

**PT BANK RAKYAT INDONESIA (PERSERO) Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2006
WITH COMPARATIVE FIGURES FOR 2005**

Table of Contents

	Page
Independent Auditors' Report	
Balance Sheets.....	1 - 5
Statements of Income.....	6 - 7
Statements of Changes in Stockholders' Equity.....	8 - 9
Statements of Cash Flows.....	10 - 11
Notes to the Financial Statements	12 - 105

Independent Auditors' Report

Report No. RPC-6777

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

We have audited the balance sheet of PT Bank Rakyat Indonesia (Persero) Tbk (herein referred to as "BRI") as of December 31, 2006, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of BRI's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of BRI for the year ended December 31, 2005, were audited by Prasetio Sarwoko & Sandjaja, whose report dated March 6, 2006, expressed an unqualified opinion on those statements.

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

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of BRI as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

Purwanto, Sarwoko & Sandjaja

Drs. Hari Purwanto
Public Accountant License No. 98.1.0065

March 27, 2007



PT. BANK RAKYAT INDONESIA (PERSERO) Tbk.

HEAD OFFICE

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BOARD OF DIRECTORS' STATEMENT REGARDING THE FINANCIAL STATEMENTS' RESPONSIBILITY AS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 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.

The image shows two handwritten signatures in black ink. The signature on the left is 'Sofyan Basir' and the one on the right is 'Abdul Salam'. In the center, between the two signatures, is a rectangular stamp. The stamp is a 6000 Rupiah 'METERAI TEMPEL' (adhesive stamp) featuring the Garuda Pancasila emblem and the text 'ENAM RIBU RUPIAH', '6000', 'Tgl. 20', and 'METERAI TEMPEL'.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
BALANCE SHEETS
December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
ASSETS			
CASH	2a	3,458,907	2,763,958
CURRENT ACCOUNTS WITH BANK INDONESIA	2a,4	14,021,368	8,707,695
CURRENT ACCOUNTS WITH OTHER BANKS	2a,2d,2e,5	181,935	652,945
Allowance for possible losses		(1,819)	(6,529)
		180,116	646,416
PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS , net of unamortized interest of Rp1,259 and Rp1,431 as of December 31, 2006 and 2005, respectively	2c,2d,2f,6,44		
Third parties		13,490,867	9,353,732
Related parties		166,000	256,000
		13,656,867	9,609,732
Allowance for possible losses		(41,081)	(29,612)
		13,615,786	9,580,120
SECURITIES , net of unamortized interest and discount of Rp54,182 and Rp16,528 as of December 31, 2006 and 2005, respectively	2d,2g,7	15,391,806	7,214,313
Allowance for possible losses		(9,074)	(10,585)
		15,382,732	7,203,728
EXPORT BILLS	2d,2h,8	468,921	456,057
Allowance for possible losses		(9,647)	(4,727)
		459,274	451,330
GOVERNMENT RECAPITALIZATION BONDS	2d,2g,9,23	18,445,348	17,721,871
SECURITIES PURCHASED WITH AGREEMENT TO RESELL	2d,2s,10	201,925	-

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
DERIVATIVE RECEIVABLES			
Allowance for possible losses	2d,2ac,2ag,11	10,607 (106)	6,371 (64)
		10,501	6,307
LOANS			
Third parties	2c,2d,2i,12,44	88,874,032	74,532,415
Related parties		355,507	364,590
		89,229,539	74,897,005
Allowance for possible losses		(6,687,654)	(5,393,146)
		82,541,885	69,503,859
SHARIA RECEIVABLES AND FINANCING			
Allowance for possible losses	2d,2j	1,053,213 (30,394)	636,229 (17,103)
		1,022,819	619,126
ACCEPTANCES RECEIVABLE			
Allowance for possible losses	2d,2k,13	327,666 (4,762)	470,208 (14,827)
		322,904	455,381
INVESTMENTS IN SHARES OF STOCK			
Allowance for possible losses	2c,2d,2l,14,44	69,941 (1,230)	65,859 (1,188)
		68,711	64,671
PREMISES AND EQUIPMENT			
Cost	2m,2n,15	4,330,003	4,097,619
Accumulated depreciation		(2,508,025)	(2,168,349)
Net book value		1,821,978	1,929,270
DEFERRED TAX ASSETS		865,005	943,845
OTHER ASSETS - net		2,306,227	2,178,002
TOTAL ASSETS		154,725,486	122,775,579

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
LIABILITIES IMMEDIATELY PAYABLE	2q,2ag,17	2,356,547	1,957,419
DEPOSITS FROM CUSTOMERS	2c,2r		
Demand Deposits	18,44		
Third parties		27,807,211	17,357,706
Related parties		3,646	2,167
		27,810,857	17,359,873
<i>Wadiah</i> Demand Deposits		53,235	23,768
Savings Deposits	19,44		
Third parties		58,143,328	49,282,329
Related parties		9,169	9,473
		58,152,497	49,291,802
<i>Mudharabah</i> Savings Deposits		155,127	80,225
Time Deposits	20,44		
Third parties		37,585,252	30,026,209
Related parties		557,025	116,814
		38,142,277	30,143,023
<i>Mudharabah</i> Time Deposits		152,454	146,778
Certificates of Deposits, net of unamortized interests of Rp8 and Rp106 as of December 31, 2006 and 2005, respectively	21	1,892	564
Total Deposits From Customers		124,468,339	97,046,033
DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS	2r,22	1,868,440	1,181,856

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE , net of unamortized interest of Rp494 and Rp529 as of December 31, 2006 and 2005, respectively	2s,9,23	102,716	102,681
DERIVATIVE PAYABLES	2ac,2ag,11	24,226	36,872
ACCEPTANCES PAYABLE	2k,13	327,666	470,208
TAXES PAYABLE	2ad,37a	287,337	236,047
FUND BORROWINGS	24	1,764,607	1,799,919
ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES	2d,25	48,262	44,204
OTHER LIABILITIES	2c,2n,2t,2x,2ag, 26,41,44,45b		
Third parties		4,297,538	4,034,322
Related parties		69,569	125,591
		4,367,107	4,159,913
SUBORDINATED LOANS , net of deferred issuance costs of Rp2,768 and Rp3,151 as of December 31, 2006 and 2005, respectively, and unamortized discount of Rp4,845 and Rp6,045 as of December 31, 2006 and 2005, respectively	27	2,231,431	2,387,445
TOTAL LIABILITIES		137,846,678	109,422,597

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
BALANCE SHEETS (continued)
December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
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-up capital stock - 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 and 12,035,700,500 shares (consisting of 1 Series A Dwiwarna share and 12,035,700,499 Series B shares) as of December 31, 2005	1,28a	6,143,211	6,017,850
Additional paid-in capital	2b,3,28b	2,535,660	1,916,284
Revaluation increment on premises and equipment	2m	786	786
Differences arising from translation of foreign currency financial statements	2ab,28c	103,017	103,522
Stock options	2y,28a,29	47,047	76,587
Unrealized gain (loss) from available-for-sale securities and Government recapitalization bonds - net of deferred tax	2g,7,9	609,907	(292)
Retained earnings - (accumulated losses of Rp24,699,387 had been eliminated as a result of quasi-reorganization as of June 30, 2003)	2b,3,28d		
Appropriated		2,850,396	1,410,765
Unappropriated		4,588,784	3,827,480
Total Retained Earnings		7,439,180	5,238,245
TOTAL STOCKHOLDERS' EQUITY		16,878,808	13,352,982
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		154,725,486	122,775,579

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
STATEMENTS OF INCOME
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2006	2005
INCOME AND EXPENSES FROM OPERATIONS			
Interest, Investment and Sharia Income			
Interest and investment	2u,30	20,423,813	16,754,643
Fees and commissions	2v,31,48e,48f	534,696	437,340
Sharia income	2j,2w	112,028	61,729
Total Interest, Investment and Sharia Income		21,070,537	17,253,712
Interest Expense, Sharia and Other Charges			
Interest expense and other charges	2u,2ag,32	(7,262,828)	(4,781,024)
Sharia charges	2w	(18,354)	(15,420)
Total Interest Expense, Sharia and Other Charges		(7,281,182)	(4,796,444)
Interest Income - net		13,789,355	12,457,268
Other Operating Income			
Fees	2ag	808,070	496,005
Gain on sale of securities and Government recapitalization bonds - net	2g,7,9	293,860	231,633
Gain from increase in value of securities and Government recapitalization bonds - net	2g,7,9	190,339	-
Other fees and commissions	2v,2ag	29,624	31,889
Gain on foreign exchange - net	2aa	-	49,464
Others	2ag	187,157	147,256
Total Other Operating Income		1,509,050	956,247
Provision for possible losses on earning assets - net	2d,33	(1,868,694)	(710,070)
(Provision for) reversal of estimated losses on commitments and contingencies - net	2d,25b	(4,058)	30,789
Reversal of allowance for possible losses on other assets - net		24,612	278,452

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
STATEMENTS OF INCOME (continued)
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
Other Operating Expenses			
Salaries and employee benefits	2c,2x,2y, 34,41,44	(4,830,775)	(4,407,158)
General and administrative expenses	2m,2ag,35	(2,054,030)	(1,943,569)
Premium paid on Government guarantee program	47	(206,246)	(199,290)
Loss on foreign exchange - net	2aa	(4,610)	-
Other fees and commissions		(2,507)	(2,267)
Loss from decline in value of securities and Government recapitalization bonds - net	2g,7,9	-	(565,982)
Others	2ag	(567,478)	(582,111)
Total Other Operating Expenses		<u>(7,665,646)</u>	<u>(7,700,377)</u>
INCOME FROM OPERATIONS		5,784,619	5,312,309
NON-OPERATING INCOME - NET	36	<u>122,102</u>	<u>295,643</u>
INCOME BEFORE INCOME TAX (EXPENSE) BENEFIT		5,906,721	5,607,952
INCOME TAX (EXPENSE) BENEFIT	2ad,37b,37d		
Current		(1,831,877)	(1,829,246)
Deferred		182,728	29,881
NET INCOME		<u>4,257,572</u>	<u>3,808,587</u>
EARNINGS PER SHARE	2z,49		
Basic (full amount)		355.62	321.70
Diluted (full amount)		349.54	315.50

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid-up 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 Bonds - Net of Deferred Tax	Retained Earnings		Total Stockholders' Equity	
								Appropriated	Unappropriated		
Balance as of December 31, 2004		5,925,045	1,731,425	786	103,602	29,158	1,268,677	298,834	3,092,767	3,391,601	12,450,294
Differences arising from translation of foreign currency financial statements	2ab,28c	-	-	-	(80)	-	-	-	-	-	(80)
Distribution of income	28d	-	-	-	-	-	-	-	(1,816,614)	(1,816,614)	(1,816,614)
Cash dividends		-	-	-	-	-	-	-	(1,111,931)	(1,111,931)	-
Addition to general and special reserves		-	-	-	-	-	-	1,111,931	(145,329)	(145,329)	(145,329)
Appropriation for PKBL		-	-	-	-	-	-	-	-	-	-
Recognition of stock options	29	-	-	-	-	86,922	-	-	-	-	86,922
Exercised stock options	2y,28a, 28b,29	92,805	184,859	-	-	(39,493)	-	-	-	-	238,171
Unrealized loss from available-for-sale securities and Government recapitalization bonds - net of deferred tax	2g,7,9	-	-	-	-	-	(1,268,969)	-	-	-	(1,268,969)
Net income		-	-	-	-	-	-	-	3,808,587	3,808,587	3,808,587
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

