



PT. BANK RAKYAT INDONESIA (PERSERO) Tbk.

Q3 2006 Financial Update

Jakarta, October 2006

Highlights of Indonesia's Macro Economy

- **GDP growth is projected to slow down to 5.3% in 2006, down from 5.6% in 2005, caused by lingering effect of interest hike in late 2005 which slowed consumption and investments in the early and mid 2006.**
- **Toward the last quarter of 2006, the economy is starting to pick up :**
 - Cumulative inflation stayed at 4,0% (Jan – Sep 2006), decreasing from previous year's 6.01%
 - Interest rate continues to go down, reaching 10.75% by October 2006, after 5 (five) consecutive rate cuts by Bank Indonesia, started from May 2006
 - Balance of Payment surplus lead to international reserve of US\$ 42.35 billion by September 2006 the highest in the last 10 months
- **The economy is expected to accelerate in 2007 :**
 - Interest rate is expected to continue its down trend, in tandem with easing inflation.
 - Economic growth is expected to be at 6% , driven by increasing performance of exports, as well as domestic consumption
 - Government spending on infrastructure projects

BRI Financial Performance

Q3 2006

Highlight of Financial Statements

Balance Sheet

	2001	2002	Full Year		2005	Q3		Growth
	2001	2002	2003	2004	2005	2005	2006	YoY
Total Assets	76.195	86.345	94.710	107.040	122.776	113.397	140.457	23,86%
- Gross Loans (incl. syariah)	33.529	39.373	47.599	62.368	75.533	72.456	86.691	19,65%
- Government Bonds (Recap)	28.436	28.394	27.579	22.686	17.722	17.402	18.145	4,27%
- Other Earnings Assets	8.050	12.097	8.987	12.908	18.475	13.671	23.769	73,86%
Total Earning Assets	70.015	79.864	84.165	97.962	111.731	103.528	128.606	24,22%
Earning Assets Provision	(4.034)	(4.189)	(4.403)	(5.172)	(5.478)	(5.579)	(6.158)	10,38%
Total Non Earning Assets	10.104	10.342	14.858	14.250	16.523	15.448	18.010	16,58%
Total Liabilities & S.E	76.195	86.345	94.710	107.040	122.776	113.397	140.457	23,86%
Total Customer Deposits	57.759	69.627	76.316	82.400	97.046	90.201	112.168	24,35%
- Demand Deposits	7.516	11.459	14.112	13.364	17.384	16.742	20.689	23,57%
- Saving Deposits	26.529	28.673	35.803	44.569	49.372	46.287	51.820	11,95%
- Time and Certificate Deposits	23.714	29.495	26.402	24.467	30.290	27.172	39.659	45,96%
Other Interest Bearing Liabilities	8.596	5.655	5.726	6.384	5.597	5.180	5.760	11,19%
Non Interest Bearing Liabilities	9.840	5.269	5.466	5.806	6.779	6.584	7.153	8,65%
Tier I Capital	3.446	4.133	7.532	8.506	10.519	9.589	12.285	28,11%
Total Shareholder's Equity	4.814	5.794	8.454	12.450	13.353	11.432	15.376	34,50%

Income Statement : Highlights

Description	Full Year						Q3	IDR billion Growth (YoY)
	2001*)	2002	2003	2004	2005	2006		
Interest Income	10.968	13.454	15.069	15.531	12.630	15.573	23,30%	
Interest Expense	(6.006)	(7.373)	(7.043)	(4.273)	(3.294)	(5.379)	63,30%	
Net Interest Income	4.962	6.080	8.027	11.258	9.336	10.194	9,19%	
Fee & Other Opr. Income	1.153	1.045	939	1.447	540	1.003	85,91%	
Gross Operating Income	6.115	7.125	8.966	12.705	9.876	11.197	13,38%	
Other Operating Expenses	(3.396)	(3.908)	(5.734)	(6.089)	(5.721)	(5.710)	-0,21%	
Pre Provision Operating Profit	2.719	3.217	3.232	6.616	4.154	5.488	32,10%	
Provision	(1.603)	(1.755)	75	(1.328)	(468)	(1.141)	144,02%	
Non Operating Profit/Loss	25	8	406	444	94	136	44,50%	
Profit Before Tax n Minor. Int.	1.141	1.470	3.713	5.731	3.781	4.483	18,58%	
Net Profit	1.072	1.525	2.579	3.633	2.512	3.104	23,57%	

