losses faced by BRI.

Risk Management has a vital role in the management of a bank, whose objective could be achieved through 2 (two) aspects: covering the capital protection and optimizing risk-return relationship.

BRI's risk management is in accordance with the implementation of three lines of defense, consisting of:

1. Risk taking units (UKO) as the first line of defense, are responsible in the conduct of internal control function and output and business process quality control according to the established policy and procedures. UKO directly controls the inherent risk and is expected to minimize the residual risk.
2. Risk management working unit (UKMR) as the second line of defense, is responsible in controlling the risk so that the overall exposure does not exceed BRI's capital coverage. Such risk control is conducted by among others, determining and monitoring the risk limit.
3. Internal Audit working unit as the third line of defense, is responsible in ensuring the effectiveness of internal control system implemented in the working units, either in the UKO or the UKMR.

BRI's risk management function is performed by the Risk Management Division and its 3 (three) sections, these are: Credit Risk Management section, Market and Comprehensive Risk Management section, and Operational and Other Risks Management section, in accordance with BRI's Directors Decision Letter No. S.23-DIR/REN/04/2005 dated April 29, 2005, regarding the Organizational Structure of Risk Management Division of BRI.

Risk Management General Policy

Risk Management General Policy (KUMR) is the highest authority in the risk management implementation of BRI's entire business activities, either the conventional or the ones based on sharia principles. BRI'S KUMR regulates the matters related to the risk management organization; risk management process (identification, measurement, monitoring and control), risk management integrity, risk management information system, internal control system, new product and activity risk management, and contingency plan. BRI's KUMR was established in accordance with BRI's Directors Decision Letter No. S-02/DIR/KMR/MMR/01/04 dated December 31, 2003 which has been revised in 2006 to change the organizational structure of the operational working units which initially was only one group of risk taking unit that became the core risk taking unit and supporting the risk taking unit.

Risk Management Strategy

In order to ensure that the activity of BRI's business risk control is properly done by considering BRI's business interests and objectives as stated in BRI's KUMR, therefore the Directors of BRI established the risk management strategy. The risk management strategy of BRI consists of:

- determination of risk parameter and limit
- planning and implementation of mitigation plan (action plan) needed according to the assessment result of BRI's risk exposure condition (risk profile) at a certain period.

Those risk limits were periodically determined and recalculated to ensure that the existing risk profile supports BRI's performance target achievement process while maintaining the consideration of the risk tolerance level.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

38. RISK MANAGEMENT (continued)

Risk Profile

BRI's aggregate risk assessment through the self assessment process will generate the risk profile. This risk profile consists of inherent risk (risk embedded to the bank's activities before control exists) and risk control system (control over inherent risks) for 8 (eight) risk types in 7 (seven) functional activities of BRI which consist of loan, treasury, trade finance, funding, operational and service, IT system and support functional activities. The entire BRI risk profile during 2007 is categorized as low level.

To decrease the risk composite in its risk profile, BRI is continuously improving the implementation of framework, governance and other operational risk management tools. In addition, BRI continuously attempts to enhance the effectiveness of risk management forum and risk management functions in each working unit, and also the formation of Risk Management Group in the Regional Offices.

Risk Management Committee

In managing the business risk exposure and implanting Risk Management System in BRI, the Directors of BRI are assisted by the Risk Management Committee (RMC) which holds the highest status in the hierarchy of BRI Risk Management System and is responsible to issue recommendations to the President Director. In evaluating BRI's risk exposure, BRI RMC meets regularly at least once every 3 (three) months (quarterly). During 2007, BRI RMC has conducted 4 (four) meetings, in accordance with the established schedule.

RMC was established based on the Directors' Decision Letter No. 96-DIR/KMR/03/02 dated March 8, 2002 which was amended by the Directors' Decision Letter No. 227/DIR/DMR/06/2007 dated June 22, 2007 to suit the internal needs, with several main changes as follows:

1. The change in RMC membership, by establishing the Directors of BRI as permanent members with voting rights, while the officers whose level are below the Directors represent permanent members without voting rights. Voting will be conducted where consensus could not be achieved in RMC meetings, and fulfills the requirements if agreed by $\frac{1}{2} + 1$ permanent members with voting rights who are present.
2. The addition of permanent members without voting rights relating to the setup of new divisions in BRI Head Office.
3. The working guidelines of the sub RMC implementation (Credit Risk Management Committee, Operational Risk Management Committee and Market Risk Management Committee).

Business Continuity Management (BCM)

To maintain the bank's business continuity, either in the normal or disruptive or disastrous condition, BRI is challenged to implement the Business Continuity Management in maintaining continuity in the critical business process, overseeing BRI's assets, and properly responding in disruptive or disastrous situations.

As a serious concern in developing the Business Continuity management (BCM), the Directors of BRI had formed a BRI BCM Development Project Team in June 2007 so that the development of BCM and its implementation process could operate effectively and efficiently and achieve the established goals. The expected results from the effective implementation of BCM are as follows:

1. BRI is able to identify the impact of any disruption or disaster.
2. BRI has a recovery plan (Business Continuity Plan) that is able to minimize the potential losses occurring from any disruption or disaster.
3. BRI is able to continue serving its customers and maintaining the bank's business continuity.
4. Coordination among BRI working units in coping with disruptions or disasters is becoming more solid and integrated.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

38. RISK MANAGEMENT (continued)

Disaster Recovery Plan (DRP)

Disaster Recovery Plan (DRP) is a part of BRI's BCM, thus, BRI regularly performs testing to ensure the BRINETS DRC host's ability to function as a production host. For testing the DRC's ability, BRI has conducted a switch over periodically and in 2007, BRI performed the Fourth Switch Over DC-DRC-DC, focusing on live ATM transactions for BRI ATMs all over Indonesia in 1 (one) hour or 1,000 (one thousand) transactions (whichever is achieved first). The testing also involved 4 (four) online working units in Jakarta and Tabanan - Bali, including the Tabanan - Bali Branch Office, Kediri Tabanan - Bali Sub-Branch Office, Gatot Subroto Unit in Denpasar Bali, and Bendungan Hilir Unit in Jakarta.

Management of New Products and/or Activities

Risk management for each new products and/or activities is one step that has to be done in BRI's business development. This step is expected to minimize unexpected potential risks caused by the service for such new products or activities.

The role of risk management is to evaluate the proposed risk management on new products and activities to ensure BRI's readiness in executing those new products or activities and to recommend risk management to the Risk Management Director.

Socialization Program

Risk culture is needed to develop the paradigm that UKO is the ultimate risk owner in the conduct of risk mitigation in each activity. The Risk Management Division as the risk management working unit should place itself as a strategic partner to support the UKO in the development of the risk culture. With the developing risk culture, all the ability in risk mitigation would be enhanced. In addition, the UKO would be able to identify, measure, control and monitor every risk that would cause potential loss.

In connection with the above matters, BRI has implemented the risk management aspect in the employee's performance evaluation target, working unit's risk-based performance evaluation simulation, and routine conduct of risk management training and socialization to all employees of BRI. BRI also issues a simple bulletin (one page) named PerISMA, containing various information and materials about Risk Management socialization and discussion, and has developed the Risk Management Portal and Folder (intranet) which contains certain information and materials related to risk management. To develop a risk awareness culture, the Directors of BRI have enacted the risk management function embedded to all UKO, Risk Management Forum, operational Risk Management tools consisting of Risk and Control Self Assessment (RCSA), Key Risk Indicators (IRU), and Incident Management (MI).

39. MATURITY PROFILE

The following list presents the analysis of the maturities of BRI's assets and liabilities which are classified based on the remaining period from December 31, 2007 and 2006 until maturity date:

2007						
Description	Total	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year	Others that have no maturities
<u>Assets</u>						
Cash	5,041,396	5,041,396	-	-	-	-
Current accounts with Bank Indonesia	31,047,872	31,047,872	-	-	-	-

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

39. MATURITY PROFILE (continued)

Description	2007					
	Total	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year	Others that have no maturities
Current accounts with other banks	922,852	922,852	-	-	-	-
Allowance for possible losses	(9,234)	-	-	-	-	(9,234)
Placements with Bank Indonesia and other banks	14,680,860	14,358,377	322,483	-	-	-
Allowance for possible losses	(51,417)	-	-	-	-	(51,417)
Securities	17,358,248	14,214,517	-	-	3,143,731	-
Allowance for possible losses	(40,349)	-	-	-	-	(40,349)
Export bills	596,293	408,067	137,435	50,791	-	-
Allowance for possible losses	(5,968)	-	-	-	-	(5,968)
Government recapitalization bonds	18,222,590	6,883,296	-	1,269,647	10,069,647	-
Securities purchased with agreement to resell	2,573,610	2,573,610	-	-	-	-
Derivatives receivable	24,724	-	24,724	-	-	-
Allowance for possible losses	(247)	-	-	-	-	(247)
Loans	112,838,806	9,010,900	8,401,712	29,367,481	66,058,713	-
Allowance for possible losses	(6,915,043)	-	-	-	-	(6,915,043)
Sharia receivables and financing	1,134,147	6,729	12,128	106,095	1,009,195	-
Allowance for possible losses	(43,132)	-	-	-	-	(43,132)
Acceptances receivable	661,381	179,545	231,812	250,024	-	-
Allowance for possible losses	(7,018)	-	-	-	-	(7,018)
Investments in shares of stock	77,979	-	-	-	-	77,979
Allowance for possible losses	(1,311)	-	-	-	-	(1,311)
Premises and equipment - net	1,644,172	-	-	-	-	1,644,172
Deferred tax assets	1,269,743	-	-	-	-	1,269,743
Other assets - net	2,713,984	1,652,446	1,025,753	212,959	14,260	(191,434)
Total Assets	203,734,938	86,299,607	10,156,047	31,256,997	80,295,546	(4,273,259)
Liabilities						
Immediately payable liabilities	3,955,880	3,955,880	-	-	-	-
Deposits from customers	165,599,983	148,456,310	9,870,302	7,164,163	109,208	-
Deposits from other banks and financial institutions	1,611,033	1,611,033	-	-	-	-
Securities sold with agreements to repurchase	102,681	102,681	-	-	-	-
Derivatives payable	180,921	180,921	-	-	-	-
Acceptances payable	661,381	179,545	231,812	250,024	-	-
Taxes payable	1,140,490	240,038	900,452	-	-	-
Fund borrowings	2,382,277	150,734	592,378	212,748	1,426,417	-
Estimated losses on commitments and contingencies	73,846	-	-	-	-	73,846
Other liabilities	6,448,558	2,398,659	584,207	1,236,133	2,003,819	225,740
Subordinated loans	2,140,253	232	444	24,483	2,115,094	-
Total Liabilities	184,297,303	157,276,033	12,179,595	8,887,551	5,654,538	299,586
Maturity gap	19,437,635	(70,976,426)	(2,023,548)	22,369,446	74,641,008	(4,572,845)

