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Serve with passion...

Financial Highlights

(Audited on and for the year ends on December 31)

Rp. billion

Balance Sheet	2006	2005	2004	2003**	2002*
Total Assets	154,725	122,776	107,040	94,710	86,345
Total Earning Assets	139,038	111,731	97,962	84,255	80,139
Loans -- Gross	90,283	75,533	62,368	47,599	39,373
Government Recapitalization Bonds	18,445	17,722	22,686	27,579	28,394
Deposits	124,468	97,046	82,400	76,316	69,627
- Demand Deposits	27,864	17,384	13,364	14,112	11,459
- Saving Deposits	58,308	49,372	44,569	35,803	28,673
- Time Deposits	38,297	30,290	24,467	26,401	29,495
Other Interest Bearing Liabilities	6,037	5,597	6,384	4,474	5,807
Shareholders Equity	16,879	13,353	12,450	8,454	5,794
Profit / Loss					
Interest Income :					
- With Government Recap Bonds Interest	21,071	17,254	15,531	15,069	13,454
- Without Government Recap Bonds Interest	18,731	15,076	12,685	11,519	9,718
Net Interest Income :					
- With Government Recap Bonds Interest	13,789	12,457	11,258	8,027	6,080
- Without Government Recap Bonds Interest	11,450	10,280	8,412	4,476	2,345
Other Operating Income	1,509	956	1,447	820	1,045
Other Operating Expenses	(7,666)	(7,700)	(6,089)	(5,616)	(3,908)
Total Provision for Possible Losses, net of reversal	(1,848)	(401)	(1,328)	75	(1,755)
Income Before Tax	5,907	5,608	5,731	3,712	1,470
Net Income	4,258	3,809	3,633	2,579	1,525
Earning per Share (Rp.)	356	322	307	252	131
Financial Ratio					
Capital					
Capital Adequacy Ratio (CAR) ***	18.82%	15.29%	16.19%	19.64%	12.62%
Fixed Assets to Capital	29.03%	32.11%	31.73%	15.32%	22.94%
Earning Assets					
Non-Performing Earning Assets	3.06%	3.20%	2.76%	3.43%	3.88%
Non-Performing Loans (NPL)	4.81%	4.68%	4.19%	6.03%	6.74%
Allowance for Possible Losses for Earn. Asset	4.80%	4.85%	5.28%	5.19%	5.51%
Compliance for Allowance for Possible Losses for Earning Assets	155.97%	176.62%	225.24%	210.15%	193.78%
Profitabilitas					
R O A (Return on Assets)	4.36%	5.04%	5.77%	4.11%	1.83%
R O E (Return on Equity)	33.75%	38.00%	42.76%	44.73%	38.81%
N I M (Net Interest Margin)	11.17%	12.18%	12.16%	9.54%	8.12%
Operating Expense/ Operating Income	74.38%	70.83%	68.86%	79.19%	89.92%
Liquidities					
L D R (Loan to Deposit Ratio)	72.53%	77.83%	75.69%	62.37%	56.55%
Compliance					
Violation on 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%
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	12.34%	9.55%	9.39%	10.92%	5.82%
Net Open Position	5.41%	5.23%	10.77%	13.24%	7.79%

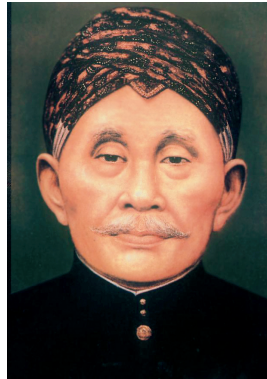
*) Report on the year 2002 are Consolidated Financial Statement with subsidiary (PT Bank Inter-Pacific Tbk.)