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

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PT BANK RAKYAT INDONESIA (PERSERO) Tbk
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (continued)
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid-up 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 Bonds - Net of Deferred Tax	Retained Earnings		Total Stockholders' Equity	
								Appropriated	Unappropriated		
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	2ab,28c	-	-	-	(505)	-	-	-	-	-	(505)
Distribution of income	28d	-	-	-	-	-	-	-	(1,904,293)	(1,904,293)	(1,904,293)
Cash dividends		-	-	-	-	-	-	-	(1,439,631)	(1,439,631)	-
Addition to general and special reserves		-	-	-	-	-	-	1,439,631	(152,344)	(152,344)	(152,344)
Appropriation for PKBL		-	-	-	-	-	-	-	-	-	-
Recognition of stock options	29	-	-	-	-	96,958	-	-	-	-	96,958
Exercised stock options	2v,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	2g,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 financial statements.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
STATEMENTS OF CASH FLOWS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interest, investment, fees and commissions and sharia income	21,022,791	17,251,719
Payments of interest expense, and sharia and other charges	(6,673,483)	(4,919,475)
Bad debt recoveries	622,263	523,880
Other operating income	2,344,823	382,257
Other operating expenses	(9,961,528)	(9,174,703)
Non-operating (expense) income - net	(224,808)	302,428
Income before changes in operating assets and liabilities	7,130,058	4,366,106
Changes in operating assets and liabilities:		
Decrease (increase) in operating assets:		
Placements with Bank Indonesia and other banks	(4,048,394)	(4,396,068)
Securities and Government recapitalization bonds - trading	(2,700,233)	344,258
Export bills	(12,864)	(250,652)
Derivative receivables	(4,236)	(5,155)
Loans	(14,954,796)	(13,768,893)
Sharia receivables and financing	(416,985)	(312,069)
Other assets	432,231	(141,312)
Increase (decrease) in operating liabilities:		
Liabilities immediately payable	400,080	156,643
Deposits:		
Demand deposits	10,450,983	4,005,892
<i>Wadiah</i> demand deposits	29,468	14,078
Savings deposits	8,860,695	4,770,286
<i>Mudharabah</i> savings	74,902	32,602
Time deposits	7,999,254	5,781,541
<i>Mudharabah</i> time deposits	5,676	42,324
Certificates of deposits	1,320	(750)
Deposits from other banks and financial institutions	686,584	377,187
Derivative payables	(12,646)	(20,162)
Taxes payable	(34,621)	(41,553)
Other liabilities	77,842	788,251
Net Cash Provided by Operating Activities	13,964,318	1,742,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of premises and equipment	7,235	32,708
Receipt of dividends	7,020	6,525
Acquisition of premises and equipment	(299,670)	(715,103)
(Increase) decrease of available-for-sale and held-to-maturity securities and Government recapitalization bonds	(6,309,101)	3,477,320
Net Cash (Used in) Provided by Investing Activities	(6,594,516)	2,801,450

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
STATEMENTS OF CASH FLOWS (continued)
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-in capital from exercised stock options	492,877	145,366
Increase in capital stock from exercised stock options	125,361	92,805
Decrease in securities sold with agreements to repurchase	(35)	(512,408)
Payments of fund borrowings	(35,312)	(631,727)
(Payments of) proceeds from subordinated loans	(156,014)	44,123
Decrease in securities purchased with agreements to resell	(201,925)	-
Distribution of income for dividends, <i>tantiem</i> and PKBL	(2,056,637)	(1,980,836)
Net Cash Used in Financing Activities	(1,831,685)	(2,842,677)
EFFECT OF DIFFERENCES ARISING FROM TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS	(505)	(80)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,537,612	1,701,247
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,124,598	10,423,351
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,662,210	12,124,598
Cash and cash equivalents consist of:		
Cash	3,458,907	2,763,958
Current accounts with Bank Indonesia	14,021,368	8,707,695
Current accounts with other banks	181,935	652,945
Total Cash and Cash Equivalents	17,662,210	12,124,598
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOWS INFORMATION		
Activities not affecting cash flows:		
Unrealized gain (loss) from securities and Government recapitalization bonds classified as available-for-sale - net of deferred tax	609,907	(292)
Reclassification of stock options to additional paid-in capital	126,498	39,493

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(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 of 1968. On April 29, 1992, based on the Government of the Republic of Indonesia (the "Government") Regulation No. 21 of 1992, BRI acquired its status 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 Muhani Salim, S.H., which was approved by the Ministry of Justice in his 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 Imas Fatimah, S.H., pertaining to Article 2 on "Corporate Term" and Article 3 on "Purpose, Objectives and Business Activities" to comply with Law No. 1 of 1995 on "Limited Liability Corporation" that was approved by the Ministry of Justice in his 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 Imas Fatimah, S.H., among others regarding the company's status and compliance with the Capital Market Laws that was approved by the Ministry of Justice and Human Rights in his 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 latest amendment to the articles of association was conducted as follow up of the Management Stock Option Plan (MSOP) based on the amount of exercised stock options (Note 29).

According to Article 3 of the latest 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 prevailing acts and regulations, including activities based on sharia principles.

b. Recapitalization Program

As realization of the recapitalization program for commercial banks, set forth in Government Regulation No. 52 of 1999 regarding the Increase in Investments in Shares by the Republic of Indonesia in State-Owned Bank, BRI received the recapitalization amount of Rp29,149,000 in the form of Government recapitalization bonds 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 between the Republic of Indonesia as represented by the Government through the Ministry of Finance, and BRI dated February 28, 2001, the Government determined that the final recapitalization amount to achieve CAR of 4% was Rp29,063,531. Therefore, BRI returned the excess recapitalization amount of Rp85,469 in the form of Government recapitalization bonds to the Republic of Indonesia on November 5, 2001 (Notes 9 and 28b).

On September 30, 2003, the Ministry of Finance of the Republic of Indonesia issued Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 on the final amount and the implementation of Government's rights from 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 of BRI amounted to Rp29,063,531 (Note 28b).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Initial Public Offering

In relation with BRI's Initial Public Offering (IPO), based on the offering circular/registration statement, dated October 31, 2003, the Government, acting through the Ministry of State-Owned Enterprises had a Global Offering of 3,811,765,000 common shares of BRI together with any over-subscription shares and any over-allotment option shares.

The Global Offering consists of the concurrent International Offering (under Rule 144A of the Securities Act and Regulation "S") and the Indonesian Offering. BRI submitted its registration to the Capital Markets Supervisory Agency (Bapepam), and the registration statement became effective based on the decision letter of the Chairman of Bapepam No. S-2646/PM/2003 dated October 31, 2003 (Note 28a).

BRI's IPO shares consist of 3,811,765,000 shares with nominal value of Rp500 (full amount) per share and with an initial selling price of Rp875 (full amount) 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 amount) 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 by underwriters, the Republic of Indonesia owns 59.5% of the outstanding common shares (Note 28a). On November 10, 2003, the IPO shares were initially traded and listed in the Jakarta and Surabaya Stock Exchanges.

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, 2006 and 2005, BRI has the following regional offices, inspection offices, branches and units:

	2006	2005
Regional Offices	13	13
Inspection Offices	11	11
Domestic Branches	330	326
Special Branch	1	1
Overseas Branch/Agencies	3	3
Sub-branches/Cash Offices	202	186
BRI Units	4,229	4,112
Village Service Units	133	127
Sharia Branches ("BRI Sharia")	27	27
Sharia sub-branch	18	16

As of December 31, 2006 and 2005, BRI has an overseas branch located in Cayman Islands and 2 agency offices located in New York and Hong Kong.

As of December 31, 2006 and 2005, BRI has a total of 39,915 and 37,545 employees (unaudited), respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(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, 2006 and 2005 based on BRI's Stockholders' General Meeting dated May 30, 2006, which was notarized under deed No. 19 of Imas Fatimah, S.H., and BRI's Stockholders' General Meeting dated May 20, 2005, which was notarized under deed No. 47 of Imas Fatimah, S.H., respectively, is as follows:

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 Soedarto
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

2005			
Board of Commissioners		Board of Directors	
President Commissioner	: Rudjito*)	President Director	: Sofyan Basir
Commissioner	: Krisna Wijaya*)	Deputy President Director	: Wayan Alit Antara
Commissioner	: Bangun Sarwito Kusmuljono	Director	: Ventje Rahardjo
Commissioner	: Sunarsip	Director	: Ahmad Askandar
Independent Commissioner	: Bunasor Sanim	Director	: Gayatri Rawit Angreni
Independent Commissioner	: Aviliani	Director	: Akhmad Amien Mastur
Independent Commissioner	: Cyrillus Harinowo*)	Compliance Director	: Hendrawan Tranggana

*) Based on the Stockholders' Extraordinary General Meeting dated January 26, 2006, the stockholders approved the resignation of Rudjito as President Commissioner and Krisna Wijaya as Commissioner since September 22, 2005 and Cyrillus Harinowo as Independent Commissioner since June 24, 2005.

**) Has submitted letter of resignation dated November 2, 2006.

The composition of BRI's Audit Committee as of December 31, 2006 and 2005 based on Letter No. B.199-KOM/KNR/07/2006 of BRI's Commissioners dated July 14, 2006 and Decision Letter No. 03-KOM/BRI/10/2005 of BRI's Commissioners dated October 18, 2005, respectively, is as follows:

	2006	2005
Chairman	: Aviliani	Bunasor Sanim
Member	: Bunasor Sanim	Aviliani
Member	: Dedi Budiman Hakim	Dedi Budiman Hakim
Member	: H. C. Royke Singgih	H. C. Royke Singgih
Member	: Abdussalam Konstituanto	Abdussalam Konstituanto

The composition of BRI's Sharia Supervisory Board as of December 31, 2006 and 2005 based on Decision Letter No. 150-DIR/SDM/04/2006 of BRI's Directors dated April 21, 2006 and No. 186-DIR/SDM/05/2002 dated May 2, 2002, respectively, is as follows:

2006 and 2005	
Chairman	: Asjmuni Abdurrahman
Member	: Karnaen Perwataatmaja
Member	: Cholid Fadlulloh

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

The 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 Supervisory Agency (Bapepam) regulation No. VIII.G.7 attachment to the Decision of the Chairman of Bapepam No. KEP-06/PM/2000 dated March 13, 2000 regarding Guidelines for Financial Statements Presentation.

BRI's Sharia branches which are engaged in banking activities under 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) published by Bank Indonesia and IAI.

The financial statements have been prepared on:

- (1) accrual basis, except for interest income on earnings 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 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 statements of cash flows have been prepared using direct method which classified cash flows into operating, investing and financing activities. For presentation in the statements of cash flows, cash and cash equivalents consist of cash, current accounts with Bank Indonesia and current accounts with other banks.

b. 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 of its assets and liabilities based on fair values without a legal re-organization. With 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 of fair values of assets and liabilities in relation to the quasi-reorganization is based on the best information available that is related to the characteristic of the assets and liabilities, with consideration to the level of related risks or market values of related assets and liabilities. If the market value is unavailable, the estimate of fair value is determined based on the market values of similar types of assets, estimated present value or discounted cash flow. For certain assets and liabilities, the valuation is undertaken in accordance with the related PSAK.