Key Financial Ratios

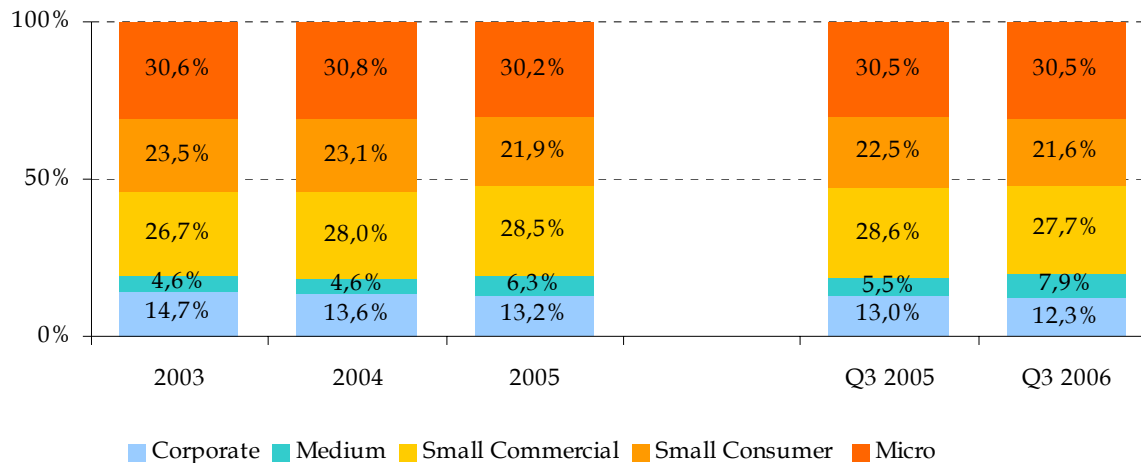
Description	Full Year					Q3		Growth
	2001	2002	2003	2004	2005	2005	2006	Q3 '05 to Q3 '06
Classified Loan Ratio	22,66%	15,31%	13,19%	12,23%	11,55%	11,76%	11,59%	-1,45%
NPL ratio - Gross	7,30%	6,74%	6,03%	4,19%	4,68%	5,15%	4,79%	-6,99%
NPL Coverage Ratio	199,80%	147,53%	150,39%	196,00%	153,09%	147,12%	146,57%	-0,37%
Tier I CAR	10,70%	10,30%	16,30%	12,49%	12,52%	12,04%	15,99%	32,81%
Total CAR with market risk	n.a	n.a	18,94%	16,19%	15,29%	15,13%	18,68%	23,46%
Loan to Deposit Ratio	58,10%	56,50%	62,37%	75,69%	77,83%	80,33%	77,29%	-3,78%
Net Interest Margin (NIM)	7,60%	8,12%	9,54%	12,16%	12,17%	12,36%	11,34%	-8,25%
Return on Assets (ROA) - b.t	1,62%	1,83%	4,02%	5,77%	5,04%	4,62%	4,56%	-1,30%
Return on Assets (ROA) - a.t	1,52%	1,90%	2,77%	3,66%	3,42%	3,07%	3,15%	2,61%
Return on Equity (ROE) - Tier I	30,36%	38,81%	43,41%	42,76%	37,92%	33,49%	32,93%	-1,67%
Return on Equity (ROE) - B/S	21,27%	26,99%	35,68%	34,41%	30,63%	27,14%	28,16%	3,76%
Cost of Fund (COF)	9,14%	10,04%	7,86%	4,60%	4,73%	4,39%	6,21%	41,46%
Min. Reserve Requirement	7,82%	6,05%	10,92%	9,39%	9,55%	9,10%	9,08%	-0,22%
Net Open Position	11,40%	7,80%	12,46%	10,77%	5,23%	3,70%	3,15%	-14,86%
Opr. Expense to Opr. Income	90,81%	89,92%	79,82%	68,86%	70,45%	72,01%	73,78%	2,46%
Cost Efficiency Ratio (CER)*	50,13%	57,48%	65,33%	51,33%	54,26%	52,92%	52,44%	-0,91%