**) Re-presented or re-statement

***) Including market risk since 2004



111 Years Building the Nation



PT. Bank Rakyat Indonesia is the oldest bank in Indonesia. Started from a small financial institution founded by Raden Bei Aria Wiriaatmadja in Purwokerto, Central Java on December 16, 1895, later it was named *De Poerwokertosche Hulp en Spaarbank der Inlandsche*. In the beginning, this institution managed the mosque's funds as a source of loans disbursed to the people in the neighborhood with a very easy repayment scheme.

As the time passed by, the institution has been growing and become the need of the community. The name of this institution underwent several changes in this chronological order: *Hulp-en Spaarbank der Inlandsche Bestuur Ambtenareen*, *De Poerwokertosche Hulp Spaar-en Landbouw Credietbank* (Volksbank), *Centrale Kas Voor Volkscredietwezen Algemene* (1912) and *Algemene Volkscredietbank* (AVB) in 1934.

During the Japanese colonization, AVB was transformed into *Syomin Ginko*. The Japan's lost in the World War II led to Indonesian independence in 1945. The Indonesian government then changed the bank name into Bank Rakyat Indonesia (BRI) on February 22, 1946. Under the Government Regulation of the Republic of Indonesia No. 1, 1946, BRI became the first state-owned bank in Indonesia.

As the state-owned bank, BRI has played a number of important roles in realizing the government vision to develop people's economy. In 1960, Indonesian government changed BRI into *Bank Koperasi, Tani dan Nelayan* (The Bank for Cooperation, Farmers, and Fishermen). Then stipulated by the Law No. 21, 1968, the government designated "Bank Rakyat Indonesia" as a commercial bank; and in conjunction with the Banking Law No. 7, 1992, BRI changed its name and legal status as PT. Bank Rakyat Indonesia (Persero).

In November 10, 2003, BRI went public and government divested 30% of its shares. Since listed in the Jakarta Stock Exchange until now, BRI shares' price has been rising continuously and categorized as blue chips in LQ45. With 43.03% of public ownership, BRI's shares are actively traded in capital market.



Vision dan Missions

The Vision of Bank Rakyat Indonesia is to become a leading commercial bank with customer's satisfaction as the utmost priority

To realize this Vision, BRI has set up three missions, namely:

1. Performing the best banking activities focusing on Micro, Small, and Medium Enterprises to support Indonesia's economy.
2. Providing excellent services for customers through widespread network, supported by professional human resources by implementing Good Corporate Governance.
3. Providing optimum benefits and values for all stakeholders.

Corporate Cultures

BRI has corporate values functioning as the base for all personnel in their way of thinking, acting, and behaving wherever they are. These values include:

- Integrity
- Professionalism
- Customer Satisfaction
- Role Model
- Human Resources Appreciations

The awareness of these values, as well as a solid and character-oriented corporate culture serve as the philosophical base for every employee in conducting business.

As one of corporate culture and bankers' ethic

implementation, BRI also has a compliant culture pertaining to all relevant laws and regulations which linked with banking operational activities. This culture encourages BRI to always emphasize prudent banking principles and commitment to the stakeholders' interests, by realizing the following practices of corporate governance:

- Intensifying risk-awareness and compliant culture programs to all employees in all working units.
- Intensifying the improvement of service quality in all working units.
- Describing and monitoring every improvement accomplished in the company into a measurable and accountable action plan.