Based on BRI's Stockholder's Extraordinary General Meeting on October 3, 2003 based on notarial deed No. 6 dated October 3, 2003 of Imas Fatimah, S.H. (Note 3), the stockholder approved the quasi-reorganization of BRI effective June 30, 2003.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Quasi-reorganization (continued)

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 greater 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 the quasi-reorganization, BRI did not book the excess of the fair value over the net book value of net assets against accumulated losses and used the book values of the assets and liabilities in the implementation of quasi-reorganization.

As a result of the quasi-reorganization, BRI's deficit of Rp24,699,387 as of June 30, 2003 was eliminated against the additional paid-in capital account.

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 place after December 10, 2003.

c. 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 of 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
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Transactions with related parties (continued)

All significant transactions with related parties, whether or not made under similar terms and conditions as those conducted with third parties, are disclosed in the financial statements. Transactions among BRI and the Government and other state-owned companies and entities in relation to BRI and corporate restructuring with Indonesian Bank Restructuring Agency (IBRA), Government Guarantee Implementation Unit (UP3) (an institution which replaced IBRA) and Indonesia Deposit Insurance Corporation (a new institution which replaced UP3), are not considered as transactions with related parties based on PSAK No. 7.

d. 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, derivative receivables, loans, sharia receivables and financing, acceptances receivable and investments in shares of stock and commitments and contingencies of off-balance sheet transactions.

Commitments and contingencies of off-balance sheet transactions, include but is not limited to issued guarantees, letters of credit, standby letters of credit and unused loans facilities granted to customers.

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

Based on Bank Indonesia regulation, 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 No. 7/2/PBI/2005 dated January 20, 2005 regarding the Assessment of the Quality of Assets of Banks which was amended with Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006, which considers management's evaluation of debtor's business prospects, performance and each debtor's ability to repay, and also considers such other aspects such as the classification based on audit results of Bank Indonesia, the classification as determined by other banks on earning assets drawn from more than one bank and the availability of 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 in accordance with Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 regarding the Assessment of the Quality of Assets of Banks which was amended with Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Bank Indonesia guidelines for recognition of minimum allowance for possible losses are 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 prevailing laws and regulations, standby letter of credit from prime bank which is issued in accordance with Uniform Customs and Practice for Documentary Credit (UCP) or International Standard Practices (ISP).
- 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.

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 Indonesian stock exchanges or having the highest investment rating, with amount up to 50% of the market value of securities traded in the stock exchanges at month end, certain percentage of land, buildings, residential houses, aircrafts, ships, motorcycles and inventories which are not more than 24 (twenty four) months and for credit with facility above Rp5 billion are appraised by independent appraiser.

Allowance for possible losses on commitments and contingencies is presented as a liability in the balance sheet 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 the assets are determined to be definitely uncollectible. Recovery of earning assets previously written-down is recorded as increase to the allowance for possible losses during the period of recovery. If the recovery exceeds the principal amount, the excess will be recognized as interest income.

e. Current accounts with other banks

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

f. Placements with Bank Indonesia and other banks

Placements with Bank Indonesia and other banks include placement of funds with Bank Indonesia in the form of Bank Indonesia deposits facility (FASBI) and placement of funds with others banks in the form of inter-bank call money and time deposits.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. 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.

g. Securities and Government recapitalization bonds

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

Securities include other bonds such as Government Debentures (Surat Utang Negara or SUN) and Government bonds in foreign currency purchased from prime and secondary markets issued by the Government that are not related to the recapitalization program.

Government recapitalization bonds are bonds issued by the Government in connection with the recapitalization program for commercial banks. These bonds relate to the recapitalization program of BRI and other Government recapitalization bonds purchased from the secondary market.

Securities and Government recapitalization bonds are classified based on management's intention when the Bank purchased these securities 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 reported at fair value. Unrealized gains (losses) resulting from the increase (decrease) in fair value is recognized in the current year's profit and loss. When the securities and Government recapitalization bonds traded are sold, 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 cost after deducting (adding) the amortization of premium (discount), if any.
- 3) Available-for-sale securities and Government recapitalization bonds are reported at fair value. Unrealized gains (losses) resulting from the increase (decrease) in fair value are not recognized in the current year's operations but are presented separately under stockholders' equity. Those unrealized gains (losses) are recognized in the statement of income upon realization.

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Securities and Government recapitalization bonds (continued)

Buy and sell transactions of the securities to customers and BRI itself is recognized in the financial statements when the agreement of the securities transactions arise.

Securities are presented at their net values after allowances for possible losses and unamortized premium or discount. Premium and discount is amortized using straight line method.

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

h. Export bills

Export bills represent negotiated export bills that have been discounted and guaranteed by other banks. Export bills are stated at purchase value after deducting the discount and allowance for possible losses. The discount arising from export bills has been fully recorded in the current year's profit and loss as the amount is immaterial.

i. Loans

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

The restructuring of non-performing loans involves the modification of terms (e.g. modification of interest rate and extension of payment maturity date), and does not involve the receipt of assets (including receipt of shares) from the debtor. Bank records the effects of the restructuring prospectively and does not change the recorded 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 excess is charged as loss from current year profit and loss.

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

j. Sharia receivables and financing

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

Murabahah is a sales contract between the customer and BRI Sharia, where BRI Sharia finances the investment and working capital needs of the customer with a price of principle and a profit margin agreed by both parties. Repayment is conducted by installments within a specified period.

Istishna is selling contract between *al-mutashni* (buyer) and *al-shani* (producer who also acts as seller). Based on the contract, buyer delegate producer to create or buy *al-mashnu* (order goods) appropriate with specifications that are conditioned by buyer and sell it with agreed upon price.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Sharia receivables and financing (continued)

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

Mudharabah financing is a joint financing made between BRI Sharia which provides the capital (shahibul maal) and the customer who manages the project (mudharib) in a certain period. The profit sharing from the project is distributed according to a predetermined ratio (nisbah).

Musyarakah financing is an agreement between the investors (mitra musyarakah) to have a joint-venture in a partnership with revenue or profit and loss sharing based on an agreement and capital proportion.

k. Acceptances receivable and payable

Acceptances receivable and payable represent letters of credit (L/C) 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.

l. Investments in shares of stock

Investments in shares of stock represent mainly long-term investments in non-publicly-listed companies engaged in financing activities.

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

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

m. Premises and equipment

Premises and equipment are stated at cost, except for certain premises and equipment which were revalued in accordance with Government regulation, less accumulated depreciation. The increment of values of premises and equipment resulting from the revaluation is reported in equity 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

Land rights and museum assets are stated at cost and not depreciated.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Premises and equipment (continued)

The cost of repairs and maintenance is charged to operations as incurred; significant renewals and betterments which lengthen the useful lives or giving 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 and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are recorded in the profit or loss in the current year.

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

n. Leases

Lease transactions in which BRI is the lessee are accounted for as capital lease when all of 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 operating lease. Assets under capital lease (included as part of "Premises and Equipment") are stated at the present value of the minimum lease payments at the beginning of the lease term plus the residual value (option price) to be paid at the end of the lease period. Depreciation is computed on the straight-line method over the estimated useful lives of the assets and lease period.

Obligations under capital lease are stated at the present value of the lease payments and classified under "Other Liabilities".

o. Repossessed assets

Repossessed assets acquired in settlement of loans (included as part of "Other Assets") are recognized at their net realizable value. Net realizable value is the fair value of the collateral after deducting the estimated costs of disposal. 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 the sale of the collateral.

p. Prepaid expenses

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

q. Liabilities immediately payable

Liabilities immediately payable represent the obligations of BRI to outside parties that based on a contract or on an order by those having the authority, have to be settled immediately. Liabilities immediately payable are stated at the amount of the liability of BRI to the account holders.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. 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. Customers receive bonus based on BRI Sharia policy.

Savings deposits represent customers' funds from which the depositors are entitled to withdraw under certain 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 profit-sharing return ratio (nisbah) from income derived by BRI Sharia from the use of such funds.

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

Mudharabah time deposits represent third party funds with predetermined profit-sharing return ratio (nisbah) that can be withdrawn only at a predetermined 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 customer and BRI Sharia.

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

Deposits from other banks and financial institutions represent 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 term up to 90 days and stated at the amount due to banks and other financial institutions.

s. 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 purchase and selling price is treated as unearned interest and recognized over the period from the time of purchase to the time of resale.

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Allowance for timely-payment interest on BRI Micro 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 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".

u. Interest income and interest expense

Interest income and interest expense are recognized on accrual basis. Interest income is not accrued on non-performing earning assets (Substandard, Doubtful and Loss) and 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 in the current period. Interest income from non-performing asset that has not been received (Interest Receivables on Non-performing Loans) is reported in the notes to the financial statements as information on commitments and contingencies.

Cash collections from loans which have been classified as doubtful or loss will be first reduced from the loan principal. The excess collections from outstanding balances are recognized as interest income in the statement of income.

v. 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 unamortized 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.

w. Sharia income and charges

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

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Sharia income and charges (continued)

Total margin and profit sharing on the facilities 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 to 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 ratio.

x. Pension plan and employee benefits

BRI has defined benefit pension plans covering substantially all of its employees under certain 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 pre-pension 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). Previously, BRI recognized employee benefit liabilities in accordance with the Ministry of Manpower Decree No. Kep-150/Men/2000 (KEPMEN 150) regarding "The Settlement of Work Dismissal and Determination of Separation, Gratuity for Services and Compensation Payments by Companies". The 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 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 in between 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.

y. Stock Options

BRI has granted stock options to the Board of 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 the 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. 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.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Earnings per share

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

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

aa. Foreign currency transactions and balances

BRI maintains its accounting records in Indonesian Rupiah. Transactions in foreign currencies are recorded at the prevailing exchange rates in effect on the date of the transactions. As of December 31, 2006 and 2005, 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 29, 2006 and December 30, 2005, respectively. The resulting gains or losses are credited or charged to the current income.

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

	<u>2006</u>	<u>2005</u>
United States Dollar 1	9,003.00	9,830.00
Great Britain Pound Sterling 1	17,616.19	16,982.10
Japanese Yen 100	7,563.00	8,383.42
European Euro 1	11,846.25	11,643.15
Hong Kong Dollar 1	1,157.71	1,267.83

ab. Translation of the financial statements of overseas branch and agencies

BRI has a branch office in Cayman Islands and 2 agency offices each in New York and Hong Kong that are separate foreign entities.

For financial statements combination purposes, the accounts of the overseas branch and agencies 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 net translation adjustment is included in the stockholders' equity as "Differences Arising from Translation of Foreign Currency Financial Statements".

