



PT. BANK RAKYAT INDONESIA (PERSERO) Tbk.

Q2 2006 Financial Update

Jakarta, 27 July 2006

Highlights of Indonesia's Macro Economy

Up to July 2006

- **Inflation stayed at 10 months low in July 2006, reached 15.2% from 15.5% in June 2006**
- **There will be a big chance for Bank Indonesia (the Central Bank) to cut rate by a half percent point from the current rate of 12.50%**
- **Economic growth is expected to be in the range of 6% - 8% by end of 2006 (source : Bank Indonesia)**
- **Standard and Poor's enhanced Indonesia's credit rating to BBB-**

The New Management Team



Sofyan Basir
President Director



Sarwono Sudarto
Director of Operations



Abdul Salam
CFO



Sulaiman Arif Arianto
Director of Micro and
Small Business



Sudaryanto Sudargo
Director of "General
Business"



A. Toni Soetirto
Director of Consumer Banking



Lenny Sugihat
Director of Credit Control



Bambang Soepeno
Compliance Director

- Decided by AGSM on 30 May 2006, all the capabilities and competence of member of Board of Directors had been scrutinized by Nomination and Remuneration Committee
- The new BOD agrees for BRI to stick and focus on its core business of Micro, Small and Medium Enterprises, while tapping the opportunities available in the consumer banking business in urban areas, utilizing existing infrastructures, IT and people

Steps to be taken : Business by Segments

Micro Business:

Continue product developments, more online outlets, standardize services, enhance cross selling and add more outlets in the potential areas

Small Business:

- Promote strategic alliances with other institutions
- Product development
- Credit scoring for consumer loans and small loans
- Enhance the capability of the existing delivery channel

Consumer Banking Business :

- Expand customer base to urban areas (10 largest city):
 - Seizing potential funding
 - Increasing fee based income
- No significant new investments → optimizing existing IT, infrastructure and people

Medium Business :

- Intensified expansions through regional offices and branch offices
- Grant more authority to the branch managers and regional managers to speed loan process
- Firm implementation of prudential banking principles i.e. four eyes principle in loan decision making

Corporate Business

- Very selective loan expansion
- Collaborating with strong and healthy SOEs
- Maximal 20% of total Loan

Balance Sheet

	2001*)	Full Year				Q2		Growth
	2002	2003	2004	2005	2005	2006	YoY	
Total Assets	76.195	86.345	94.710	107.040	122.776	113.474	135.155	19,11%
- Gross Loans (incl. syariah)	33.529	39.373	47.599	62.368	75.533	68.725	82.265	19,70%
- Government Bonds (Recap)	28.436	28.394	27.579	22.686	17.722	18.600	17.736	-4,65%
Total Earning Assets	70.015	79.864	84.165	97.962	111.731	102.206	123.356	20,69%
Earning Assets Provision	(3.244)	(4.189)	(4.403)	(5.172)	(5.478)	(5.819)	(5.933)	1,96%
Total Non Earning Assets	10.104	10.394	14.858	14.250	16.523	17.086	17.731	3,78%
Total Liabilities & S.E	76.195	86.345	94.710	107.040	122.776	113.474	135.155	19,11%
Total Customer Deposits	57.759	69.627	76.316	82.400	97.046	89.481	107.870	20,55%
- Demand Deposits	7.516	11.459	14.112	13.364	17.384	20.190	20.967	3,85%
- Saving Deposits	26.529	28.673	35.803	44.569	49.372	44.412	50.240	13,12%
- Time and Certificate Deposits	23.714	29.495	26.402	24.467	30.290	24.879	36.663	47,37%
Other Interest Bearing Liabilities	8.596	5.655	5.726	6.384	5.597	4.761	5.245	10,17%
Non Interest Bearing Liabilities	9.840	5.269	5.466	5.806	6.779	7.421	8.216	10,71%
Tier I Capital	3.446	4.133	7.532	8.506	10.519	9.339	11.669	24,95%
Total Shareholder's Equity	4.814	5.794	8.454	12.450	13.353	11.811	13.824	17,04%