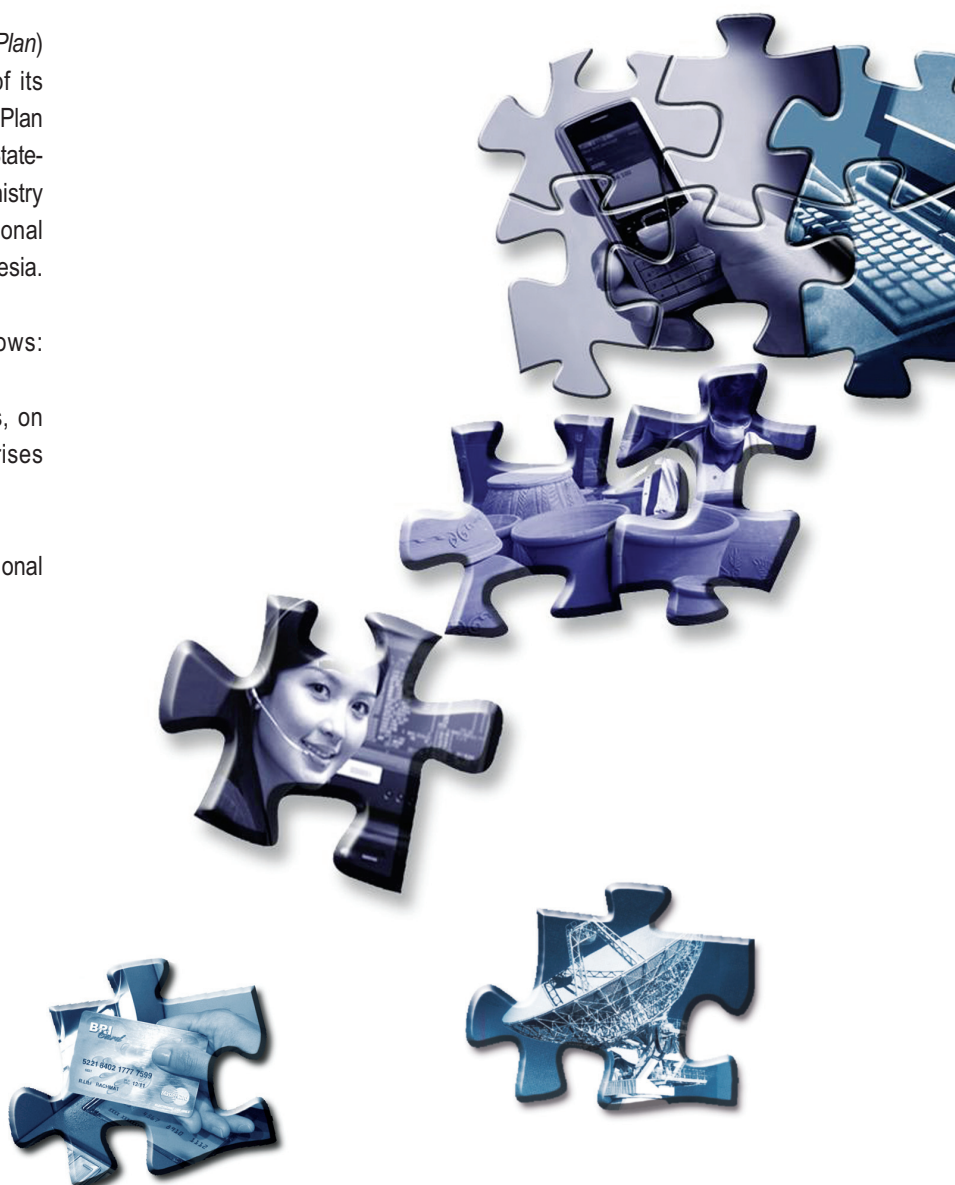


Business Strategies

BRI has set up a long-term plan (*Corporate Plan*) for the period of 2003-2007 as a part of its business development plan. This Corporate Plan is in line with those of 2002 – 2006 BUMN (State-Owned Enterprises) Master Plan of the Ministry of State-Owned Enterprises and the National Banking Recovery Program of Bank Indonesia.

The strategies employed are as follows:

- Focus on the core business, that is, on Micro, Small, and Medium Enterprises
- Expand operational coverage
- Strengthen risk management
- Use information technology for operational efficiency.