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

39. MATURITY PROFILE (continued)

2006						
Description	Total	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year	Others that have no maturities
Assets						
Cash	3,458,907	3,458,907	-	-	-	-
Current accounts with Bank Indonesia	14,021,368	14,021,368	-	-	-	-
Current accounts with other banks	181,935	181,935	-	-	-	-
Allowance for possible losses	(1,819)	-	-	-	-	(1,819)
Placements with Bank Indonesia and other banks	13,656,867	13,510,360	146,507	-	-	-
Allowance for possible losses	(41,081)	-	-	-	-	(41,081)
Securities	15,391,806	15,239,540	-	-	152,266	-
Allowance for possible losses	(9,074)	-	-	-	-	(9,074)
Export bills	468,921	319,971	41,675	107,275	-	-
Allowance for possible losses	(9,647)	-	-	-	-	(9,647)
Government recapitalization bonds	18,445,348	7,106,054	-	-	11,339,294	-
Securities purchased with agreement to resell	201,925	201,925	-	-	-	-
Derivatives receivable	10,607	-	10,607	-	-	-
Allowance for possible losses	(106)	-	-	-	-	(106)
Loans	89,229,539	6,847,364	5,854,880	24,760,619	51,766,676	-
Allowance for possible losses	(6,687,654)	-	-	-	-	(6,687,654)
Sharia receivables and financing	1,053,213	16,494	8,074	44,448	984,197	-
Allowance for possible losses	(30,394)	-	-	-	-	(30,394)
Acceptances receivable	327,666	84,464	75,264	167,938	-	-
Allowance for possible losses	(4,762)	-	-	-	-	(4,762)
Investments in shares of stock	69,941	-	-	-	-	69,941
Allowance for possible losses	(1,230)	-	-	-	-	(1,230)
Premises and equipment - net	1,821,978	-	-	-	-	1,821,978
Deferred tax assets	865,005	-	-	-	-	865,005
Other assets - net	2,306,227	582,955	683,626	144,174	120,893	774,579
Total Assets	154,725,486	61,571,337	6,820,633	25,224,454	64,363,326	(3,254,264)
Liabilities						
Immediately payable liabilities	2,356,547	2,356,547	-	-	-	-
Deposits from customers	124,468,339	109,400,190	5,083,213	9,864,911	120,025	-
Deposits from other banks and financial institutions	1,868,440	1,867,440	1,000	-	-	-
Securities sold with agreements to repurchase	102,716	102,716	-	-	-	-
Derivatives payable	24,226	-	24,226	-	-	-
Acceptances payable	327,666	84,464	75,264	167,938	-	-
Taxes payable	287,337	201,425	85,912	-	-	-
Fund borrowings	1,764,607	57,347	826,274	49,225	831,761	-
Estimated losses on commitments and contingencies	48,262	-	-	-	-	48,262
Other liabilities	4,367,107	14,757	550,863	1,272,260	1,113,724	1,415,503
Subordinated loans	2,231,431	109,825	1,266	28,048	2,092,292	-
Total Liabilities	137,846,678	114,194,711	6,648,018	11,382,382	4,157,802	1,463,765
Maturity gap	16,878,808	(52,623,374)	172,615	13,842,072	60,205,524	(4,718,029)

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

39. MATURITY PROFILE (continued)

The above assets and liabilities of BRI in the previous table are based on the assumptions on the remaining contracts with the customers, assets and liabilities. Based on historical data, most of the deposits that have the lowest position during the current period (core fund) consist of:

	2007	2006
Demand deposits	18,135,186	12,781,411
Savings deposits	56,936,299	46,342,271
Time deposits	37,208,254	28,044,029

The liquidity of BRI and the impact of the changes in interest rates are controlled through the stable increase of funds primarily with the dominant deposit characteristics in the retail and micro sectors.

The actions undertaken by BRI to overcome the above maturity gap, among others are by trying to decrease the gap through the shift of short-term deposits to long-term deposits, by making the positive yield curve against deposit pricing, as well as undertaking a persuasive approach to the funding officers in the operational divisions that have optimal limit (to shorten/extend).

40. SEGMENT INFORMATION

Information concerning the geographical segments of BRI is as follows:

As of and for the year ended December 31, 2007				
	Domestic	Overseas	Elimination	Total
Earning assets (gross)	174,839,726	3,023,008	(1,401,538)	176,461,196
Total assets	202,487,366	2,890,569	(1,642,997)	203,734,938
Deposits	165,965,232	1,418,578	(172,794)	167,211,016
Fund borrowings	2,382,277	-	-	2,382,277
Stockholders' equity	19,437,635	717	(717)	19,437,635
Interest income - net	16,866,494	16,657	(186,579)	16,696,572
Income from operations	7,556,003	1,672	(1,672)	7,556,003
Net income	4,838,001	2,119	(2,119)	4,838,001

As of and for the year ended December 31, 2006				
	Domestic	Overseas	Elimination	Total
Earning assets (gross)	141,533,325	2,055,922	(1,343,350)	142,245,897
Total assets	153,473,499	2,289,159	(1,037,172)	154,725,486
Deposits	126,336,546	889,448	(889,215)	126,336,779
Fund borrowings	1,764,607	-	-	1,764,607
Stockholders' equity	16,878,808	(4,638)	4,638	16,878,808
Interest income - net	13,927,007	16,007	(153,659)	13,789,355
Income from operations	5,784,619	(5,423)	5,423	5,784,619
Net income	4,257,572	(4,617)	4,617	4,257,572

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM

a. Defined Benefit Pension Plan

BRI established a Defined Benefit Pension Plan covering all eligible employees of BRI who fulfill the conditions provided in the Pension Fund rules of BRI's Pension Fund. Under this program, the right on pension benefit is given based on the established conditions which are stated in the regulation with consideration of the yearly gratuity factor over the work period, and income on the Pension Fund. BRI's pension plan is managed by Dana Pensiun BRI (DPBRI). According to the provisions negotiated in the BRI's Directors' Decision Letter, the employee's contribution for pension contribution amounted to 7% of employee's pension-base salary and any remaining amount required to fund DPBRI represent the contribution by BRI.

The actuarial calculation of BRI's pension costs as of December 31, 2007 and 2006, based on PSAK No. 24 (Revised 2004), was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" and considered the following assumptions:

	2007	2006
Annual discount rate	9.5%	9.5%
Annual pension-base salary growth rate	7.5	7.5
Annual pension benefit growth rate	4.0	4.0

The assets of DPBRI principally consist of time deposits, securities and long-term investments in the form of shares of stock and property.

The status of the pension plan based on the actuarial calculation is as follows:

	2007	2006
Assets at fair value	6,854,624	5,890,519
Present value of defined benefit liabilities	(6,243,059)	(5,442,971)
Pension program funded status	611,565	447,548
Unrecognized actuarial adjustments	(678,082)	(316,015)
Unrecognized assets (liabilities) defined benefit pension	(66,517)	131,533

The movements in the defined benefit pension liabilities for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Beginning balance	-	107,058
Defined benefit pension expense - net (Note 34)	209,325	180,911
BRI contribution	(142,808)	(287,969)
Ending balance (Note 26)	66,517	-

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM (continued)

a. Defined Benefit Pension Plan (continued)

Defined benefit pension expense based on the actuarial calculation is as follows:

	2007	2006
Current service cost	172,204	114,961
Interest cost	526,335	500,998
Expected return on plan assets	(566,221)	(566,581)
Immediate recognition of past service cost - vested	208,540	-
Change in deferred assets	(131,533)	131,533
Defined benefit pension expense (Note 34)	209,325	180,911

b. Old-Age Benefits Plan

BRI's employees are also given old-age benefits based on the regulation as stated in the decision letter by the Directors of BRI. BRI's old-age benefits plan is managed by Yayasan Kesejahteraan Pegawai BRI.

Old-age benefit contributions consist of payment from BRI and employees in accordance with the plan policies formulated by the Directors of BRI.

