

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

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

*These consolidated financial statements are originally issued in Indonesian language.*

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

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*This report is originally issued in Indonesian language.*

## Independent Auditors' Report

Report No. RPC-8542

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

We have audited the consolidated balance sheets of PT Bank Rakyat Indonesia (Persero) Tbk (herein referred to as "BRI") and Subsidiary as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of BRI's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the Subsidiary as of and for the year ended December 31, 2007, which statements reflect total assets representing 0.13% of the total consolidated assets and total income from operations representing 0.12% of the total consolidated income from operations. The Subsidiary's financial statements were audited by other independent auditors, whose report dated February 22, 2008, expressed an unqualified opinion and has been furnished to us and our opinion, in so far as it relates to the amounts included for the Subsidiary, is based solely on the report of the other independent auditors.

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

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

### Purwanto, Sarwoko & Sandjaja



**Drs. Hari Purwanto**  
Public Accountant License No. 98.1.0065

March 19, 2008

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

These consolidated financial statements are originally issued in Indonesian language.

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

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

<sup>\*)</sup> Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

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

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

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

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

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

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

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

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

<sup>\*)</sup> Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

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

<sup>\*)</sup> Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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



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

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

<sup>\*)</sup> Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

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

<sup>\*)</sup> Including the Subsidiary's accounts which are consolidated (Notes 1e and 2b).

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

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

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

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

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

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

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

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

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

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

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

**PT BANK RAKYAT INDONESIA (PERSERO) Tbk AND SUBSIDIARY  
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**1. GENERAL**

**a. Establishment**

PT Bank Rakyat Indonesia (Persero) Tbk (hereinafter referred to as "BRI") was established on December 18, 1968 based on Law No. 21 year 1968. On April 29, 1992, based on the Government of the Republic of Indonesia (the "Government") Regulation No. 21 year 1992, the legal status of BRI was changed as a limited liability corporation (Persero). The change in the status of BRI to become a limited liability corporation was covered by notarial deed No. 133 dated July 31, 1992 of Notary Muhani Salim, S.H., and was approved by the Ministry of Justice in its Decision Letter No. C2-6584.HT.01.01.TH.92 dated August 12, 1992, and published in Supplement No. 3A of the State Gazette No. 73 dated September 11, 1992. BRI's articles of association were then amended by notarial deed No. 7 dated September 4, 1998 of Notary Imas Fatimah, S.H., pertaining to Article 2 on "Corporate Term" and Article 3 on "Purpose, Objectives and Business Activities" to comply with the provisions of Law No. 1 year 1995 on "Limited Liability Corporation" that was approved by the Ministry of Justice in its Decision Letter No. C2-24930.HT.01.04.Th.98 dated November 13, 1998 and was published in Supplement No. 7216 of the State Gazette No. 86 dated October 26, 1999 and notarial deed No. 7 dated October 3, 2003 of Notary Imas Fatimah, S.H., among others, regarding the company's status and compliance with the Capital Market Laws which were approved by the Ministry of Justice and Human Rights in its Decision Letter No. C-23726 HT.01.04.TH.2003 dated October 6, 2003 and published in Supplement No. 11053 of the State Gazette No. 88 dated November 4, 2003.

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

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

**b. Recapitalization Program**

As realization of the Recapitalization Program for Commercial Banks, set forth in Government Regulation No. 52 year 1999 regarding the Increase in Investments in Shares by the Republic of Indonesia in State-Owned Banks, BRI received all the recapitalization amount of Rp29,149,000 in the form of Government bonds issued in 2 (two) tranches at their nominal amounts of Rp20,404,300 on July 25, 2000 and Rp8,744,700 on October 31, 2000 (Notes 9 and 28b). Furthermore, as stated in the Management Contract dated February 28, 2001 between the Republic of Indonesia as represented by the Government through the Ministry of Finance, and BRI, the Government determined that the recapitalization requirement amount to achieve a CAR of 4% was Rp29,063,531. Therefore, BRI returned the excess recapitalization amount of Rp85,469 in the form of Government bonds to the Republic of Indonesia on November 5, 2001 (Notes 9 and 28b).

On September 30, 2003, the Ministry of Finance issued Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 regarding the final amount and the implementation of the Government's rights as a result of the additional investment of the Republic of Indonesia in the capital of BRI under the recapitalization program for commercial banks. Based on this Decision Letter, the Ministry of Finance affirmed that the final recapitalization requirement of BRI amounted to Rp29,063,531 (Note 28b).

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**1. GENERAL (continued)**

**c. Initial Public Offering of Shares**

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

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

BRI's initial public offering shares consist of 3,811,765,000 shares with a nominal value of Rp500 (full Rupiah) per share and with a selling price of Rp875 (full Rupiah) per share. Subsequently, 381,176,000 shares under the over-subscription option and 571,764,000 shares under the over-allotment option at a price of Rp875 (full Rupiah) per share were exercised on November 10, 2003 and December 3, 2003, respectively. After BRI's IPO and the exercise of the over-subscription option and the over-allotment option by underwriters, the Republic of Indonesia owns 59.5% of shares of BRI (Note 28a). On November 10, 2003, the above-mentioned offered shares were initially traded on the Jakarta and Surabaya Stock Exchanges (currently the Indonesia Stock Exchange) and all shares of BRI have been simultaneously listed.

**d. Structure and Management**

BRI's head office is located in BRI I Building, Jl. Jenderal Sudirman Kav. 44-46, Jakarta.

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

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

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

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



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**1. GENERAL (continued)**

**d. Structure and Management (continued)**

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

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

  

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

<sup>\*)</sup> Appointed based on the Stockholders' Extraordinary General Meeting held on September 5, 2007, which was stated under the notarial deed No. 3 of Imas Fatimah, S.H.

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

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

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

<b>2007 and 2006</b>	
Chairman	: Asjmuni Abdurrahman
Member	: Karnaen Perwataatmaja
Member	: Cholid Fadlulloh

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**1. GENERAL (continued)**

**e. Subsidiary**

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

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

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

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

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

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

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

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

**2. SUMMARY OF ACCOUNTING POLICIES**

**a. Basis of preparation of the consolidated financial statements**

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

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

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

The consolidated financial statements have been prepared on:

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

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

**b. Consolidation Principles**

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

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

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

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

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

**c. Quasi-reorganization**

Based on PSAK No. 51 on "Accounting for Quasi-reorganization", quasi-reorganization is an accounting procedure which will enable an enterprise to restructure its equity by eliminating accumulated losses and revaluing all its assets and liabilities based on fair values without a legal re-organization. Under quasi-reorganization, the company will have a fresh start with a balance sheet showing current values without accumulated losses as the accumulated losses are eliminated against the additional paid-in capital account.

The estimate fair values of assets and liabilities of BRI under the quasi-reorganization is determined based on the best information available that is related to the characteristics of the assets and liabilities, with consideration on the level of risks or market values of the related assets and liabilities. If the market value is not available, the estimate fair value is determined based on the market values of similar types of assets, estimated present value or discounted cash flows. For certain assets and liabilities, the valuation is undertaken in accordance with the related PSAK.

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**c. Quasi-reorganization (continued)**

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

BRI revalued its assets and liabilities in conjunction with the quasi-reorganization as of June 30, 2003. Since the fair value of net assets (total assets less total liabilities) of BRI is higher than their book value, based on PSAK No. 51 (before revision in 2003) and PSAK No. 21 on "Accounting for Equity", in the implementation of quasi-reorganization, BRI did not book the excess of such net assets against accumulated losses and used the book values of the assets and liabilities at the implementation of quasi-reorganization.

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

Bank Indonesia, in its letter No. 5/105/DPwB2/PwB24 dated September 19, 2003 stated that in undertaking the quasi-reorganization, BRI should refer to PSAK No. 51 (before revision in 2003) and with consideration to other related aspects in implementing quasi-reorganization.

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

**d. Transactions with related parties**

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

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**d. Transactions with related parties (continued)**

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

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

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

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

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

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

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

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

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

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

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

2) Special reserve, at a minimum of:

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

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

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

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

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

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

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

**f. Current accounts with other banks**

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

**g. Placements with Bank Indonesia and other banks**

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

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

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

**h. Securities and Government recapitalization bonds**

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

Securities include bonds issued by the Government that are not related with the recapitalization program such as Government Debentures (Surat Utang Negara or SUN), Government Treasury Bills (Surat Perbendaharaan Negara or SPN) and Government bonds in foreign currency purchased from primary and secondary markets.

Government recapitalization bonds are bonds issued by the Government in connection with the recapitalization program for commercial banks which consist of bonds under BRI's recapitalization and other Government recapitalization bonds purchased from the secondary market.

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

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

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

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**h. Securities and Government recapitalization bonds (continued)**

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

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

**i. Export bills**

Export bills represent negotiated export bills that have been discounted and guaranteed by other banks. Export bills are stated at acquisition cost after deducting the discount and allowance for possible losses. The discount arising from export bills has been directly recorded in full in the current year's consolidated income statement as the amount is immaterial.

**j. Loans**

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

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

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

**k. Sharia receivables and financing**

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

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

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

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



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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**k. Sharia receivables and financing (continued)**

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

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

**l. Acceptances receivable and payable**

Acceptances receivable and payable represent letters of credit (L/C) transactions that have been accepted by the accepting bank. Acceptances receivable are stated at nominal amount or realization value of the L/C net of allowance for possible losses, while acceptances payable are stated at nominal amount or realization value of the L/C.

**m. Investments in shares of stock**

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

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

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

**n. Premises and equipment**

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

	<b>Years</b>
Buildings	15
Motor vehicles	5
Computers and machineries	3 - 5
Furniture and fixtures	5

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**n. Premises and equipment (continued)**

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

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

**o. Leases**

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

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

**p. Repossessed assets**

Repossessed assets acquired in settlement of loans (included as part of "Other Assets") are recognized at their net realizable values. Net realizable value is the fair value of the collateral after deducting the estimated costs of disposal. The excess in loan balances which has not been paid by debtors over the value of repossessed assets is charged to allowance for possible losses on loans in the current year. The difference between the value of the collateral and the proceeds from sale thereof is recognized as a gain or loss at the time of sale of the collateral.

**q. Prepaid expenses**

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

**r. Immediately payable liabilities**

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**s. Deposits from customers and other banks and financial institutions**

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

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

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

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

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

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

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

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

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

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

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**u. Allowance and timely payment of interest on BRI unit**

Timely Payment of Interest [*Pembayaran Bunga Tepat Waktu (PBTW)*] represent incentives given to Village General Loans (*Kupedes*) borrowers who pay their liabilities in accordance with the mutually agreed installment schedules. The amount of PBTW is 25% of interest received from either *Kupedes* working capital loans or *Kupedes* investment loans. PBTW is reported as deduction from interest income on loans.

Allowance for Timely Payment of Interest [*Cadangan Pembayaran Bunga Tepat Waktu (CPBTW)*] represents allowance provided for timely-payment incentives, which are given to borrowers of *Kupedes* who settle their liabilities on time. The amount of CPBTW is 25% of interest on *Kupedes* working capital loans and *Kupedes* investment loans received monthly. CPBTW is included as part of "Other Liabilities".

**v. Interest income and interest expense**

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

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

**w. Fees and commissions**

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

**x. Sharia income and charges**

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

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

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

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**y. Pension plan and employee benefits**

BRI has defined benefit pension plans covering substantially all its employees that fulfill the criteria. Under the defined benefit pension plans, current service cost is charged to current operations. Unrecognized past service cost and actuarial adjustment are amortized over the expected future years of service of existing employees as determined by the actuary. In addition, BRI employees are also given Old-Age Benefits, defined contribution pension plan benefits and other long-term benefits (gratuity for services, long sabbatical leaves and pension preparation period).

BRI has accounted for the liabilities arising from the implementation of Labor Law No. 13 Year 2003 dated March 25, 2003 (Labor Law No. 13/2003). BRI's work separation scheme is calculated following the provisions of Labor Law No. 13/2003.

Based on PSAK No. 24 (Revised 2004) on "Employee Benefits", the cost of providing employee benefits under the prevailing Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded the higher of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at that date. These gains or losses are recognized on a straight-line method over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

**z. Stock options**

BRI has granted stock options to the Directors and employees at certain positions and levels based on established criteria. Compensation cost at the grant date is calculated using the fair value of such stock options and is recognized as part of "Salaries and Employee Benefits Expense" based on cliff-vesting scheme using the straight-line method over the vesting period. The accumulation of stock compensation cost is recognized as "Stock Options" in equity.

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

**aa. Earnings per share**

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

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

**ab. Foreign currency transactions and balances**

BRI and its Subsidiary maintain their accounting records in Indonesian Rupiah. Transactions in foreign currencies are recorded at the prevailing exchange rates in effect on the date of the transactions. As of December 31, 2007 and 2006, all foreign currency monetary assets and liabilities are translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian Time) as of December 31, 2007 and December 29, 2006, respectively. The resulting gains or losses are credited or charged to the current consolidated profit and loss.

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**ab. Foreign currency transactions and balances (continued)**

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

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

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

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

For combination purposes in the consolidated financial statements, all accounts of the overseas branch and representative offices are translated into Rupiah with the following exchange rates:

- Assets and liabilities, commitments and contingencies - at Reuters spot rates at 4.00 p.m. WIB on balance sheet date.
- Revenues, expenses, gains and losses - at the average middle rate during the month. The ending year balances consist of the sum of the translated amounts of revenues, expenses and profit and losses per month during the year.
- Stockholders' equity - Capital Stock and Additional Paid-in Capital at historical rates.
- Statements of cash flows - at the spot rate published by Reuters at 4.00 p.m. WIB on balance sheet date, except for the profit and loss accounts which are translated at the average middle rates and stockholders' equity accounts which are translated at the historical rates.

The resulting difference arising from the translation process on the above financial statements is included in the stockholders' equity as "Differences Arising from Translation of Foreign Currency Financial Statements".

**ad. Derivative transactions**

Based on PSAK No. 55 (Revised 1999) on "Accounting for Derivative Instruments and Hedging Transactions", all derivative instruments are recognized in the balance sheet date at their fair value. Fair value is determined based on market value or Reuters spot rate at balance sheet date or pricing models or quoted prices of other instruments with similar characteristics. The recognition of derivatives as either assets or liabilities is based on the difference between the contract amount and the fair value of the derivative instrument. The difference represents unrealized gains or losses on the reporting date. The changes in the fair value of the derivative instruments that are not designated as hedging or do not meet the criteria for classification as hedging instrument are recognized in the current year consolidated profit and loss. For accounting purposes, BRI's derivative transactions are not designated as effective hedging.

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**ae. Income tax**

BRI and its Subsidiary applies PSAK No. 46 on "Accounting for Income Taxes" which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting and tax reporting. PSAK No. 46 also requires the recognition of deferred tax assets which arise from future tax benefits, including accumulated tax loss which can be compensated against the following years, if it is highly probable that the future income subject to tax is adequate for the compensation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Amendments to tax obligations are recorded when an assessment is received or, if there is objection or appeal, when the decision on the objection and or the result of the appeal is received.