*) CER = (Employee expenses+G&A+Other Opr.Expenses)/(NII+Fees&Commision+Other Opr.Income)

Asset Quality and Liabilities

Loan Portfolio

Composition



From Q3 2005 to Q3 2006

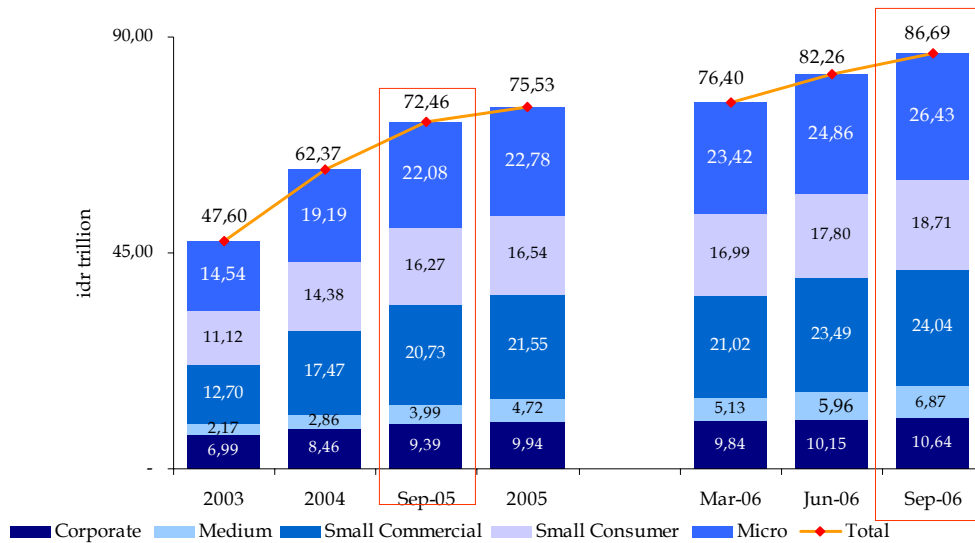
- In Q3 2006 Loan to MSMEs constituted 87.70% , an increase from Q3 2005 position of 87.10%
- Medium Loans had shown a steady increase in term of portion to total loan portfolio

Size of Loans

- Micro loan up to Rp 50 mio (US\$ 5,000)
 - Consumer Loans up to Rp 200 mio (US\$ 20,000)
 - Small Business Loans : up to Rp 5 billion (US\$500,000)
 - Medium Scale Loans Rp 5 bio to 50 bio (US\$ 500,000 - US\$ 5 mio)
 - Corporate Loans > Rp 50 billion(US\$ 5 mio)
- Assumption : 1 US\$ = IDR. 10,000

Loan Portfolio

*Growth - Grew faster than Industry *)*



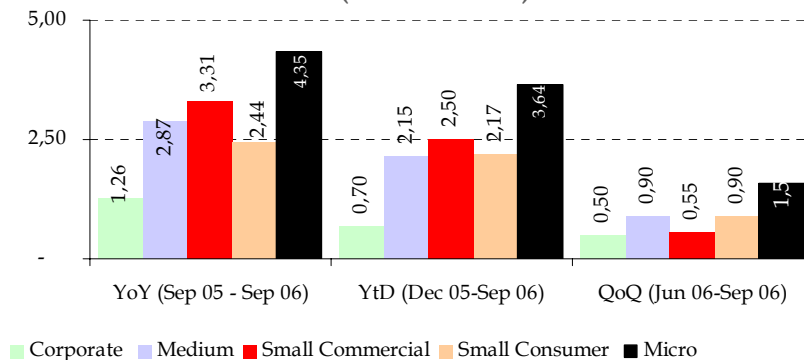
Yearly Growth (Q3 2005 to Q3 2006)