Based on the actuarial calculation of BRI's old-age benefits as of December 31, 2007 and 2006 which was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" and with the following assumptions:

	2007	2006
Annual discount rate	10.0%	10.5%
Gross wages growth rate	7.5	7.5

The status of the old-age benefits based on the actuarial calculation is as follows:

	2007	2006
Assets at fair value	1,611,421	1,411,789
Present value of old-age benefits liability	(1,115,674)	(895,894)
Funded status	495,747	515,895
Unrecognized actuarial gain	(83,455)	(83,455)
Prepaid old-age benefits	412,292	432,440

The movements in the prepaid old-age benefits during the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Beginning balance of deferred assets	432,440	340,258
Old-age benefit (expense) income - net	(65,644)	47,688
BRI contributions	45,496	44,494
Ending balance of deferred assets	412,292	432,440

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM (continued)

b. Old-Age Benefits Plan (continued)

Old-age benefits expense and (income) based on the actuarial calculation is as follows:

	2007	2006
Current service cost	35,656	24,847
Interest cost	91,841	97,263
Expected return on plan assets	(149,719)	(167,202)
Amortization of unrecognized actuarial gain	-	(2,596)
Recognition of current year losses	87,866	-
Change in deferred assets	(20,148)	-
Old-age benefits expense (income)	45,496	(47,688)

As of December 31, 2007 and 2006, BRI did not recognize the prepaid old-age benefits and the income of old-age benefits as management has no plans to reduce BRI's 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 the BRI's Directors decision which is effective in October 2000. BRI's contributions to the plan that are charged to current operations amounted to Rp59,700 and Rp57,962 for the years ended December 31, 2007 and 2006, respectively (Note 34). This pension plan is managed by Dana Pensiun Lembaga Keuangan BRI.

d. Work Separation Scheme

(i) BRI only

Based on the BRI management calculation which used the actuarial valuation assumptions on BRI's liability related to the allowance for cost settlement of separation pay (PHK) including severance, gratuity and compensation benefits based on Labor Law No. 13 year 2003 (UU No. 13/2003) for liability as of December 31, 2007 and 2006. The actuarial calculation by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 by using the "Projected Unit Credit Method" and considered the following assumptions:

	2007	2006
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5
Decrements:		
• Mortality (USA Table of Mortality, using Commissioners Standards Ordinary (CSO))	CSO 1958	CSO 1958
• Disability	10% of CSO 1980	10% of CSO 1980
• Resignation	Using age range for turn over rate	Using age range for turn over rate
Normal retirement age	56 years	56 years

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM (continued)

d. Work Separation Scheme (continued)

(i) BRI only (continued)

The status of the work separation scheme based on the actuarial calculation is as follows:

	2007	2006
Present value of work separation liability	(364,493)	(346,808)
Unrecognized actuarial gain	(26,660)	(1,601)
Work separation scheme liability (Note 26)	(391,153)	(348,409)

The movements in the work separation scheme liability during the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Beginning balance	348,409	298,748
Work separation scheme expense - net (Note 34)	60,496	55,727
Actual benefit payments by BRI	(17,752)	(6,066)
Ending balance (Note 26)	391,153	348,409

The calculation of work separation scheme expense based on the actuarial calculation is as follows:

	2007	2006
Current service cost	26,358	22,049
Interest cost	34,138	33,678
Work separation scheme expense (Note 34)	60,496	55,727

(ii) 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 income and the amount recognized in the consolidated balance sheets for the work separation scheme liability as of December 31, 2007, as determined by PT Dian Artha Tama, an independent actuary, whose report dated February 21, 2008 used the "Projected Unit Credit Method" and considered the following assumptions:

Annual discount rate	:	10.0%
Gross wages future growth rate	:	6.5%
Mortality rate	:	Indonesian-II (1999)

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM (continued)

d. Work Separation Scheme (continued)

(ii) Subsidiary (continued)

As of December 31, 2007, the status of the work separation scheme based on the actuarial calculation is as follows:

Present value of work separation liability	(4,142)
Unrecognized actuarial loss	114
Work separation scheme liability (Note 26)	(4,028)

The movements in the work separation scheme liability during the year ended December 31, 2007 are as follows:

Beginning balance	3,366
Work separation scheme expense - net	814
Actual benefit payments	(152)
Ending balance (Note 26)	4,028

The work separation scheme expense for the year ended December 31, 2007 based on the actuarial calculation is as follows:

Current service cost	438
Interest cost	375
Actuarial gain	1
Work separation scheme expense	814

e. Other Long-term Employee Benefits

The BRI employees also have other long-term employee benefits, such as gratuity for services, long sabbatical leaves and pension preparation period (MPP).

(i) Provision for gratuity for services

The actuarial calculation on gratuity for services as of December 31, 2007 and 2006 was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" with the following assumptions:

	2007	2006
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5

The present value of obligation for gratuity for services based on the actuarial calculation amounted to Rp347,184 and Rp322,909 as of December 31, 2007 and 2006, respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM (continued)

e. Other Long-term Employee Benefits (continued)

(i) Provision for gratuity for services (continued)

The movements in the provision for gratuity for services during the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Beginning balance of liability	322,909	242,710
Gratuity for service expense - net (Note 34)	70,457	125,427
Actual benefit payments by BRI	(46,182)	(45,228)
Gratuity for services liability (Note 26)	347,184	322,909

The gratuity for service expense based on the actuarial calculation is as follows:

	2007	2006
Current service cost	26,577	21,847
Interest cost	31,445	28,850
Recognized losses	12,435	74,730
Gratuity for services expense (Note 34)	70,457	125,427

(ii) Long Sabbatical Leaves

The actuarial calculation for long sabbatical leaves as of December 31, 2007 and 2006 was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" with the following assumptions:

	2007	2006
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5

The present value of obligation for long sabbatical leaves based on the actuarial calculation amounted to Rp222,752 and Rp224,274 as of December 31, 2007 and 2006, respectively.

The movements in the provision for long sabbatical leaves during the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Beginning balance of liability	224,274	203,460
Long sabbatical leaves expense - net (Note 34)	91,540	99,556
Actual benefit payments by BRI	(93,062)	(78,742)
Long sabbatical leaves liability (Note 26)	222,752	224,274

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

41. EMPLOYEES' PROGRAM (continued)

e. Other Long-term Employee Benefits (continued)

(ii) Long Sabbatical Leaves (continued)

The long sabbatical leaves expense based on the actuarial calculation is as follows:

	2007	2006
Current service cost	72,785	69,261
Interest cost	18,538	20,466
Recognized gains or losses	217	9,829
Long sabbatical leaves expense (Note 34)	91,540	99,556

(iii) Pension preparation period

The actuarial calculation of pension preparation period as of December 31, 2007 and 2006 was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" with the following assumptions:

	2007	2006
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5

The present value of obligation for pension preparation period based on the actuarial calculation amounted to Rp824,664 and Rp661,065 as of December 31, 2007 and 2006, respectively (Note 26).

The movements in the provision for pension preparation period during the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Beginning balance of liability	661,065	508,171
Pension preparation period expense - net (Note 34)	201,980	180,197
Actual benefit payments by BRI	(38,381)	(27,303)
Pension preparation period liability (Note 26)	824,664	661,065

Pension preparation period expense based on the actuarial calculation is as follows:

	2007	2006
Current service cost	35,329	25,495
Interest cost	67,863	64,392
Recognition of past service cost	69,470	-
Recognized gains or losses	29,318	90,310
Pension preparation period expense (Note 34)	201,980	180,197

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

42. INFORMATION OF COMMITMENTS AND CONTINGENCIES

	2007	2006
<u>Commitments</u>		
Commitment Receivables		
Unused borrowing facilities	127,054	121,779
Commitment Liabilities		
Unused credit facilities granted to debtors	20,258,739	11,676,751
Outstanding irrevocable letters of credit (Note 25c)	6,185,571	2,632,965
Others	-	547
Total Commitment Liabilities	26,444,310	14,310,263
Commitments - net	(26,317,256)	(14,188,484)
<u>Contingencies</u>		
Contingent Receivables		
Interest receivables under settlement	928,021	629,092
Guarantees received from other banks	11,691	14,812
Others	223,279	114,296
Total Contingent Receivables	1,162,991	758,200
Contingent Liabilities		
Guarantees issued in the form of (Note 25c):		
Standby L/C	397,459	299,548
Bank guarantees and risk sharing	786,676	275,616
Total Contingent Liabilities	1,184,135	575,164
Contingencies - net	(21,144)	183,036

43. NET OPEN POSITION

The calculation of Net Open Position (NOP) as of December 31, 2007 and 2006 is based on the regulation No. 7/31/PBI/2005 of Bank Indonesia dated September 30, 2005 regarding the Second Amendment of Regulation No. 5/13/PBI/2003 of Bank Indonesia regarding NOP for Commercial Banks.

The balance sheet NOP is the net difference between the assets and liabilities denominated in each foreign currency which are all stated in Rupiah. While the overall NOP is the sum of the absolute values of the net difference between all assets and liabilities denominated in foreign currency and net difference of the receivables and payables of both commitments and contingencies recorded in the administrative accounts denominated in each foreign currency, which are stated in Rupiah.

Based on such regulation, BRI is required to maintain the overall NOP ratio at a maximum of 20% of total capital.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

43. NET OPEN POSITION (continued)

The following is the NOP of BRI only:

Currencies	2007		
	Assets	Liabilities	NOP
<u>Balance Sheet</u>			
United States Dollar	17,033,800	17,914,285	(880,485)
European Euro	397,325	230,501	166,824
Australian Dollar	15,354	2,123	13,231
Great Britain Pounds Sterling	23,768	23,061	707
Japanese Yen	158,572	138,768	19,804
Singapore Dollar	29,020	56,942	(27,922)
Others	102,991	18,801	84,190
			(623,651)
<u>Balance Sheet and Administrative Accounts</u>			
United States Dollar	19,098,581	18,062,894	1,035,687
European Euro	397,325	230,501	166,824
Australian Dollar	15,354	2,123	13,231
Great Britain Pounds Sterling	23,768	23,061	707
Japanese Yen	158,572	138,768	19,804
Singapore Dollar	29,020	56,942	27,922
Others	102,991	18,801	84,190*)
			1,348,365
Capital (Note 48a)			17,058,707
NOP Ratio (Balance Sheet)			(3.66%)
NOP Ratio (Overall)			7.90%
Currencies	2006		
	Assets	Liabilities	NOP
<u>Balance Sheet</u>			
United States Dollar	9,530,837	9,354,136	176,701
European Euro	657,305	55,161	602,144
Australian Dollar	5,102	1,475	3,627
Great Britain Pounds Sterling	12,293	9,231	3,062
Japanese Yen	8,217	7,803	414
Singapore Dollar	12,625	12,763	(138)
Others	18,044	2,495	15,549
			801,359

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

43. NET OPEN POSITION (continued)

Currencies	2006		
	Assets	Liabilities	NOP
Balance Sheet and Administrative Accounts			
United States Dollar	9,680,287	9,498,184	182,103
European Euro	657,305	55,161	602,144
Australian Dollar	5,102	1,475	3,627
Great Britain Pounds Sterling	12,293	9,231	3,062
Japanese Yen	8,217	7,803	414
Singapore Dollar	12,625	12,763	138
Others	18,044	2,495	15,549*)
			807,037
Capital (Note 48a)			14,914,930
NOP Ratio (Balance Sheet)			5.37%
NOP Ratio (Overall)			5.41%

*) Represents the sum of the absolute values of the difference between the assets and liabilities denominated in several other foreign currencies.