**af. Segment reporting**

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

**ag. Use of estimates**

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

**ah. Revised Statements of Financial Accounting Standards**

The following summarizes the revised Statements of Financial Accounting Standards (PSAK) which were recently issued by the Indonesian Institute of Accountants:

PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, "Accounting for Certain Investments in Securities" and is applied prospectively for the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

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**2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**ah. Revised Statements of Financial Accounting Standards (continued)**

PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" establishes the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

PSAK No. 16 (Revised 2007), "Fixed Assets" prescribes the accounting treatment for property, plant and equipment to enable the financial statements users to discern information about an entity's investment in its property, plant and equipment and the changes in such investment. This standard provides, among others, for the recognition of the assets, determination of their carrying amounts and related depreciation and impairment losses. Under this standard, an entity shall choose between the cost model or revaluation model as the accounting policy for its property, plant and equipment. This revised standard supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets" and PSAK No. 17 (1994), "Accounting for Depreciation", and is effective for the preparation and presentation of financial statements beginning on or after January 1, 2008.

PSAK No. 13 (Revised 2007), "Investment Property" shall be applied in the recognition, measurement and disclosure of investment property. Among others, this standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. This standard permits the entity to choose between the cost model and fair value model to all its investment property. This revised standard supersedes PSAK No. 13 (1994), "Accounting for Investments", and is effective for financial statements covering the periods beginning on or after January 1, 2008.

PSAK No. 30 (Revised 2007), "Leases" prescribes for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. This standard provides for the classification of leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee, and the substance of the transaction rather than the form of the contract. This revised standard supersedes PSAK No. 30 (1990), "Accounting for Leases", and is effective for financial statements beginning on or after January 1, 2008.

PSAK Nos. 101 - 106 on Sharia Financial Statements Presentation, *Murabahah* Accounting, *Salam* Accounting, *Istishna* Accounting, *Mudharabah* Accounting, and *Musyarakah* Accounting, supersede PSAK No. 59 on Sharia Banking Accounting that relates to recognition, measurement, presentation and disclosures on these topics. These standards are effective for financial statements covering the periods beginning on or after January 1, 2008.

BRI is presently evaluating and has not determined the effects of these revised PSAKs on its consolidated financial statements.



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**3. IMPLEMENTATION OF QUASI-REORGANIZATION**

As a result of the effects of the economic conditions as discussed in Note 46, BRI incurred significant losses in 1998 and 1999 totaling Rp28,221,364. After BRI's recapitalization in July 2000 and October 2000, the allowance for possible losses on earning assets of BRI had been significantly reduced when the non-performing earning assets were transferred to the Indonesian Bank Restructuring Agency (IBRA). BRI had accumulated losses of Rp24,699,387 in the balance sheet as of June 30, 2003.

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

BRI's management has prepared projections of financial statements that show strong profitability and sound Capital Adequacy Ratio (CAR) based on the primary strength of BRI as a major bank in Indonesia that focuses on micro-finance and lending to a strong consumer sector, small and middle business and agribusiness sectors.

**4. CURRENT ACCOUNTS WITH BANK INDONESIA**

Current accounts with Bank Indonesia consist of:

	<u>2007</u>	<u>2006</u>
Rupiah	30,633,245	13,713,696
United States Dollar	414,627	307,672
	<u><b>31,047,872</b></u>	<u><b>14,021,368</b></u>

As of December 31, 2007 and 2006, current accounts with Bank Indonesia under sharia banking principles amounted to Rp26,170 and Rp25,244, respectively.

Current accounts with Bank Indonesia are maintained to comply with Bank Indonesia's Minimum Legal Reserve Requirement (GWM).

As of December 31, 2007 and 2006, the GWM ratios of BRI only (unaudited) are as follows:

	<u>2007</u>	<u>2006</u>
Rupiah	22.09%	12.34%
United States Dollar	3.00	3.00

The calculation of the GWM ratios is based on Bank Indonesia Regulation (PBI) No. 7/49/PBI/2005 dated November 29, 2005 regarding the Second Amendment on PBI No. 6/15/PBI/2004 regarding GWM of Commercial Banks in Bank Indonesia in Rupiah and Foreign Currency.

BRI has complied with Bank Indonesia's regulation regarding the minimum legal reserve requirement as of December 31, 2007 and 2006.

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**5. CURRENT ACCOUNTS WITH OTHER BANKS**

a) By Currency:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>	23,006	33,335
<u>Foreign currencies</u>		
European Euro	369,234	21,568
United States Dollar	235,825	91,315
Japanese Yen	147,409	5,066
Swiss Franc	87,095	6,708
Great Britain Pound Sterling	23,023	12,425
Hong Kong Dollar	9,549	2,124
Singapore Dollar	9,294	2,610
Others	18,417	6,784
	<u>899,846</u>	<u>148,600</u>
Total	922,852	181,935
Less: Allowance for possible losses	(9,234)	(1,819)
	<b><u>913,618</u></b>	<b><u>180,116</u></b>

b) By Bank:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
PT Bank Negara Indonesia (Persero) Tbk	5,098	22,254
PT Bank Mandiri (Persero) Tbk	374	1,416
Others	17,534	9,665
	<u>23,006</u>	<u>33,335</u>
<u>Foreign currencies</u>		
JP Morgan Chase Bank, N.A.	347,103	11,622
ABN-AMRO Bank N.V.	150,804	5,047
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	131,499	5,066
UBS AG	87,095	6,708
Bank of America, N.A.	41,245	25,282
The Hongkong and Shanghai Banking Corporation Limited	26,812	8,310
The Bank of New York Mellon	15,031	19,919
Deutsche Bank Trust Company Americas	14,910	2,213
Dresdner Bank AG	13,295	13,484
Others	72,052	50,949
	<u>899,846</u>	<u>148,600</u>
Total	922,852	181,935
Less: Allowance for possible losses	(9,234)	(1,819)
	<b><u>913,618</u></b>	<b><u>180,116</u></b>

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**5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)**

c) By Collectibility:

As of December 31, 2007 and 2006, all current accounts with other banks are classified as current.

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

	<b>2007</b>	<b>2006</b>
Rupiah	0.01%	1.20%
Foreign currencies		
United States Dollar	4.23	3.91
European Euro	2.67	1.46

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

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Beginning balance	333	112
(Reversal) provision during the year (Note 33)	(98)	221
	235	333
<u>Foreign currencies</u>		
Beginning balance	1,486	6,417
Provision (reversal) during the year (Note 33)	7,513	(4,931)
	8,999	1,486
	<b>9,234</b>	<b>1,819</b>

The minimum allowance for possible losses on current accounts with other banks that should be provided based on Bank Indonesia regulations amounted to Rp9,234 and Rp1,819 as of December 31, 2007 and 2006, respectively.

Management believes that the allowance for possible losses on current accounts with other banks is adequate.

**6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS**

a) By Currency and Type:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Bank Indonesia - <i>FASBI</i> (net of unamortized interest of Rp798 and Rp1,259 as of December 31, 2007 and 2006, respectively)	9,574,202	9,548,741

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

a) By Currency and Type (continued):

	<b>2007</b>	<b>2006</b>
Inter-bank call money		
Citibank, N.A.	500,000	425,000
PT Bank Danamon Indonesia Tbk	490,000	200,000
JP Morgan Chase Bank, N.A.	450,000	15,000
ABN-AMRO Bank N.V.	275,000	375,000
PT Bank Ekspor Indonesia (Persero)	250,000	-
PT Bank Permata Tbk	200,000	150,000
PT Bank Lippo Tbk	200,000	-
PT Pan Indonesia Bank Tbk	150,000	145,000
PT ANZ Panin Bank	145,000	-
PT Bank UOB Buana Tbk	130,000	-
PT Bank DBS Indonesia	125,000	-
American Express Bank	115,000	30,000
The Hongkong and Shanghai Banking Corporation Limited	103,379	400,000
PT Bank Rabobank International Indonesia	100,000	20,000
PT Bank Niaga Tbk	100,000	-
Standard Chartered Bank	-	200,000
Deutsche Bank AG	-	100,000
Others	445,000	195,000
	<u>3,778,379</u>	<u>2,255,000</u>
	<u>13,352,581</u>	<u>11,803,741</u>
<u>Foreign currencies</u>		
Inter-bank call money		
Standard Chartered Bank	375,720	-
Indonesische Overzeese Bank N.V.	140,895	135,045
PT Bank Mandiri (Persero) Tbk	140,895	-
The Bank of New York Mellon	58,246	144,048
Maybank	56,358	149,450
ABN-AMRO Bank N.V.	-	1,147,937
Others	307,682	88,139
	<u>1,079,796</u>	<u>1,664,619</u>
Time deposits		
Wachovia Bank N.A.	23,483	22,507
	<u>1,103,279</u>	<u>1,687,126</u>
	14,455,860	13,490,867
<u>Related party</u>		
<u>Rupiah</u>		
Inter-bank call money		
PT UFJ-BRI Finance	225,000	166,000
Total	<u>14,680,860</u>	<u>13,656,867</u>
Less: Allowance for possible losses	<u>(51,417)</u>	<u>(41,081)</u>
	<u><b>14,629,443</b></u>	<u><b>13,615,786</b></u>

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**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:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	13,252,581	11,803,741
> 1 month - 3 months	100,000	-
	<u>13,352,581</u>	<u>11,803,741</u>
<u>Foreign currencies</u>		
≤ 1 month	1,079,796	1,664,619
> 1 month - 3 months	23,483	22,507
	<u>1,103,279</u>	<u>1,687,126</u>
	<u>14,455,860</u>	<u>13,490,867</u>
<u>Related party</u>		
<u>Rupiah</u>		
≤ 1 month	26,000	42,000
> 1 month - 3 months	199,000	124,000
	<u>225,000</u>	<u>166,000</u>
Total	14,680,860	13,656,867
Less: Allowance for possible losses	(51,417)	(41,081)
	<u><b>14,629,443</b></u>	<u><b>13,615,786</b></u>

c) By Collectibility:

As of December 31, 2007 and 2006, all placements with Bank Indonesia and other banks are classified as current.

d) Average annual interest rates are as follows:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
<i>FASBI</i>	3.83%	6.68%
Inter-bank call money	6.65	9.62
<u>Foreign currencies</u>		
Inter-bank call money	5.29	5.28
Time deposits	4.25	5.13

e) Movements of allowance for possible losses on placements with Bank Indonesia and other banks:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Beginning balance	24,210	16,990
Provision during the year (Note 33)	16,174	7,220
	<u>40,384</u>	<u>24,210</u>

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

- e) Movements of allowance for possible losses on placements with Bank Indonesia and other banks (continued):

	<b>2007</b>	<b>2006</b>
<u>Foreign currencies</u>		
Beginning balance	16,871	12,622
(Reversal) provision during the year (Note 33)	(5,838)	4,249
	11,033	16,871
	<b>51,417</b>	<b>41,081</b>

The minimum allowance for possible losses on placements with Bank Indonesia and other banks that should be provided based on Bank Indonesia regulations amounted to Rp51,417 and Rp41,081 as of December 31, 2007 and 2006, respectively.

Management believes that the allowance for possible losses on placements with Bank Indonesia and other banks is adequate.

**7. SECURITIES**

- a) By Purpose, Currency and Type:

	<b>2007</b>	<b>2006</b>
<b><u>Trading (Fair Value)</u></b>		
<u>Rupiah</u>		
Government bonds	1,952,680	608,497
Bonds	384,726	75,670
Mutual funds	102,732	95,576
Medium-term notes	-	19,812
	2,440,138	799,555
<u>Foreign currency</u>		
Government bonds	492,448	348,635
Guaranteed notes	93,930	91,380
US Treasury bonds	93,872	84,938
Medium-term notes	92,135	110,111
Notes receivable	-	44,791
Subordinated notes	-	34,394
	772,385	714,249
	3,212,523	1,513,804
<b><u>Available-for-Sale (Fair Value)</u></b>		
<u>Rupiah</u>		
Government bonds	1,679,963	-
Bonds	19,859	-
	1,699,822	-

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**7. SECURITIES (continued)**

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

	<b>2007</b>	<b>2006</b>
<u>Foreign currency</u>		
Government bonds	872,776	839,516
Notes receivable	103,896	198,497
	976,672	1,038,013
	2,676,494	1,038,013
<b><u>Held-to-Maturity (Cost)</u></b>		
<u>Rupiah</u>		
Bank Indonesia Certificates - net of unamortized interest of Rp19,500 and Rp53,398 as of December 31, 2007 and 2006, respectively	8,325,500	12,687,722
Bonds	501,014	-
Medium-term notes	10,000	-
	8,836,514	12,687,722
<u>Foreign currency</u>		
Credit Linked Notes - net of unamortized premium of Rp190,537 as of December 31, 2007	2,632,717	-
Subordinated notes - net of unamortized discount of Rp784 as of December 31, 2006	-	152,267
	2,632,717	152,267
	11,469,231	12,839,989
Total	17,358,248	15,391,806
Less: Allowance for possible losses	(40,349)	(9,074)
	<b>17,317,899</b>	<b>15,382,732</b>

b) By Collectibility:

As of December 31, 2007 and 2006, all securities are classified as current.

c) By Remaining Period to Maturity:

The classification of maturity of securities based on their remaining period until maturity are as follows:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
≤ 1 month	12,465,460	13,487,277
> 1 year	511,014	-
	12,976,474	13,487,277

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**7. SECURITIES (continued)**

c) By Remaining Period to Maturity (continued):

	<b>2007</b>	<b>2006</b>
<u>Foreign currency</u>		
≤ 1 month	1,749,057	1,752,263
> 1 year	2,632,717	152,266
	<u>4,381,774</u>	<u>1,904,529</u>
Total	17,358,248	15,391,806
Less: Allowance for possible losses	(40,349)	(9,074)
	<b><u>17,317,899</u></b>	<b><u>15,382,732</u></b>

d) By Issuer:

d.1. Government Bonds

Government bonds represent bonds issued by the Government in connection with the management of Government debentures portfolio such as Government Debentures (Surat Utang Negara or SUN), Government Treasury Bills (Surat Perbendaharaan Negara or SPN) and Government bonds issued in foreign currencies which are obtained from primary and secondary markets. The details of Government bonds are as follows:

Series	Annual Interest Rate (%)	Maturity Date	Fair Value	
			2007	2006
<b><u>Trading</u></b>				
<b><u>Rupiah</u></b>				
FR0022	12.00	September 15, 2011	-	54,810
FR0023	11.00	December 15, 2012	101,888	100,919
FR0024	12.00	October 15, 2010	27,154	27,130
FR0026	11.00	October 15, 2014	165,480	106,288
FR0027	9.50	June 15, 2015	-	229,727
FR0028	10.00	July 15, 2017	121,136	89,553
FR0033	12.50	March 15, 2013	22,616	-
FR0042	10.25	July 15, 2027	146,310	-
FR0043	10.25	July 15, 2022	37,847	-
FR0045	9.75	May 15, 2037	222,317	-
FR0046	9.50	July 15, 2023	157,063	-
FR0047	10.00	February 15, 2028	107,599	-
FR0048	9.00	September 15, 2018	75,413	-
ORI001	12.05	August 9, 2009	945	70
ORI002	9.28	March 18, 2010	11,502	-
ORI003	9.40	September 12, 2011	13,595	-
ZC-01	-	November 20, 2008	667,256	-
ZC-02	-	August 9, 2009	74,559	-
			<u>1,952,680</u>	<u>608,497</u>
<b><u>Foreign currency</u></b>				
RI0014	6.75	March 10, 2014	295,454	251,403
RI0015	7.25	April 20, 2015	99,096	97,232
RI0037	6.63	February 17, 2037	97,898	-
			<u>492,448</u>	<u>348,635</u>
			<b><u>2,445,128</u></b>	<b><u>957,132</u></b>