- total loan grew by IDR 14,23 trillion or 19.65% .
- The driver of growth are small commercial and micro loans which grew by IDR 7.67 trillion, constitute 53.90% of total loan growth

Growth in 2006 - The Driver :

- Year to Date (Ytd) BRI's loan grew IDR 11.16 trillion or grew by 14.78%, far higher than the banking industry which was only grew 4.58%
- QtoQ, in 3rd quarter 2006, Medium Loan booked the 2nd highest growth after Micro, mostly in the size originated from regional offices (Rp 5 Bio to Rp 50 Bio)
- Micro Loans steadily became the driver of BRI's loan growth

Loan Growth in 2006 - The Driver (IDR trillion)

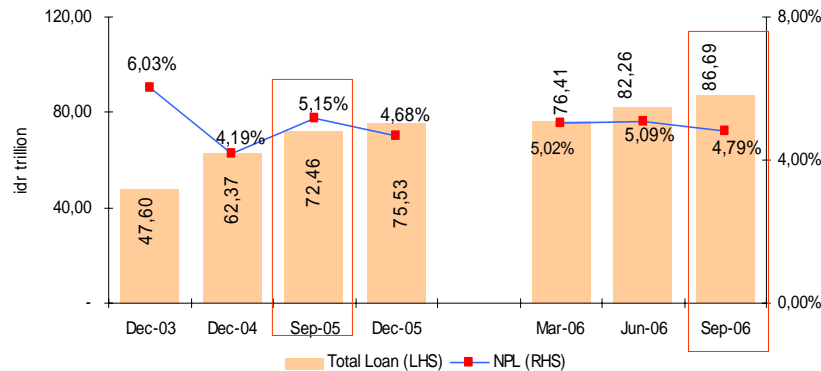


*) Commercial Banks, August 2006 position. Source ; Bank Indonesia

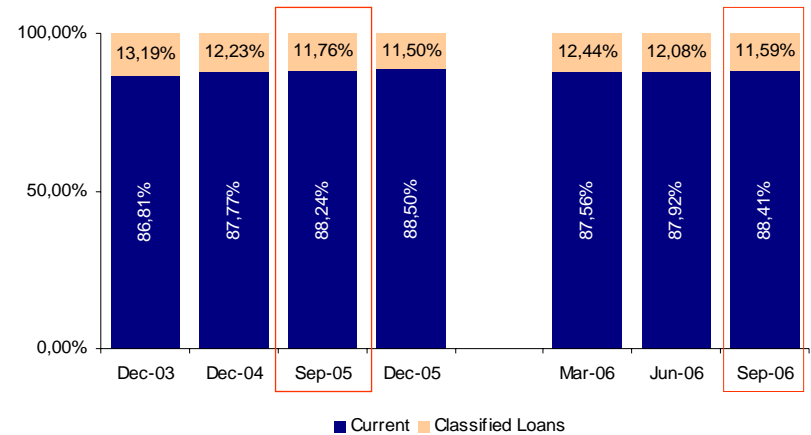
Loan Portfolio