44. RELATED PARTIES TRANSACTIONS

Related parties consist of the management or key personnel of BRI and entities that are owned directly or indirectly by BRI.

Related parties by entity and/or management:

Related parties	Nature of relationship
- PT UFJ-BRI Finance	- Ownership (Note 14)
- PT Bringin Srikandi Finance	- Ownership by Dana Pensiun BRI
- PT Bringin Indotama Sejahtera Finance	- Ownership by Dana Pensiun BRI
- Yayasan Kesejahteraan Pegawai BRI	- Management relationship

In the ordinary course of its business, BRI engages in significant transactions with related parties as follows:

	2007	2006
Assets		
Placements with Bank Indonesia and other banks (Note 6)		
PT UFJ-BRI Finance	225,000	166,000
Loans (Note 12)		
PT Bringin Indotama Sejahtera Finance	212,083	140,373
PT Bringin Srikandi Finance	156,812	153,490
Others	62,616	61,644
	431,511	355,507

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

44. RELATED PARTIES TRANSACTIONS (continued)

	2007	2006
Investments in shares of stock (Note 14) PT UFJ-BRI Finance	76,333	68,295
Total assets from related parties	732,844	589,802
Total consolidated assets	203,734,938	154,725,486
Percentage of assets from related parties to total consolidated assets	0.360%	0.381%
<u>Liabilities</u>		
Demand deposits (Note 18)	8,012	3,646
Savings deposits (Note 19)	38,774	9,169
Time deposits (Note 20)	298,824	557,025
Other liabilities (Note 26) PT Bringin Srikandi Finance	25,878	69,569
Total liabilities to related parties	371,488	639,409
Total consolidated liabilities	184,297,303	137,846,678
Percentage of liabilities to related parties to total consolidated liabilities	0.201%	0.464%
Salaries and allowances of the Directors and Board of Commissioners (Note 34)	23,801	16,916
Tantien, bonuses and incentives of the Directors and Board of Commissioners and executive officers (Note 34)	59,052	57,076

The percentage of transactions with related parties over the total consolidated assets and liabilities of BRI are as follows:

	2007	2006
<u>Assets</u>		
Placements with Bank Indonesia and other banks	0.110%	0.107%
Loans	0.212	0.230
Investments in shares of stock	0.038	0.044
Total	0.360%	0.381%
<u>Liabilities</u>		
Demand deposits	0.004%	0.003%
Savings deposits	0.021	0.007
Time deposits	0.162	0.404
Other liabilities	0.014	0.050
Total	0.201%	0.464%

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

44. RELATED PARTIES TRANSACTIONS (continued)

As of December 31, 2007 and 2006, BRI has insured its premises and equipment with PT Asuransi Bringin Sejahtera Arthamakmur (a related party) (Note 15).

45. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Communication Services Agreement

On December 9, 2004, BRI entered into an agreement with PT Citra Sari Makmur (CSM) in relation to VSAT network lease services for 10 Regional Offices for 3 (three) years with a contract value of Rp6.2 billion. As of the date of the independent auditor's report, the renewal of this agreement is still in process.

On October 22, 2004, BRI entered into an agreement with PT Indonesia Comnets Plus in relation to High speed VSAT telecommunication network - Trunk pool lease services for 3 (three) years period (October 14, 2004 to October 15, 2007) with a contract value of Rp5 billion. As of the date of the independent auditor's report, the renewal of this agreement is still in process.

On July 14, 2006, BRI entered into an agreement with CSM in accordance with the procurement of media or communication network lease services of BRI at 986 locations which will end on December 31, 2007 with monthly fees of Rp4.9 billion. As of the date of the independent auditor's report, the renewal of this agreement is still in process.

On December 15, 2006, BRI entered into an agreement with PT IBM Indonesia in accordance with the procurement of Integrated IBM Operational Facility Management Services (IBM iSeries DC, IBM iSeries DRC, IBM zSeries and IBM pSeries) for 3 (three) years period (November 15, 2006 to November 14, 2009) with a contract value of Rp32.8 billion.

On February 5, 2007, BRI entered into an agreement with PT Satkomindo Mediyasa in accordance with the procurement of VSAT networking services in 101 locations and 323 locations for 36 (thirty-six) months period, with contract values of Rp454 and Rp1,246 per month, respectively.

b. Contingent Liabilities

In the conduct of its business, BRI is a defendant in various litigation actions 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, 2007 and 2006, BRI has established a provision (included in "Other Liabilities") for several pending lawsuits filed against BRI amounting to Rp202,355 and Rp143,503, 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.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

46. ECONOMIC CONDITIONS

BRI's operations have been affected, and may continue to be affected, by economic conditions in Indonesia. Despite the recent developments in key economic indicators, Indonesian banks are still engaged in limited lending activities. Any worsening in economic conditions, including the significant depreciation of the Rupiah or increase in interest rates, could affect the ability of BRI's customers (including borrowers and other contractual counterparties) to fulfill their obligations when they mature, and consequently impact negatively BRI's profitability and its capital adequacy.

In general, Indonesia's economic performance until the end of 2007 expresses sustainable growth with managed macro economy and monetary system stability. The current external volatility caused by the increase in worldwide oil prices and remaining impact of sub-prime mortgage crisis in global financial market towards economic growth and inflation are still under control.

The inflation rate during 2007 (January - December) is 6.59%, or still in line with the year-to-year inflation rate (December 2007 as compared to December 2006). Although the inflation rate is still within the range of official estimation of 6% plus minus 1%, the amount is relatively high and needs to be taken into account in the future. Bank Indonesia recorded some risk factors which can give pressure to the inflation rate in future years. These factors consist of the continuing increase in worldwide oil prices which can affect the increase in goods prices, economic players' perception over the continuity of government financing, the progress of investment package policies implementation, and the Government's ability to overcome problems in the supply and distribution of goods as basic needs.

On December 6, 2007, Bank Indonesia once again decided to decrease the BI rate by 25 basis points from 8.25% since July 2007, to become 8%. During 2007, BI has decreased its rate up to a total of 6 (six) times from the initial 9.75% at the end of December 2006. The decrease of such BI rate is believed not to affect the achievement of the inflation target, particularly for the medium and long-term period. Furthermore, the decrease of BI rate is expected to be able to stimulate and maintain the momentum of high economic growth in Indonesia along with the continuing macro economy stability in future years.

The movement of Rupiah exchange rate towards United States Dollar is quite fluctuative during 2007, ranging from Rp8,640 to Rp9,580 per 1 US\$, the lowest is on May 23, 2007 and the highest is on August 16, 2007, with the average rate of Rp9,139 per 1 US\$, and depreciated by 4.5% during 2007. The Rupiah depreciation is mainly influenced by external factors which include the continuing impact of the sub-prime mortgage crisis and increase in worldwide oil prices. In the future, those external factors are still likely to influence the movement of Rupiah.

BRI's operational activities still consider the progress of the key economic indicators along with their influential risk factors and the real sector activities, particularly in the attempt for current business development and search for new business opportunities. On the other hand, these indicators are also used to anticipate the possibility of unfavorable conditions emerging for BRI, which will result in a negative impact for BRI's profitability.

To anticipate various changes in economic conditions, BRI is consistently implementing the Company Business Plans and Budgets (RKAP) and the business development plan which is stated in the Business Plan of the Bank, in order to maintain the improvement in BRI's performance and to comply with all prudential banking conditions.

The recovery of the economic condition depends on monetary, fiscal and other policies that have been and will be undertaken by the Indonesian Government, actions that are beyond the control of BRI. Therefore, it is not possible to determine the future effects of the economic conditions on BRI's earnings and realization of its earning assets, including the effects on the flow of funds through and from BRI's customers, depositors, creditors and stockholders.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

47. GOVERNMENT GUARANTEE ON OBLIGATIONS OF COMMERCIAL BANKS

Based on Presidential Decree No. 26 of 1998 as implemented by the Decree of the Ministry of Finance 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 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 will announce 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 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 payment for the guarantee premium which was previously paid through the Indonesian Bank Restructuring Agency (IBRA) which was changed to make the payment through 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, savings deposits, time deposits and borrowings from other banks in the form of inter-bank money market transactions.

The Government guarantee program through UP3 was terminated 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 to September 21, 2005. The Government has established the Indonesia Deposit Insurance Institution (LPS), an independent agency, to replace UP3 based on Law No. 24 of 2004 dated September 22, 2004 regarding LPS, in which LPS guarantees public funds including funds from other banks in the form of demand deposits, time deposits, certificates of deposits, savings deposits and/or other similar forms.

Based on LPS regulation No. 1/PLPS/2006 dated March 6, 2006 regarding Government Guarantee Program on Savings Account, the balance of savings account guaranteed by the government for each customer of the bank is as follows:

- a. Maximum of Rp5 billion, since March 22, 2006 up to September 21, 2006
- b. Maximum of Rp1 billion, since September 22, 2006 up to March 21, 2007
- c. Maximum of Rp100 million, since March 22, 2007.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

48. 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 consist of core capital and supplementary capital net of investments in shares of stock. Based on Bank Indonesia regulation No. 5/12/PBI/2003 dated July 17, 2003, banks which meet certain criteria should consider market risk in the computation of CAR and include additional supplementary capital.