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac. 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 at their fair value. Fair value is determined based on market value or Reuters spot rate at reporting 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 are recognized currently in the profit and loss. For accounting purposes, BRI's derivative transactions are not designated as effective hedging.

ad. Income tax

BRI 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 on accumulated tax loss carry-forward, to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 appealed, when the result of the appeal is determined.

ae. Segment reporting

PSAK No. 5 (Revised 2000) on "Segment Reporting" requires the identification and disclosure of financial information based on the type of products or services rendered and geographies of the company's operations. BRI only operates in the banking industry, therefore the information for segment reporting disclosed is based geographical segments.

af. Use of estimates

In the preparation of the financial statements in accordance with generally accepted accounting principles, the management used estimates and assumptions that affect the reported amounts in the financial statements. There is inherent risk in making estimates such that actual amounts reported in future periods may differ from the estimated amounts.

ag. Reclassification of accounts

Certain accounts in the December 31, 2005 financial statements have been reclassified to conform to the presentation of accounts in the December 31, 2006 financial statements as follows:

Account Description	As Previously Reported	Reclassification	Currently Reported
Derivative receivables - net	-	6,307	6,307
Other assets - net	2,184,309	(6,307)	2,178,002

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ag. Reclassification of accounts (continued)

Account Description	As Previously Reported	Reclassification	Currently Reported
Liabilities immediately payable	1,956,467	952	1,957,419
Derivative payables	-	36,872	36,872
Other liabilities	4,197,737	(37,824)	4,159,913
Other operating income			
Fees	-	496,005	496,005
Other fees and commissions	568,475	(536,586)	31,889
Others	106,675	40,581	147,256
Interest expense, sharia and other charges			
Interest expense and other charges	4,801,350	(20,326)	4,781,024
Other operating expenses			
General and administrative	2,126,385	(182,816)	1,943,569
Others	378,969	203,142	582,111

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 amounting to Rp24,699,387 in the balance sheet as of June 30, 2003.

In order to have a fresh start with a balance sheet showing current values without accumulated losses, BRI implemented quasi-reorganization as of June 30, 2003 (Note 2b).

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:

	2006	2005
Rupiah	13,713,696	8,465,124
United States Dollar	307,672	242,571
	14,021,368	8,707,695

As of December 31, 2006 and 2005, current accounts with Bank Indonesia under sharia banking principles amounted to Rp25,244 and Rp12,503, respectively.

Current accounts with Bank Indonesia is maintained to comply with Bank Indonesia's minimum legal reserve requirement (GWM).

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

4. CURRENT ACCOUNTS WITH BANK INDONESIA (continued)

As of December 31, 2006 and 2005, the GWM ratios of BRI (unaudited) are as follows:

	<u>2006</u>	<u>2005</u>
Rupiah	12.34%	9.55%
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, 2006 and 2005.

5. CURRENT ACCOUNTS WITH OTHER BANKS

a) By Currency:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
<u>Rupiah</u>	33,335	11,271
<u>Foreign currencies</u>		
United States Dollar	91,315	347,409
European Euro	21,568	132,663
Great Britain Pound Sterling	12,425	25,825
Japanese Yen	5,066	104,149
Singapore Dollar	2,610	5,035
Hong Kong Dollar	2,124	4,286
Others	13,492	22,307
	<u>148,600</u>	<u>641,674</u>
Total	181,935	652,945
Less: Allowance for possible losses	(1,819)	(6,529)
	<u>180,116</u>	<u>646,416</u>

b) By Bank:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
<u>Rupiah</u>		
PT Bank Negara Indonesia (Persero) Tbk	22,254	2,479
PT Bank Mandiri (Persero) Tbk	1,416	1,649
Others	9,665	7,143
	<u>33,335</u>	<u>11,271</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

b) By Bank (continued):

	2006	2005
<u>Foreign currencies</u>		
The Bank of New York	19,919	13,738
Dresdner Bank AG	13,484	21,957
JP Morgan Chase Bank, N.A.	11,622	100,261
The Hongkong and Shanghai Banking Corporation Limited	8,310	25,874
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,066	101,696
ABN-AMRO Bank N.V.	5,047	18,553
Deutsche Bank Trust Company Americas	2,213	248,146
Union Bank of California International	-	31,533
Others	82,939	79,916
	148,600	641,674
Total	181,935	652,945
Less: Allowance for possible losses	(1,819)	(6,529)
	180,116	646,416

c) By Collectibility:

As of December 31, 2006 and 2005, all current accounts with other banks are classified current.

d) Average annual interest rates for current accounts with other banks:

	2006	2005
Rupiah	1.20%	2.34 %
Foreign currencies		
United States Dollar	3.91	2.40
European Euro	1.46	0.15

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

	2006	2005
<u>Rupiah</u>		
Beginning balance	112	263
Provision (reversal) during the year (Note 33)	221	(151)
	333	112

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

e) Movements of allowance for possible losses on current accounts with other banks (continued):

	<u>2006</u>	<u>2005</u>
<u>Foreign currencies</u>		
Beginning balance	6,417	3,331
(Reversal) provision during the year (Note 33)	(4,931)	3,086
	<u>1,486</u>	<u>6,417</u>
	<u>1,819</u>	<u>6,529</u>

The minimum allowance for possible losses on current accounts with other banks that should be provided based on Bank Indonesia regulations amounted to Rp1,819 and Rp6,529 as of December 31, 2006 and 2005, 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:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
<u>Rupiah</u>		
Bank Indonesia - <i>FASBI</i> , net of unamortized interest of Rp1,259 and Rp1,431 as of December 31, 2006 and 2005, respectively	9,548,741	6,648,569
Inter-bank call money		
Citibank, N.A.	425,000	-
The Hongkong and Shanghai Banking Corporation Limited	400,000	-
ABN-AMRO Bank N.V.	375,000	175,000
PT Bank Danamon Indonesia Tbk	200,000	300,000
Standard Chartered Bank	200,000	250,000
PT Bank Permata Tbk	150,000	125,000
PT Pan Indonesia Bank Tbk	145,000	200,000
Deutsche Bank AG	100,000	-
PT Bank Internasional Indonesia Tbk	90,000	25,000
PT Bank Mega Tbk	40,000	45,000
PT Bank NISP Tbk	30,000	30,000
American Express Bank	30,000	-
PT Bank Rabobank International Indonesia	20,000	50,000

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

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

a) By Currency and Type (continued):

	2006	2005
PT Bank Artha Graha Internasional Tbk	20,000	-
JP Morgan Chase Bank, N.A.	15,000	50,000
PT Bank OCBC Indonesia	15,000	20,000
PT Bank UFJ Indonesia	-	75,000
PT Bank BNP Paribas Indonesia	-	48,000
PT Bank Jabar	-	25,000
PT Bank China Trust Indonesia	-	25,000
	<u>2,255,000</u>	<u>1,443,000</u>
	<u>11,803,741</u>	<u>8,091,569</u>
<u>Foreign currencies</u>		
Inter-bank call money		
ABN-AMRO Bank N.V.	1,147,937	247,706
Maybank	149,450	90,436
The Bank of New York	144,048	304,730
Indosische Overzeese Bank N.V.	135,045	-
Wachovia Bank, N.A.	86,879	87,979
Citibank, N.A.	1,260	15,040
ING Bank N.V.	-	196,600
HSH Nordbank AG	-	147,450
Raiffeisen Zentrabank Oesterreich AG	-	122,875
Bank of America, N.A.	-	24,772
	<u>1,664,619</u>	<u>1,237,588</u>
Time deposits		
UFJ Bank Ltd.	22,507	24,575
	<u>1,687,126</u>	<u>1,262,163</u>
	<u>13,490,867</u>	<u>9,353,732</u>
<u>Related party</u>		
<u>Rupiah</u>		
Inter-bank call money		
PT UFJ-BRI Finance	166,000	256,000
Total	<u>13,656,867</u>	<u>9,609,732</u>
Less: Allowance for possible losses	<u>(41,081)</u>	<u>(29,612)</u>
	<u>13,615,786</u>	<u>9,580,120</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(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:

	2006	2005
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	11,803,741	8,091,569
<u>Foreign currencies</u>		
≤ 1 month	1,664,619	1,247,418
> 1 month - 3 months	22,507	14,745
	<u>1,687,126</u>	<u>1,262,163</u>
	<u>13,490,867</u>	<u>9,353,732</u>
<u>Related party</u>		
<u>Rupiah</u>		
≤ 1 month	42,000	97,000
> 1 month - 3 months	124,000	159,000
	<u>166,000</u>	<u>256,000</u>
Total	13,656,867	9,609,732
Less: Allowance for possible losses	(41,081)	(29,612)
	<u>13,615,786</u>	<u>9,580,120</u>

c) By Collectibility:

As of December 31, 2006 and 2005, all placements with Bank Indonesia and other banks are classified current.

d) Average annual interest rates are as follows:

	2006	2005
<u>Rupiah</u>		
<i>FASBI</i>	6.68%	7.18%
Inter-bank call money	9.62	8.47
<u>Foreign currencies</u>		
Inter-bank call money	5.28	3.30
Time deposits	5.13	3.93

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(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:

	<u>2006</u>	<u>2005</u>
<u>Rupiah</u>		
Beginning balance	16,990	5,060
Provision during the year (Note 33)	7,220	11,930
	<u>24,210</u>	<u>16,990</u>
<u>Foreign currencies</u>		
Beginning balance	12,622	9,841
Provision during the year (Note 33)	4,249	2,781
	<u>16,871</u>	<u>12,622</u>
	<u>41,081</u>	<u>29,612</u>

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 Rp41,081 and Rp29,612 as of December 31, 2006 and 2005, 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:

	<u>2006</u>	<u>2005</u>
<u>Trading (Fair Value)</u>		
<u>Rupiah</u>		
Government bonds	608,497	2,546,287
Mutual funds	95,576	79,046
Bonds	75,670	87,905
Medium-term notes	19,812	19,302
	<u>799,555</u>	<u>2,732,540</u>
<u>Foreign currencies</u>		
Government bonds	348,635	479,126
Medium-term notes	110,111	118,142
Guaranteed notes	91,380	198,320
US Treasury bonds	84,938	93,938
Notes receivables	44,791	49,519
Subordinated notes	34,394	38,371
	<u>714,249</u>	<u>977,416</u>
	<u>1,513,804</u>	<u>3,709,956</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

a) By Purpose, Currency and Type (continued):

	<u>2006</u>	<u>2005</u>
<u>Available-for-Sale (Fair Value)</u>		
<u>Foreign currencies</u>		
Government bonds	839,516	345,917
Notes receivables	198,497	207,858
	<u>1,038,013</u>	<u>553,775</u>
<u>Held-to-Maturity (Cost)</u>		
<u>Rupiah</u>		
Bank Indonesia Certificates, net of unamortized interest of Rp53,398 and Rp15,522 as of December 31, 2006 and 2005, respectively	12,687,722	2,784,478
<u>Foreign currencies</u>		
Subordinated notes, net of unamortized discount of Rp784 and Rp1,006, as of December 31, 2006 and 2005, respectively	152,267	166,104
	<u>12,839,989</u>	<u>2,950,582</u>
Total	15,391,806	7,214,313
Less: Allowance for possible losses	(9,074)	(10,585)
	<u>15,382,732</u>	<u>7,203,728</u>

b) By Collectibility:

As of December 31, 2006 and 2005, all securities are classified current.

c) By Remaining Period to Maturity:

Securities by their remaining period to maturity are as follows:

	<u>2006</u>	<u>2005</u>
<u>Rupiah</u>		
≤ 1 month	13,487,277	5,517,018
<u>Foreign currencies</u>		
≤ 1 month	1,752,263	1,531,191
> 1 year	152,266	166,104
	<u>1,904,529</u>	<u>1,697,295</u>
Total	15,391,806	7,214,313
Less: Allowance for possible losses	(9,074)	(10,585)
	<u>15,382,732</u>	<u>7,203,728</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer:

d.1. Government Bonds

Government bonds represent bonds issued by the Government in connection with management of Government debentures portfolio such as *Surat Utang Negara* (SUN) and Government bonds issued in foreign currencies which are obtained from prime and secondary markets. The details of Government bonds are as follows:

Series	2006			2005		
	Fair Value	Annual Interest Rate (%)	Maturity Date	Fair Value	Annual Interest Rate (%)	Maturity Date
Trading						
<u>Rupiah</u>						
FR0022	54,810	12.00	September 15, 2011	47,238	12.00	September 15, 2011
FR0023	100,919	11.00	December 15, 2012	142,918	11.00	December 15, 2012
FR0024	27,130	12.00	October 15, 2010	23,838	12.00	October 15, 2010
FR0025	-	-	-	591,477	10.00	October 15, 2011
FR0026	106,288	11.00	October 15, 2014	602,800	11.00	October 15, 2014
FR0027	229,727	9.50	June 15, 2015	730,575	9.50	June 15, 2015
FR0028	89,553	10.00	July 15, 2017	388,325	10.00	July 15, 2017
FR0029	-	-	-	19,116	9.50	April 15, 2007
ORI001	70	12.05	August 9, 2009	-	-	-
	608,497			2,546,287		
Foreign currencies						
RI0006	-	-	-	49,887	7.75	August 1, 2006
RI0014	251,403	6.75	March 10, 2014	328,482	6.75	March 10, 2014
RI0015	97,232	7.25	April 20, 2015	100,757	7.25	April 20, 2015
	348,635			479,126		
	957,132			3,025,413		
Available-for-Sale						
<u>Foreign currencies</u>						
RI0014	395,803	6.75	March 10, 2014	245,136	6.75	March 10, 2014
RI0015	97,618	7.25	April 20, 2015	100,781	7.25	April 20, 2015
RI0016	29,710	7.50	January 15, 2016	-	-	-
RI0017	316,385	6.88	March 9, 2017	-	-	-
	839,516			345,917		

The market value of Government bonds held for trading and available-for-sale ranged from 97.759% to 110.000% and 77.665% to 102.500% as of December 31, 2006 and 2005, respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.2. Bonds

	2006			2005		
	Fair Value	Rating ^{a)}	Maturity Date	Fair Value	Rating ^{a)}	Maturity Date
Trading						
Rupiah						
PT Bank Negara Indonesia (Persero) Tbk Series I	47,552	idA-	July 10, 2011	39,375	idA-	July 10, 2011
PT Perusahaan Listrik Negara (Persero) Series VI B	17,983	idA	August 8, 2007	15,390	idA	August 8, 2007
Perum Pegadaian Series VI	8,106	idAA	September 8, 2007	7,880	idAA	September 8, 2007
PT Bank Tabungan Negara (Persero) Series X	2,029	idA	May 25, 2009	1,635	idA-	May 25, 2009
PT Bank Ekspor Indonesia (Persero) Series II A	-	-	-	23,625	idBBB+	June 22, 2006
	75,670			87,905		

^{a)} Based on ratings reported by PT Pemeringkat Efek Indonesia (Pefindo)

Average annual interest rates for bonds are as follows:

	2006	2005
Rupiah	10.87%	10.93%

d.3. Mutual Funds

	2006	2005
Brivestama Pasti Mutual Funds	70,845	58,559
Brivestama Pasar Uang Mutual Funds	11,840	10,596
ITB - Niaga Mutual Funds	6,764	5,184
Surya Mutual Funds	6,127	4,707
	95,576	79,046

BRI also acts as sponsor of the public offerings of these mutual funds. The placements in these mutual funds are redeemable after 1 (one) year from the placements dates on May 26, 2003 for Brivestama Pasti Mutual Funds, October 16, 2003 for ITB-Niaga Mutual Funds, November 11, 2004 for Surya Mutual Funds and March 1, 2005 for Brivestama Pasar Uang Mutual Funds.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.4. Notes Receivables

	2006			2005		
	Fair Value	Rating ^{a)}	Maturity Date	Fair Value	Rating ^{a)}	Maturity Date
Trading						
<u>Foreign currencies</u>						
PT Bank Negara Indonesia (Persero) Tbk	44,791	B+	February 15, 2007	49,519	-	February 15, 2007
Available-for-Sale						
<u>Foreign currencies</u>						
Federal National Mortgage Association	21,975	A-1	January 10, 2007	-	-	-
Montblanc	8,909	A-1	February 14, 2007	-	-	-
Premier 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	-	-	-
Evergreen	7,363	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	-	-	-
Lehman Agency	-	-	-	11,150	A-1	January 3, 2006
Federal Home LN BK	-	-	-	11,039	A-1	January 11, 2006
Kaiserplatz Funding (Delaware), LLC	-	-	-	9,977	A-1	January 24, 2006
North Sea Funding Europe	-	-	-	9,948	A-1	January 30, 2006
McKinley Funding Ltd.	-	-	-	9,830	A-1	January 17, 2006
Millstone Funding Corp	-	-	-	9,830	A-1	January 27, 2006
Regency Markets	-	-	-	9,830	A-1	January 20, 2006
ANZ Natl Int. Cpds	-	-	-	7,864	A-1	January 17, 2006
Govoco, Inc	-	-	-	7,166	A-1	January 13, 2006
Erasmus Capital Corp	-	-	-	5,220	A-1	January 18, 2006
Atlas Capital Funding	-	-	-	5,053	A-1	January 25, 2006
Atlantis One Fdg Corp	-	-	-	4,915	A-1	March 27, 2006
Crown Point Capital Co, LLC	-	-	-	4,915	A-1	June 13, 2006
Others	99,578	various	various	101,121	various	various
	<u>198,497</u>			<u>207,858</u>		
	<u>243,288</u>			<u>257,377</u>		

^{a)} Based on ratings reported by Standard & Poor's

Average annual interest rates for notes receivable:

	2006	2005
Foreign currency	5.64%	4.24%

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.5. Subordinated Notes

	2006			
	Nominal Amount		Unamortized Discount	Net/Fair Value
	US Dollar	Rupiah Equivalent		
Trading				
PT Bank Negara Indonesia (Persero) Tbk	3,700,000	33,311	-	34,394
Held-to-Maturity				
PT Bank Mandiri (Persero) Tbk	10,000,000	90,030	(428)	89,602
PT Bank Negara Indonesia (Persero) Tbk	7,000,000	63,021	(356)	62,665
	17,000,000	153,051	(784)	152,267
	2005			
	Nominal Amount		Unamortized Discount	Net/Fair Value
	US Dollar	Rupiah Equivalent		
Trading				
PT Bank Negara Indonesia (Persero) Tbk	3,700,000	36,371	-	38,371
Held-to-Maturity				
PT Bank Mandiri (Persero) Tbk	10,000,000	98,300	(551)	97,749
PT Bank Negara Indonesia (Persero) Tbk	7,000,000	68,810	(455)	68,355
	17,000,000	167,110	(1,006)	166,104

The subordinated notes of PT Bank Negara Indonesia (Persero) Tbk are due on November 15, 2012 with an option to buy back on November 15, 2007, and are classified as "Trading" for nominal amount of US\$3,700,000 and "Held-to-maturity" for nominal amount of US\$7,000,000. The subordinated notes bear annual fixed interest rate of 10% until the option date, unless redeemed earlier. The interest rate (from and including November 16, 2007 but excluding November 15, 2012) will be based on prevailing 5 (five) year-US Treasury rate plus 11.1% per annum. Interest is receivable every 6 (six) months.

The subordinated notes of PT Bank Mandiri (Persero) Tbk are due on August 2, 2012 with an option to buy back on August 2, 2007. The subordinated notes bear annual fixed interest rate of 10.625% until the option date, unless redeemed earlier. The interest rate (from and including August 3, 2007 but excluding August 2, 2012) will be based on prevailing 5 (five) year-US Treasury rate plus 11.2% per annum. The interest is receivable every 6 (six) months.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.6. Guaranteed Notes

	2006			2005		
	Fair Value	Rating ^{a)}	Maturity Date	Fair Value	Rating ^{a)}	Maturity Date
Trading						
Foreign currencies						
PGN Euro Finance 2003 Limited	91,380	B+	February 24, 2014	98,546	B+	February 24, 2014
Antam Finance Limited	-	-	-	99,774	B	September 30, 2010
	91,380			198,320		

^{a)} Based on ratings reported by Standard & Poor's

d.7. Medium Term Notes (MTNs)

	2006		2005	
	Fair Value	Maturity Date	Fair Value	Maturity Date
Trading				
Rupiah				
PT Telekomunikasi Indonesia (Persero) Tbk	19,812	June 15, 2007	19,302	June 15, 2007
Foreign currencies				
Deutsche Bank AG	82,900	July 17, 2009	88,578	July 17, 2009
PT Bank Mandiri (Persero) Tbk	27,211	April 22, 2008	29,564	April 22, 2008
	110,111		118,142	
	129,923		137,444	

The MTNs of PT Telekomunikasi Indonesia (Persero) Tbk bear annual fixed interest rate of 9.4% which is receivable every 6 (six) months.

MTNs issued by Deutsche Bank AG has nominal amount of US\$10,000,000 with an offer price of 99% and are non-interest bearing. The redemption amount on maturity will be either 102% of the nominal amount plus an amount equal to the index closing level on the valuation date if a minimum threshold event does not occur, or 102% of the nominal amount if a minimum threshold event does occur. The minimum threshold event is the index closing level on any business day in the period from, but excluding the issuance date, to and including the valuation date is equal to or less than 0.75% of the nominal amount. BRI has classified these notes under trading securities. The fair value as of December 31, 2006 and 2005 represents 92.08% and 90.11%, respectively, of the nominal amount.

The MTNs of PT Bank Mandiri (Persero) Tbk bear annual fixed interest rate of 7% which is receivable every 6 (six) months.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

7. SECURITIES (continued)

d) By Issuer (continued):

d.8. US Treasury Bonds

As of December 31, 2006 and 2005, BRI has US Treasury Bonds issued by the Government of the United States of America with a nominal amount of US\$10,000,000 with fair value of Rp84,938 and Rp93,938, respectively, and will be due on May 15, 2013. The bonds bear annual fixed interest rate of 3.625%, and interest is receivable every 6 (six) months.

e) Movements of allowance for possible losses on securities:

	2006	2005
<u>Rupiah</u>		
Beginning balance	1,862	1,604
Provision during the year (Note 33)	48	258
	<u>1,910</u>	<u>1,862</u>
<u>Foreign Currencies</u>		
Beginning balance	8,723	16,179
Reversal during the year (Note 33)	(1,559)	(7,456)
	<u>7,164</u>	<u>8,723</u>
	<u>9,074</u>	<u>10,585</u>

The minimum allowance for possible losses on securities that should be provided based on Bank Indonesia regulations amounted to Rp9,074 and Rp10,585 as of December 31, 2006 and 2005, respectively.