Income Statement : Highlights

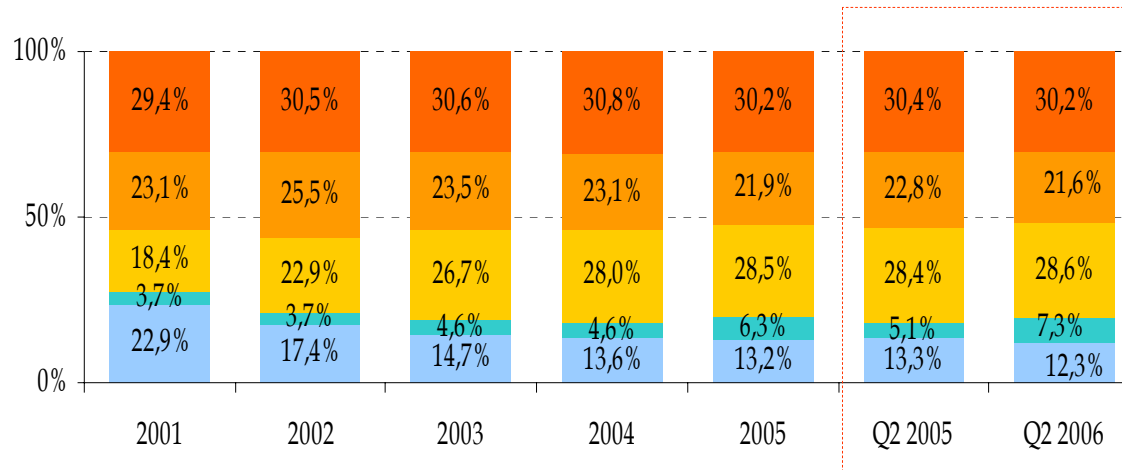
<i>IDR billion</i>								
Description	Full Year					Q2		Growth (YoY)
	2001*)	2002	2003	2004	2005	2005	2006	
Interest Income	10.968,0	13.454,0	15.069,0	15.531	17.254	8.238	10.206	23,9%
Interest Expense	(6.006,0)	(7.373,0)	(7.043,0)	(4.475)	(4.817)	(2.121)	(3.501)	65,1%
Net Interest Income	4.962,0	6.081,0	8.026,0	11.056	12.437	6.117	6.705	9,6%
Fee & Other Opr. Income	1.153,0	1.045,0	939,0	1.447	956	508	639	25,8%
Gross Operating Income	6.115,0	7.126,0	8.965,0	12.503	13.393	6.625	7.344	10,9%
Other Operating Expenses	(3.396,0)	(3.908,0)	(5.810,0)	(5.887)	(7.680)	(3.475)	(3.913)	12,6%
Pre Provision Operating Profit	2.719,0	3.218,0	3.155,0	6.616	5.713	3.149	3.430	8,9%
Provision Total	(1.603,0)	(1.755,0)	75,0	(1.328)	(413)	(603)	(824)	36,6%
Non Operating Profit/(Loss)	25,0	8,0	406,0	444	296	69,26	127,73	84,4%
Profit Before Tax n Minor. Int.	1.141,0	1.471,0	3.636,0	5.731	5.595	2.616	2.734	4,5%
Net Profit	1.064,0	1.525,0	2.502,0	3.633	3.809	1.942	2.008	3,4%

Key Financial Ratios

Description	Full Year					Q2		Growth
	2001	2002	2003	2004	2005	2005	2006	Q2 '05 to Q2 '06
Classified Loan Ratio	22,66%	15,31%	13,19%	12,23%	11,55%	13,32%	12,08%	-9,31%
NPL ratio - Gross	7,30%	6,74%	6,03%	4,19%	4,68%	5,62%	5,09%	-9,43%
Tier I CAR	10,70%	10,30%	16,30%	12,49%	12,52%	12,35%	16,00%	29,55%
Total CAR with market risk	n.a	n.a	18,94%	16,19%	15,29%	15,64%	19,06%	21,87%
Loan to Deposit Ratio	58,10%	56,50%	62,37%	75,69%	77,83%	76,80%	76,26%	-0,70%
Net Interest Margin (NIM)	7,60%	8,12%	9,54%	12,16%	12,17%	12,25%	11,49%	-6,20%
Return on Assets (ROA) - b.t	1,62%	1,83%	4,02%	5,77%	5,04%	4,84%	4,28%	-11,57%
Return on Assets (ROA) - a.t	1,52%	1,90%	2,77%	3,66%	3,42%	3,59%	3,14%	-12,53%
Return on Equity (ROE) - Tier I	30,36%	38,81%	43,41%	42,76%	37,92%	37,80%	31,22%	-17,41%
Return on Equity (ROE) - B/S	21,27%	26,99%	35,68%	34,41%	30,63%	30,37%	27,31%	-10,08%
Cost of Fund (COF)	9,14%	10,04%	7,86%	4,60%	4,73%	4,31%	6,24%	44,78%
Min. Reserve Requirement	7,82%	6,05%	10,92%	9,39%	9,55%	11,42%	9,06%	-20,67%
Net Open Position	11,40%	7,80%	12,46%	10,77%	5,23%	6,02%	2,48%	-58,80%
Opr. Expense to Opr. Income	90,81%	89,92%	79,82%	68,86%	70,45%	70,88%	75,96%	7,17%
Cost Efficiency Ratio (CER)*)	50,13%	57,48%	65,33%	51,33%	54,26%	54,34%	54,18%	-0,29%