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**7. SECURITIES (continued)**

d) By Issuer (continued):

d.1. Government Bonds (continued)

Series	Annual Interest Rate (%)	Maturity Date	Fair Value	
			2007	2006
<b>Available-for-Sale</b>				
<u>Rupiah</u>				
Government Treasury Bills (SPN)	-	May 28, 2008	1,679,963	-
<u>Foreign currency</u>				
RI0014	6.75	March 10, 2014	358,187	395,803
RI0015	7.25	April 20, 2015	69,620	97,618
RI0016	7.50	January 15, 2016	30,363	29,710
RI0017	6.88	March 9, 2017	369,752	316,385
RI0037	6.63	February 17, 2037	44,854	-
			872,776	839,516
			<b>2,552,739</b>	<b>839,516</b>

The market value of Government bonds held for trading and available-for-sale ranged from 86.36% to 107.37% and 97.76% to 110.00% as of December 31, 2007 and 2006, respectively.

d.2. Bonds

Issuer	Annual Interest Rate (%)	Maturity Date	Rating <sup>*)</sup>		Fair Value/Cost	
			2007	2006	2007	2006
<b>Trading</b>						
<u>Rupiah</u>						
PT Jasa Marga (Persero) Series XIII R	10.25	June 21, 2017	idA+	-	102,454	-
PT Perusahaan Listrik Negara (Persero) Series IX A	10.40	July 10, 2017	idA+	-	73,945	-
PT Bank Danamon Indonesia Tbk Series I B	7.60	August 8, 2007	-	idA	-	17,983
PT Pan Indonesia Bank Tbk Series II B	10.60	April 19, 2012	idAA-	-	50,090	-
PT Bank Negara Indonesia (Persero) Tbk Series I	10.75	June 19, 2012	idA-	-	49,754	-
PT Summit Oto Finance Series C 10 B	8.91	March 8, 2010	idAAA	-	49,208	-
PT Bank Negara Indonesia (Persero) Tbk Series I	13.13	July 10, 2011	idA+	idA-	45,332	47,552
Perum Pegadaian Series XII B	10.03	September 4, 2017	idAA	-	8,876	-
PT Bank Tabungan Negara (Persero) Series VI	9.54	September 8, 2007	-	idAA	-	8,106
PT Bank Tabungan Negara (Persero) Series X	12.20	May 25, 2009	idA+	idA	2,067	2,029

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**7. SECURITIES (continued)**

d) By Issuer (continued):

d.2. Bonds (continued)

Issuer	Annual Interest Rate (%)	Maturity Date	Rating <sup>*)</sup>		Fair Value/Cost	
			2007	2006	2007	2006
Perum Pegadaian Series IX	16.15	June 6, 2010	idAA	-	3,000	-
					<b>384,726</b>	<b>75,670</b>
<b>Available-for-Sale</b>						
<b>Rupiah</b>						
PT Ciliandra Perkasa Series I	11.50	November 27, 2012	idA-	-	<b>19,859</b>	-
<b>Held-to-Maturity</b>						
<b>Rupiah</b>						
PT Japfa Comfeed Indonesia Tbk Series I	12.75	July 11, 2012	idBBB+	-	250,000	-
PT Bentoel Internasional Investama Tbk Series I	10.50	November 27, 2012	idA	-	200,000	-
PT Summit Oto Finance Series II B	8.65	September 8, 2009	idAAA	-	50,000	-
PT Indofood Sukses Makmur Tbk Series IV	10.01	May 15, 2012	idAA+	-	1,014	-
					<b>501,014</b>	-

<sup>\*)</sup> Based on ratings issued by PT Pemeringkat Efek Indonesia (Pefindo)

d.3. Mutual Funds

	2007	2006
Brivestama Pasti Mutual Funds	75,944	70,845
Surya Mutual Funds	12,600	6,127
Brivestama Pasar Uang Mutual Funds	7,414	11,840
ITB - Niaga Mutual Funds	6,774	6,764
	<b>102,732</b>	<b>95,576</b>

BRI also acts as sponsor of the public offerings of these mutual funds.

d.4. Notes Receivable

Issuer	2007			2006		
	Fair Value	Rating <sup>*)</sup>	Maturity Date	Fair Value	Rating <sup>*)</sup>	Maturity Date
<b>Trading</b>						
Foreign currency						
PT Bank Negara Indonesia (Persero) Tbk	-	-	-	44,791	B+	February 15, 2007

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**7. SECURITIES (continued)**

d) By Issuer (continued):

d.4. Notes Receivable (continued)

Issuer	2007			2006		
	Fair Value	Rating <sup>*)</sup>	Maturity Date	Fair Value	Rating <sup>*)</sup>	Maturity Date
<b>Available-for-Sale</b>						
<u>Foreign currency</u>						
Evergreen	74,308	A-1	January 2, 2008	7,363	A-1	January 2, 2007
Federal National Mortgage Association	-	-	-	21,975	A-1	January 10, 2007
Montblanc	-	-	-	8,909	A-1	February 14, 2007
Preimer Asset	-	-	-	8,107	A-1	March 13, 2007
Newport Funding Corp.	-	-	-	8,093	A-1	January 9, 2007
Sedna In Inc.	-	-	-	8,092	A-1	January 10, 2007
Quatro-Pmx Funding	-	-	-	8,092	A-1	January 10, 2007
Sydney Capital Corp.	-	-	-	7,995	A-1	January 8, 2007
IXIS Financial	-	-	-	7,454	A-1	January 2, 2007
General Electric Capital Co.	-	-	-	6,572	A-1	January 2, 2007
Beethoven Funding Corp.	-	-	-	6,267	A-1	February 8, 2007
Others	29,588	various	various	99,578	various	various
	103,896			198,497		
	<b>103,896</b>			<b>243,288</b>		

<sup>\*)</sup> Based on ratings issued by Standard & Poor's

d.5. Subordinated Notes

Issuer	2006					
	Nominal Amount		Unamortized Discount	Net Amount/ Fair Value	Annual Interest Rate	Maturity Date
	United States Dollar	Rupiah Equivalent				
<b>Trading</b>						
PT Bank Negara Indonesia (Persero) Tbk	3,700,000	33,311	-	34,394	10.00%	November 15, 2012 <sup>)</sup>
<b>Held-to-Maturity</b>						
PT Bank Mandiri (Persero) Tbk	10,000,000	90,030	(428)	89,602	10.63%	August 2, 2012 <sup>**)</sup>
PT Bank Negara Indonesia (Persero) Tbk	7,000,000	63,021	(356)	62,665	10.00%	November 15, 2012 <sup>)</sup>
	<b>17,000,000</b>	<b>153,051</b>	<b>(784)</b>	<b>152,267</b>		

<sup>)</sup> Option to be repurchased by the issuer on November 15, 2007

<sup>\*\*)</sup> Option to be repurchased by the issuer on August 2, 2007

The interest is receivable every 6 (six) months. The Subordinated Notes have been repurchased by the issuers on the option date.

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**7. SECURITIES (continued)**

d) By Issuer (continued):

d.6. Guaranteed Notes

Issuer	Annual Interest Rate	Maturity Date	Rating <sup>*)</sup>		Fair Value	
			2007	2006	2007	2006
<b>Trading</b>						
<u>Foreign currency</u>						
PGN Euro Finance 2003 Limited	7.50%	February 24, 2014	B+	B+	<b>93,930</b>	<b>91,380</b>

<sup>\*)</sup> Based on ratings issued by Standard & Poor's

d.7. Medium Term Notes (MTNs)

Issuer	Nominal Amount		Annual Interest Rate (%)	Maturity Date	Fair Value/ Cost	
	United States Dollar	Rupiah			2007	2006
	<b>Trading</b>					
<u>Rupiah</u>						
PT Telekomunikasi Indonesia (Persero) Tbk	-	20,000	9.40 <sup>1)</sup>	June 15, 2007	-	19,812
<u>Foreign currency</u>						
Deutsche Bank AG	10,000,000	-	-	July 17, 2009	92,135	82,900
PT Bank Mandiri (Persero) Tbk	3,000,000	-	7.00 <sup>1)</sup>	April 22, 2008	-	27,211
					92,135	110,111
					<b>92,135</b>	<b>129,923</b>
<b>Held-to-Maturity</b>						
<u>Rupiah</u>						
PT Bank Resona Perdania	-	10,000	9.60 <sup>1)</sup>	December 6, 2010	10,000	-
					<b>102,135</b>	<b>129,923</b>

<sup>1)</sup> The interest is receivable every 6 (six) months.

d.8. US Treasury Bonds

Issuer	Nominal Amount (United States Dollar)	Annual Interest Rate (%)	Maturity Date	Fair Value	
				2007	2006
<b>Trading</b>					
<u>Foreign currency</u>					
The Government of the United States of America	10,000,000	3.63 <sup>1)</sup>	May 15, 2013	<b>93,872</b>	<b>84,938</b>

<sup>1)</sup> The interest is receivable every 6 (six) months.

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**7. SECURITIES (continued)**

d) By Issuer (continued):

d.9. Credit Linked Notes

As of December 31, 2007, the following are the balances of securities in the form of Credit Linked Notes (CLN):

Issuer	Effective Date	Maturity Date	Annual Interest Rate	Nominal Amount (United States Dollar)	Cost
<b><u>Held-to-Maturity</u></b>					
<b><u>Foreign Currency</u></b>					
Credit Suisse International	October 10, 2007	December 20, 2010	LIBOR <sup>1)</sup> + 2.40%	50,000,000	469,650
ABN AMRO Bank N.V.	July 10, 2007	September 20, 2010	LIBOR <sup>1)</sup> + 1.45%	25,000,000	234,825
ABN AMRO Bank N.V.	August 13, 2007	September 20, 2010	LIBOR <sup>1)</sup> + 2.53%	25,000,000	234,825
ABN AMRO Bank N.V.	October 11, 2007	December 20, 2010	LIBOR <sup>1)</sup> + 1.60%	25,000,000	234,825
The Hongkong and Shanghai Banking Corporation Limited	October 24, 2007	December 20, 2010	LIBOR <sup>1)</sup> + 1.60%	25,000,000	234,825
The Hongkong and Shanghai Banking Corporation Limited	June 20, 2007	June 20, 2010	LIBOR <sup>**)</sup> + 1.10%	20,000,000	187,860
Standard Chartered Bank	August 24, 2007	September 20, 2010	LIBOR <sup>1)</sup> + 2.40%	20,000,000	187,860
Standard Chartered Bank	July 11, 2007	September 20, 2010	LIBOR <sup>1)</sup> + 1.60%	20,000,000	187,860
Standard Chartered Bank	April 27, 2007	June 20, 2010	LIBOR <sup>1)</sup> + 1.10%	30,000,000	281,790
Standard Chartered Bank	April 27, 2007	October 1, 2009	LIBOR <sup>1)</sup> + 0.77%	20,000,000	187,860
				260,000,000	2,442,180
Add unamortized premium					190,537
					<b>2,632,717</b>

<sup>1)</sup> LIBOR US\$ 6 (six) months

<sup>\*\*)</sup> LIBOR US\$ 3 (three) months

CLN represents a debt security where the coupon payments and principal repayment are linked to credit default event of the Republic of Indonesia (reference entity). BRI will receive all interest payments and full principal repayment if there is no credit default event. If credit default event occurs to the reference entity, the issuers will settle the CLN with bonds issued by the reference entity or cash with certain amount. Credit default event that can occur to the reference entity among others are (i) failure to pay any matured obligation, (ii) repudiation/moratorium, (iii) restructuring which payment terms are unfavourable to creditors.

The embedded credit default swaps as of December 31, 2007 have a fair value as liabilities of US\$15,613,267 (equal to Rp146,655), which were recognized as derivatives payable in the consolidated balance sheet (Note 11). The net gain from the change in fair value of the embedded credit default swaps that was recognized in income during the year ended December 31, 2007 was US\$7,862,947 (equal to Rp73,857).

e) Movements of allowance for possible losses on securities:

	2007	2006
<b>Rupiah</b>		
Beginning balance	1,910	1,862
Provision during the year (Note 33)	8,273	48
	10,183	1,910

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**7. SECURITIES (continued)**

e) Movements of allowance for possible losses on securities (continued):

	<b>2007</b>	<b>2006</b>
<u>Foreign Currency</u>		
Beginning balance	7,164	8,723
Provision (reversal) during the year (Note 33)	23,002	(1,559)
	30,166	7,164
	<b>40,349</b>	<b>9,074</b>

The minimum allowance for possible losses on securities that should be provided based on Bank Indonesia regulations amounted to Rp40,349 and Rp9,074 as of December 31, 2007 and 2006, respectively.

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

- f) BRI recognized net loss from the decline in value of trading securities amounting to Rp35,491 for the year ended December 31, 2007, which is recorded under "Loss from decline in value of securities and Government recapitalization bonds - net" in the consolidated statements of income. BRI recognized net income from the increase in the value of trading securities amounting to Rp156,797 for the year ended December 31, 2006, which is recorded under "Gain from increase in value of securities and Government recapitalization bonds - net" in the consolidated statements of income.
- g) BRI recognized net gain resulting from the sale of securities amounting to Rp46,211 and Rp156,700 for the years ended December 31, 2007 and 2006, respectively, which is recorded under "Gain on sale of securities and Government recapitalization bonds - net" in the consolidated statements of income.

**8. EXPORT BILLS**

a) By Collectibility:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Current	2,733	-
<u>Foreign currencies</u>		
Current	593,555	463,913
Loss	5	5,008
	593,560	468,921
Total	596,293	468,921
Less: Allowance for possible losses	(5,968)	(9,647)
	<b>590,325</b>	<b>459,274</b>

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**8. EXPORT BILLS (continued)**

b) By Period:

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

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
≤ 1 month	408,067	319,971
> 1 month - 3 months	137,435	41,675
> 3 months - 1 year	50,791	107,275
Total	596,293	468,921
Less: Allowance for possible losses	(5,968)	(9,647)
	<b>590,325</b>	<b>459,274</b>

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

	<b>2007</b>	<b>2006</b>
Beginning balance	9,647	4,727
(Reversal) provision during the year (Note 33)	(3,679)	4,920
	<b>5,968</b>	<b>9,647</b>

The minimum allowance for possible losses on export bills that should be provided based on Bank Indonesia regulations amounted to Rp5,968 and Rp9,647 as of December 31, 2007 and 2006, respectively.

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

**9. GOVERNMENT RECAPITALIZATION BONDS**

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

In connection with the recapitalization program, BRI received bonds issued by the Government with the total amount of Rp29,149,000 in 2 (two) tranches at nominal amounts of Rp20,404,300 on July 25, 2000 and Rp8,744,700 on October 31, 2000, all of which are bonds with fixed interest rates. Based on the management contract dated February 28, 2001 between the Government with BRI and the Directors and Boards of Commissioners of BRI, they have agreed that the total Government recapitalization bonds needed for BRI's recapitalization amounted to Rp29,063,531 (Note 28b), therefore the recapitalization excess of Rp85,469 should be returned to the Government, and BRI will not earn the interest income on such bonds. On November 5, 2001, BRI returned such bonds amounting to Rp85,469, including the related interests on such bonds to the Government.