As of December 31, 2007 and 2006, the CAR of BRI only for credit risk are 16.66% and 19.97%, respectively, and for credit and market risks are 15.84% and 18.82%, respectively, which are computed as follows (unaudited):

	2007	2006
Capital		
Core Capital *)	15,448,235	13,104,120
Supplementary Capital **)	1,819,451	1,880,751
Total Core and Supplementary Capital	17,267,686	14,984,871
Less: Investments in shares of stock	(208,979)	(69,941)
Total Capital for Credit and Market Risks	17,058,707	14,914,930
RWA for Credit Risk after considering Specific Risk	102,382,429	74,690,731
RWA for Market Risk	5,328,550	4,570,435
Total RWA for Credit and Market Risks	107,710,979	79,261,166
CAR for Credit Risk	16.66%	19.97%
CAR for Credit and Market Risks	15.84%	18.82%
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 I and Subordinated Notes which is calculated using straight-line method during the period of Subordinated Bonds I and Subordinated Notes according to Bank Indonesia Letter No. 6/71/DPwB2/PwB24 dated May 17, 2004.

b. Legal Lending Limit (LLL)

Based on the legal lending limit reports submitted to Bank Indonesia as of December 31, 2007 and 2006, BRI has reported no credit which did not comply or exceeded the legal lending limit requirement both from related parties and third parties (Note 12e.11).

c. Non-performing Loans (NPL) Ratio

As of December 31, 2007 and 2006, BRI's non-performing loan ratio including sharia receivables and financing are as follows:

(i) Consolidated

	2007
Gross NPL ratio	3.46%
Net NPL ratio	0.88

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

48. OTHER DISCLOSURES (continued)

c. Non-performing Loans (NPL) Ratio (continued)

(ii) BRI only

	2007	2006
Gross NPL ratio	3.44%	4.81%
Net NPL ratio	0.88	1.29

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.

d. Non-Performing Earning Assets Ratio

(i) Consolidated

Collectibility	2007
Sub-standard	837,804
Doubtful	587,349
Loss	2,518,839
Total non-performing earning assets	3,943,992
Total earning assets	176,461,196
Ratio	2.24%

(ii) BRI only

Collectibility	2007	2006
Sub-standard	836,233	812,930
Doubtful	580,928	941,398
Loss	2,502,282	2,598,669
Total non-performing earning assets	3,919,443	4,352,997
Total earning assets	176,413,803	142,245,897
Ratio	2.22%	3.06%

e. Custodian Operations

BRI has rendered custodian services since 1996 based on its operating license through Bapepam Chairman Decision Letter No. 91/PM/1996 dated April 11, 1996.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

48. OTHER DISCLOSURES (continued)

e. Custodian Operations (continued)

The custodian services business is a part of the Treasury Division, which provides services such as:

- Safekeeping services
- Settlement/transaction handling
- Income collection
- Corporate actions and proxy services
- Reporting services
- Selling agent

BRI has 44 and 38 customers as of December 31, 2007 and 2006, respectively, which are primarily pension funds, finance institutions, securities companies, mutual funds and other companies.

The custodian fees and commissions earned for the years ended December 31, 2007 and 2006 amounted to Rp6,176 and Rp6,726, respectively.

The mutual fund and retail government bonds selling agent fees earned for the years ended December 31, 2007 and 2006 amounted to Rp2,156 and Rp873, respectively.

f. Trust Operations

BRI has rendered trust services since 1990. The operating license of BRI for trust services has been granted by the Ministry of Finance based on its Decision Letter No. 1554/KMK.013/1990 dated December 6, 1990 and registered with Bapepam in conformity with its operating license for 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

BRI has 13 and 15 customers as of December 31, 2007 and 2006, respectively. The total value of bonds issuance on behalf of bonds issuers managed by BRI amounted to Rp14,039,327 and Rp15,125,318 as of December 31, 2007 and 2006, respectively.

The fees and commissions on trust services and other related services (payment agent) earned for the years ended December 31, 2007 and 2006 amounted to Rp3,880 and Rp4,997, respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006
(Expressed in millions of Rupiah, unless otherwise stated)

49. EARNINGS PER SHARE

The following presents the reconciliation of factors in the computation of basic and diluted earnings per share (EPS):

2007			
	Net Income	Weighted Average Number of Ordinary Shares Outstanding	Earnings Per Share (Full Rupiah)
Basic EPS	4,838,001	11,985,918,915	403.64
Add: Assumed shares issued from exercise of Management Stock Ownership Program			
- MSOP I	-	145,456,067	-
- MSOP II	-	63,157,466	-
- MSOP III	-	51,833,158	-
Diluted EPS	4,838,001	12,246,365,606	395.06

2006			
	Net Income	Weighted Average Number of Ordinary Shares Outstanding	Earnings Per Share (Full Rupiah)
Basic EPS	4,257,572	11,972,159,586	355.62
Add: Assumed shares issued from exercise of Management Stock Ownership Program			
- MSOP I	-	134,226,618	-
- MSOP II	-	56,086,037	-
- MSOP III	-	17,965,609	-
Diluted EPS	4,257,572	12,180,437,850	349.54

50. COMPLETION OF THE FINANCIAL STATEMENTS

The management of BRI is responsible for the preparation of these consolidated financial statements which were completed on March 19, 2008.

Curriculum Vitae

This page is intentionally left blank



Curriculum Vitae

Board of Commissioners



Bunasor Sanim
President Commissioner/Independent

Born in Brebes, 16 December 1945, Bunasor Sanim earned his Doctoral Degree in Resource Economic from University of the Philippines (UPLB - Philippines) in 1986. He was appointed as a Commissioner in BRI in 2006. Prior to his present position, he was in charge of various positions, such as Head of Audit Committee BRI in 2005-2006, Advisor for The Indonesia Economic Intelligence, Advisor of ISEI – Bogor, Member of International Center for Analysis of Finance and Economic (INTER CAFE) Advisory Board, Senior Scientist Partnership, Joint-Program IPB – Gottingen University, Advisor for Ministry of Agriculture and Consortium Coordinator on Agriculture and Natural Resource IPB-SEARCA/SEAMEO - South East Asia.

His career was started as a lecturer in IPB in 1970, holding various positions in the IPB, such as Dean of Faculty of Economics and Management (FEM) IPB, Assistant to President of the University in Administration and Finance, Director of Agribusiness Management Master Program, and Assistant to President of the University in Institutional

He has attended several training and development programs in domestic and overseas institutions, such as International Symposium on Islamic Banking (Zurich), International Symposium and Conference IAAE (Australia), Risk Management Certification Program (Hong Kong), International Seminar on Islamic Finance (Dubai), International Seminar Workshop on Environmental Economics and Policy Analysis (USA), and The IIA 2007 International Conference (Amsterdam).

Agus Pakpahan
Commissioner

Born in Sumedang, 29 January 1956, Agus Pakpahan earned his Ph. D in Agriculture Economics from Michigan State University in 1988. He was appointed as a Commissioner in BRI in 2006. Since 1989 he has been a Research Method Lecturer at Master Program at Bogor Agricultural University and was entitled as *Ahli Peneliti Utama* (APU) in 1996. In addition to actively writing in many medias and publishing more than 10 books, he was appointed as a Deputy Minister of State Owned Enterprises for Agro Industry, Forestry, Paper, Printing and Publishers in 2005. In social activities, he has been appointed as Head of Executive Board of Indonesia Planters Association (GAPPERINDO). Prior to his present position, he was in charge of General Director of Plantation, Ministry of Forestry and Plantation, President Commissioner of PT. Perkebunan Nusantara (Persero) XIV, Expert Team of BPPT and Ministry of Research and Technology, Head of Bureau of Science and Technology, Maritime, Aeronautic and Environment and Head of Bureau of Regional Development in BAPPENAS .

He has attended several training and development programs in domestic and overseas institutions, such as Service Irrigation Methodology in Germany and Malaysia and The Agro-Economic Research Methodology Training, Los Banos, Philippines.





Agus Suprijanto
Commissioner

Born in Yogyakarta, August 14, 1953, Agus Suprijanto earned his Doctoral Degree from University of Colorado - USA in 1995. He was appointed as a Commissioner in May 2007. His career started at Ministry of Finance in various managerial positions in 1975, and up to now he has been Head of Analysis and Policy Harmonization.

He has attended a number of training and development programs in domestic and overseas institutions, such as Risk Management Certification Program (Singapore), The Intensive Training Course on Trade Negotiation Skill (Bangkok), The 2nd East Asia Conference on Competition Law and Policy (Bogor), The 2nd ASEM Bali Initiative Workshop on Deposit Insurance System (Jakarta), APEC Future Economic Leaders Think Tank Seminar (Sydney), Conference on Sovereign Debt Restructuring Mechanism (Washington), and others.

Saifullah Yusuf
Commissioner



Born in Pasuruan, August 28, 1964, Saifullah Yusuf graduated from Social and Political Sciences National University in 2003. He was appointed as a Commissioner in September 2007. He is also the chairman of PP GP Ansor.

Prior to his current position, he was the State Minister for Backward Region in the Indonesia Bersatu Cabinet (2004-2007), member of House of Representative RI from PKB, member of House of Representative RI PDIP (1999-2001), Head of HMI Jakarta Branch, and one of the Chairman of Central IPNU.



B. S. Kusmuljono
Independent Commissioner

Born in Bogor, June 24, 1943, B.S. Kusmuljono earned his Doctoral Degree in Environment and Resources Management from Bogor Agricultural University (IPB) in 2007. He graduated with MBA from the University of Southern California in 1974 after finishing his Bachelor Degree at Bandung Institute of Technology. He was appointed as a Commissioner in BRI in 2006. He was also appointed as the Chairman of national Committee of Indonesian Micro Finance Development, President Commissioner of PT. Syarikat Takaful Indonesia, President Commissioner PT. Tatamasa Group/Promikro and Lecturer at Bandung Institute of Technology. Prior to his current position he was the President Director of PT. PNM (Persero), Commissioner of PT. Bank Niaga, Tbk, Special Advisor for Ministry of State Owned Enterprise with the field in Micro, Small and Medium Enterprises Development – Ministry of State Owned Enterprises, Commissioner of Maybank Nusa, President Director of Bank Nusa Internasional, Investment Officer Asian Development Bank (ADB), General Manager Ficorinvest (Non Bank Financial Institution owned by Bank Indonesia), Credit Officer Chase Manhattan Bank, New York and Hong Kong and Implementation Staff in Capital Investment Coordination Board (BKPM)

He has attended several training and development programs in domestic and overseas institutions, such as Lemhannas – KSA V (Jakarta), Microcredit Summit Campaign (Canada), Program Bank Risk Management Certification (Hong Kong), Management Development, Harvard University (USA), and Advanced Banking Management Program, AIM (Philippines).