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

Loan Portfolio Composition - New Management, Stick on the Core Business



■ Corporate ■ Medium ■ Small Commercial ■ Small Consumer ■ Micro

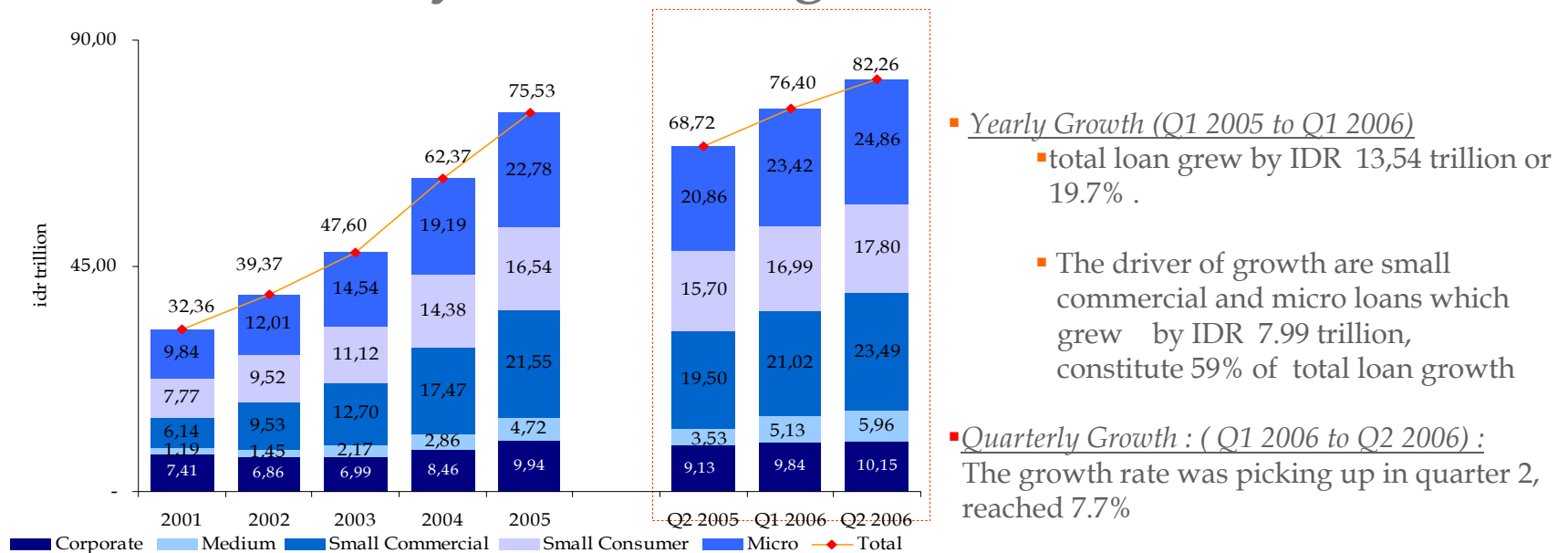
From Q2 2005 to Q2 2006

- In Q2 2006 Loan to MSMEs constituted 87.70% , an increase from Q2 2005 position of 86.70%
- Medium Loans had shown a steady increase in term of portion to total loan portfolio