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**9. GOVERNMENT RECAPITALIZATION BONDS (continued)**

The details of Government recapitalization bonds are as follows:

a) By Ownership Purpose and Remaining Period to Maturity:

	2007	2006
<b>Trading (Fair Value)</b>		
≤ 1 month	677,389	851,052
<b>Available-for-Sale (Fair Value)</b>		
≤ 1 month	6,205,907	6,255,002
<b>Held-to-Maturity (Acquisition Cost)</b>		
> 3 months - 1 year	1,269,647	-
> 1 year - 5 years	6,469,647	7,739,294
> 5 years - 10 years	1,000,000	1,000,000
> 10 years	2,600,000	2,600,000
	11,339,294	11,339,294
	<b>18,222,590</b>	<b>18,445,348</b>

b) By Type:

Series	Annual Interest Rate (%)	Maturity Date	Fair Value/Acquisition Cost	
			2007	2006
<b>Trading</b>				
FR0002	14.00	June 15, 2009	-	11,118
FR0010	13.15	March 15, 2010	32,935	33,341
FR0014	15.58	November 15, 2010	531,135	600,315
FR0017	13.15	January 15, 2012	113,319	206,278
			<b>677,389</b>	<b>851,052</b>
<b>Available-for-Sale</b>				
FR0016	13.45	August 15, 2011	1,142,913	1,146,596
FR0017	13.15	January 15, 2012	1,312,333	1,327,156
FR0018	13.18	July 15, 2012	3,750,661	3,781,250
			<b>6,205,907</b>	<b>6,255,002</b>
<b>Held-to-Maturity</b>				
FR0011	13.55	May 15, 2010	800,000	800,000
FR0015	13.40	February 15, 2011	4,000,000	4,000,000
VR0013	SBI 3 months	January 25, 2008	634,823	634,823
VR0014	SBI 3 months	August 25, 2008	634,824	634,824
VR0016	SBI 3 months	July 25, 2009	1,669,647	1,669,647
VR0020	SBI 3 months	April 25, 2015	250,000	250,000
VR0021	SBI 3 months	November 25, 2015	250,000	250,000
VR0023	SBI 3 months	October 25, 2016	500,000	500,000
VR0026	SBI 3 months	January 25, 2018	375,000	375,000
VR0027	SBI 3 months	July 25, 2018	375,000	375,000
VR0028	SBI 3 months	August 25, 2018	375,000	375,000
VR0029	SBI 3 months	August 25, 2019	375,000	375,000
VR0031	SBI 3 months	July 25, 2020	1,100,000	1,100,000
			<b>11,339,294</b>	<b>11,339,294</b>
			<b>18,222,590</b>	<b>18,445,348</b>



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**9. GOVERNMENT RECAPITALIZATION BONDS (continued)**

c) Other Significant Information:

The frequency of interest payment for bonds series FR is every 6 (six) months, and for bonds series VR is every 3 (three) months.

Government recapitalization bonds sold under agreements to repurchase as of December 31, 2007 and 2006 each amounted to Rp100,000 (Note 23).

The market values of several Government recapitalization bonds classified under trading and available-for-sale as published by Bank Indonesia, and other sources and based on the expected market yield for similar securities ranged from 109.78% to 118.03% and 111.14% to 120.06% as of December 31, 2007 and 2006, respectively.

BRI recognized net loss from the decline in value of Government recapitalization bonds amounting to Rp10,835 for the year ended December 31, 2007, which was recorded under "Loss from decline in value of securities and Government recapitalization bonds - net" in the consolidated statements of income. BRI recognized net gain from the increase in value of Government recapitalization bonds amounting to Rp33,542 for the year ended December 31, 2006, which is recorded under "Gain from increase in value of securities and Government recapitalization bonds - net" in the consolidated statements of income.

BRI recognized net gain from sales of Government recapitalization bonds classified as trading amounting to Rp2,144 and Rp137,160 for the years ended December 31, 2007 and 2006, respectively, which were recorded under "Gain on sale of securities and Government recapitalization bonds - net" in the consolidated statements of income.

**10. SECURITIES PURCHASED WITH AGREEMENT TO RESELL**

Securities purchased with agreement to resell as of December 31, 2007 and 2006 consist of:

		<b>2007</b>					
		Terms	Resale Date	Nominal Amount	Resale Price	Unrealized Interest Income	Net Value
PT Bank Mandiri (Persero) Tbk Government recapitalization bonds							
Series VR0031	15 days	January 3, 2008	1,115,000	1,004,576	(431)	1,004,145	
PT Pan Indonesia Bank Tbk Government bonds							
Series FR0027	31 days	January 14, 2008	400,000	338,502	(455)	338,047	
Series FR0031	33 days	January 7, 2008	600,000	544,022	(1,584)	542,438	
Series FR0040	33 days	January 14, 2008	550,000	501,340	(1,505)	499,835	
Series FR0047	33 days	January 7, 2008	200,000	189,400	(255)	189,145	
				<b>2,865,000</b>	<b>2,577,840</b>	<b>(4,230)</b>	<b>2,573,610</b>

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**10. SECURITIES PURCHASED WITH AGREEMENT TO RESELL (continued)**

		<b>2006</b>				
		Resale	Nominal	Resale	Unrealized	Net Value
PT Pan Indonesia	Terms	Date	Amount	Price	Interest Income	
Bank Tbk						
Government						
recapitalization						
bonds						
Series FR0018	31 days	January 15, 2007	100,000	105,882	(399)	105,483
Government bonds						
Series FR0026	31 days	January 15, 2007	100,000	96,806	(364)	96,442
			<b>200,000</b>	<b>202,688</b>	<b>(763)</b>	<b>201,925</b>

The securities purchased with agreement to resell are classified as current.

**11. DERIVATIVES RECEIVABLE AND PAYABLE**

The summary of the derivative transactions as of December 31, 2007 and 2006 are as follows:

		<b>2007</b>	
Transaction	Derivatives receivable	Derivatives payable	
Cross currency swap	19,422	29,752	
Interest rate swap	5,302	-	
Purchase of spot foreign currencies	-	4,514	
Credit Linked Notes (Note 7)	-	146,655	
Total	24,724	180,921	
Less: Allowance for possible losses	(247)	-	
	<b>24,477</b>	<b>180,921</b>	

  

		<b>2006</b>	
Transaction	Derivatives receivable	Derivatives payable	
Cross currency swap	5,050	-	
Interest rate swap	-	18,694	
Purchase of forward foreign currencies	-	5,532	
Sale of forward foreign currencies	5,557	-	
Total	10,607	24,226	
Less: Allowance for possible losses	(106)	-	
	<b>10,501</b>	<b>24,226</b>	

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**11. DERIVATIVES RECEIVABLE AND PAYABLE (continued)**

a. Cross currency swap

BRI has cross currency swap contracts as follow:

Counterparties	Notional Amount (US\$)	Annual Interest Rate		Date	
		Received by BRI	Paid by BRI	Effective	Maturity
ABN-AMRO Bank N.V.	20,000,000	SBI <sup>*)</sup> + 0.10%	LIBOR <sup>**) + 0.50%</sup>	October 4, 2006	October 4, 2009
ABN-AMRO Bank N.V.	25,000,000	SBI <sup>*)</sup> + 0.10%	LIBOR <sup>**) + 0.40%</sup>	August 10, 2007	September 20, 2010
Standard Chartered Bank	30,000,000	SBI <sup>*)</sup> + 0.05%	LIBOR <sup>**) + 0.75%</sup>	April 19, 2007	June 23, 2010
Standard Chartered Bank	20,000,000	SBI <sup>*)</sup> + 0.10%	LIBOR <sup>**) + 0.40%</sup>	July 5, 2007	September 21, 2010
The Hongkong and Shanghai Banking Corporation Limited	25,000,000	SBI <sup>*)</sup> + 0.10%	LIBOR <sup>**) + 0.40%</sup>	July 6, 2007	July 6, 2010

\*) Bank Indonesia Certificate 3 (three) months

\*\*) US\$ LIBOR 3 (three) months

\*\*\*\*) US\$ LIBOR 6 (six) months

Based on these contracts, BRI receives funds in US\$ from the counterparties and pays interest rate of US\$ LIBOR 3 (three) months + spread per annum. The counterparties receive funds in Rupiah (equivalent US\$ at the contract effective date) from BRI and pays interest rate of Bank Indonesia Certificate 3 (three) months + certain margin per annum. Interest is paid every 3 (three) months. At the end of the contracts, BRI will receive funds in Rupiah (equivalent US\$ at the last date of contract period) and the counterparties will receive funds in US\$.

b. Interest rate swap

BRI has interest rate swap contracts as follows:

Counterparties	Notional Amount (US\$)	Annual Interest Rate		Date	
		Received by BRI	Paid by BRI	Effective	Maturity
ABN-AMRO Bank N.V.	50,000,000	7.750%	LIBOR <sup>*)</sup> + 4.405%	October 14, 2003	September 25, 2008
The Hongkong and Shanghai Banking Corporation Limited	50,000,000	7.750%	LIBOR <sup>*)</sup> + 4.000%	November 12, 2003	September 25, 2008
ABN-AMRO Bank N.V.	50,000,000	LIBOR <sup>*)</sup> + 4.405% x N <sup>**) / M</sup>	LIBOR <sup>*)</sup> + 2.750%	March 27, 2006	September 25, 2008
The Hongkong and Shanghai Banking Corporation Limited	50,000,000	LIBOR <sup>*)</sup> + 4.000% x N <sup>****) / M</sup>	LIBOR <sup>*)</sup> + 2.150%	March 27, 2006	September 25, 2008

\*) US\$ LIBOR 6 (six) months

\*\*) N represents the total number of calendar days within the interest payment period upon which the interest rate for US Dollar swaps with a maturity of 10 (ten) years (CMS 10) subtracted by the interest rate of US Dollar swaps with a maturity of 2 (two) years (CMS 2) is greater than or equal to:  
 - 0.04% (for the second and third interest payment periods),  
 - 0.05% (for the fourth and fifth interest payment periods)

\*\*\*\*) N represents the total number of calendar days within the interest payment period upon which the interest rate for US Dollar swaps with a maturity of 10 (ten) years (CMS 10) subtracted by the interest rate of US Dollar swaps with a maturity of 2 (two) years (CMS 2), is greater than or equal to 0.00%.  
 M represents the total number of calendar days within the interest payment period.

The underlying transaction of the interest rate swap contracts is the issuance of US\$150,000,000 Subordinated Notes on September 25, 2003 with fixed interest at 7.75% per annum (Note 27d). Although the transactions are for the purpose of hedging the fixed rate coupon payments of the Subordinated Notes with floating coupon payment, such transaction does not qualify as a hedging transaction for accounting purposes.

c. Spot foreign currencies bought

As of December 31, 2007, BRI has outstanding spot foreign currency purchased contracts in United States Dollar (US\$) with notional amount of US\$199,000,000 and contract amount of Rp1,874,019. These contracts have various due dates and the last date on January 3, 2008.

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**11. DERIVATIVES RECEIVABLE AND PAYABLE (continued)**

d. Forward foreign currencies bought

As of December 31, 2006, BRI has outstanding forward foreign currency purchased contracts in United States Dollar (US\$) with notional amount of US\$16,600,000 and contract amount of Rp156,066. These contracts have various due dates and the last date on June 27, 2007.

e. Forward foreign currencies sold

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

Movements of allowance for possible losses on derivatives receivable:

	<b>2007</b>	<b>2006</b>
Beginning balance	106	64
Provision during the year (Note 33)	141	42
	<b>247</b>	<b>106</b>

The minimum allowance for possible losses on derivatives receivable that should be provided based on Bank Indonesia regulations amounted to Rp247 and Rp106 as of December 31, 2007 and 2006, respectively.

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

**12. LOANS**

a) By Currency and Type:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Working capital	37,537,018	27,788,190
<i>Kupedes</i>	32,601,671	27,284,362
Consumer	21,976,638	18,769,478
Investment	8,600,736	7,397,673
Program	4,078,345	2,012,363
Syndicated	93,858	94,093
Others	16,483	-
	104,904,749	83,346,159
<u>Foreign currencies</u>		
Working capital	5,704,548	4,495,838
Investment	1,388,766	863,820
Syndicated	268,337	168,215
Others	140,895	-
	7,502,546	5,527,873
	112,407,295	88,874,032

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**12. LOANS (continued)**

a) By Currency and Type (continued):

	<b>2007</b>	<b>2006</b>
<u>Related parties</u>		
<u>Rupiah</u>		
Working capital	368,895	293,863
Employees	62,287	61,275
	431,182	355,138
<u>Foreign currencies</u>		
Employees	329	369
	431,511	355,507
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	<b>105,923,763</b>	<b>82,541,885</b>

b) By Economic Sector:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Trading, hotel and restaurant	35,167,234	28,161,852
Agriculture	10,785,141	9,133,276
Manufacturing	8,271,652	6,987,052
Business services	7,179,896	2,570,606
Construction	2,581,326	1,720,482
Transportation, warehousing and communications	838,431	617,435
Social services	380,783	197,260
Mining	151,219	177,039
Electricity, gas and water	57,996	77,232
Others	39,491,071	33,703,925
	104,904,749	83,346,159
<u>Foreign currencies</u>		
Manufacturing	3,563,541	3,431,412
Trading, hotel and restaurant	1,655,473	1,523,541
Agriculture	1,482,719	249,986
Business services	365,885	44,639
Transportation, warehousing and communications	321,516	174,760
Construction	96,342	95,133
Mining	9,392	-
Electricity, gas and water	5,477	-
Others	2,201	8,402
	7,502,546	5,527,873
	112,407,295	88,874,032

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**12. LOANS (continued)**

b) By Economic Sector (continued):

	<b>2007</b>	<b>2006</b>
<u>Related parties</u>		
<u>Rupiah</u>		
Business services	368,895	293,863
Trading, hotel and restaurant	110	-
Others	62,177	61,275
	<u>431,182</u>	<u>355,138</u>
<u>Foreign currencies</u>		
Others	329	369
	<u>431,511</u>	<u>355,507</u>
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	<b><u>105,923,763</u></b>	<b><u>82,541,885</u></b>

c) By Period:

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

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	6,528,338	4,148,708
> 1 month - 3 months	7,055,427	5,680,990
> 3 months - 1 year	28,217,591	23,530,264
> 1 year - 2 years	15,817,637	12,924,022
> 2 years - 5 years	35,169,593	31,584,784
> 5 years	12,116,163	5,477,391
	<u>104,904,749</u>	<u>83,346,159</u>
<u>Foreign currencies</u>		
≤ 1 month	2,482,562	2,698,656
> 1 month - 3 months	1,346,285	173,890
> 3 months - 1 year	780,915	936,492
> 1 year - 2 years	570,149	380,783
> 2 years - 5 years	1,309,229	791,090
> 5 years	1,013,406	546,962
	<u>7,502,546</u>	<u>5,527,873</u>
	<u>112,407,295</u>	<u>88,874,032</u>
<u>Related parties</u>		
<u>Rupiah</u>		
> 3 months - 1 year	368,895	293,863
> 5 years	62,287	61,275
	<u>431,182</u>	<u>355,138</u>

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**12. LOANS (continued)**

c) By Period (continued):

	<b>2007</b>	<b>2006</b>
<u>Foreign currencies</u>		
> 3 months - 1 year	80	-
> 1 year - 2 years	249	-
> 5 years	-	369
	<u>329</u>	<u>369</u>
	<u>431,511</u>	<u>355,507</u>
Total	112,838,806	89,229,539
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	<b><u>105,923,763</u></b>	<b><u>82,541,885</u></b>

d) By Collectibility:

	<b>2007</b>	<b>2006</b>
Current	104,018,938	79,309,648
Special mention	4,928,570	5,609,633
Sub-standard	827,618	799,330
Doubtful	556,106	936,183
Loss	2,507,574	2,574,745
	<u>112,838,806</u>	<u>89,229,539</u>
Less: Allowance for possible losses	(6,915,043)	(6,687,654)
	<b><u>105,923,763</u></b>	<b><u>82,541,885</u></b>

e) Other Significant Information:

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

	<b>2007</b>	<b>2006</b>
Rupiah	18.79%	19.96%
Foreign currencies	5.17	6.61

2) The loans are generally collateralized by registered mortgages or by power of attorney to sell, demand deposits, time deposits or by other guarantees generally accepted by banks (Notes 18 and 20).