Loan Quality-Improving

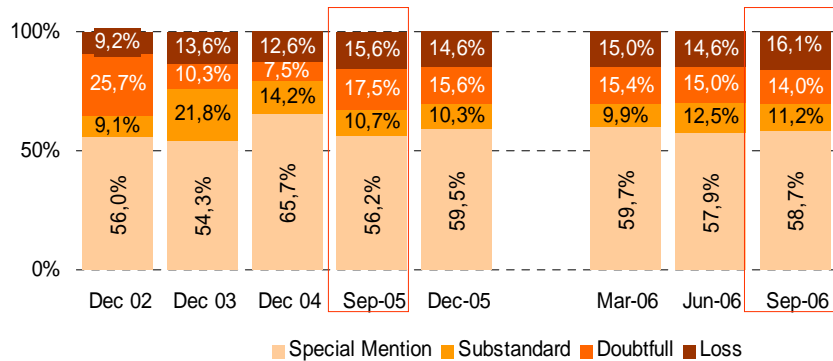
Total Loan vs Total NPL : Trend



Classified Loans to Ttl Loans



Composition of Classified Loans



- Compare to Q2 2006, the NPLs in Q3 2006 is improving, while NPL in the banking industry (August 2006) was still at 8.35%

NPLs by Business Segments and NPL Coverage : Trend

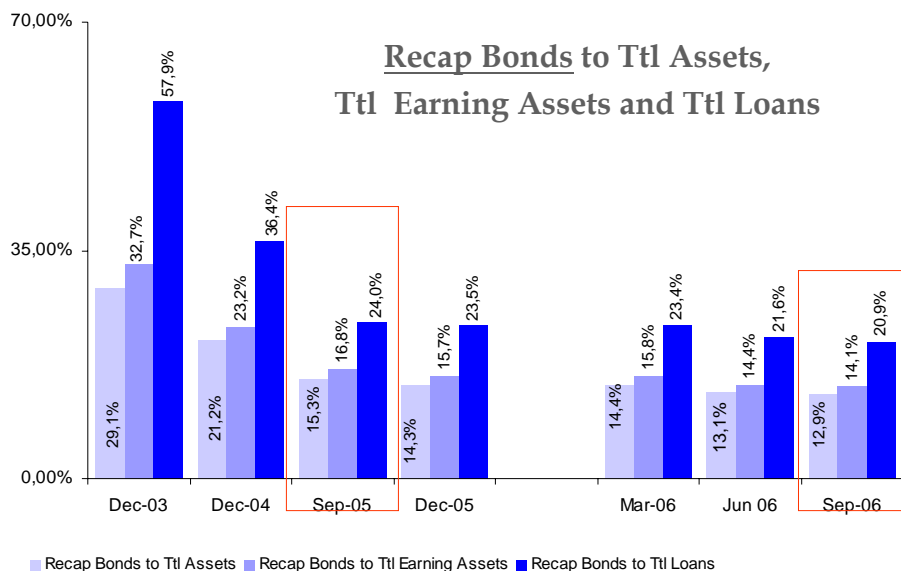
NPL BY SEGMENT (%)	Dec 03	Dec 04	Sep-05	Dec-05	Mar-06	Jun -06	Sep-06
Micro	2,79	2,1	1,73	1,55	1,74	1,71	1,62
Consumer	1,19	1,22	1,84	1,62	1,83	1,85	1,85
Small Commercial	3,0	3,2	5,03	4,00	5,27	5,98	6,89
Medium	14,2	6,8	8,95	7,48	8,38	7,84	6,99
Corporate	23,43	15,08	17,6	16,93	16,03	15,34	11,63
Total	6,03	4,19	5,13	4,68	5,02	5,09	4,79
NPL Coverage	150,39	196,00	147,12	153,09	146,49	140,52	146,57