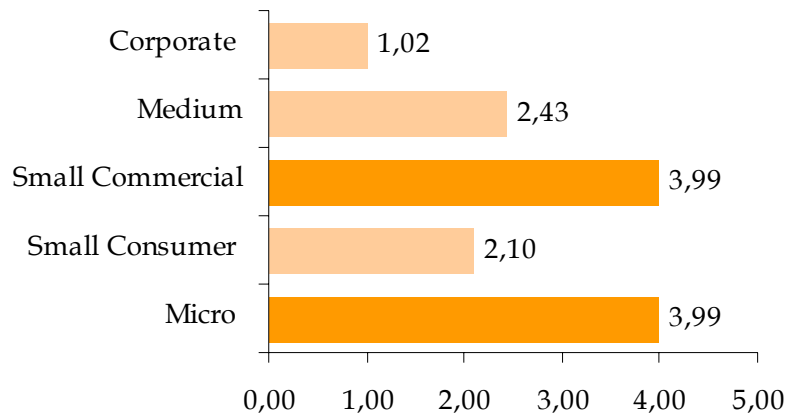
Size of Loans

- 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 Growth by Business Segment



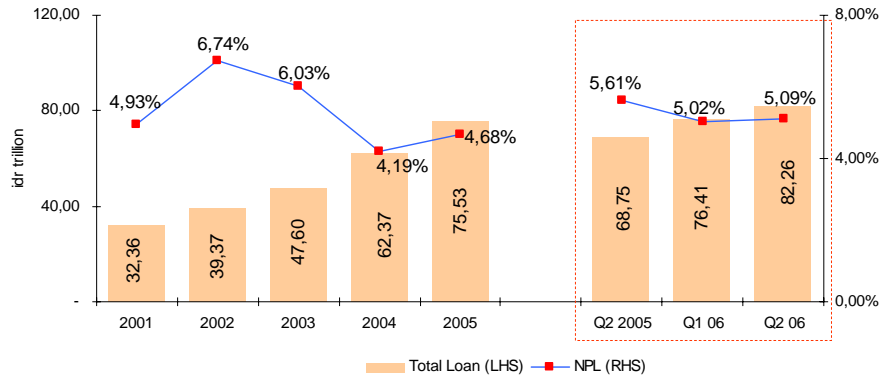
Loan Expansions by Business Segment (YoY) Q2 2005 to Q2 2006 (IDR trillion)



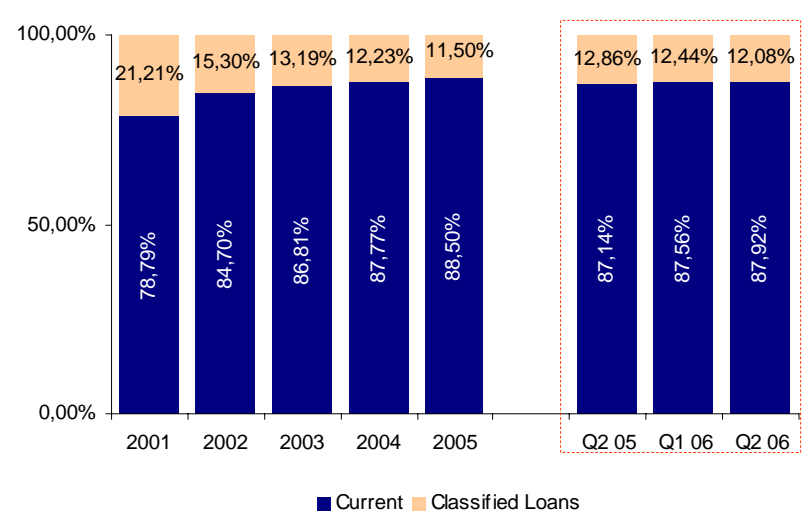
Loan Quality

Well Managed in the Midst of Hardships

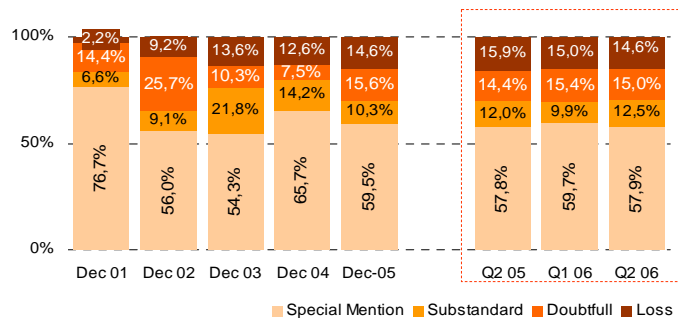
Total Loan vs Total NPL : Trend



Classified Loans to Ttl Loans



Composition of Classified Loans



- Despite the obstacles arising from oil price hikes and recent disasters in some areas, the NPLs is still well managed, increased slightly compare to Q1 2006, but lower than Q2 2005