3) Working capital and investment loans represent loans to customers for capital goods and working capital requirements.

4) Consumer loans consist of housing, motor vehicles and other personal loans.

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**12. LOANS (continued)**

e) Other Significant Information (continued):

- 5) Program loans represent loan facilities channeled by BRI based on the guidelines from the Government to support the development of Indonesia's small scale industry, middle and cooperative units and to finance the procurement of food supply by the National Logistics Agency (BULOG).
- 6) *Kupedes* loans represent credit facilities channeled by BRI through BRI's Units. The target of these loans is micro business and fixed income employees that require additional funds, and within the maximum limit amount stated in the *Kupedes* manual. The economic sectors covered under *Kupedes* include agriculture, manufacturing, trading and others.
- 7) The syndicated loans represent loans provided to customers under syndication agreements with other banks. BRI's participation as member in the syndicated loans ranged from 7.14% to 40.10% and from 7.14% to 21.33% as of December 31, 2007 and 2006, respectively.
- 8) The loans to BRI's key employees only (related parties) amounted to Rp62,506 and Rp61,644 as of December 31, 2007 and 2006, respectively, and consist of loans which are intended for acquisitions of vehicles, houses and other needs. These loans bear annual interest of 5.5% and have maturities ranging from 4 (four) to 20 (twenty) years and are collected through monthly payroll deductions.
- 9) The loans granted by BRI to related parties, other than loans to employees, include loans to PT Bringin Srikandi Finance, classified as current, of Rp156,812 and Rp153,490 as of December 31, 2007 and 2006, respectively, and to PT Bringin Indotama Sejahtera Finance, classified as current, of Rp212,083 and Rp140,373 as of December 31, 2007 and 2006, respectively.
- 10) Loans that have been restructured in 2007 and 2006 and are still in the process of restructuring as of December 31, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Restructured during the year	1,653,261	907,072
In the process of restructuring	387,546	967,004

The terms of restructuring are generally for the extension of payment period.

- 11) In its report on Legal Lending Limit (LLL) to Bank Indonesia as of December 31, 2007 and 2006, BRI indicated that no debtor either related party or third party has not complied or exceeded the LLL.



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**12. LOANS (continued)**

e) Other Significant Information (continued):

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

(i) Consolidated

<b>Collectibility</b>	<b>2007</b>
Sub-standard	827,618
Doubtful	556,106
Loss	2,507,574
<b>Total non-performing loans</b>	<b>3,891,298</b>
<b>Total loans</b>	<b>112,838,806</b>
<b>% non-performing loans (Gross NPL)</b>	<b>3.45%</b>

(ii) BRI only

<b>Collectibility</b>	<b>2007</b>	<b>2006</b>
Sub-standard	826,047	799,330
Doubtful	549,685	936,183
Loss	2,491,017	2,574,745
<b>Total non-performing loans</b>	<b>3,866,749</b>	<b>4,310,258</b>
<b>Total loans</b>	<b>112,719,188</b>	<b>89,229,539</b>
<b>% non-performing loans (Gross NPL)</b>	<b>3.43%</b>	<b>4.83%</b>

13) Movements of allowance for possible losses on loans:

	<b>2007</b>	<b>2006</b>
Beginning balance	6,687,654	5,393,146
Provision during the year (Note 33)	1,781,201	1,846,793
Bad debt recoveries	584,576	622,263
Loans written off during the year	(2,124,360)	(1,023,003)
Foreign currency translation	(14,028)	(151,545)
<b>Ending balance</b>	<b>6,915,043</b>	<b>6,687,654</b>

The allowance for possible losses includes allowance for possible losses amounting to Rp967,642 and Rp868,154 as of December 31, 2007 and 2006, respectively, provided by BRI for debtors in areas affected by riots and allowance for possible losses for areas affected by natural calamities (including hot mud eruption in East Java) amounting to Rp274,240 and Rp229,138 as of December 31, 2007 and 2006, respectively. Based on Bank Indonesia letter No. 3/360/DPWB2 dated April 10, 2001, Bank Indonesia can evaluate the formation of allowance for BRI's debtors located in such areas affected by riots.

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**12. LOANS (continued)**

e) Other Significant Information (continued):

13) Movements of allowance for possible losses on loans (continued):

The minimum allowance for possible losses on loans that should be provided based on Bank Indonesia regulations (Note 2e) amounted to Rp4,024,470 and Rp4,095,685 as of December 31, 2007 and 2006, respectively.

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

**13. ACCEPTANCES RECEIVABLE AND PAYABLE**

The details of acceptances receivable from customers are as follows:

a) By Collectibility:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Current	65,567	3,293
Special mention	7,917	-
	<u>73,484</u>	<u>3,293</u>
<u>Foreign currencies</u>		
Current	585,698	314,460
Special mention	2,199	8,767
Loss	-	1,146
	<u>587,897</u>	<u>324,373</u>
Total	661,381	327,666
Less: Allowance for possible losses	(7,018)	(4,762)
	<u><b>654,363</b></u>	<u><b>322,904</b></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:

	<b>2007</b>	<b>2006</b>
≤ 1 month	179,545	84,464
> 1 month - 3 months	231,812	75,264
> 3 months - 1 year	250,024	167,938
Total	661,381	327,666
Less: Allowance for possible losses	(7,018)	(4,762)
	<u><b>654,363</b></u>	<u><b>322,904</b></u>

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**13. ACCEPTANCES RECEIVABLE AND PAYABLE (continued)**

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

	<b>2007</b>	<b>2006</b>
Beginning balance	4,762	14,827
Provision (reversal) during the year (Note 33)	2,256	(10,065)
	<b>7,018</b>	<b>4,762</b>

The minimum allowance for possible losses on acceptances receivable that should be provided based on Bank Indonesia regulation amounted to Rp7,018 and Rp4,762 as of December 31, 2007 and 2006, respectively.

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

**14. INVESTMENTS IN SHARES OF STOCK**

The details of investments in shares of stock are as follows:

<b>2007</b>					
Company Name	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings of Associate Company	Carrying Value
<b>Equity Method</b>					
PT UFJ-BRI Finance	Financing	45.00%	24,750	51,583	76,333
<b>Cost Method</b>					
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
					1,646
Total					77,979
Less: Allowance for possible losses					(1,311)
					<b>76,668</b>

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**14. INVESTMENTS IN SHARES OF STOCK (continued)**

			2006		
Company Name	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings of Associate Company	Carrying Value
<b>Equity Method</b>					
PT UFJ-BRI Finance	Financing	45.00%	24,750	43,545	68,295
<b>Cost Method</b>					
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><b>68,711</b></u>

As of December 31, 2007 and 2006, all investments are classified as current, except for investments in shares of stock in PT Sarana Bersama Pembiayaan Indonesia which was classified as loss.

In 2007 and 2006, BRI received cash dividends from PT UFJ-BRI Finance amounting to Rp5,535 and Rp7,020, respectively, from the distribution of income for the years ended 2006 and 2005.

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

	2007	2006
Beginning balance	1,230	1,188
Provision during the year (Note 33)	81	42
<b>Ending balance</b>	<u><b>1,311</b></u>	<u><b>1,230</b></u>

The minimum allowance for possible losses on investments in shares of stock that should be provided based on Bank Indonesia regulations amounted to Rp1,311 and Rp1,230 as of December 31, 2007 and 2006, respectively.

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

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**15. PREMISES AND EQUIPMENT**

Premises and equipment consist of:

<b>2007</b>				
<b>Description</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land rights	213,982	8,113	-	222,095
Buildings	1,009,330	113,219	4,812	1,117,737
Motor vehicles	254,611	91,918	40,244	306,285
Computers and machineries	1,939,132	43,970	98,614	1,884,488
Furniture and fixtures	528,480	160,534	62,059	626,955
Museum assets	184	-	-	184
	<u>3,945,719</u>	<u>417,754</u>	<u>205,729</u>	<u>4,157,744</u>
<u>Assets under capital leases</u>	384,284	1,359	57,312	328,331
Total Carrying Value	<u>4,330,003</u>	<u>419,113</u>	<u>263,041</u>	<u>4,486,075</u>
<u>Accumulated Depreciation</u>				
<u>Direct Ownership</u>				
Buildings	527,964	44,194	4,812	567,346
Motor vehicles	147,547	143,298	11,944	278,901
Computers and machineries	1,146,441	133,266	32,781	1,246,926
Furniture and fixtures	301,795	129,088	10,259	420,624
	<u>2,123,747</u>	<u>449,846</u>	<u>59,796</u>	<u>2,513,797</u>
<u>Assets under capital leases</u>	384,278	1,140	57,312	328,106
Total Accumulated Depreciation	<u>2,508,025</u>	<u>450,986</u>	<u>117,108</u>	<u>2,841,903</u>
<b>Net book value</b>	<b><u>1,821,978</u></b>			<b><u>1,644,172</u></b>
<b>2006</b>				
<b>Description</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land rights	219,511	678	6,207	213,982
Buildings	933,741	83,760	8,171	1,009,330
Motor vehicles	222,273	38,108	5,770	254,611
Computers and machineries	1,899,359	69,239	29,466	1,939,132
Furniture and fixtures	443,940	88,383	3,843	528,480
Museum assets	184	-	-	184
	<u>3,719,008</u>	<u>280,168</u>	<u>53,457</u>	<u>3,945,719</u>
<u>Assets under capital leases</u>	378,611	19,502	13,829	384,284
Total Carrying Value	<u>4,097,619</u>	<u>299,670</u>	<u>67,286</u>	<u>4,330,003</u>

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**15. PREMISES AND EQUIPMENT (continued)**

Description	2006			Ending Balance
	Beginning Balance	Additions	Deductions	
<u>Accumulated Depreciation</u>				
<u>Direct Ownership</u>				
Buildings	482,047	53,377	7,460	527,964
Motor vehicles	118,811	34,506	5,770	147,547
Computers and machineries	954,466	221,441	29,466	1,146,441
Furniture and fixtures	253,549	52,089	3,843	301,795
	1,808,873	361,413	46,539	2,123,747
<u>Assets under capital leases</u>	359,476	38,631	13,829	384,278
Total Accumulated Depreciation	2,168,349	400,044	60,368	2,508,025
<b>Net book value</b>	<b>1,929,270</b>			<b>1,821,978</b>

BRI has lease contracts mainly for computers and machineries and motor vehicles under lease contracts for 5 (five) years (Note 26).

Depreciation charged to current operations amounted to Rp440,245 and Rp400,044 for the years ended December 31, 2007 and 2006, respectively (Note 35).

Management believes that there is no impairment in the value of premises and equipment as of December 31, 2007 and 2006.

BRI has insured its premises and equipment (excluding land rights) for the possible loss due to risk of fire and theft with PT Asuransi Bringin Sejahtera Arthamakmur, a Subsidiary of Dana Pensiun BRI (related party), and PT Asuransi Ramayana Tbk with coverage amount of Rp5,657,007 and Rp5,083,115 as of December 31, 2007 and 2006, respectively. Management believes that each sum insured is adequate to cover possible losses arising from the insured premises and equipment.

**16. OTHER ASSETS**

Other assets consist of:

	2007	2006
<u>Rupiah</u>		
Interest receivables		
Loans	664,737	490,137
Government recapitalization bonds	635,894	676,898
Securities	52,333	13,379
Placements with Bank Indonesia and other banks	11,722	6,613
Others	-	111
Prepaid expenses	208,498	175,261
Office supplies	105,909	125,211
Goodwill	36,237	-
Reposessed assets	27,020	12,265
Others	1,118,968	882,835
	2,861,318	2,382,710

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**16. OTHER ASSETS (continued)**

	<b>2007</b>	<b>2006</b>
<u>Foreign currencies</u>		
Interest receivables		
Securities	54,235	32,505
Loans	8,293	7,721
Others	9,466	2,826
Prepaid expenses	1,328	986
Others	23,126	43,085
	<u>96,448</u>	<u>87,123</u>
Total	2,957,766	2,469,833
Less: Allowance for possible losses	(243,782)	(163,606)
	<u><b>2,713,984</b></u>	<u><b>2,306,227</b></u>

Allowance for possible losses mainly represents allowance for suspense accounts in branches, other receivables from other parties and allowance for possible losses for actual legal cases.

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

**17. IMMEDIATELY PAYABLE LIABILITIES**

Immediately payable liabilities consist of:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
ATM and credit card deposits	298,151	118,513
Advance payment deposits	274,619	239,954
Remittance deposits	231,372	139,208
Tax payment deposits	107,671	97,909
Insurance deposits	63,695	47,173
Deposits for channeling loans	56,723	55,338
Bank drafts and BRI travelers' checks (Cepebri)	51,716	29,974
Deposits for clearing	40,376	31,600
Others	2,064,898	1,230,051
	<u>3,189,221</u>	<u>1,989,720</u>
<u>Foreign currencies</u>		
Remittance deposits	49,796	101,418
Others	716,863	265,409
	<u>766,659</u>	<u>366,827</u>
	<u><b>3,955,880</b></u>	<u><b>2,356,547</b></u>

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**18. DEMAND DEPOSITS**

Demand deposits consist of:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
Rupiah	33,889,145	25,206,330
Foreign currencies	3,223,310	2,600,881
	<u>37,112,455</u>	<u>27,807,211</u>
<u>Related parties</u>		
Rupiah	6,380	1,946
Foreign currencies	1,632	1,700
	<u>8,012</u>	<u>3,646</u>
	<b><u>37,120,467</u></b>	<b><u>27,810,857</u></b>

Average annual interest rates for demand deposits are as follows:

	<b>2007</b>	<b>2006</b>
Rupiah	2.62%	2.42%
Foreign currencies	1.20	1.26

Demand deposits used as collateral for banking facilities granted by BRI amounted to Rp7,018 and Rp5,490 as of December 31, 2007 and 2006, respectively.

**19. SAVINGS DEPOSITS**

Savings deposits consist of:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Simpedes	46,602,578	38,684,799
Britama	24,842,406	19,016,795
Others	622,068	441,734
	<u>72,067,052</u>	<u>58,143,328</u>
<u>Related parties</u>		
<u>Rupiah</u>		
Britama	38,238	9,169
Others	536	-
	<u>38,774</u>	<u>9,169</u>
	<b><u>72,105,826</u></b>	<b><u>58,152,497</u></b>

The average annual interest rates for savings deposits are 2.63% and 4.68% for the years ended December 31, 2007 and 2006, respectively.