Important Events 2006



6 JANUARY 2006

The signing of Memorandum of Understanding between BRI, Ministry of Social Welfare, and Indonesian Post Office



21 FEBRUARY 2006

The signing of Memorandum of Understanding between BRI and PT Semen Tonasa



22 FEBRUARY 2006

Grand Launching BRI's Credit Card



3 APRIL 2006

The signing of Memorandum of Understanding between BRI and Indonesia Inaugurate Aceh and Nias Reconstruction Board



6 APRIL 2006

The signing of Memorandum of Understanding between BRI and PT Pertamina



23 MAY 2006

The signing of Memorandum of Understanding between BRI and Head of State Universities in Indonesia



30 MAY 2006

Annual General Shareholders Meeting of PT Bank Rakyat Indonesia (Persero) Tbk

JANUARY

FEBRUARY

APRIL

MAY

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER



5 OCTOBER 2006
The signing of Memorandum of Understanding between BRI and PT Bentoel Prima



30 OCTOBER 2006
MPN (Modul Penerimaan Negara) Prima Launching



19 DECEMBER 2006
Public Expose



27 SEPTEMBER 2006
The signing of Memorandum of Understanding between BRI and PT Angkasa Pura I



16 OCTOBER 2006
The signing of Memorandum of Understanding between BRI and PT Angkasa Pura II



12 NOVEMBER 2006
The signing of MoU between BRI and Ministry of Cooperation and Micro, Small & Medium Enterprises



Awards 2006

The achievements of BRI in 2006 are as follow:

- The Asian Banker “Excellence in Retail Financial Services Awards” category “Excellence in Sub-Prime Lending Management Awards”
- Euromoney 2006 Awards for Excellence, category Best Bank in Indonesia
- Bisnis Indonesia 2006 Award, category Best National Bank
- Annual Report Award 2006, category Financial for Listed State-owned Company
- InfoBank Award, category Outstanding Financial Performance 2001 – 2005
- Finance Asia Country Award for Achievement 2006, category Best Bank in Indonesia
- SWA Magazine & MARS Research Company Award, category The Best Corporate Brand in Financial Industry
- SWA Magazine & MARS Research Company Award, category The Most Valuable Brand in Bank Category
- Finance Asia Magazine, Asia’s Best Companies 2006, category Best Investor Relations
- Investor Media Group, Best State – Owned Company 2006, category Best in Banking Sector
- SWA Magazine and MarkPlus Consultant, category The Best Public Bank for Year 2006 based on EVA Concept
- Western Union award, category Award for Achievement in Highest Percentage Growth in New Locations”





Report of the President Commissioner Bunasor Sanim

*“Minimizing risk by implementing
Good Corporate Governance with
consistency and discipline.”*

Assalamualaikum Wr. Wb.

All praises and gratefulness to God Almighty for all His blessing that we have so far felt so that BRI could successfully go through the year 2006, which is reflected in the current achievement exceeding the predetermined target.

Together, we can feel the flow of our economy in 2006, which probably has become a “test” for some economic players. The lingering impact of the world oil price, early-year inflation which caused the increasing prices of produced goods as well as commodities as a result of the previous-year fuel price increase, two-digit interest rate at the beginning of the year which lasted until few months forward, some natural disasters, and some other unfavorable macro economic

conditions were a number of things burdening the economic players in driving the economy. It is really God great blessings that all of us have to be thankful so that BRI could go through the year 2006 successfully—that BRI can keep its position as the leading State-Owned Bank in the Indonesian banking industry.

Bank Indonesia had stated that for the last three years the national banking industry had undergone significant improvements which can be seen from improving financial indicators in a number of banks, such as the growth of total assets, the growth of loans, the growth of deposits, banks' CAR, and the decline of non performing loans (NPL).

BRI has been able to show good performance for the last several years until 2006. In 2006 BRI became the most profitable bank in Indonesia. This was reflected in the 2006's profit, which was higher than the previous year (2005), and also the achievement of most of the targets predetermined in the 2006 Annual Budget. We need also to be grateful to God that BRI keeps gaining trust from capital market, indicated by stable and improving share price.