NPLs by Business Segments and NPL Coverage : Trend

NPL BY SEGMENT (%)	Dec 01	Dec 02	Dec 03	Dec 04	Dec-05	Q2 05	Q1 06	Q2 06
Micro	1,03	1,55	2,79	2,1	1,55	1,95	1,74	1,71
Consumer	0,74	0,96	1,19	1,22	1,62	1,93	1,83	1,85
Small Commercial	2,4	3,4	3,0	3,2	4,00	5,52	5,27	5,98
Medium	19,5	15,8	14,2	6,8	7,48	9,73	8,38	7,84
Corporate	14,28	26,59	23,43	15,08	16,93	19,01	16,03	15,34
Total	4,93	6,74	6,03	4,19	4,68	5,62	5,02	5,09
NPL Coverage	199,8	147,53	150,39	196,00	153,09	148,65	146,49	140,52

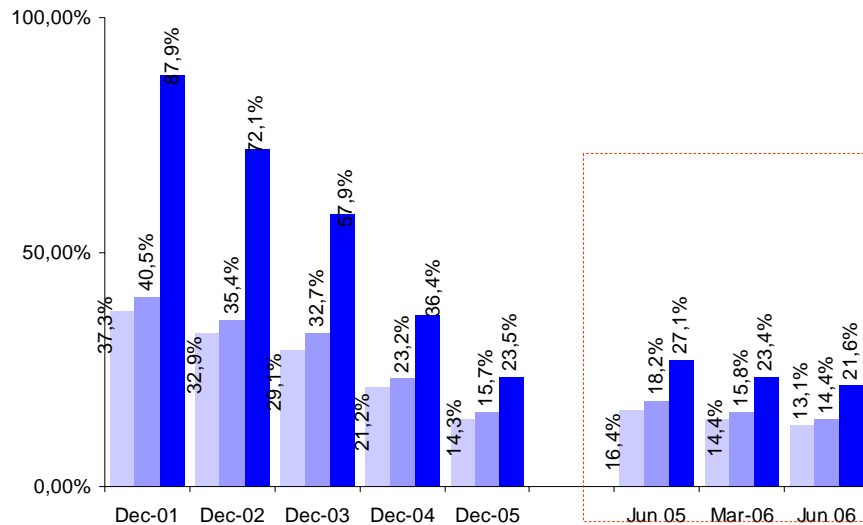
Government Bonds : Portfolio

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

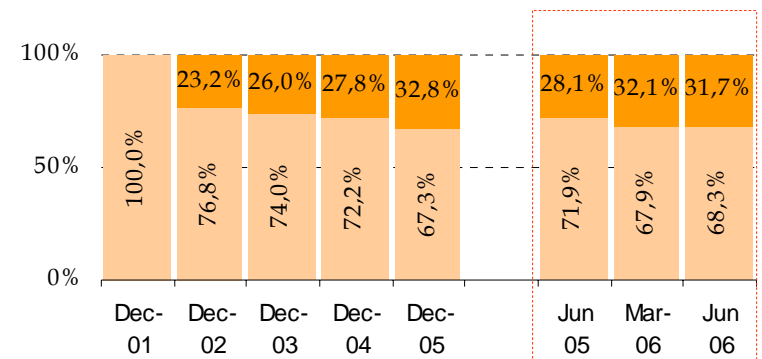
IDR Trio

Portofolio	Dec-04		Dec-05		Jun-05		Mar-06		Jun-06	
	Nominal	% to Ttl	Nominal	% to Ttl	Nominal	% to Ttl	Nominal	% to Ttl	Nominal	% to Ttl
Hold to Maturity	11,34	46,2%	11,34	53,8%	11,34	50,1%	11,34	55,4%	11,34	55,0%
Available for Sale	9,96	40,6%	6,27	29,7%	6,77	29,9%	6,59	32,2%	6,83	33,1%
Trading	3,22	13,1%	3,48	16,5%	4,51	19,9%	2,54	12,4%	2,45	11,9%
Total	24,52	100,0%	21,09	100,0%	22,62	100,0%	20,46	100,0%	20,61	100,0%