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

- f) BRI recognized net income from 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 statements of income. BRI recognized net loss from decline in the value of trading securities amounting to Rp516,962 for the year ended December 31, 2005, which is recorded under "Loss from decline in value of securities and Government recapitalization bonds - net" in the statements of income.
- g) BRI recognized net gain resulting from the sale of securities amounting to Rp156,700 for the year ended December 31, 2006, which is recorded under "Gain on sale of securities and Government recapitalization bonds - net" in the statements of income. BRI recognized net loss resulting from the sale of securities amounting to Rp81,395 for the year ended December 31, 2005, which is recorded under "Loss on sale of securities and Government recapitalization bonds - net" in the statements of income.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

8. EXPORT BILLS

a) By Collectibility:

	2006	2005
<u>Third parties</u>		
<u>Rupiah</u>		
Current	-	19,027
<u>Foreign currencies</u>		
Current	463,913	436,862
Loss	5,008	168
	468,921	437,030
Total	468,921	456,057
Less: Allowance for possible losses	(9,647)	(4,727)
	459,274	451,330

b) By Period:

The classification of export bills based on their remaining period to maturity is as follows:

	2006	2005
<u>Third parties</u>		
≤ 1 month	319,971	371,913
> 1 month - 3 months	41,675	69,979
> 3 months - 6 months	75,590	14,165
> 6 months - 1 year	31,685	-
Total	468,921	456,057
Less: Allowance for possible losses	(9,647)	(4,727)
	459,274	451,330

c) Average annual discount rates for export bills were 7.0% for the years ended December 31, 2006 and 2005, respectively.

d) Movements of allowance for possible losses on export bills:

	2006	2005
Beginning balance	4,727	3,375
Provision during the year (Note 33)	4,920	1,352
	9,647	4,727

The minimum allowance for possible losses on export bills that should be provided based on Bank Indonesia regulations amounted to Rp9,647 and Rp4,727 as of December 31, 2006 and 2005, respectively.

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

9. GOVERNMENT RECAPITALIZATION BONDS

This account represents bonds issued by the Government related to BRI's recapitalization program and Government recapitalization bonds bought from secondary market.

In connection with the recapitalization program, BRI received Government recapitalization bonds 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 on behalf of the Republic of Indonesia with BRI and the Boards of Directors and Commissioners of BRI, it was 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 corresponding interest income on such bonds. On November 5, 2001, BRI returned the Government recapitalization bonds amounting to Rp85,469, including the related interest to the Government.

The details of Government recapitalization bonds are as follows:

a) By Purpose and Remaining Period to Maturity:

	2006	2005
Trading (Fair Value)		
≤ 1 month	851,052	453,824
Available-for-Sale (Fair Value)		
≤ 1 month	6,255,002	5,928,753
Held-to-Maturity (Cost)		
> 1 year - 5 years	7,739,294	3,739,294
> 5 years - 10 years	1,000,000	4,500,000
> 10 years	2,600,000	3,100,000
	11,339,294	11,339,294
	18,445,348	17,721,871

b) By Type:

Series	2006			2005		
	Cost/ Fair Value	Interest Rate (%)	Maturity Date	Cost/ Fair Value	Interest Rate (%)	Maturity Date
Trading (Fair Value)						
FR0002	11,118	14.000	June 15, 2009	10,217	14.000	June 15, 2009
FR0010	33,341	13.150	March 15, 2010	54,920	13.150	March 15, 2010
FR0013	-	15.425	September 15, 2010	53,734	15.425	September 15, 2010
FR0014	600,315	15.575	November 15, 2010	-	-	-
FR0017	206,278	13.150	January 15, 2012	178,342	13.150	January 15, 2012
FR0019	-	14.250	June 15, 2013	52,025	14.250	June 15, 2013
FR0020	-	14.275	December 15, 2013	6,251	14.275	December 15, 2013
VR0012	-	SBI 3 months	September 25, 2007	98,335	SBI 3 months	September 25, 2007
	851,052			453,824		

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

9. GOVERNMENT RECAPITALIZATION BONDS (continued)

b) By Type (continued):

Series	2006			2005		
	Cost/ Fair Value	Interest Rate (%)	Maturity Date	Cost/ Fair Value	Interest Rate (%)	Maturity Date
Available-for-Sale (Fair Value)						
FR0014	-	15.575	November 15, 2010	538,320	15.575	November 15, 2010
FR0016	1,146,596	13.450	August 15, 2011	1,000,336	13.450	August 15, 2011
FR0017	1,327,156	13.150	January 15, 2012	1,147,421	13.150	January 15, 2012
FR0018	3,781,250	13.175	July 15, 2012	3,242,676	13.175	July 15, 2012
	6,255,002			5,928,753		
Held-to-Maturity (Cost)						
FR0011	800,000	13.550	May 15, 2010	800,000	13.550	May 15, 2010
FR0015	4,000,000	13.400	February 15, 2011	4,000,000	13.400	February 15, 2011
VR0013	634,823	SBI 3 months	January 25, 2008	634,823	SBI 3 months	January 25, 2008
VR0014	634,824	SBI 3 months	August 25, 2008	634,824	SBI 3 months	August 25, 2008
VR0016	1,669,647	SBI 3 months	July 25, 2009	1,669,647	SBI 3 months	July 25, 2009
VR0020	250,000	SBI 3 months	April 25, 2015	250,000	SBI 3 months	April 25, 2015
VR0021	250,000	SBI 3 months	November 25, 2015	250,000	SBI 3 months	November 25, 2015
VR0023	500,000	SBI 3 months	October 25, 2016	500,000	SBI 3 months	October 25, 2016
VR0026	375,000	SBI 3 months	January 25, 2018	375,000	SBI 3 months	January 25, 2018
VR0027	375,000	SBI 3 months	July 25, 2018	375,000	SBI 3 months	July 25, 2018
VR0028	375,000	SBI 3 months	August 25, 2018	375,000	SBI 3 months	August 25, 2018
VR0029	375,000	SBI 3 months	August 25, 2019	375,000	SBI 3 months	August 25, 2019
VR0031	1,100,000	SBI 3 months	July 25, 2020	1,100,000	SBI 3 months	July 25, 2020
	11,339,294			11,339,294		
	18,445,348			17,721,871		

c) Other Significant Information:

Government recapitalization bonds sold under agreements to repurchase outstanding as of December 31, 2006 and 2005 amounted to Rp100,000, respectively (Note 23).

As of December 31, 2006 and 2005, the market values of Government recapitalization bonds classified under trading and available-for-sale as published by Bank Indonesia and other sources are as follows:

Series	2006	2005
FR0002	111.18%	102.17%
FR0010	111.14	99.85
FR0013	-	107.47
FR0014	120.06	107.66
FR0016	114.90	100.24
FR0017	114.60	99.08
FR0018	115.46	99.01
FR0019	-	104.05
FR0020	-	104.19
VR0012	-	98.34

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

9. GOVERNMENT RECAPITALIZATION BONDS (continued)

c) Other Significant Information (continued):

The market value of Government recapitalization bonds held for trading and available-for-sale based on the expected market yield for similar securities ranged from 111.14% to 120.06% and 98.34% to 107.66% as of December 31, 2006 and 2005, respectively.

BRI recognized net gain from increase in value 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 statements of income. BRI recognized net loss from decline in value amounting to Rp49,020 for the year ended December 31, 2005, which were recorded under "Loss from decline in value of securities and Government recapitalization bonds - net" in the statements of income.

BRI recognized net gain from sales of Government recapitalization bonds classified as trading amounting to Rp137,160 and Rp313,028 for the years ended December 31, 2006 and 2005, respectively, which were recorded under "Gain on sale of securities and Government recapitalization bonds - net" in the statements of income.

10. SECURITIES PURCHASED WITH AGREEMENT TO RESELL

Securities purchased with agreement to resell as of December 31, 2006 consist of:

	<u>Terms</u>	<u>Resale Date</u>	<u>Nominal</u>	<u>Resale Price</u>	<u>Unearned Interest</u>	<u>Net Value</u>
PT Pan Indonesia Bank Tbk Government Recapitalization Bond Series FR0018	31 days	January 15, 2007	100,000	105,882	(399)	105,483
Government Bond Series FR0026	31 days	January 15, 2007	100,000	96,806	(364)	96,442
			<u>200,000</u>	<u>202,688</u>	<u>(763)</u>	<u>201,925</u>

The securities purchased with agreement to resell are classified current.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

11. DERIVATIVE RECEIVABLES AND PAYABLES

The summary of the derivative transactions as of December 31, 2006 and 2005 are as follows:

2006		
Transaction	Derivative receivables	Derivative payables
a. Forward foreign currencies bought	-	5,532
b. Forward foreign currencies sold	5,557	-
c. Interest rate swap	-	18,694
d. Cross currency swap	5,050	-
Total	10,607	24,226
Less: Allowance for possible losses	(106)	-
	10,501	24,226
2005		
Transaction	Derivative receivables	Derivative payables
a. Forward foreign currencies bought	-	6,007
b. Forward foreign currencies sold	6,371	-
c. Interest rate swap	-	30,865
Total	6,371	36,872
Less: Allowance for possible losses	(64)	-
	6,307	36,872

a. Forward foreign currencies bought

	2006		
	Nominal		Contract Amount
	Original Currency (US\$)	Rupiah Equivalent	
ABN-AMRO Bank N.V.	7,000,000	63,021	65,612
The Hongkong and Shanghai Banking Corporation Limited	5,000,000	45,015	47,037
PT Bank Danamon Indonesia Tbk	3,000,000	27,009	28,632
PT Bank DBS Indonesia	1,000,000	9,003	9,235
PT Era Mandiri Cemerlang	600,000	5,402	5,550
	16,600,000	149,450	156,066

These contracts have various due dates, the latest on June 27, 2007.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

11. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

a. Forward foreign currencies bought (continued)

	2005		
	Nominal		
	Original Currency (US\$)	Rupiah Equivalent	Contract Amount
PT Bank Danamon Indonesia Tbk	8,000,000	78,640	85,080
Citibank, N.A.	2,000,000	19,660	20,690
Standard Chartered Bank	1,600,000	15,728	17,048
	11,600,000	114,028	122,818

These contracts have various due dates, the latest on May 22, 2006.

b. Forward foreign currencies sold

As of December 31, 2006, BRI has outstanding forward foreign currency sold contracts in United States Dollar (US\$) with PT UFJ-BRI Finance (a related party), with notional amount of US\$16,000,000 and contract amount of Rp150,676. These contracts have various due dates, the latest on June 27, 2007.