Baridjussalam Hadi
Independent Commissioner

Born in Yogyakarta on January 7, 1949, Baridjussalam Hadi earned his Master of Art Degree from Vanderbilt University (USA) in 1984. He was appointed as an Independent Commissioner in BRI in 2006. His career in banking sector was started in Bank Indonesia in various positions, such as Advisor to Board of Governors for Sharia, Director of Directorate of Banking Supervision I, Director of Human Resources Directorate, Chief of Representative Office in Tokyo, Deputy Head of Directorate of Economic and Monetary Statistics, Senior Banking Supervisor and others.

He has attended several training and development programs in domestic and overseas institutions, such as Risk Management Certification Program (Singapore), Developing Strategy for Value Creation (London Business School), Workshop "Human Resources Re-engineering during Labor Crisis, Leadership Management and Development (Australia), Seminar on Financial Institution for Private Enterprise and Development, HIID (USA), Seminar on Banking and Finance in the Greater Mekong Sub Region (Bangkok), Seminar on IMF Coordinated Portfolio Investment Survey (Washington), SESPIBI (Jakarta), and South Pacific & Asia Conference – SOPAC (Melbourne).





Aviliani
Independent Commissioner

Born in Malang, 14 December 1961. She still pursues her Post Graduate Program, DMB, IPB, Bogor. She was appointed as Independent Commissioner in BRI since May 2005. While frequently becoming the keynote speaker and writing books, she is an INDEF researcher, the Chairman of ISICOM (Indonesia Society of Independent Commissioners), The Advisor for GARP (Indonesia), Committee at ISEI and Member of Board of Experts of the Indonesia Provincial Government Association/APPSI). Other positions are as Director of INDEF, Chairman of Department of Management, Faculty of Economics, Paramadina University, Deputy Chairman of STIE Perbanas, Deputy Chairman of Business Development INDEF and others.

She has attended several training and development programs in domestic and overseas institutions, such as International Conference for Internal Audit (USA); International Conference GARP (New York); Risk Management Certification Program (Hong Kong); South Pacific & Asia Conference – SOPAC (Melbourne); The IIA International Conference (Amsterdam)

Curriculum Vitae

Directors

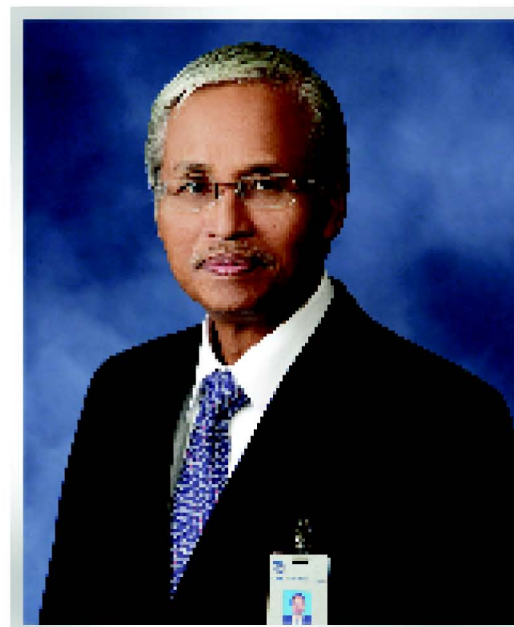


Sofyan Basir
President Director

Sofyan Basir was born in Bogor 2 May 1958. He graduated from STAK Trisakti in 1980. He was appointed the President Director of BRI on 17 May 2005. Prior to his current position, he was the President Director of Bank Bukopin. His career in banking was started in Bank Duta in 1981. He joined Bukopin in 1985 in various managerial positions. He served as several Bukopin's Branch Managers, Group Head Line of Business, Commercial Director and finally President Director in 2000.

He has attended several training and development programs in domestic and overseas institutions, such as: Risk Management Executives (Denpasar), Islamic Finance Forum (Switzerland), Seminar Business Continuity Planning, Ernst & Young, SESPIBANK, Strategy Development Session, IBM, Structuring Loans & Short Term, The Institute of Banking & Finance, etc.

Sarwono Sudarto
Director



Sarwono Sudarto was Born in Sragen on March 21, 1952. He earned a Master's Degree (MBA) – Finance from Tulane University, USA in 1987. He was appointed as a Director in BRI in May 2006. Prior to his present position, he occupied various positions in BRI, such as Chief Dealer & Treasury Manager BRI Finance Ltd. Hong Kong, Branch Managers, Head of Treasury Division, Head of Strategic and Planning Division, Chief of Internal Audit, and Head of BRI Retail Business Division. He joined BRI through BRI's Executive Development Program in 1976.

He has attended several training and development programs in domestic and overseas institutions, such as Risk Management Certification – BSMR (Singapore), LEMHANNAS RI, SESPIBANK, Credit Manager, Organization Management, and others. He also represented BRI in the Road Shows or Conferences held by Securities Companies in London, Hong Kong, and Singapore.



Abdul Salam
Director

Abdul Salam was born in Kudus, August 28, 1948. He received his Doctoral Degree from Gajah Mada University in 2007. He was appointed as a Director in BRI on May 2006. Prior to his current position, he was the President Director of PT PNM. His career in Banking was started in Indonesian Central bank from 1975 to 2003 with his final position as Director of Rural Bank Supervision Directorate. He joined PT. PNM (Persero) in 2003 and was appointed as Director of Funding, Business Development and Institutional Relations, Director of Business II and finally became the President Director of PT PNM (Persero) in 2005.

He has attended several training and development programs in domestic and overseas institutions, such as Risk Management Certification – BSMR (Bali), Micro Credit Summit (New York), LEMHANNAS (Jakarta), Pollution Abatement Equipment Project (Washington), Financial Information System (Sydney), Project Management for Leading Position (Germany), SESPIBI (Jakarta).

Sudaryanto Sudargo
Director

Sudaryanto Sudargo was born in Semarang on May 12, 1952. He graduated with MBA – Corporate Finance from Adelphi University – USA in 1987. He was appointed as Director in BRI in May 2006. Prior to his current position, his career in Banking were various, such as Head Agribusiness Division, Regional Head of BRI Bandung, Head of Human Resources Division, Head of Corporate Division, BRI's BOD Representative in PT Bank Danamon Indonesia, BRI's BOD Representative in PT Bank Jaya International, and BRI's BOD Representative in PT Malindo Ventura Nusantara. He joined BRI through BRI's Executive Development Program for credit analyst in 1978.

He has attended several training and development programs in domestic and overseas institutions, such as Management Risk Certification – BSMR (Singapore), Master Card Executive Forum (Macau), the 2nd Annual World Renewable Energy Summit (Malaysia), Asia Pacific Region Micro Credit Summit (Bangladesh), SESPIBANK (Jakarta), Organization Management Temasek (Jakarta & Yogyakarta), Professional Banker Program, Citibank (Jakarta), and Loan Syndication Course with Citicorp (Hong Kong).





Sulaiman A. Arianto
Director

Sulaiman A. Arianto was born in Boyolali, 2 August 1958. He graduated with MBA – Finance from University of New Orleans – USA in 1991. He was appointed as Director in BRI since May 2006. He Joined BRI through BRI's Executive Development Program in 1983 with various managerial positions Head of BRI Regional Office Jakarta, Head of BRI Regional Office Denpasar, Head of Agribusiness Division, and Head of BRI Corporate Business Division in Headquarter.

He has attended several training and development programs in domestic and overseas institution, such as: Mergers & Acquisitions, Euromoney (New York); Micro Financial Regional Workshop, CAR Cambodia (Phnom Penh); Financial Crime & Money Laundering Conference (Singapore); SESPIBANK, Jakarta; Project Finance of Infrastructure (Australia); Problem Loan and Loan Syndications Trainee (Australia). He also represented BRI as Keynote speaker in Micro and Small Medium Enterprises and joined BRI in the Road shows or Conferences held by Securities Companies in Indonesia and abroad

A. Toni Soetirto
Director

A. Toni Soetirto was born in Jogjakarta, on August 18, 1958. He graduated from Institut Pertanian Bogor in 1981. He was appointed as a Director in BRI on May 2006. His career in banking was started in Bank Duta in 1983 before joining Bank Bukopin in various managerial positions, such as Director of Commercial Banking, (2002 – 2005), Director of Risk Management and Compliance (1999 - 2002), Head Group Credit & Marketing Financial Institution, Team Leader Syndication, Head Group Credit & Marketing industry in automotive, transportation, communication and information, Branch Manager in Semarang, Head of Corporate Banking, and others.

He has attended several training and development programs in domestic and overseas institutions, such as The Branch of The Future (Barcelona), Self Service Banking (Barcelona), Structured Trade and Export Finance in Asia Conference, Euromoney /JP Morgan & Citigroup (Singapore), The Strategic Board, Australian Institute of Company Directors (Australia), Comparative's Study for Trade Financing and Risk Management, Deutsche Bank (Germany), Corporate Funding Strategies, IQPC (Kuala Lumpur), Workshop of Compliance Director, Securities Lending, ADA Limited (Singapore), and Advanced Case Credit, Deutsche Bank (Singapore).





Lenny Sugihat
Director

Lenny Sugihat was born in Bogor on March 26, 1956. She graduated with MBA from University of Houston – USA in 1993. She was appointed as a Director in BRI on May 2006. Prior to her position, her career in Banking were various in managerial levels, such as Head of BRI Loan Restructuring Division, Head of Agribusiness Division, Head of Strategic Planning Division, Manager of BRI Corporate Loan Restructuring Desk, and Head of BRI Corporate Business Department in KCK (Special Branch). She joined BRI through BRI's Executive Development Program in 1981.