Recap Bonds to Ttl Assets,
Ttl Earning Assets and Ttl Loans



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



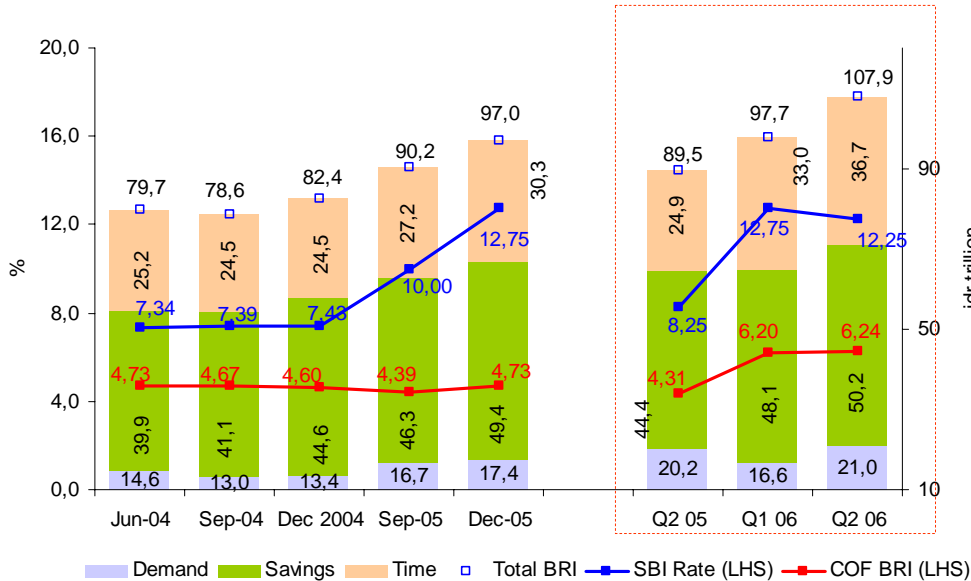
■ Recap Bonds to Ttl Assets ■ Recap Bonds to Ttl Earning Assets ■ Recap Bonds to Ttl Loans

■ Fixed Rate ■ Variable Rate

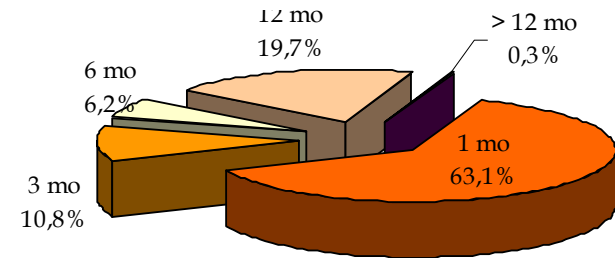
Deposits : Still Absorbing Interest Rate Hike

But cost of funds had been flattened...

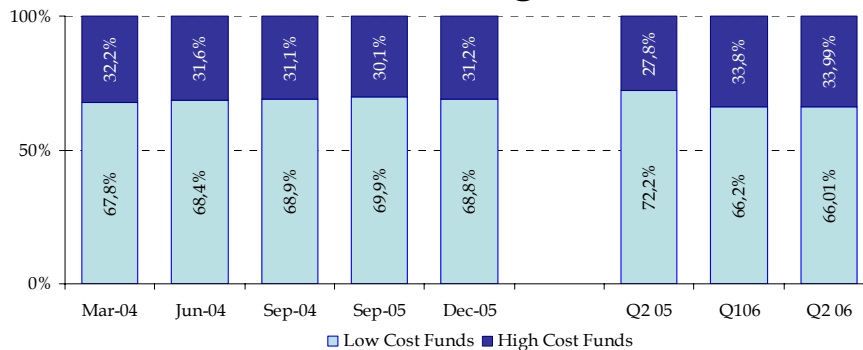
BI Rate, BRI's COF and the Growth of Deposits



Composition of Time Deposits (as of end of June 2006)



Low Cost Funds vs. High Cost Funds



- The portion of high cost funds is to be kept to be below 40%, and saving is the biggest part of the funds
- Compare to Q1, Q to Q increase of COF in Q2 had been slowing down, reflecting easing interest rate hike pressure on the COF