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**20. TIME DEPOSITS**

Time deposits consist of:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
Rupiah	49,822,035	34,063,985
Foreign currencies	5,774,296	3,521,267
	<u>55,596,331</u>	<u>37,585,252</u>
<u>Related parties</u>		
Rupiah	297,167	556,809
Foreign currencies	1,657	216
	<u>298,824</u>	<u>557,025</u>
	<b><u>55,895,155</u></b>	<b><u>38,142,277</u></b>

Time deposits based on their contract period are as follows:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Deposits on call	2,392,782	2,736,703
Deposits		
1 month	30,713,580	17,058,078
3 months	9,595,313	4,857,924
6 months	2,088,548	2,584,070
12 months	4,923,467	6,707,925
More than 12 months	108,345	119,285
	<u>49,822,035</u>	<u>34,063,985</u>
<u>Foreign currencies</u>		
Deposits on call	67,780	245,206
Deposits		
1 month	5,343,106	2,921,623
3 months	228,597	158,340
6 months	68,711	139,887
12 months	65,914	56,031
More than 12 months	188	180
	<u>5,774,296</u>	<u>3,521,267</u>
	<b><u>55,596,331</u></b>	<b><u>37,585,252</u></b>

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**20. TIME DEPOSITS (continued)**

	<b>2007</b>	<b>2006</b>
<u>Related parties</u>		
<u>Rupiah</u>		
Deposits on call	24,100	20,800
Deposits		
1 month	251,672	138,596
3 months	16,800	43,650
6 months	2,050	51,050
12 months	2,170	302,538
More than 12 months	375	175
	297,167	556,809
<u>Foreign currencies</u>		
Deposits		
1 month	1,657	216
	298,824	557,025
	<b>55,895,155</b>	<b>38,142,277</b>

Average annual interest rates for time deposits are as follows:

	<b>2007</b>	<b>2006</b>
Rupiah	8.17%	11.41%
Foreign currencies	4.02	3.96

Time deposits used as collateral for banking facilities granted by BRI amounted to Rp26,374 and Rp188,675 as of December 31, 2007 and 2006, respectively.

**21. CERTIFICATES OF DEPOSITS**

The classification by period of certificates of deposits in Rupiah based on their contract period are as follows:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
1 month	-	1,900
Less: Unamortized interest	-	(8)
	-	<b>1,892</b>

Average annual interest rates for certificates of deposits for the year ended December 31, 2006 were 8.74%.

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**22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS**

Deposits from other banks and financial institutions consist of:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Demand deposits	147,122	409,147
Savings deposits	24,722	16,674
Deposits on call	205,000	845,150
Time deposits	284,266	405,576
Inter-bank call money	225,000	182,000
	<u>886,110</u>	<u>1,858,547</u>
<u>Foreign currencies</u>		
Demand deposits	5,419	890
Time deposits	9,393	9,003
Inter-bank call money	710,111	-
	<u>724,923</u>	<u>9,893</u>
	<u><b>1,611,033</b></u>	<u><b>1,868,440</b></u>

Average annual interest rates for deposits from other banks and financial institutions are as follows:

	<b>Rupiah</b>		<b>Foreign Currencies</b>	
	2007	2006	2007	2006
Demand deposits	2.53%	2.80%	1.25%	1.25%
Savings deposits	2.50	3.50	-	-
Deposits on call	3.84	6.75	-	-
Time deposits	6.70	8.79	4.00	4.00
Inter-bank call money	5.44	10.46	5.27	-

The classification by period of deposits from other banks and financial institutions based on their remaining period until maturity are as follows:

	<b>2007</b>		
	≤ 1 month	> 1 - 3 months	Total
<u>Third parties</u>			
<u>Rupiah</u>			
Demand deposits	147,122	-	147,122
Savings deposits	24,722	-	24,722
Deposits on call	205,000	-	205,000
Time deposits	284,266	-	284,266
Inter-bank call money	225,000	-	225,000
	<u>886,110</u>	<u>-</u>	<u>886,110</u>

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**22. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)**

	<b>2007</b>		
	≤ 1 month	> 1 - 3 months	Total
<u>Foreign currencies</u>			
Demand deposits	5,419	-	5,419
Time deposits	9,393	-	9,393
Inter-bank call money	710,111	-	710,111
	724,923	-	724,923
	<b>1,611,033</b>	-	<b>1,611,033</b>
<b>2006</b>			
	≤ 1 month	> 1 - 3 months	Total
<u>Third parties</u>			
<u>Rupiah</u>			
Demand deposits	409,147	-	409,147
Savings deposits	16,674	-	16,674
Deposits on call	845,150	-	845,150
Time deposits	404,576	1,000	405,576
Inter-bank call money	182,000	-	182,000
	1,857,547	1,000	1,858,547
<u>Foreign currencies</u>			
Demand deposits	890	-	890
Time deposits	9,003	-	9,003
	9,893	-	9,893
	<b>1,867,440</b>	<b>1,000</b>	<b>1,868,440</b>

**23. SECURITIES SOLD WITH AGREEMENTS TO REPURCHASE**

Securities sold with agreements to repurchase as of December 31, 2007 and 2006 consist of:

Type of securities	Terms	Repurchase Date	<b>2007</b>			
			Nominal Amount	Repurchase Price	Unamortized Interest	Net Value
Deutsche Bank, AG Government recapitalization bond Series FR0017	90 days	January 15, 2008	<b>100,000</b>	<b>103,175</b>	<b>(494)</b>	<b>102,681</b>
<b>2006</b>						
Type of securities	Terms	Repurchase Date	Nominal Amount	Repurchase Price	Unamortized Interest	Net Value
Deutsche Bank, AG Government recapitalization bond Series FR0017	91 days	January 15, 2007	<b>100,000</b>	<b>103,210</b>	<b>(494)</b>	<b>102,716</b>

These bonds were repurchased by BRI on the agreed dates.

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**24. FUND BORROWINGS**

Fund borrowings consist of:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Borrowings from the Government	409,860	500,000
Borrowings from Bank Indonesia:		
Liquidity loans	284,210	347,996
Borrowings for investment in premises and equipment	32,092	32,092
Other fund borrowings	14,083	12,398
Refinancing borrowings	-	700,000
	<u>740,245</u>	<u>1,592,486</u>
<u>Foreign currencies</u>		
Refinancing borrowings	890,592	170,722
Bilateral borrowing	751,440	-
Other fund borrowings	-	1,399
	<u>1,642,032</u>	<u>172,121</u>
	<u><b>2,382,277</b></u>	<u><b>1,764,607</b></u>

The classification by period of fund borrowings based on their remaining period to maturity is as follows:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
≤ 1 month	453	1,210
> 1 month - 3 months	14,224	710,290
> 3 months - 1 year	50,591	49,225
> 1 year - 5 years	628,382	779,157
> 5 years	46,595	52,604
	<u>740,245</u>	<u>1,592,486</u>
<u>Foreign currencies</u>		
≤ 1 month	150,281	56,137
> 1 month - 3 months	578,154	115,984
> 3 months - 1 year	162,157	-
> 1 year – 5 years	751,440	-
	<u>1,642,032</u>	<u>172,121</u>
	<u><b>2,382,277</b></u>	<u><b>1,764,607</b></u>

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**24. FUND BORROWINGS (continued)**

Other significant information relating to fund borrowings are as follows:

(a) Borrowings from the Government

This account represents loan for distribution to micro and retail businesses with the source of fund from the Government Letter of Indebtedness (Surat Utang Pemerintah or SUP), with total facility of Rp500,000, where BRI acts as a financial institution executor for loan distribution to micro and retail businesses. The period of this loan is from May 14, 2004 up to December 10, 2009 with annual interest rate similar to the SUP interest rate charged by Bank Indonesia.

(b) Borrowings from Bank Indonesia

(i) Liquidity Loans

This account represents credit facilities obtained from Bank Indonesia that are channeled to BRI's debtors for the following purposes, among others: Investment Loans, Primary Cooperatives of Sugar Cane Farmers Loans, BULOG and Village Cooperative Units Loans, Permanent Working Capital Loans, Fertilizer and others.

The classification by period of liquidity loans from Bank Indonesia based on their remaining period until maturity as of December 31, 2007 and 2006 is as follows:

	<b>2007</b>	<b>2006</b>
≤ 1 month	453	-
≤ 1 month - 3 months	14,224	11,500
> 3 months - 1 year	50,591	49,225
> 1 year - 5 years	218,522	266,759
> 5 years	420	20,512
	<b>284,210</b>	<b>347,996</b>

Average annual interest rates on these loans are 6.07% and 5.94% for the years ended December 31, 2007 and 2006, respectively.

(ii) Borrowings for Investments in Premises and Equipment

This account represents loans obtained for the construction of certain office units for BRI's micro banking all over Indonesia.

Average annual interest rate of these borrowings is 5.00% for the years ended December 31, 2007 and 2006. The borrowings are due in 2016.

(c) Refinancing borrowings

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
PT Bank Ekspor Indonesia (Persero)	-	700,000

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**24. FUND BORROWINGS (continued)**

(c) Refinancing borrowings (continued)

	<b>2007</b>	<b>2006</b>
<u>Foreign currencies</u>		
Wachovia Bank, N.A.	422,685	-
The Bank of New York Mellon	281,790	115,984
Dresdner Bank AG	160,359	-
OCBC Bank	21,824	-
JP Morgan Chase Bank, N.A.	2,064	-
ABN-AMRO Bank N.V.	1,870	-
Standard Chartered Bank	-	54,738
	<u>890,592</u>	<u>170,722</u>
	<b>890,592</b>	<b>870,722</b>

The credit facility received from PT Bank Ekspor Indonesia (Persero) represents facilities for financing, guarantees, and other businesses to support export activities which are denominated in Rupiah currency with the term of 1 (one) year from February 16, 2001 and can be extended every year. BRI repaid this facility on February 12, 2007. The average annual interest rates for this facility are 11.90% for the year ended December 31, 2006.

Refinancing borrowing facilities in foreign currencies represent short-term borrowings obtained from several foreign banks with terms from 1 (one) month up to 6 (six) months and bear interest rate at LIBOR or SIBOR plus certain margin. These facilities are collateralized by letters of credit issued by BRI.

(d) Bilateral borrowing

Bilateral borrowing is a loan facility from Standard Chartered Bank amounting to US\$80,000,000, which is used to finance BRI's general activities and trade finance requirements. The annual interest rate for this facility is LIBOR plus 1.10% margin and is paid quarterly. This facility is due on December 13, 2010 and will be paid in one lumpsum up to maturity.

**25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES**

- a) The details of estimated losses on commitments and contingencies bearing credit risk (Note 2e) are as follows:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Guarantees issued	6,364	2,184
Outstanding irrevocable L/C	6,504	728
	<u>12,868</u>	<u>2,912</u>
<u>Foreign currencies</u>		
Outstanding irrevocable L/C	55,501	38,532
Guarantees issued	5,477	6,818
	<u>60,978</u>	<u>45,350</u>
	<b>73,846</b>	<b>48,262</b>

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**25. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)**

b) Movements of estimated losses on commitments and contingencies:

	<b>2007</b>	<b>2006</b>
<b>Rupiah</b>		
Beginning balance	2,912	5,594
Provision (reversal) during the year	9,956	(2,682)
	<u>12,868</u>	<u>2,912</u>
<b>Foreign currencies</b>		
Beginning balance	45,350	38,610
Provision during the year	15,628	6,740
	<u>60,978</u>	<u>45,350</u>
	<b><u>73,846</u></b>	<b><u>48,262</u></b>

The minimum estimated losses on commitments and contingencies that should be provided based on Bank Indonesia regulations amounted to Rp73,846 and Rp48,262 as of December 31, 2007 and 2006, respectively.

Management believes that the allowance for estimated losses on commitments and contingencies is adequate.

c) The collectibility of commitments and contingencies in administrative accounts (Notes 2e and 42) are as follows:

	<b>2007</b>					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
<b>Third parties</b>						
<b>Rupiah</b>						
Guarantees issued	636,436	-	-	-	-	636,436
Outstanding irrevocable L/C	634,576	3,165	-	-	-	637,741
	<u>1,271,012</u>	<u>3,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,177</u>
<b>Foreign currencies</b>						
Outstanding irrevocable L/C	5,547,244	586	-	-	-	5,547,830
Guarantees issued	547,699	-	-	-	-	547,699
	<u>6,094,943</u>	<u>586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,095,529</u>
	<b><u>7,365,955</u></b>	<b><u>3,751</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>7,369,706</u></b>
	<b>2006</b>					
	Current	Special Mention	Sub-standard	Doubtful	Loss	Total
<b>Third parties</b>						
<b>Rupiah</b>						
Guarantees issued	194,286	4,781	9	-	-	199,076
Outstanding irrevocable L/C	20,882	10,377	-	-	-	31,259
	<u>215,168</u>	<u>15,158</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>230,335</u>
<b>Foreign currencies</b>						
Outstanding irrevocable L/C	2,365,712	232,757	-	-	3,237	2,601,706
Guarantees issued	374,490	1,598	-	-	-	376,088
	<u>2,740,202</u>	<u>234,355</u>	<u>-</u>	<u>-</u>	<u>3,237</u>	<u>2,977,794</u>
	<b><u>2,955,370</u></b>	<b><u>249,513</u></b>	<b><u>9</u></b>	<b><u>-</u></b>	<b><u>3,237</u></b>	<b><u>3,208,129</u></b>



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**26. OTHER LIABILITIES**

Other liabilities consist of:

	<b>2007</b>	<b>2006</b>
<u>Third parties</u>		
<u>Rupiah</u>		
Bonuses and incentives	1,210,896	849,925
Provision for pension preparation period (Note 41e)	824,664	661,065
Provision for work separation scheme (Note 41d)	395,181	348,409
Provision for gratuity for services (Note 41e)	347,184	322,909
Interest payable	329,290	339,451
Provision for timely-payment of interest (Note 2u)	305,702	287,756
Provision for long sabbatical leaves (Note 41e)	222,752	224,274
Provision for litigation liabilities (Note 45b)	202,355	143,503
Unearned income	163,529	78,963
Defined benefit pension plan (Note 41a)	66,517	-
Guarantee deposits	26,508	21,120
Others	1,723,951	743,948
	<u>5,818,529</u>	<u>4,021,323</u>
<u>Foreign currencies</u>		
Guarantee deposits	234,161	126,186
Interest payable	51,083	49,349
Unearned income	14,008	15,986
Others	304,899	84,694
	<u>604,151</u>	<u>276,215</u>
	6,422,680	4,297,538
<u>Related parties</u>		
<u>Rupiah</u>		
Obligations under capital leases (Notes 2o and 15) PT Bringin Srikandi Finance (Subsidiary of Dana Pensiun BRI)	25,878	69,569
	<u><b>6,448,558</b></u>	<u><b>4,367,107</b></u>

The average annual interest rates for obligations under capital leases were 17.00% and 18.10% for the years ended December 31, 2007 and 2006, respectively.