Those achievements are definitely the results of hard work and support from all the stakeholders, including shareholders, Commissioners, Directors, BRI's employees of all levels, suppliers, and other related parties. May all those hard work and support be well maintained so that BRI can maintain the quality and quantity of its sustainable growth. What has so far been well achieved has to be maintained or even improved in the coming years. Commissioners would like to greatly appreciate the management of all levels and all stakeholders for their hard work and support in 2006.

Even though the macro economic condition in

2007 is predicted to be improving, we still need to work hard to achieve maximum results, keeping in mind the increasing public demands for banking services and the tighter banking competition. In addition, risk management needs to be improved so that BRI can minimize risks resulting from every single banking activity by implementing *good corporate governance* with consistency and discipline.

In pursuing the growth of loans and financing, it is recommended that BRI be consistent with its role in developing micro, small, and medium businesses, including farming which has become its core business and brand image, by operating on the basis of prudential banking practices in healthy loan disbursements.

On the other hand, the development of the overall business is expected to run according to the Business Plan. Commissioners will keep supporting the management in meeting all the regulation of Indonesian Banking Architecture, Good Corporate Governance, Internal Control and Risk Management, as well as business process best practices. All of these will allow BRI to grow its business well and maintain its sustainable growth, which had been achieved so far.

Looking at improving macro economic condition in 2007, Commissioners greatly hope that BRI will perform much better. Vast networks, big number of debtors, stable business fundamentals, as well as employees' and customers' loyalty can become the added values for BRI to compete with other national banks. Competent human resources and reliable information technology are also essential for BRI to operate better, satisfy public demands for quality banking services, as well as to be more efficient and profitable.

Supports from all related parties are a crucial



• Baridjussalam Hadi • Bunasor Sanim • Sunarsip • Aviliani • B.S. Kusmuljono • Agus Pakpahan

element in realizing that expectation. Thank you very much for supports that have so far been given and are expected to always be given to BRI that it can keep becoming a leading commercial bank, which always prioritizes customers' satisfaction, and to be the best bank in Indonesia.

With all those supports, Commissioners greatly look forward for a continue improvements of BRI's performance which in turn will give a great contribution to the development of Indonesia's economy.

May Allah SWT, God Almighty, always guide and comfort every one of us. Amen.

Wassalamu'alaikum Wr. Wb.

Jakarta, December 2006

Bunasor Sanim
President Commissioner



Report of the President Director Sofyan Basir

With loan growth above the average of banking industry, BRI could increase its market share from 10.86% by the end of December 2005 to 11.40% by the end of December 2006. The loan growth was steered up by growth in loans to micro, small and medium businesses.

Dear Stakeholders,

All praises and gratefulness to God Almighty, all of us could go through the year of 2006.

The year of 2006 was the year of dynamics for Indonesian economy as well as Indonesian banking industry. A industry which is greatly affected by macro economic fluctuations. The impact of government policy to lift some of oil subsidies in October 2005, which lead to the skyrocketed oil price was still felt in the early 2006 . The price hike had caused the inflation to increase from 9.06% in September 2005 to 17.11% by end of 2005 and was continuing to increase to 17.92% in February 2006. Responding to the inflation pressure, Bank Indonesia was increasing its benchmark interest

rate – BI Rate - gradually, from 9.50% in August 2005 to 12.75% by end of 2005, and was maintained in that level until May 2006. The compounding effect of oil price hike and increasing interest rate had affected people's purchasing power, lead to declining growth of Indonesia's economy as it was driven mostly by domestic consumptions. In the first quarter of 2006, the growth was at 4.98%, lower than previous year's first quarter growth which reached 6.06%

Indonesia's macro economy was starting to pick up in the early of second semester of 2006. Exports were rising significantly, to reach USD 9.50 billion by end of December 2006, or grew 17% year on year, caused by a hefty price increase of Indonesia's export commodities. The increasing export was behind Indonesia's balance of payment surplus, which stayed at USD 4.27 billion by end of December 2006.