The Networks - Continued Expansions



Regional offices and audit offices

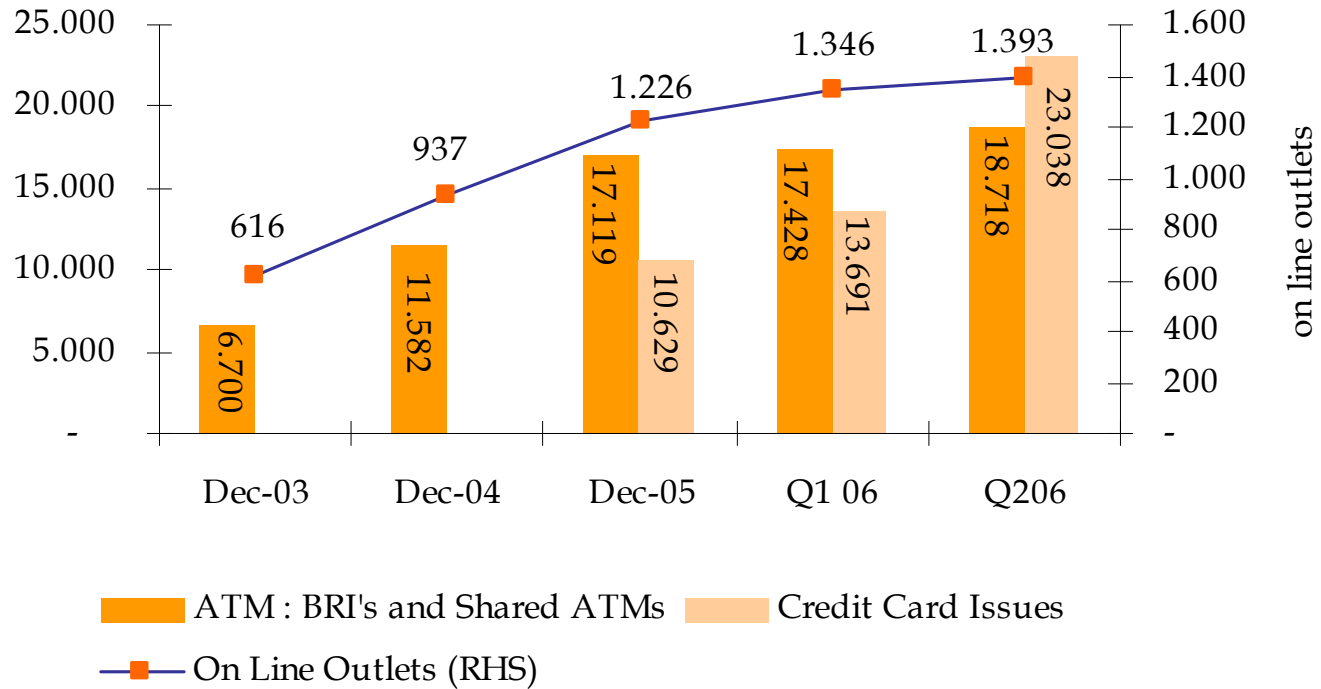
- 1 Aceh *
- 2 Medan
- 3 Padang
- 4 Palembang
- 5 Banjarmasin
- 6 Jakarta
- 7 Bandung
- 8 Yogyakarta *
- 9 Semarang
- 10 Surabaya
- 11 Denpasar
- 12 Makassar (incl Maluku and Papua)
- 13 Manado

	Jun 05	Jun 06		Jun 05	Jun 06
Head Office	1	1	Micro Units	4.046	4.113
Regional Offices	13	13	Sharia Branches	20	27
Regional Audit Offices	11	11	Sharia Sub Brc	5	16
Branches	324	326			
Sub Branches	163	186			

* No regional audit office

Consumer Banking - The Progress

Infrastructures and Credit Card Issues



Profitability

Sources of Income

Idr billion

Source of Income	2001	2002	2003	2004	2005	Jun 05	Mar-06	Jun-06	Growth Q2 05 - 06
Interest income	10.967,7	13.453,6	15.069,3	15.530,8	17.253,7	8.238,0	4.933,1	10.206,0	23,9%
Other Opr.Income	1.153,2	1.044,7	938,5	1.446,8	968,6	507,7	443,7	638,9	25,8%
Non Operational Income (net)	24,8	7,7	405,6	444,2	295,6	69,3	58,9	127,7	84,4%
Total Income	12.145,8	14.506,0	16.413,4	17.421,8	18.518,0	8.815,0	5.435,7	10.972,6	24,5%