Government Bonds : Portfolio

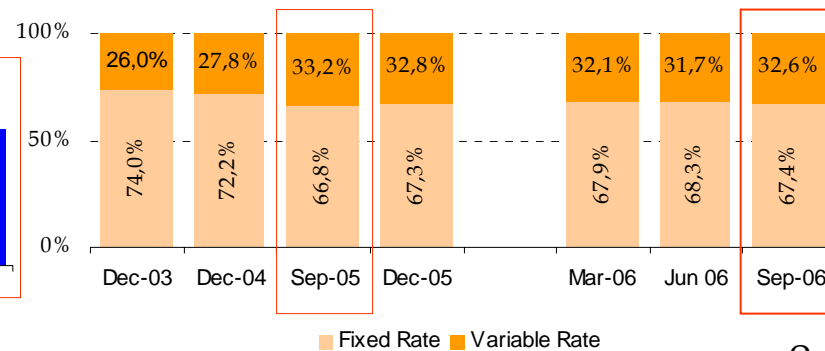
IDR Trio

Govt Bonds (Recap Bonds and Other Govt Bonds) by Type of Holdings

Portofolio	Sep-04		Dec-04		Dec-05		Sep-05		Sep-06	
	Nominal	% thd Ttl	Nominal	% to Ttl	Nominal	% to Ttl	Nominal	% to Ttl	Nominal	% to Ttl
Hold to Maturity	11,34	41,7%	11,34	46,2%	11,34	53,8%	11,34	56,7%	11,34	56,5%
Available for Sale	9,56	35,2%	9,96	40,6%	6,27	29,7%	5,56	27,8%	7,27	36,2%
Trading	6,29	23,1%	3,22	13,1%	3,48	16,5%	3,08	15,4%	1,47	7,3%
Total	27,19	100,0%	24,52	100,0%	21,09	100,0%	19,98	100,0%	20,07	100,0%



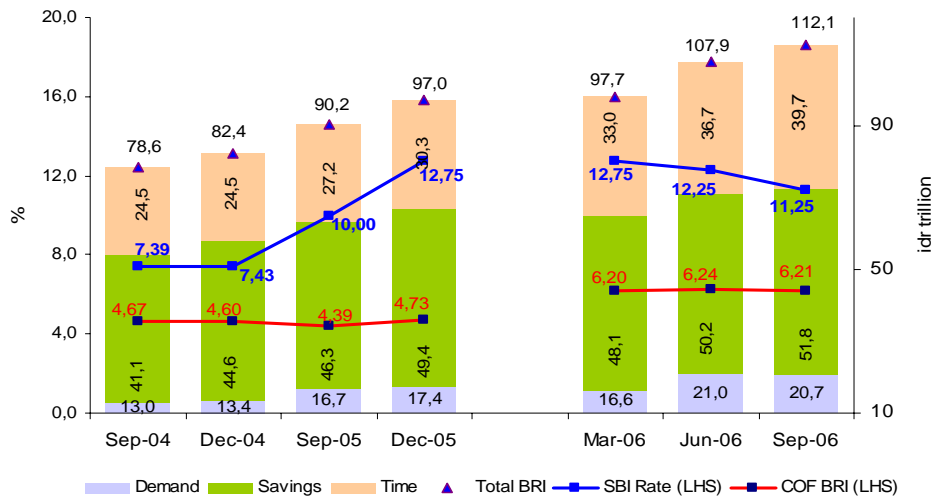
Government Bonds (Recap and Other Govt Bonds) By Type of Rate



Deposits

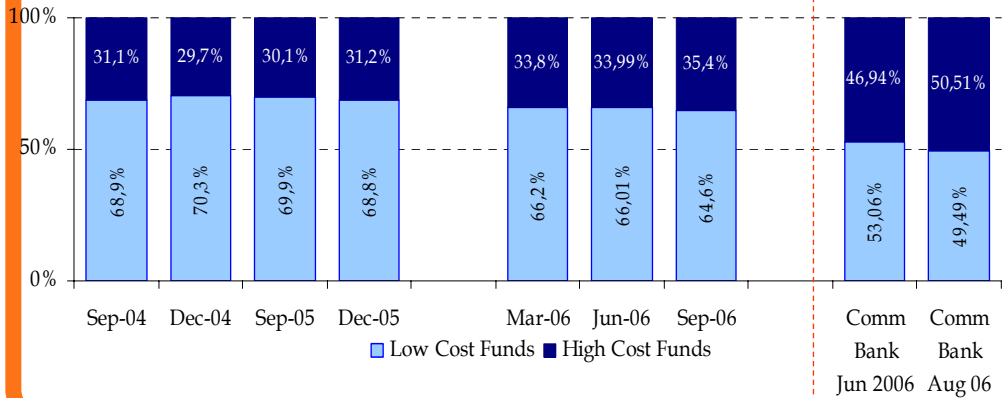
Lingering Effect of 2005's Interest Hike