As of December 31, 2005, BRI has outstanding forward foreign currency sold contracts in United States Dollar (US\$) with PT UFJ-BRI Finance (a related party) and PT Bank Mandiri (Persero) Tbk, with notional amount of US\$11,600,000 and US\$20,000,000, respectively, and contract amount of Rp122,962 and Rp196,820, respectively. These contracts have various due dates, the latest on May 22, 2006.

c. Interest rate swap

BRI has interest rate swap contracts as follows:

- i. Contract with The Hongkong and Shanghai Banking Corporation Limited (HSBC) for a notional amount of US\$50,000,000, effective October 14, 2003 and matures on September 25, 2008. Under this contract, BRI receives semi-annual fixed interest from HSBC at 7.75% per annum and pays semi-annual floating interest rate of US\$ LIBOR 6 (six) months + 4.00% per annum to HSBC.
- ii. Contract with ABN-AMRO Bank N.V. for a notional amount of US\$50,000,000, effective November 12, 2003 and matures on September 25, 2008. Under this contract, BRI receives semi-annual fixed interest from ABN-AMRO Bank N.V. at 7.75% per annum and pays semi-annual floating interest rate of US\$ LIBOR 6 (six) months + 4.405% per annum to ABN-AMRO Bank N.V.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

11. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

c. Interest rate swap (continued)

- iii. Contract with HSBC for a notional amount of US\$50,000,000, effective March 27, 2006 and matures on September 25, 2008. Under this contract, BRI receives semi-annual floating interest rate of US\$ LIBOR 6 (six) months + 4.00% per annum multiplied by N/M factor from HSBC and pays semi-annual floating interest rate of US\$ LIBOR 6 (six) months + 2.15% per annum to HSBC. 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 years (CMS 10) subtracted by the interest rate of US Dollar swaps with a maturity of 2 years (CMS 2), is greater than or equal to 0.00%. M represents the total number of calendar days within the interest payment period.
- iv. Contract with ABN-AMRO Bank N.V. for a notional amount of US\$50,000,000, effective March 27, 2006 and matures on September 25, 2008. Under this contract, BRI receives from ABN-AMRO Bank N.V. a semi-annual floating interest rate of US\$ LIBOR 6 (six) months + 4.405% per annum multiplied by N/M factor (except for the first period of interest payment, for September 25, 2006 and March 25, 2007, without multiplied by N/M factor) and pays semi-annual floating interest to ABN-AMRO Bank N.V. at US\$ LIBOR 6 (six) months + 2.75% per annum. 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 years (CMS 10) subtracted by the rate of US Dollar swaps with a maturity of 2 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).
- 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 and bear 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, it does not qualify as a hedging transaction for accounting purposes.

d. Cross currency swap

BRI entered into a cross currency swap contract with ABN-AMRO Bank N.V. effective October 4, 2006, and matures on October 4, 2009. Under this contract, BRI receives US\$20,000,000 from ABN-AMRO Bank N.V. and pays interest rate of US\$ LIBOR 3 (three) months + 0.5% per annum. ABN-AMRO Bank N.V. receives fund in Rupiah (equivalent with US\$20,000,000 at effective contract date) from BRI and pays a fixed interest rate of Bank Indonesia Certificate 3 (three) months + 0.1% per annum. Interest is paid every 3 (three) months. The amount in Rupiah received by ABN-AMRO Bank N.V. will be adjusted in accordance with the prevailing exchange rate every 6 (six) months. On every valuation dates, if the Rupiah currency amount received by ABN-AMRO Bank N.V. on the preceding period compares to the Rupiah currency amount received by ABN-AMRO Bank N.V. on the valuation date is a positive amount (net difference amount) and equal or greater than Rp2 billion, then BRI will pay ABN-AMRO Bank N.V. the net difference amount. On the contrary, if on the valuation date, the Rupiah currency amount received by ABN-AMRO Bank N.V. on the preceding period compares to the Rupiah currency amount received by ABN-AMRO Bank N.V. on the valuation date is a negative amount (net difference amount) and equal or greater than Rp2 billion, then ABN-AMRO Bank N.V. will pay BRI the net difference amount.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS

a) By Currency and Type:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
<u>Rupiah</u>		
Working capital	27,788,190	21,881,266
<i>Kupedes</i>	27,284,362	22,784,990
Consumer	18,769,478	16,317,630
Investment	7,397,673	5,177,584
Program	2,012,363	3,470,842
Syndicated	94,093	193,460
	<u>83,346,159</u>	<u>69,825,772</u>
<u>Foreign currencies</u>		
Working capital	4,495,838	3,515,955
Investment	863,820	1,122,080
Syndicated	168,215	68,608
	<u>5,527,873</u>	<u>4,706,643</u>
	<u>88,874,032</u>	<u>74,532,415</u>
<u>Related parties</u>		
<u>Rupiah</u>		
Working capital	293,863	303,648
Employee	61,275	60,506
	<u>355,138</u>	<u>364,154</u>
<u>Foreign currencies</u>		
Employee	369	436
	<u>355,507</u>	<u>364,590</u>
Total	89,229,539	74,897,005
Less: Allowance for possible losses	(6,687,654)	(5,393,146)
	<u>82,541,885</u>	<u>69,503,859</u>

b) By Economic Sector:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
<u>Rupiah</u>		
Trading, hotel and restaurant	28,161,852	23,243,983
Agriculture	9,133,276	9,895,192
Manufacturing	6,987,052	5,564,980
Business services	2,570,606	2,333,147
Construction	1,720,482	798,685

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

b) By Economic Sector (continued):

	2006	2005
<u>Third parties (continued)</u>		
<u>Rupiah (continued)</u>		
Transportation, warehousing and communication	617,435	388,207
Social services	197,260	126,805
Mining	177,039	148,322
Electricity, gas and water	77,232	71,050
Others	33,703,925	27,255,401
	<u>83,346,159</u>	<u>69,825,772</u>
<u>Foreign currencies</u>		
Manufacturing	3,431,412	3,994,556
Trading, hotel and restaurant	1,523,541	214,059
Agriculture	249,986	211,599
Transportation, warehousing and communication	174,760	30,292
Construction	95,133	172,664
Business services	44,639	70,896
Electricity, gas and water	-	5,993
Others	8,402	6,584
	<u>5,527,873</u>	<u>4,706,643</u>
	<u>88,874,032</u>	<u>74,532,415</u>
<u>Related parties</u>		
<u>Rupiah</u>		
Business services	293,863	303,648
Others	61,275	60,506
	<u>355,138</u>	<u>364,154</u>
<u>Foreign currencies</u>		
Others	369	436
	<u>355,507</u>	<u>364,590</u>
Total	89,229,539	74,897,005
Less: Allowance for possible losses	(6,687,654)	(5,393,146)
	<u>82,541,885</u>	<u>69,503,859</u>

c) By Period:

The classification of loans based on the remaining period to maturity is as follows:

	2006	2005
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	4,148,708	5,542,259
> 1 month - 3 months	5,680,990	5,946,418
> 3 months - 1 year	23,530,264	20,658,793
> 1 year - 2 years	12,924,022	9,607,989
> 2 years - 5 years	31,584,784	24,255,122
> 5 years	5,477,391	3,815,191
	<u>83,346,159</u>	<u>69,825,772</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

c) By Period (continued):

	2006	2005
<u>Foreign currencies</u>		
≤ 1 month	2,698,656	1,894,784
> 1 month - 3 months	173,890	216,799
> 3 months - 1 year	936,492	877,347
> 1 year - 2 years	380,783	322,827
> 2 years - 5 years	791,090	612,964
> 5 years	546,962	781,922
	<u>5,527,873</u>	<u>4,706,643</u>
	<u>88,874,032</u>	<u>74,532,415</u>
<u>Related parties</u>		
<u>Rupiah</u>		
> 3 months - 1 year	293,863	303,648
> 5 years	61,275	60,506
	<u>355,138</u>	<u>364,154</u>
<u>Foreign currencies</u>		
> 5 years	369	436
	<u>355,507</u>	<u>364,590</u>
Total	89,229,539	74,897,005
Less: Allowance for possible losses	(6,687,654)	(5,393,146)
	<u>82,541,885</u>	<u>69,503,859</u>

d) By Collectibility:

	2006	2005
Current	79,309,648	66,209,029
Special mention	5,609,633	5,171,747
Sub-standard	799,330	893,619
Doubtful	936,183	1,359,220
Loss	2,574,745	1,263,390
Total	89,229,539	74,897,005
Less: Allowance for possible losses	(6,687,654)	(5,393,146)
	<u>82,541,885</u>	<u>69,503,859</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

e) Other Significant Information:

- 1) Average annual interest rates for loans are as follows:

	2006	2005
Rupiah	19.96%	20.40%
Foreign currencies	6.61	6.33

- 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, car and other personal loans.
- 5) Program loans represent BRI's loan facilities based on the guidelines from the Indonesian 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 BRI's credit facilities 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 21.33% and from 7.14% to 27.78% as of December 31, 2006 and 2005, respectively.
- 8) The loan to BRI's employees (related party) amounted to Rp61,644 and Rp60,942 as of December 31, 2006 and 2005, respectively and consist of loans which are intended for acquisitions of vehicles, houses and other personal properties. 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 deduction.
- 9) The loans granted to related parties, other than loans to employees, include loans to PT Bringin Srikandi Finance, classified as current, of Rp153,490 and Rp150,860 as of December 31, 2006 and 2005, respectively, and to PT Bringin Indotama Sejahtera Finance, classified as current, of Rp140,373 and Rp152,788 as of December 31, 2006 and 2005, respectively.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

e) Other Significant Information (continued):

10) Loans that have been restructured as of December 31, 2006 and 2005 and still in the process of restructuring as of these dates are as follows:

	<u>2006</u>	<u>2005</u>
Restructured during the year	907,072	765,226
In the process of restructuring	967,004	78,991

The terms of restructuring are generally for the extension of payment maturity date.

11) In its report on Legal Lending Limit (LLL) to Bank Indonesia as of December 31, 2006 and 2005, BRI indicated no debtor either related party or third party that exceeds the LLL.

12) The details of non-performing loans (consisting of sub-standard, doubtful and loss) of BRI which are determined based on management's evaluation of the debtors' business prospect, financial condition and each debtor's ability to repay and the guidelines prescribed by Bank Indonesia regarding the classification of earning assets (Note 2d) are as follows:

<u>Collectibility</u>	<u>2006</u>	<u>2005</u>
Sub-standard	799,330	893,619
Doubtful	936,183	1,359,220
Loss	2,574,745	1,263,390
Total non-performing loans	4,310,258	3,516,229
Total loans	89,229,539	74,897,005
% non-performing loans (Gross NPL)	4.83%	4.69%

13) Movements of allowance for possible losses on loans:

	<u>2006</u>	<u>2005</u>
Beginning balance	5,393,146	5,118,895
Provision during the year (Note 33)	1,846,793	678,473
Bad debt recoveries	622,263	523,880
Loans written-off	(1,023,003)	(879,284)
Foreign currency translation	(151,545)	(48,818)
Ending balance	6,687,654	5,393,146

The above allowance for possible losses includes allowance for possible losses amounting to Rp868,154 and Rp1,036,751 as of December 31, 2006 and 2005, respectively, provided by BRI for debtors in riot-torn areas in accordance with Bank Indonesia approval under letter No. 3/360/DPWB2 dated April 10, 2001 and allowance for possible losses for natural disaster impacted area (including hot mud eruption in East Java) amounted to Rp229,138 as of December 31, 2006.

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

12. LOANS (continued)

e) Other Significant Information (continued):

The minimum allowance for possible losses on loans that should be provided based on Bank Indonesia regulations (Note 2d) amounted to Rp4,095,685 and Rp2,844,086 as of December 31, 2006 and 2005, respectively.