She has attended several training and development programs in domestic and overseas institutions, such as Risk Management Certification – BSMR (Bali), Strategic Management in Banking Programme (French), Seminar Peranan Perbankan dalam Ketahanan Nasional – LEMHANNAS (Jakarta), SESPIBANK (Jakarta), Problem Loan and Loan Syndication Training (Sydney), The Advanced Management Program For Overseas Bankers (USA), and Credit Risk Management, BRI – Citibank.

Bambang Soepeno
Director



Bambang Supeno was born in Surakarta on November 23, 1952. He graduated with MBA from St. Louis University – USA in 1991. He was appointed as a Director in BRI on May 2006. Prior to current position, his career in Banking were various, such as Chief of Internal Audit, Director of Pension Fund, Head of International Division, Head of BRI Regional Audit Office in Medan, and Managers in various BRI working units. He joined BRI through BRI's Executive Development Program in 1980.

He has attended several training and development programs in domestic and overseas institutions, such as Risk management Certification – BSMR (Singapore), The IIA International Conference (USA), Prevention of Banking Crime (BI), Good Governance (BI), International Bankers Seminar (USA), Risk Management (ASEAN), SESPIBANK (Jakarta), Auditing Capital Market (Hong Kong), and International Trade Finance (Hong Kong)



Asmawi Syam
Director

Asmawi Syam was born in Ujung Pandang, August 16, 1955. He graduated with Magister Management from Padjajaran University in 2003. He was appointed as a Director in BRI in September 2007. Prior to his present position, he occupied various positions in BRI's managerial level, such as Head of Corporate Business Division, Head of Consumer Banking Division, Head of Credit Card Division, Head of BRI Regional Office Bandung and Denpasar, Head of BRI Regional Office for Corporate Business, Branch Managers in Masohi, Singaparna, Ujung Pandang, Semarang, and Surabaya. He joined BRI through BRI's Executive Development Program in 1980.

He has attended several training and development programs in domestic and overseas institutions, such as Market Success & Market Failure, Nan yang Technological University (Jakarta), Public Private Partnership: Case in Public Transport Infrastructure Project, JBIC (Jakarta), Accelerated Reconstruction & Performance State-owned Enterprises, Ministry of State-owned Enterprises (Jakarta); Card and Payment, EFMA (Paris), Customer Relationship Management (Malaysia), MasterCard Asia Pacific Strategic Leadership (Bangkok), World Congress on IT Information (Australia), Credit Risk Management – Bank Brussels Lambert (Belgium), Information Technology for Banking – ITB, SESPIBANK – Jakarta, and Strategic Decision Making for Executive (Citibank).

Suprajarto
Director

Suprajarto was born in Yogyakarta, on August 28, 1956. He graduated with Magister Management from Padjajaran University in 2001. He was appointed as a Director in BRI in September 2007. Prior to current present position, he was in charge of various positions in BRI's managerial level, such as Head of BRI Regional Office Jakarta, Head of Corporate Secretary, Deputy Head of BRI Regional Office Jakarta, Branch Managers in Jakarta (Tanah Abang, Kemayoran, Cilegon), Bontang, and Tanjung Redep. He joined BRI through BRI's Executive Development Program in 1983.

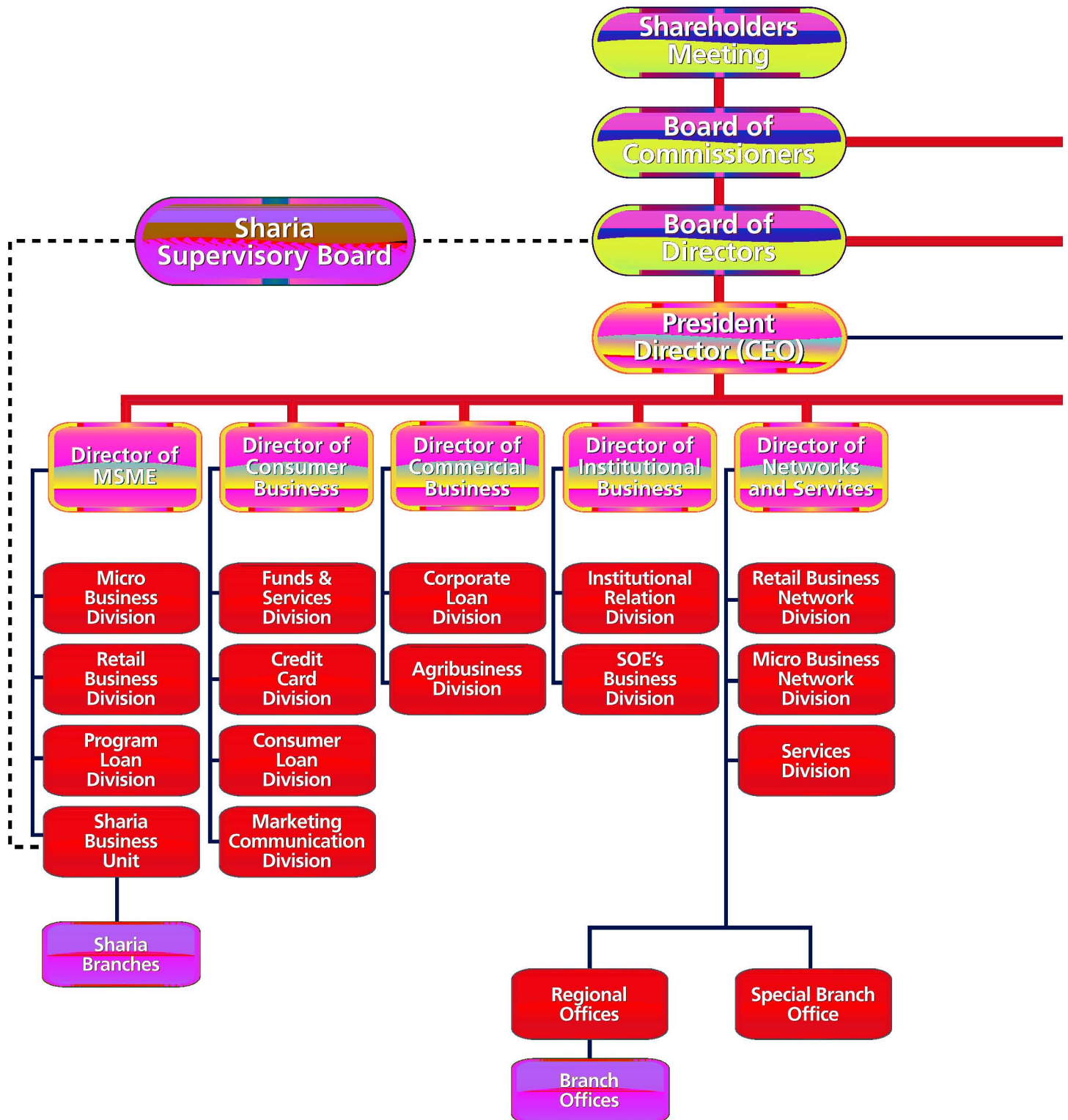
He has attended a number of training and development programs in domestic and overseas institutions, such as Seminar on The Branch of The Future (Barcelona), International Trade BRI Hong Kong & BRI New York Agency, Seminar on The 5th Annual Asia Pacific Mobile Payments (Bangkok), SESPIBANK (Jakarta), Management Executive Development (Jakarta), Trade Financing, IBI (Jakarta), and others.

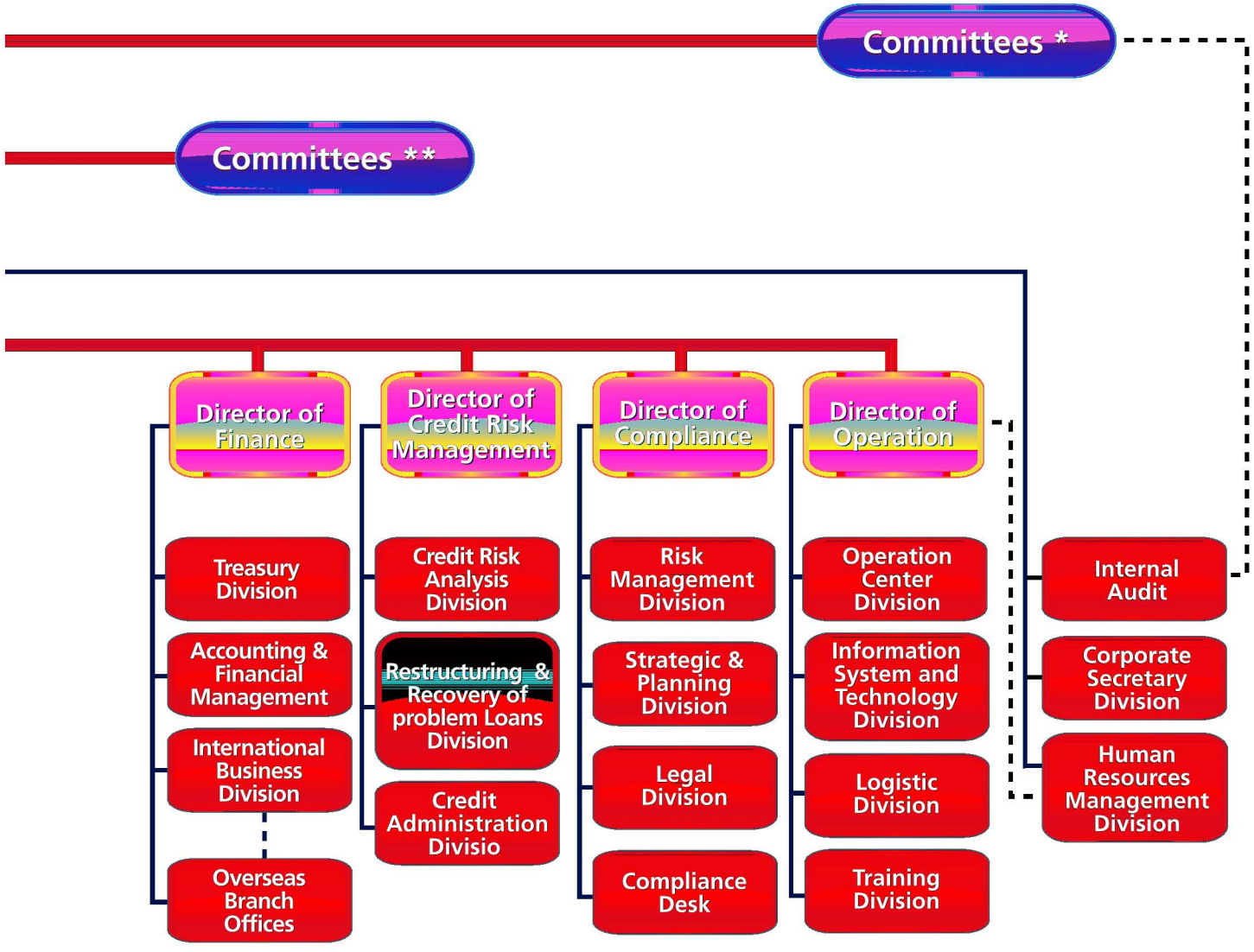


This page is intentionally left blank

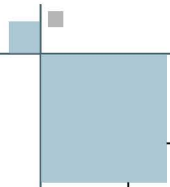
Organizational Structure

PT Bank Rakyat Indonesia (Persero) Tbk.