BI Rate, BRI's COF and the Growth of Deposits



- Trend of shifting of deposits toward time deposits is still continuing, resulting in a higher portion of high cost funds in banks' total deposits
- The effect : the speed of COF decline is slower than the movement of BI rate
- Despite the trend, BRI's deposits composition is still far better than the Banking Industry

High Cost Deposits vs. Low Cost Deposits : BRI and Banking Industry



Profitability

Sources of Income

Idr billion

Source of Income	2003	2004	Sep-05	2005	Growth			
					Mar-06	Jun-06	Sep-06	YoY (Sep 05 -06)
Interest income	15.069,3	15.530,8	12.630,0	17.253,7	4.933,1	10.206,0	15.573,3	23,3%
Other Opr.Income	938,5	1.446,8	539,6	956,2	443,7	638,9	1.003,2	85,9%
Non Operational Income (net)	405,6	444,2	94,1	295,6	58,9	127,7	136,0	44,5%
Total Income	16.413,4	17.421,8	13.263,7	18.505,6	5.435,7	10.972,6	16.712,5	26,0%

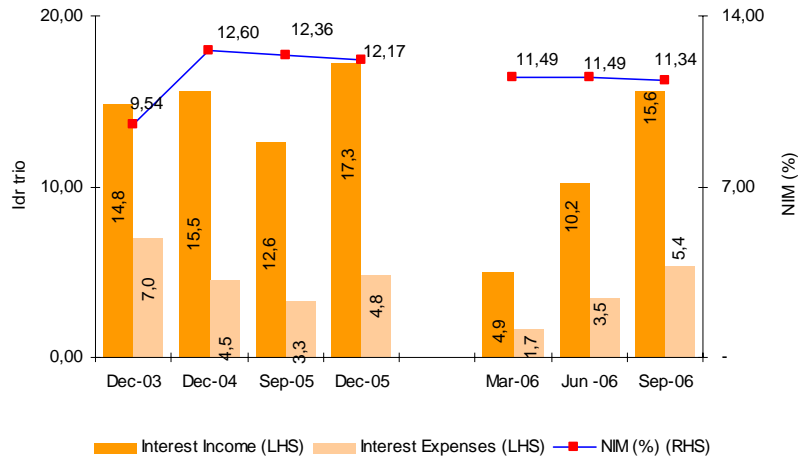
Other Operating Income

idr billion

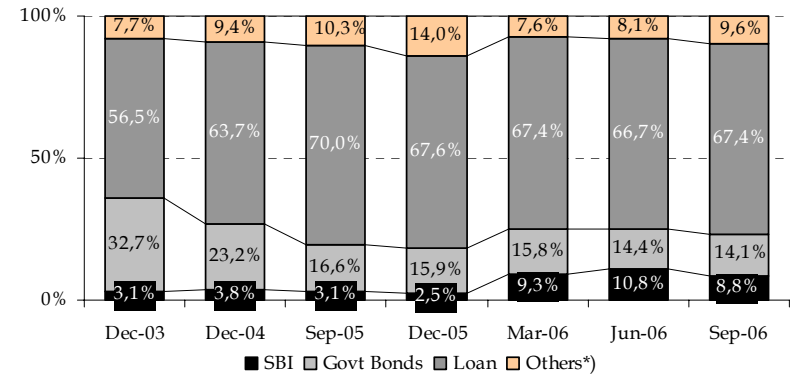
Other Operating Income	Sep-05	Mar-06	Jun-06	Sep-06	Growth YoY Sep 05-06
Gain Fr Value Increase and sale securities and Govt. Recap Bonds	-	210,8	176,3	319,201	--
Fees and Commissions	395,8	178,2	369,1	567,821	43,5%
Gain fr Forex (net)	77,447	-	-	-	--
Others	66,3	54,8	93,5	116,20	75,2%
Total	539,6	443,7	638,9	1.003,2	85,9%