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

13. ACCEPTANCES RECEIVABLE AND PAYABLE

Acceptances receivable from customers consist of:

a) By Collectibility:

	2006	2005
<u>Third parties</u>		
<u>Rupiah</u>		
Current	3,293	2,549
Special Mention	-	32,368
	<u>3,293</u>	<u>34,917</u>
<u>Foreign currencies</u>		
Current	314,460	329,934
Special Mention	8,767	59,198
Sub-standard	-	46,159
Loss	1,146	-
	<u>324,373</u>	<u>435,291</u>
Total	327,666	470,208
Less: Allowance for possible losses	(4,762)	(14,827)
	<u>322,904</u>	<u>455,381</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:

	2006	2005
≤ 1 month	84,464	189,974
> 1 month - 3 months	75,264	182,739
> 3 months - 6 months	104,864	97,495
> 6 months - 1 year	63,074	-
Total	327,666	470,208
Less: Allowance for possible losses	(4,762)	(14,827)
	<u>322,904</u>	<u>455,381</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

13. ACCEPTANCES RECEIVABLE AND PAYABLE (continued)

c) Movements of allowance for possible losses on acceptances receivable:

	2006	2005
Beginning balance	14,827	6,971
(Reversal) provision during the year (Note 33)	(10,065)	7,856
	4,762	14,827

The minimum allowance for possible losses on acceptances receivable that should be provided based on Bank Indonesia regulation amounted to Rp4,762 and Rp14,827 as of December 31, 2006 and 2005, 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:

Investee Company	Nature of Business	Percentage of Ownership	2006		
			Cost	Accumulated Equity in Earnings	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					(1,230)
					<u>68,711</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

14. INVESTMENTS IN SHARES OF STOCK (continued)

Investee Company	Nature of Business	Percentage of Ownership	2005		
			Cost	Accumulated Equity in Earnings	Carrying Value
Equity Method					
PT UFJ-BRI Finance	Financing	45.00%	24,750	39,463	64,213
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					65,859
Less: Allowance for possible losses					<u>(1,188)</u>
					<u>64,671</u>

As of December 31, 2006 and 2005, all investments are classified current, except investment in shares of PT Sarana Bersama Pembiayaan Indonesia which was classified loss.

In 2006, BRI received cash dividends from PT UFJ-BRI Finance amounting to Rp7,020 from the distribution of income for the year ended 2005. In 2005, BRI received cash dividends from PT UFJ-BRI Finance amounting to Rp6,525 from the distribution of income for the year ended 2004.

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

	2006	2005
Beginning balance	1,188	548
Provision during the year (Note 33)	42	640
Ending balance	<u>1,230</u>	<u>1,188</u>

The minimum allowance for possible losses on investment in shares of stock that should be provided based on Bank Indonesia regulations amounted to Rp1,230 and Rp1,188 as of December 31, 2006 and 2005, respectively.

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

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

15. PREMISES AND EQUIPMENT

Premises and equipment consist of:

Description	2006			
	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
	3,719,008	280,168	53,457	3,945,719
<u>Assets under capital leases</u>	378,611	19,502	13,829	384,284
Total Carrying Value	4,097,619	299,670	67,286	4,330,003
<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

Description	2005			
	Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land rights	192,984	26,891	364	219,511
Buildings	802,854	132,877	1,990	933,741
Motor vehicles	154,420	94,202	26,349	222,273
Computers and machineries	1,543,032	388,664	32,337	1,899,359
Furniture and fixtures	388,632	64,339	9,031	443,940
Museum assets	184	-	-	184
	3,082,106	706,973	70,071	3,719,008
<u>Assets under capital leases</u>	390,424	8,130	19,943	378,611
Total Carrying Value	3,472,530	715,103	90,014	4,097,619

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

15. PREMISES AND EQUIPMENT (continued)

Description	2005			Ending Balance
	Beginning Balance	Additions	Deductions	
<u>Accumulated Depreciation</u>				
<u>Direct Ownership</u>				
Buildings	439,451	44,586	1,990	482,047
Motor vehicles	123,941	21,219	26,349	118,811
Computers and machineries	747,044	218,708	11,286	954,466
Furniture and fixtures	225,929	36,398	8,778	253,549
	1,536,365	320,911	48,403	1,808,873
<u>Assets under capital leases</u>	298,232	81,187	19,943	359,476
Total Accumulated Depreciation	1,834,597	402,098	68,346	2,168,349
Net book value	1,637,933			1,929,270

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 Rp400,044 and Rp402,098 for the years ended December 31, 2006 and 2005, respectively (Note 35).

Management believes that there is no permanent impairment in the value of premises and equipment as of December 31, 2006 and 2005.

BRI has insured its premises and equipment (excluding land rights) for the risk of fire and theft with PT Asuransi Bringin Sejahtera Arthamakmur, a subsidiary of Dana Pensiun BRI (related party), and PT Asuransi Ramayana with coverage amount of Rp5,083,115 and Rp3,852,032 as of December 31, 2006 and 2005, respectively. Management believes that the sum insured is adequate to cover possible losses arising from such risks.

16. OTHER ASSETS

Other assets consist of:

<u>Rupiah</u>	2006	2005
Interest receivables		
Government recapitalization bonds	676,898	692,448
Loans	490,137	358,076
Securities	13,379	64,924
Placements with Bank Indonesia and other banks	6,613	10,253
Others	111	48
Prepaid expenses	175,261	151,822
Office supplies	125,211	129,544
Repossessed assets	12,265	6,038
Others	882,835	1,005,381
	2,382,710	2,418,534

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

16. OTHER ASSETS (continued)

	2006	2005
<u>Foreign currencies</u>		
Interest receivables		
Securities	32,505	31,328
Loans	7,721	20,932
Others	2,826	4,435
Prepaid expenses	986	1,855
Others	43,085	67,590
	<u>87,123</u>	<u>126,140</u>
Total	2,469,833	2,544,674
Less: Allowance for possible losses	(163,606)	(366,672)
	<u>2,306,227</u>	<u>2,178,002</u>

Allowance for possible losses mainly consists of allowance for suspense accounts in branches, differences arising from the information system conversion, integration and modernization and other receivables from other parties.

Management believes that allowance for possible losses on other assets is adequate.

17. LIABILITIES IMMEDIATELY PAYABLE

Liabilities immediately payable consist of:

	2006	2005
<u>Rupiah</u>		
Advance payment deposits	239,954	216,976
Remittances for transfer	139,208	109,945
Tax deposits	97,909	91,056
Deposits for channeling loans	55,338	51,927
Deposits for clearing	31,600	38,577
Bank drafts and BRI travelers' checks (Cepebri)	29,974	31,769
Others	1,395,737	1,073,532
	<u>1,989,720</u>	<u>1,613,782</u>
<u>Foreign currencies</u>		
Remittances for transfer	101,418	4,864
Others	265,409	338,773
	<u>366,827</u>	<u>343,637</u>
	<u>2,356,547</u>	<u>1,957,419</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

18. DEMAND DEPOSITS

Demand deposits consist of:

	2006	2005
<u>Third parties</u>		
Rupiah	25,206,330	15,796,175
Foreign currencies	2,600,881	1,561,531
	<u>27,807,211</u>	<u>17,357,706</u>
<u>Related parties</u>		
Rupiah	1,946	2,124
Foreign currencies	1,700	43
	<u>3,646</u>	<u>2,167</u>
	<u>27,810,857</u>	<u>17,359,873</u>

Average annual interest rates for demand deposits are as follows:

	2006	2005
Rupiah	2.42%	2.68%
Foreign currencies	1.26	0.65

Demand deposits used as collateral for banking facilities granted by BRI amounted to Rp5,490 and Rp5,351 as of December 31, 2006 and 2005, respectively.

19. SAVINGS DEPOSITS

Savings deposits consist of:

	2006	2005
<u>Third parties</u>		
<u>Rupiah</u>		
Simpedes	38,684,799	29,757,307
Britama	19,016,795	15,830,184
Simaskot	-	3,239,834
Others	441,734	321,717
	<u>58,143,328</u>	<u>49,149,042</u>
<u>Foreign currencies</u>		
Britama	-	133,287
	<u>58,143,328</u>	<u>49,282,329</u>
<u>Related parties</u>		
<u>Rupiah</u>		
Britama	9,169	8,056
<u>Foreign currencies</u>		
Britama	-	1,417
	<u>9,169</u>	<u>9,473</u>
	<u>58,152,497</u>	<u>49,291,802</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

19. SAVINGS DEPOSITS (continued)

Average annual interest rates for savings deposits are as follows:

	<u>2006</u>	<u>2005</u>
Rupiah	4.68%	4.35%
Foreign currencies	-	1.61

20. TIME DEPOSITS

Time deposits consist of:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
Rupiah	34,063,985	26,461,309
Foreign currencies	3,521,267	3,564,900
	<u>37,585,252</u>	<u>30,026,209</u>
<u>Related parties</u>		
Rupiah	556,809	115,679
Foreign currencies	216	1,135
	<u>557,025</u>	<u>116,814</u>
	<u>38,142,277</u>	<u>30,143,023</u>

Time deposits based on their contract period to maturity are as follows:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
<u>Rupiah</u>		
Deposits on call	2,736,703	3,253,757
Deposits		
1 month	17,058,078	15,283,344
3 months	4,857,924	3,718,335
6 months	2,584,070	1,447,498
12 months	6,707,925	2,692,534
More than 12 months	119,285	65,841
	<u>34,063,985</u>	<u>26,461,309</u>
<u>Foreign currencies</u>		
Deposits on call	245,206	427,215
Deposits		
1 month	2,921,623	2,756,410
3 months	158,340	157,890
6 months	139,887	157,981
12 months	56,031	65,266
More than 12 months	180	138
	<u>3,521,267</u>	<u>3,564,900</u>
	<u>37,585,252</u>	<u>30,026,209</u>

PT BANK RAKYAT INDONESIA (PERSERO) Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2006
With Comparative Figures for 2005
(Expressed in millions of Rupiah, unless otherwise stated)

20. TIME DEPOSITS (continued)

	<u>2006</u>	<u>2005</u>
<u>Related parties</u>		
<u>Rupiah</u>		
Deposits on call	20,800	-
Deposits		
1 month	138,596	110,854
3 months	43,650	725
6 months	51,050	3,800
12 months	302,538	300
More than 12 months	175	-
	<u>556,809</u>	<u>115,679</u>
<u>Foreign currencies</u>		
Deposits		
1 month	216	1,135
	<u>557,025</u>	<u>116,814</u>
	<u>38,142,277</u>	<u>30,143,023</u>

Average annual interest rates of time deposits are as follows:

	<u>2006</u>	<u>2005</u>
Rupiah	11.41%	8.00%
Foreign currencies	3.96	2.26

Time deposits used as collateral for banking facilities granted by BRI amounted to Rp188,675 and Rp194,713 as of December 31, 2006 and 2005, respectively.

21. CERTIFICATES OF DEPOSITS

Certificates of deposits in Rupiah based on their contract period to maturity are as follows:

	<u>2006</u>	<u>2005</u>
<u>Third parties</u>		
1 month	1,900	670
Less: Unamortized interest	(8)	(106)
	<u>1,892</u>	<u>564</u>

Average annual interest rates for certificates of deposits for the years ended December 31, 2006 and 2005 were 8.74% and 9.67%, respectively.