The installments of obligations under capital leases based on the remaining period to maturity as of December 31, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Up to 1 year	25,237	44,270
> 1 year - 5 years	641	25,299
	<u><b>25,878</b></u>	<u><b>69,569</b></u>

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**27. SUBORDINATED LOANS**

BRI has obtained subordinated loans in Rupiah and foreign currencies with the details as follows:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Subordinated bonds I	500,000	500,000
Two-step loans	237,448	267,733
Others	-	108,180
	<u>737,448</u>	<u>875,913</u>
Less: Deferred issuance cost	(2,375)	(2,768)
	<u>735,073</u>	<u>873,145</u>
<u>Foreign currency</u>		
Subordinated notes	1,408,950	1,350,450
Two-step loans	444	12,681
	<u>1,409,394</u>	<u>1,363,131</u>
Less: Unamortized discount	(4,214)	(4,845)
	<u>1,405,180</u>	<u>1,358,286</u>
	<b><u>2,140,253</u></b>	<b><u>2,231,431</u></b>

a. Subordinated Bonds I

On January 9, 2004, BRI issued Rp500,000 Bank BRI Subordinated Bonds I Year 2004 with fixed interest rate which are registered at the Surabaya Stock Exchange (currently the Indonesia Stock Exchange). These Subordinated Bonds were issued at 100.00% of their nominal value with fixed annual interest rate of 13.50%, payable every 3 (three) months. These Subordinated Bonds are due and must be settled with the same value as the principal in the Jumbo Certificate of Subordinated Bonds on settlement date, on January 9, 2014 (10<sup>th</sup> anniversary year after the issuance date), or at an earlier date if BRI will exercise a call option, on January 9, 2010 (6<sup>th</sup> anniversary year after the issuance date). After the first anniversary, BRI may buy back the Subordinated Bonds partially or fully to resell in the future or for settlement considering the existing regulations.

Net proceeds from the issuance of the Subordinated Bonds will be used to increase earning assets and at the same time to strengthen the capital structure of BRI in accordance with Bank Indonesia regulation.

These Subordinated Bonds are not guaranteed with specific collateral from BRI or by the Republic of Indonesia and are not included in the bank guarantee program implemented by Bank Indonesia, Indonesian Bank Restructuring Agency or any acting institutions for the same purpose.

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**27. SUBORDINATED LOANS (continued)**

a. Subordinated Bonds I (continued)

The issuance and classification of the Subordinated Bonds I as Subordinated Loans have been approved in principle by Bank Indonesia, through its letter No. 5/84/DPWB2/PW/B24 dated August 15, 2003.

The rating of BRI's Subordinated Bonds I 2004 as reported by PT Pemeringkat Efek Indonesia as of December 31, 2007 and 2006 is "id AA" and "id AA-", respectively. The trustee of this Subordinated Bonds is PT Bank Mandiri (Persero) Tbk.

The trustee agreement disclosed several covenants affecting BRI and requires the written approval from the trustee before conducting the following:

- Reduction of authorized, issued and paid capital stock, except as requested and or instructed by the Government and or authorized parties.
- Merger and or takeover and or acquisition, or allowing or giving approval to Subsidiaries to conduct merger and or takeover and or acquisition, except as requested and or instructed by the Government and or authorized parties, based on the prevailing regulations.
- Change in BRI's main business.

b. Two-step Loans

The two-step loans in Rupiah represent the loans from the Government which was funded by the Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), International Fund for Agricultural Development (IFAD), United States Agency for International Development (USAID) and Islamic Development Bank (IDB). The interest rates of these loans vary based on respective agreements with terms ranging from 15 (fifteen) to 40 (forty) years. The average annual interest rates for subordinated loans were 6.29% and 6.41% for the years ended December 31, 2007 and 2006, respectively. These loans will mature at various dates between 2005 to 2027.

The two-step loan in foreign currency represents the loan from the Government which was funded by ADB based on the Ministry of Finance letter No. S-028/MK.6/2004 dated January 30, 2004. The annual interest rate on this loan is the interest rate determined by ADB to the Government plus a margin of 0.65% per annum. This loan will mature on November 15, 2017.

c. Other loans

These loans represent subordinated loans from the Government to cover the capital shortage and meet the capital adequacy ratio requirements as stated in the loan agreement No. RDI-303/DP3/1996 dated August 30, 1996 and bears an average annual interest rate of 6.00%. These loans matured on June 30, 2006 and were repaid by BRI on March 30, 2007.

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**27. SUBORDINATED LOANS (continued)**

d. Subordinated Notes

On September 25, 2003, BRI acting through its Cayman Islands Branch, issued US\$150,000,000 Subordinated Notes (the "Notes") listed at the Singapore Stock Exchange. The Notes were issued at 99.47% of their principal amount with interest at 7.75% per annum from and including September 25, 2003 up to but excluding September 25, 2008, if the notice of redemption has not been given on such date, or October 30, 2008, if the notice of redemption has been given. The interest will be payable semi-annually on March 25 and September 25 of each year, commencing from March 25, 2004. The interest rate is calculated from and including September 25, 2008 up to but excluding October 30, 2013 by using the annual interest rate of the U.S. Treasury plus 7.24% and such interest will be payable on due date on March 25 and September 25 of each year commencing from March 25, 2009, except if the Notes are redeemed earlier. The Notes will mature on October 30, 2013, if not redeemed earlier.

The net proceeds from the issuance of the Notes are intended for general corporate purposes of BRI, including to provide additional Tier II capital to strengthen BRI's capital base. The Notes constitute unsecured and subordinated obligations of BRI and will rank *pari passu* and without preference among themselves, but in priority to the rights and claims of holders of all classes of BRI's equity securities, including holders of preference shares, if any.

The issuance and classification of the Notes as subordinated loans have been approved by Bank Indonesia, through its letter No. 5/426/DLN dated September 3, 2003.

The classification by period of subordinated loans based on their remaining period to maturity is as follows:

	2007	2006
<u>Rupiah</u>		
≤ 1 month	232	109,825
> 1 month - 3 months	-	1,266
> 3 months - 1 year	24,483	27,374
> 1 year - 5 years	92,317	95,343
> 5 years	618,041	639,337
	735,073	873,145
<u>Foreign currencies</u>		
> 1 month - 3 months	444	-
> 3 months - 1 year	-	674
> 1 year - 5 years	1,404,736	3,486
> 5 years	-	1,354,126
	1,405,180	1,358,286
	<b>2,140,253</b>	<b>2,231,431</b>

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**28. STOCKHOLDERS' EQUITY**

a. Capital Stock

The details of authorized, issued and fully paid capital stock of BRI as of December 31, 2007 and 2006 are as follows:

2007	Number of Shares	Nominal Value Per Share (full Rupiah)	Share Value (full Rupiah)	Percentage of Ownership
<b>Authorized Capital Stock</b>				
- Series A Dwiwarna share	1	500	500	0.00%
- Series B ordinary shares	29,999,999,999	500	14,999,999,999,500	100.00
<b>Total Authorized Capital Stock</b>	<b>30,000,000,000</b>		<b>15,000,000,000,000</b>	<b>100.00%</b>
<b>Issued and Fully Paid Capital Stock</b>				
Republic of Indonesia				
- Series A Dwiwarna share	1	500	500	0.00%
- Series B ordinary shares	6,999,999,999	500	3,499,999,999,500	56.83
Public				
- Series B ordinary shares	5,317,800,500	500	2,658,900,250,000	43.17
<b>Total Issued and Fully Paid Capital Stock</b>	<b>12,317,800,500</b>		<b>6,158,900,250,000</b>	<b>100.00%</b>
<b>2006</b>	<b>Number of Shares</b>	<b>Nominal Value Per Share (full Rupiah)</b>	<b>Share Value (full Rupiah)</b>	<b>Percentage of Ownership</b>
<b>Authorized Capital Stock</b>				
- Series A Dwiwarna share	1	500	500	0.00%
- Series B ordinary shares	29,999,999,999	500	14,999,999,999,500	100.00
<b>Total Authorized Capital Stock</b>	<b>30,000,000,000</b>		<b>15,000,000,000,000</b>	<b>100.00%</b>
<b>Issued and Fully Paid Capital Stock</b>				
Republic of Indonesia				
- Series A Dwiwarna share	1	500	500	0.00%
- Series B ordinary shares	6,999,999,999	500	3,499,999,999,500	56.97
Public				
- Series B ordinary shares	5,286,421,500	500	2,643,210,750,000	43.03
<b>Total Issued and Fully Paid Capital Stock</b>	<b>12,286,421,500</b>		<b>6,143,210,750,000</b>	<b>100.00%</b>

Capital Structure

In response to the Management Contract entered between the Republic of Indonesia, as represented by the Government through the Ministry of Finance, and BRI on February 28, 2001, the Ministry of Finance issued the Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 regarding the final amount of recapitalization and the implementation of the rights of the Government arising from the additional investment of the Republic of Indonesia in the capital of BRI in connection with the recapitalization program for commercial banks (Note 9). Based on such Decision Letter, the Ministry of Finance determined that the final recapitalization requirement amount of BRI of Rp29,063,531. The Government's rights arising from the additional investment of the state to BRI with such final amount was implemented as follows: Rp3,272,000 converted to 3,272,000 new shares issued by BRI with a par value of Rp1 million (full Rupiah) per share; and Rp25,791,531 from the recapitalization fund recorded as additional paid-in-capital in BRI's capital structure. This decision of the Ministry of Finance was implemented retroactively as of June 30, 2003.

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**28. STOCKHOLDERS' EQUITY (continued)**

a. Capital Stock (continued)

Capital Structure (continued)

Based on BRI's Stockholder's Extraordinary General Meeting held on October 3, 2003, covered by deed No. 6 dated October 3, 2003, of Notary Imas Fatimah, S.H., BRI's stockholder decided, among others, the following:

1. The capital restructuring of BRI as of June 30, 2003 arising from the recapitalization fund of Rp29,063,531 to increase BRI's issued and fully paid capital stock owned by the Republic of Indonesia from Rp1,728,000, consisting of 1,728,000 shares at a par value of Rp1 million (full Rupiah) per share, to become Rp5,000,000 consisting of 5,000,000 shares at the same par value per share, and the balance of Rp25,791,531 recorded as additional paid-in capital.
2. The stock split with the change in par value per share from Rp1 million (full Rupiah) to Rp500 (full Rupiah).
3. The increase in authorized capital stock of BRI from Rp5 trillion (full Rupiah), divided into 5,000,000 shares at a par value of Rp1 million (full Rupiah) per share, to become Rp15 trillion (full Rupiah) divided into 30,000,000,000 shares at a par value of Rp500 (full Rupiah) per share.
4. The change in classification of BRI's shares to become series A Dwiwarna and series B shares.
5. Utilization of general and special reserves as of June 30, 2003, amounting to Rp1,386,616, to cover the accumulated losses as of June 30, 2003.
6. The quasi-reorganization plan of BRI as of June 30, 2003, to eliminate the accumulated losses of Rp24,699,387 against the recorded Additional Paid-in Capital (Note 3).
7. The plan to undertake the Initial Public Offering (IPO) of BRI's shares.
8. The follow up actions on the amendments to the Articles of Association:
  - i. Agree on the change in the status of BRI, to be a Publicly Listed Limited Liability Company, thereafter the name will be changed from "PT Bank Rakyat Indonesia (Persero)", to become "Perusahaan Perseroan (Persero) PT Bank Rakyat Indonesia Tbk" and simplified to "PT Bank Rakyat Indonesia (Persero) Tbk";
  - ii. Agree to change all provisions in the Articles of Association of BRI with revisions in accordance with Law No. 8 Year 1995 on Capital Markets and Decision of the Chairman of the Capital Markets Supervisory Agency (Bapepam) No. KEP-13/PM/1997 dated April 30, 1997 on the Main Provisions of the Articles of Association of a Company that Conduct an Initial Public Offering of Shares and Public Company.

The changes in BRI's Articles of Association in connection with the above Stockholder's Extraordinary General Meeting were notarized in Deed No. 7 dated October 3, 2003 by Notary Imas Fatimah, S.H., and was approved by the Ministry of Justice and Human Rights through its Decision Letter No. C-23726 HT.01.04.TH.2003 dated October 6, 2003.

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**28. STOCKHOLDERS' EQUITY (continued)**

a. Capital Stock (continued)

Initial Public Offering (IPO) of BRI's Shares

On October 13, 2003, the President of the Republic of Indonesia issued Government Regulation No. 49 Year 2003 regarding the sale of a portion of shares in BRI owned by the Republic of Indonesia and issuance of new shares of BRI, excluding the participation from the Republic of Indonesia, through the capital market and or direct sale to investors.

Based on the letter from the Chairman of Bapepam No. S-2646/PM/2003 dated October 31, 2003, the registration statement submitted by BRI in connection with the IPO of BRI's shares of 3,811,765,000 Series B ordinary shares consisting of 2,047,060,000 Series B ordinary shares owned by the Republic of Indonesia (divestment) and 1,764,705,000 new Series B ordinary shares issued with a par value of Rp500 (full Rupiah) per share and initial offer price of Rp875 (full Rupiah) to the public, which became effective on October 31, 2003. Such offered shares were initially traded on November 10, 2003 and simultaneously all BRI shares were listed in the Jakarta and Surabaya Stock Exchanges (currently the Indonesia Stock Exchange).

Subsequently, the over-subscription option of 381,176,000 Series B ordinary shares owned by the Republic of Indonesia (divestment) and over-allotment option of 571,764,000 Series B ordinary shares owned by the Republic of Indonesia (divestment) with a price of Rp875 (full Rupiah) per share were exercised on November 10, 2003 and December 3, 2003, respectively. After the IPO and the exercise of the over-subscription option and the over-allotment option, the Republic of Indonesia owns 59.5% of the outstanding common shares in BRI.

Stock Allocation Program

Based on the above Stockholders' Extraordinary General Meeting, the stockholders agreed to, among others, the employee and management stock ownership plan through an Employee Stock Allocation Program (ESA) and a Management Stock Option Plan (MSOP). The ESA consists of a Bonus Share Plan, Shares Purchase at Discount and Additional Shares Grant programs. MSOP is granted to Directors and employees at certain levels and positions. Costs and discounts related to the ESA and MSOP programs are recognized by the Bank through the allocation of reserves. The compensation cost relating to MSOP is recognized through stock options under equity. The management and execution of the ESA and MSOP programs are performed by the Directors, while the supervision is performed by the Board of Commissioners (Note 29).

In accordance with the MSOP, during 2007 and 2006, BRI employees have exercised stock options (MSOP I, II and III) amounting to 31,379,000 shares or Rp15,689,500,000 (full Rupiah) and 250,721,000 shares or Rp125,360,500,000 (full Rupiah), respectively. The additional shares arising from the execution of the above stock options are added in the issued and fully paid capital (Note 29).

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**28. STOCKHOLDERS' EQUITY (continued)**

b. The Additional Paid-in Capital:

	<b>2007</b>	<b>2006</b>
Additional paid-in capital by the Government related to the recapitalization program	1,092,144	1,092,144
Previous balance of paid up capital by the Government	5	5
Additional paid-in capital from IPO	589,762	589,762
Exercise of stock options (Note 29)		
2004	49,514	49,514
2005	184,859	184,859
2006	619,376	619,376
2007	140,960	-
	<b>2,676,620</b>	<b>2,535,660</b>

Based on the realization of the Recapitalization Program for Commercial Banks as set forth in Government Regulation No. 52 Year 1999 regarding the Increase in Investment by the Republic of Indonesia in state-owned banks, the Government determined that the final recapitalization requirement amount of BRI to achieve a CAR of 4% was Rp29,063,531. As of June 30, 2003, the authorized and issued capital stock of BRI had not yet been increased by additional capital from the above recapitalization program. Therefore, the paid up capital from the Government of Rp29,063,531 was recorded temporarily under "Additional Paid-in Capital" together with the previous balance of paid up capital of Rp5 from the Government.