Main Sources of Income

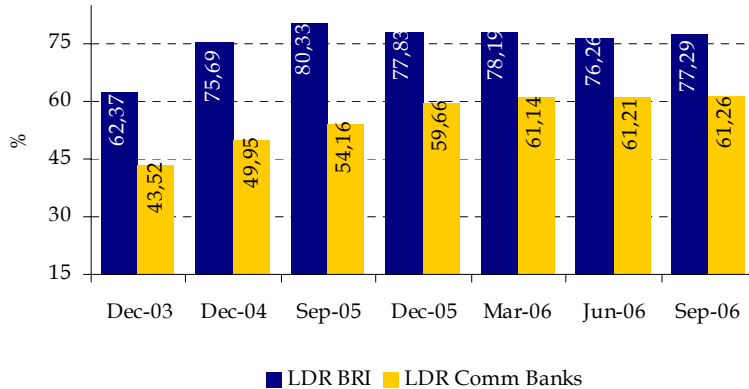
Interest Income vs. Interest Expenses



Earning Assets : Composition Trend



LDR : BRI vs Banking Industry



- NIM had been declining slightly, as interest income growth was slower than interest expenses growth.
- The slight decelerating of interest income growth stemmed from earning asset composition in which SBI, which in 'a down trend yield' (in line with declining BI rate) acquired bigger portion in BRI's earning assets in 2006 (up to Q3 2006)
- Compare to Q2 2006 , BRI's LDR is starting to pick up in Q3 2006, reflected the beginning of more loan expansion.

*) Others incl min reserve requirement placed in BRI's current account in Bank Indonesia

**) Commercial Banks, August 2006 position

Over Head Expenses

	Dec 2003	Dec 2004	Sep-05	Dec-05	Mar-06	Jun 06	Sep 06	Growth YoY (Q3'05-Q3'06)
Personnel	3.666,0	3.717,5	3.285,8	4.407,2	1.097,9	2.474,3	3.640,9	10,8%
General and Administration	1.330,0	1.835,0	1.306,2	2.126,4	470,7	986,7	1.478,7	13,2%
Losses fr decrease of Securities and Govt. Bonds value and sale	-	-	536,0	566,0	-	-	-	-100,0%
Promotion	-	110,3	138,1	182,2	25,2	61,4	116,6	
Others	738,0	425,9	455,2	398,3	173,1	341,4	473,3	4,0%
Total	5.734,0	6.088,8	5.721,4	7.680,1	1.766,8	3.863,8	5.709,5	-0,2%

Others incl : losses from forex and other provisions,
credit insurance and deposit insurance

Shareholders - Composition

Shareholder	Nov 2003	Sep-05	Sep-06
Government	59,5%	58,9%	57,4%
Public	40,1%	41,1%	42,6%
Foreign *)	55,3%	84,3%	88,5%
Domestic *)	44,7%	15,7%	11,5%

*) percentage from public holding

Closing Remarks

- Indonesia's macro economy is expected to perform better in the last quarter of 2006 and 2007
- The lingering effect of 2005's interest rate hike still evident in Banks' deposits composition in Q3 2005, in which the shifting toward high cost fund of time deposits is continuing, leading to a sticky COF decline despite BI's progressive cut rate policies.
- BRI was no exception to the trend, but with a better deposits composition compare to the banking industry, the result of BRI's strong low-cost-retail-funding base,
- In the lending side, BRI recorded higher growth than the banking industry , with a well managed loan quality
- The result of strong performance both in lending side and funding side was a steady high NIM Although slightly decrease, BRI's NIM is still the highest among major banks in Indonesia
- The decreasing trend of BRI's NIM in 2006 was caused by common trend in the banking industry, i.e. sticky COF decline and excess liquidity in banks, which forced banks to place funds in lesser yield assets such as SBI
- Despite tough economic and business condition, BRI's net profit rose 23,57%, stemmed from qualified loan expansion, and improving operational efficiency.

Thank You

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