*) Committees in BoC : Audit Committee, Nomination & Remuneration Committee, Risk Management Monitoring Committee
**) Committees to assist BoD : Risk Management Committee, Credit Policy Committee, Credit Committee, ALCO, IT Committee

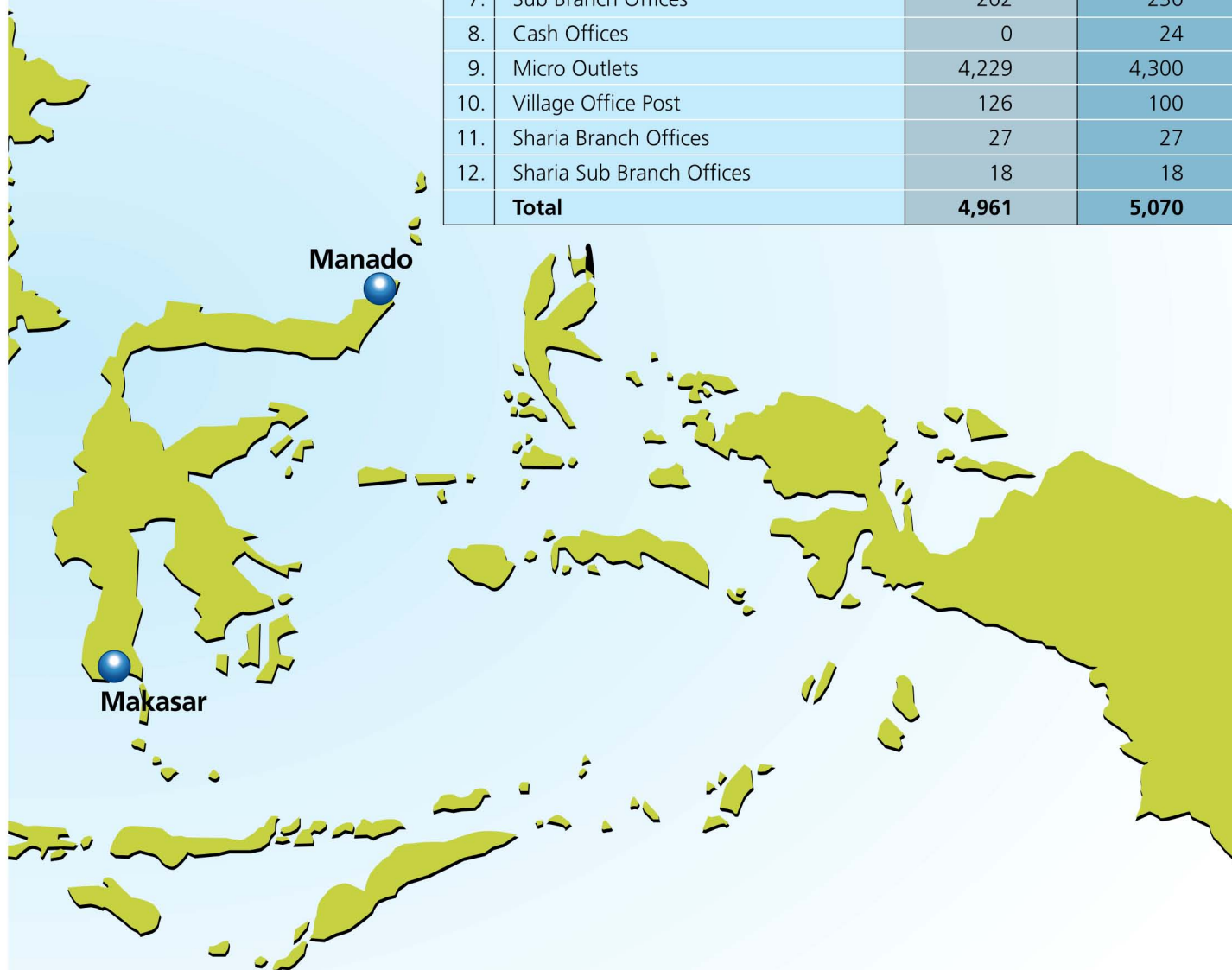


Networks



REAL TIME ONLINE NETWORKS	2006	2007
1. Head Office	1	1
2. Regional Offices	13	14
3. Inspection Offices	11	12
4. Branch Offices	330	340
5. Special Branch	1	1
6. Sub Branch Offices	202	230
7. Micro Outlets	1.033	1.690
8. Training Centers	7	7
TOTAL	1.598	2.295

NO	BRI's Networks	Total Networks	
		Dec 2006	Dec 2007
1.	Head Office	1	1
2.	Regional Offices	13	14
3.	Inspection Offices	11	12
4.	Branch Offices	330	340
5.	Special Branch	1	1
6.	Overseas Rep. Offices	3	3
7.	Sub Branch Offices	202	230
8.	Cash Offices	0	24
9.	Micro Outlets	4,229	4,300
10.	Village Office Post	126	100
11.	Sharia Branch Offices	27	27
12.	Sharia Sub Branch Offices	18	18
	Total	4,961	5,070



Senior Managers

Head Office

A. Johari Subrata

Chief of Internal Audit

Ali Mudin

Head of Logistic Division

Mudjiharno

Head of Legal Division

Sulistianto

Head of Operation Center

Nandi H. Hamaki

Head of Corporate Loan Division

Dwi Agus Pramudya

Head of State Owned Enterprises' Business

Wachju Prijatna

Head of Agribusiness Division

Djarot Kusumayakti

Head of Credit Risk Analysis Division

Windiartono

Head of Risk Management Division

Yadie Supriatno

Head of Institutional Relations Division

M. Jarot Eko Winarno

Head of Human Resources Management Division

Zulhelfi Abidin

Head of Information System and Technology Division

Mohamad Helmi

Head of Credit Card Division

Joice Farida Rosandi

Head of Consumer Loan Division

Yusuf Nawawi

Head of Training Division

Wasito Pramono

Head of Micro Business Division

Luki Presisa Budi Utami

Head of Services Division

Dwi Hari Sugeng Prijono

Head of Program Loans Division

Basuki Setiadjud

Head of Treasury Division

Hadi Susanto

Head of Loans Restructuring & Recovery Division

Hartono Sukiman

Head of Corporate Secretary

Irwan Rinaldi

Head of Accounting & Financial Management Division

Irianto

Head of Strategic and Planning Division

Dede Suherman S.

Head of International Business Division

Agoes Roediyanto

Head of Micro Business Network Division

Susilo

Head of Funds and Services Division

Donsuwan Simatupang

Head of Retail Business Division

Moch. Hadi Santoso

Head of Retail Business Network Division

Ano Kurniadi

Head of Credit Administration Division

A. Firman Taufick

Head of Marketing Communication Division

Susy Liestiwaty

Head of Desk Investment Banking

Nugroho

Head of Investor Relations

Sutardjo

Head of Compliance Desk

SPECIAL BRANCH

Opi Sofyan Suryadi
Head of Special Branch

BRI New York Agency

Hendrickus
General Manager

BRI Inspection Office

Kuwat Waluyo
Inspector of BRI Medan

Agus Katon ES
Inspector of BRI Padang

Eko Wahyu Andriastomo
Inspector of BRI Palembang

Tjuk Sugiono
Inspector of BRI Jakarta

Muchsin Choirul Amien
Inspector of BRI Bandung

Slamet Riyadi
Inspector of BRI Semarang

Muhammad Syu'bah
Inspector of BRI Yogyakarta

Jimmy E. Elias
Inspector of BRI Surabaya

Budi Purnomo
Inspector of BRI Banjarmasin

Triyana
Inspector of BRI Denpasar

Putut Broto Sayono
Inspector of BRI Manado

Thomson Hasoloan
Inspector of BRI Makassar

Sharia Business Unit

Eko Bambang Suharno
Head of Sharia Business Unit

BRI Regional Offices

Agus Imam Sudjahri
Regional Head of BRI Banda Aceh

Albert Radjagukguk
Regional Head of BRI Medan

Mohammad Irfan
Regional Head of BRI Padang

Randi Anto
Regional Head of BRI Palembang

Tri Susilo
Regional Head of BRI Jakarta I

Heru Sukanto
Regional Head of BRI Jakarta II

Yasirin Ginting S.
Regional Head of BRI Bandung

A. M. Nova Christiana
Regional Head of BRI Semarang

Teddy Rustandi AR.
Regional Head of BRI Yogyakarta

Agus Hidayat
Regional Head of BRI Surabaya

Hidzuldin Elfani
Regional Head of BRI Banjarmasin

I.B. Putra Arthama
Regional Head of BRI Denpasar

I Komang Sudiarsa
Regional Head of BRI Manado

Teten Djaka Triana
Regional Head of BRI Makassar