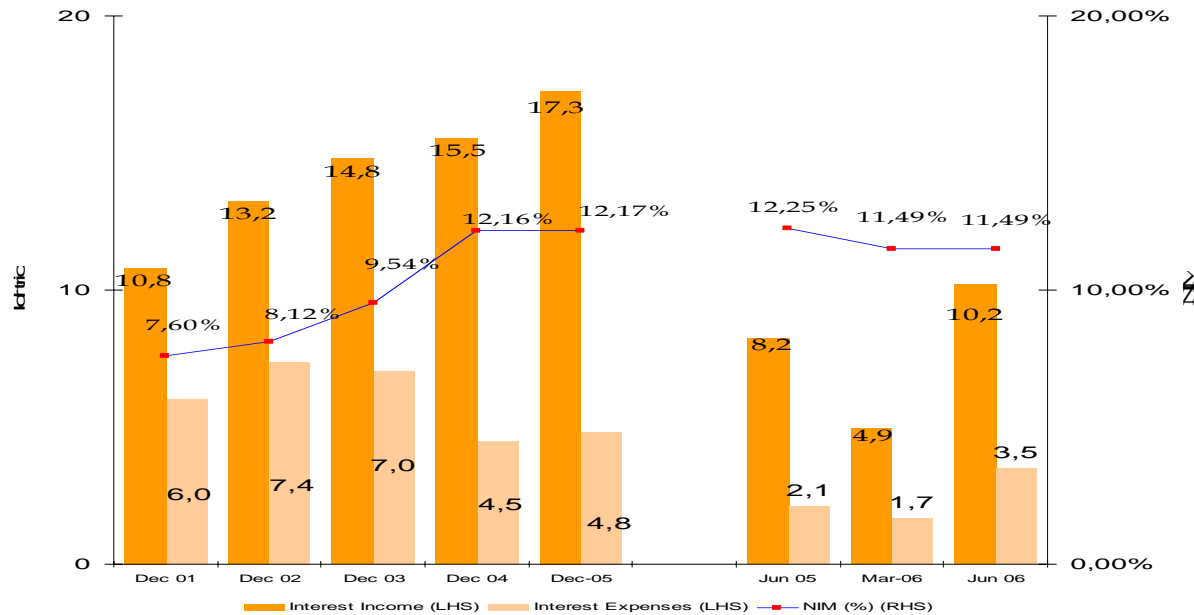
Other Operating Income

idr billion

Other Operating Income	Jun 05	Mar-06	Jun-06	Growth Jun 05 - Jun 06
Gain Fr Value Increase and sale securitieas and Govt. Recap Bonds	142,3	210,8	176,3	24,0%
Fees and Commissions	247,9	178,2	369,1	48,9%
Gain fr Forex (net)	86,8	-	-	-100,0%
Others	30,8	54,8	93,5	203,2%
Total	507,7	443,7	638,9	25,8%

Main Sources of Income

Interest Income vs. Interest Expenses



Compare to Q1 2006 :

Despite the increase in interest expenses, net interest margin can be maintained, reflecting the quality of loan loan expansion, which resulted in a higher interest income

Over Head Expenses

IDR billion

	Dec 2001	Dec 2002	Dec 2003	Dec 2004	Dec-05	Jun 05	Mar-06	Jun 06	Growth YoY (Q1'05-Q1'06)
Personnel	1.961,9	2.644,1	3.666,0	3.717,5	4.407,2	2.232,4	1.097,9	2.474,3	9,8%
General and Administration	949,6	1.081,8	1.330,0	1.835,0	2.126,4	841,2	470,7	986,7	14,7%
Losses fr decrease of Securit and Govt. Bonds value and sale	-	-	-	-	566,0	-	-	-	0,0%
Premium Paid on Govt Guarantee				183,4	199,3	-	25,2	94,7	-
Others	81,0	133,0	738,0	151,0	381,2	401,7	195,8	357,8	-12,3%
Total	2.992,4	3.858,9	5.734,0	5.887,0	7.680,1	3.475,4	1.789,6	3.913,4	12,6%

Others incl : losses from forex, promotion expenses

Shareholders - Composition

Shareholder	Nov 2003	Jun-05	Jun-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

- The new management agrees to stick to BRI's core business i.e. to focus to MSMEs, with some expansion to consumer banking to tap business opportunities available in the urban areas, especially in the funding side.
- BRI's loan portfolio is well managed and in a sound growth :
 - Q to Q loan growth is picking up, with small commercial loans and micro loans as the main driver
 - NPLs (gross) is still well managed to be around 5%
 - Loan expansion is in a good quality, resulted in a stable NIM of around 11% in the midst of higher cost of funds environment
- BRI's funds have a relatively stable cost of funds as retail saving accounts which had been proven to be more insensitive to the interest rate dominated BRI's funds
- Network expansion is to be continued to support the development of BRI's business growth.

Thank You

Contact Person

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