Throughout 2006, inflation had been successfully tamed, and showed a declining trend, from 17.11% by end of December 2005 to become 6.60% by end of December 2006. Controllable inflation had triggered Bank Indonesia's to start it's cutting rate policy. The BI Rate (the interest rate benchmark) was slashed in stages, from 12.75% on May 2006 to become 9.75% by the end of December 2006.

The banking industry reflected what was trending in the macro economic fundamentals. Banks experienced tough conditions both in lending side and funding side. Increasing interest rate had made banks' cost of funds surging, both because of increasing deposit rate, in line with the trend of BI Rate, and also because of the shift of depositors toward more expensive funds of time deposits.

In the first semester of 2006, the shock due to

oil price hike has caused a laggard movements of the real sector economy. An apparent subsequent impact of that was a low demand of loans, well reflected in the growth of loan and the quality of loans in the period. Loan's growth was remarkably low, only 2.80%, and the quality of the loans was worsened, indicated by higher Non Performing Loans (NPLs) which reached 8.33% by end of June 2006 from 7.56% by end of December 2005. Meanwhile, deposits was growing faster, from Rp1.13 trillion by end of December 2005 to Rp1.17 trillion or grew 3.57 % resulted in an excess of liquidity in the banking system.

The excess liquidity experienced by many banks had lead to an increasing portion of SBI (Bank Indonesia Bill), as banks placed their unabsorbed funds into SBI. The SBI had been seen as a safe investment instrument which offers a relatively attractive yield at the time, in line with BI Rate upward trend. The SBI held by banks by the end of June 2006 reached Rp139.81 trillion, soared 157.68% from end of December 2005's position of only Rp54.26 trillion

Significant growth of bank's loans – at 10.79% - occurred in the second semester of 2006, in line with Indonesia's macro economic improving condition. By end of December 2006, total loans hovered at Rp792.3 trillion, and the NPLs was turning down to 6.07% from 7.56% in the previous semester. Growth of loans had surpassed the growth of deposits, lead to higher Loan to Deposit Ratio (LDR) of 61.56% by end of December 2006 from 59.66% by end of December 2005

In contrast with fluctuations occurred in the banking industry, BRI had again successfully proved its business model sustainability and stability, by recording a steady high loan growth throughout the cycle of interest rate movements in 2006. In an increasing interest rate period

such as the first semester of 2006 BRI had recorded a loans growth of 8.91%. In the second semester 2006, the time when many banks started to disburse loans aggressively, BRI was keeping its prudent loan policy, and recording a stable loan growth of 9.76%. With that growth, by end of December 2006, BRI's total loans reached Rp90.28 trillion an increase from end of December 2005 position of Rp75.53 trillion, or a yearly growth of 19.53%, well above banking industry's growth of 14.10%.

BRI's loan growth was steered up by growth in loans to micro and small businesses, the segments in which BRI had its competence and its long time commitments. Growth of loans to micro businesses was 19.75% year on year, while loans to small businesses grew 13.34% year on year. In the other hand, contribution of consumer loans in BRI's total loan growth was getting smaller, from 21.90% in 2005 to 21.22% in 2006. This smaller portion of consumer loans in BRI's loan portfolio was rooted from a growth of 15.81%, which was bellow the growth of loans to micro, small and medium businesses which at the same period reached 20.55%. This composition of loan portfolio had shown BRI's commitment to Micro, Small and Medium Enterprises and so as to show BRI's direct involvement in moving Indonesia's real sector economy

A different picture was shown in the Indonesian Banking Industry's trend in general. The role of consumer loans was seemed to be still prominent. Consumer loans had been the major drive of growth in banks' loans, reaching a 9.51% during 2006.

Constant high loan growth achieved by BRI had lead to an increasing market share of loan, to reach 11.40% by the end of December 2006, from 10.86% by the end of December 2005,

while the gross NPLs successfully be kept at below 5%.

As a consequence of Bank Indonesia's tightening policy of increasing interest rate started in late 2005 up until the middle of 2006 BRI's cost of funds had increased, from 4.96% by end of December 2005 to become 6.27% by end of December 2006. The increasing cost of funds was also related to a shift in BRI's deposits composition toward high cost funds, which was tending in Indonesia's banking industry at the time. Yet low cost deposits were still the majority in BRI's deposits. By the end of December 2006, low cost deposits still acquired 69.23% of total deposits, left only 30.77% for high cost deposits, a composition far better than the banking industry.

Explored further into the type of deposits, there was an apparent sign of how strong BRI's funding base which mostly consist of low-cost-retail depositors was. In the first semester 2006, BRI's demand deposits and savings grew 22.31%, far above banking industry's growth of only 4.87%. In the second semester 2006, when the interest rate was trending down, the growth of BRI's low cost deposits was consistently higher, reaching 25.64% far higher than those of the industry's growth of only 16.53%.

The sustainability of high quality loan growth, compounded by maintaining low cost of funds resulted in a Net Interest Margin (NIM) of 11.17% by the end of December 2006, far above the banking industry's NIM of 5.80%

Another encouraging development was in fee based income. In 2006, BRI had significantly boosted its fee based income as well, from only Rp527.89 billion by the end of December 2005 to Rp837.69 billion by the end of December 2006.

This success was a promising sign for further



• Sudaryanto Sudargo • A. Toni Soetirto • Sulaiman A. Arianto • Sofyan Basir • Lenny Sugihat • Sarwono Sudarto • Bambang Soepeno • Abdul Salam

developments of BRI's consumer banking business.

Better valuation of Government Bonds portfolio as a result of better macro economic conditions such as decreasing interest rate, benign inflation and good prospects of Indonesia's economy perceived by international community had yielded to unrealized, marked to market gain of Rp629.25 billion, consisted of Rp609.91 billion from 'available for sale' bonds portfolio and Rp190.34 billion from trading bonds portfolio.

Many have expected that macro economic condition in 2007 will be better than 2006. Real sector economy, which had been stagnant, is expected to start to move, based on assumptions that the Government will be more serious in realizing long awaited infrastructure projects urgently needed by the economy to grow sustainably. The projects seemed soon to be realized are infrastructure projects and

agribusiness revitalization, especially palm oil plantations, as palm oil had been declared by the Government as an alternative source of energy.

Indonesia is the second biggest producer of palm oil in the world now. In the future it should be the first as Indonesia had far wider areas available for palm oil plantations. The developments of infrastructure projects and agribusinesses in turn will bring trickle down effects to Micro, Small and Medium Enterprises (MSMEs). Agribusiness projects will be in nucleus-plasma mode which will involve farmers and other MSMEs entrepreneurs in the surrounding areas, which are the base of BRI's customers.

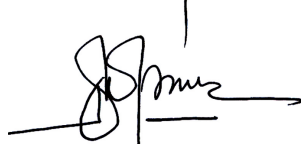
Accelerating developments of agribusiness will surely give very positive impacts on BRI's performance. BRI will continue to develop positive synergies with other healthy State Owned Enterprises (SOEs) to involve them in the

development of MSMEs, which all lead to a linkage program in which BRI will have significant roles in financing all the down streams up to the up streams of the businesses.

Last but not least, on behalf of Board of Directors I would like to thank to all our customers, business partners, the shareholders, both the Government and public shareholders, all employees and other stakeholders for all the supports had been given.

I hope BRI will be stronger in facing all the challenges as for grabbing any opportunities available in the years to come.

Jakarta, December 2006

A handwritten signature in black ink, appearing to read 'Sofyan Basir', with a long horizontal stroke extending to the right.

Sofyan Basir
President Director