Based on the Decision Letter No. 427/KMK.02/2003 dated September 30, 2003 of the Ministry of Finance of the Republic of Indonesia as explained in letter (a) above, from the final recapitalization requirement of BRI amounting to Rp29,063,531, Rp3,272,000 was converted to paid up capital and the balance of Rp25,791,531 was recorded as additional paid in capital (Note 28a). In addition, with the implementation of the quasi-reorganization by BRI, the accumulated losses before quasi-reorganization as of June 30, 2003 amounting to Rp24,699,387 (Note 3) was eliminated against additional paid-in capital, resulting to additional paid-in capital of Rp1,092,149 as of June 30, 2003.

On November 10, 2003, BRI conducted an IPO by issuing 1,764,705,000 new series B ordinary shares with a par value of Rp500 (full Rupiah) per share with the offering price of Rp875 (full Rupiah) per share, resulting in additional paid-in capital as follows:

Total new Series B ordinary shares issued to the public under the IPO (shares)	1,764,705,000
Premium per share (full Rupiah)	375
Total premium on shares before discount	661,764
Less: - 3% discount given to BRI customers	(2,961)
- Cost of IPO	(69,041)
<b>Additional paid-in capital from IPO</b>	<b>589,762</b>



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**28. STOCKHOLDERS' EQUITY (continued)**

b. The Additional Paid-in Capital (continued)

The employees of BRI have exercised stock options starting November 10, 2004 for MSOP I, November 10, 2005 for MSOP II and November 15, 2006 for MSOP III. During 2004 until 2007, stock options that had been exercised were 553,095,500 shares for MSOP I, II and III, which consist of 31,379,000 shares in 2007, 250,721,000 shares in 2006, 185,610,000 shares in 2005 and 85,385,500 shares in 2004. The additional paid-in capital arising from these exercise of stock options were Rp140,960 in 2007, Rp619,376 in 2006, Rp184,859 in 2005 and Rp49,514 in 2004 (Note 29).

c. Differences Arising from Translation of Foreign Currency Financial Statements

This account represents the exchange rate differences resulting from the translation of the financial statements of the overseas branch/representative offices of BRI (Cayman Islands, New York and Hong Kong) from United States Dollar and Hong Kong Dollar to Indonesian Rupiah (Note 2ac). Assets and liabilities as well as commitments and contingencies denominated in foreign currencies were translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian time) on balance sheet date. The statements of income for the year ended as of such date are derived from the accumulation of the monthly income statement balances which were translated into Rupiah using the average exchange rate for the respective months.

d. Distribution of Net Income and Utilization of Appropriated Retained Earnings

Based on the Annual Stockholders' General Meetings of BRI held on May 22, 2007 and May 30, 2006, the Stockholders agreed to distribute the net income for the years ended December 31, 2006 and 2005 as follows:

	<u>Income 2006</u>	<u>Income 2005</u>
Dividends	2,128,786	1,904,293
General and special reserves	1,703,029	1,439,631
Appropriation for partnership and environmental development fund	170,303	152,344
<i>Tantiem</i>	21,291	19,805

BRI has recorded the provision for *tantiem* in the current consolidated statements of income in accordance with PSAK No. 24 (revised 2004) on Employee Benefits.

**29. MANAGEMENT STOCK OPTION PLAN (MSOP)**

Based on Stockholder's Extraordinary General Meeting held on October 3, 2003 as mentioned in Deed No. 6 of Notary Imas Fatimah, S.H., the stockholders approved the issuance of stock options in 3 (three) stages (Note 28a). Stock options are granted to Directors and employees at certain levels and positions who fulfill the determined criteria. MSOP stage-I was granted at the Initial Public Offering (IPO), while MSOP stage-2 and MSOP stage-3 will be granted each year after the MSOP stage-I. The number of stock options to be issued in MSOP stage-I through stage-III is a maximum of 5% from the paid up capital of BRI within 3 (three) years without giving priority to the existing stockholders to exercise their rights.

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**29. MANAGEMENT STOCK OPTION PLAN (MSOP) (continued)**

**MSOP Stage-I**

In MSOP stage-I, the exercise price was 110% of the offering price with the life of the option over 5 (five) years from the grant date. The MSOP vesting period is 1 (one) year. The number of stock options that can be exercised at the end of the first year from the grant date is a maximum of 50% of the total options granted, and the remainder will be executed at the end of the second year through the end of the fifth year. On November 10, 2003, the date of listing of BRI's shares in the Jakarta Stock Exchange and Surabaya Stock Exchange (currently the Indonesia Stock Exchange), BRI agreed to grant 235,294,100 stock options with an exercise price of Rp962.5 (full Rupiah) per share or 110% of the offering price per share.

The fair value of stock options in MSOP stage-I granted as of November 10, 2003 amounted to Rp117.39 (full Rupiah), based on the Valuation Report issued by PT Watson Wyatt Purbajaga dated March 17, 2004 using the Black Scholes option pricing model.

**MSOP Stage-II**

Based on the Annual Stockholder's General Meeting held on May 31, 2004, the stockholder's granted MSOP stage-II with an option life of 5 (five) years and a vesting period of 1 (one) year. The number of stock options that can be exercised anytime after the vesting period until the end of the option life with a share price of Rp1,750 (full Rupiah) per share, and number of shares granted are 235,294,100 shares.

The fair value of stock options in MSOP stage-II granted as of November 10, 2004 amounted to Rp351.62 (full Rupiah), based on the Valuation Report issued by PT Watson Wyatt Purbajaga dated February 15, 2005 using the Black Scholes option pricing model.

**MSOP Stage-III**

Based on the Annual Stockholders' General Meeting held on May 20, 2005, the stockholders granted MSOP stage-III with an option life of 5 (five) years and a vesting period of 1 (one) year. The number of stock options that can be exercised twice in a year within 5 (five) until 30 (thirty) working days until the end of the option life with a share closing price of 90% of the average of the share closing price of BRI shares in the Jakarta Stock Exchange (currently the Indonesia Stock Exchange) within 25 (twenty-five) consecutive days before reporting date to the Jakarta Stock Exchange (currently the Indonesia Stock Exchange) (at least 5 working days) and the number of shares issued is 117,647,050 shares. The share price exercised in 2007 is Rp5,118 (full Rupiah) per share (period 2) and Rp6,385 (full Rupiah) per share (period 3) and Rp4,450 (full Rupiah) (period 1) in 2006.

The fair value of stock options in MSOP stage-III granted as of November 10, 2005 amounted to Rp958 (full Rupiah), based on BRI management's calculation using the Black Scholes - Merton option pricing model.

The summary of the MSOP and the movements during the years ended December 31, 2007 and 2006 are as follows (Note 28a):

	<b>2007</b>		
	Number of Options		
	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Options outstanding at the beginning of year	5,577,600	19,772,100	41,169,050
Options exercised during the year	(484,500)	(10,212,000)	(20,682,500)
<b>Options that can be exercised at the end of the year</b>	<b>5,093,100</b>	<b>9,560,100</b>	<b>20,486,550</b>

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**29. MANAGEMENT STOCK OPTION PLAN (MSOP) (continued)**

	<b>2006</b>		
	Number of Options		
	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Options outstanding at the beginning of year	39,881,600	159,711,100	117,647,050
Options exercised during the year	(34,304,000)	(139,939,000)	(76,478,000)
<b>Options that can be exercised at the end of the year</b>	<b>5,577,600</b>	<b>19,772,100</b>	<b>41,169,050</b>

The fair value of the options granted represents the estimated values with the following assumptions:

	MSOP Stage-I	MSOP Stage-II	MSOP Stage-III
Risk free interest rate :	8.75%	8.75%	13.04%
Expected period of option :	5 years	5 years	5 years
Expected share price volatility :	24.33%	24.33%	42.95%
Expected dividend yield :	5.50%	5.50%	5.04%
Employee turnover rate :	1%	1%	-

During 2007 and 2006, the total stock options which have been exercised amounted to Rp15,689 and Rp125,361, respectively, consisting of 31,379,000 shares and 250,721,000 shares, respectively, (Note 28a), and resulted in the increase in additional paid-in capital of Rp140,960 and Rp619,376 as of December 31, 2007 and 2006, respectively (Note 28b).

Total MSOP expense recorded in "Salaries and Employee Benefits" (Note 34) for the years ended December 31, 2007 and 2006 amounted to Rp nil and Rp96,958, respectively. Accumulated stock options amounting to Rp23,586 and Rp47,047 are net of realization of stock options amounting to Rp23,461 and Rp126,498, respectively, which are presented as part of the stockholders' equity in the consolidated balance sheets as of December 31, 2007 and 2006, respectively.

**30. INTEREST AND INVESTMENT INCOME**

Interest and investment income are derived from:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Loans	17,674,514	15,460,125
Government recapitalization bonds	2,020,307	2,339,089
Securities		
Bank Indonesia Certificates	1,090,220	1,363,801
Government bonds	160,966	104,638
Others	108,086	14,208
Placements with Bank Indonesia and other banks		
Inter-bank call money	299,661	182,114
Rupiah intervention	196,512	163,862
Others	17,618	16,738
Current accounts with Bank Indonesia	138,049	181,915
Others	62,143	28,399
	<b>21,768,076</b>	<b>19,854,889</b>

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**30. INTEREST AND INVESTMENT INCOME (continued)**

	<b>2007</b>	<b>2006</b>
<u>Foreign currencies</u>		
Loans	282,276	303,307
Securities		
Government bonds	64,824	42,829
Others	148,715	100,551
Placements with Bank Indonesia and other banks		
Inter-bank call money	20,469	17,080
Others	135,948	105,157
	<u>652,232</u>	<u>568,924</u>
	<b><u>22,420,308</u></b>	<b><u>20,423,813</u></b>

**31. FEES AND COMMISSIONS INCOME**

Fees and commissions income are derived from:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Loans	652,788	534,513
Others	-	33
	<u>652,788</u>	<u>534,546</u>
<u>Foreign currencies</u>		
Loans	988	150
	<b><u>653,776</u></b>	<b><u>534,696</u></b>

**32. INTEREST EXPENSE AND OTHER CHARGES**

This account represents interest expense and other charges incurred on:

	<b>2007</b>	<b>2006</b>
<u>Rupiah</u>		
Time deposits	3,420,597	3,589,868
Savings deposits	1,624,139	2,330,532
Demand deposits	522,486	405,017
Subordinated loans	100,230	93,946
Fund borrowings	77,110	95,867
Deposits from other banks and other financial institutions	34,855	83,023
Securities sold with agreements to repurchase	17,735	15,221
Certificates of deposit	80	103
Others	321,746	307,589
	<u>6,118,978</u>	<u>6,921,166</u>

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**32. INTEREST AND OTHER FINANCING CHARGES (continued)**

	<b>2007</b>	<b>2006</b>
<u>Foreign currencies</u>		
Time deposits	209,655	175,654
Subordinated loans	106,533	106,871
Demand deposits	39,709	23,733
Deposits from other banks and other financial institutions	29,849	35,404
	<u>385,746</u>	<u>341,662</u>
	<b><u>6,504,724</u></b>	<b><u>7,262,828</u></b>

**33. PROVISION FOR POSSIBLE LOSSES ON EARNING ASSETS - NET**

This account represents provision (reversal) of allowance for possible losses on earning assets as follows:

	<b>2007</b>	<b>2006</b>
Current accounts with other banks (Note 5e)	7,415	(4,710)
Placements with Bank Indonesia and other banks (Note 6e)	10,336	11,469
Securities (Note 7e)	31,275	(1,511)
Export bills (Note 8c)	(3,679)	4,920
Derivatives receivable (Note 11)	141	42
Loans (Note 12e)	1,781,201	1,846,793
Acceptances receivable (Note 13c)	2,256	(10,065)
Investments in shares of stock (Note 14)	81	42
Sharia financing	41,927	21,714
	<u>1,870,953</u>	<u>1,868,694</u>

**34. SALARIES AND EMPLOYEE BENEFITS**

The details of this account are as follows:

	<b>2007</b>	<b>2006</b>
Salaries, wages and allowances	2,820,732	2,729,535
Bonuses, incentives and <i>tantiem</i>	1,257,166	889,284
Defined benefit pension (Note 41a)	209,325	180,911
Pension preparation period (Note 41e)	201,980	180,197
Training and development	133,687	134,827
Medical allowances	103,036	86,093
Long sabbatical leaves (Note 41e)	91,540	99,556
Gratuity for services (Note 41e)	70,457	125,427
Work separation scheme (Note 41d)	60,496	55,727
Defined contribution pension (Note 41c)	59,700	57,962
Stock options (Note 29)	-	96,958
Others	266,305	194,298
	<u>5,274,424</u>	<u>4,830,775</u>

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**34. SALARIES AND EMPLOYEE BENEFITS (continued)**

The amount of salaries and allowances for the Directors and Board of Commissioners of BRI amounted to Rp23,801 and Rp16,916 for the years ended December 31, 2007 and 2006, respectively (Note 44).

The amount of *tantiem*, bonuses and incentives paid to the Directors and Board of Commissioners, and executive officers of BRI for the years ended December 31, 2007 and 2006, amounted to Rp59,052 and Rp57,076, respectively (Note 44).

**35. GENERAL AND ADMINISTRATIVE EXPENSES**

The details of this account are as follows:

	<b>2007</b>	<b>2006</b>
Depreciation of premises and equipment (Note 15)	440,245	400,044
Rent	348,334	321,337
Repairs and maintenance	311,083	256,719
Electricity and water	117,381	103,708
Research and product development	112,054	89,343
Printing and postage	109,690	70,081
Transportation	96,425	91,758
Communications	82,333	80,478
Office supplies	76,731	63,789
Professional fees	31,384	41,937
Computer installations	28,056	15,521
Others	650,990	519,315
	<b>2,404,706</b>	<b>2,054,030</b>

**36. NON-OPERATING INCOME - NET**

The details of this account are as follows:

	<b>2007</b>	<b>2006</b>
Cash distribution from the liquidation of BRI Finance Limited, Hong Kong	113,608	78,276
Rental income	7,761	5,800
Gain on sale of premises and equipment - net	5,436	7,235
Others - net	97,266	30,791
	<b>224,071</b>	<b>122,102</b>

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**37. TAXATION**

a) Taxes Payable

As of December 31, 2007 and 2006, the details of taxes payable are as follows:

	<b>2007</b>	<b>2006</b>
BRI only		
Income tax		
Article 25 (December)	239,798	201,425
Article 29	900,452	85,912
	<u>1,140,250</u>	<u>287,337</u>
Subsidiary		
Income tax		
Article 21	88	-
Article 23	152	-
	<u>240</u>	<u>-</u>
	<b><u>1,140,490</u></b>	<b><u>287,337</u></b>

b) Corporate Income Tax Expense

The reconciliation between income before tax benefit (expense) as presented in the consolidated statements of income and estimated taxable income is as follows:

	<b>2007</b>	<b>2006</b>
Income before tax benefit (expense) based on the consolidated statements of income	7,780,074	5,906,721
Temporary Differences:		
Provision of allowance for possible losses on loans	296,721	42,908
Provision for personnel expenses	272,152	166,970
Provision of allowance for possible losses on earning assets except loans	73,314	4,245
Decrease (increase) in value of trading securities and Government recapitalization bonds	46,325	(556,829)
Depreciation of premises and equipment	17,037	(89,507)
Share in earnings of associate company (equity method)	(13,573)	(11,101)
	<u>691,976</u>	<u>(443,314)</u>
Permanent Differences:		
Public relations	31,863	20,999
Sports and religious activities	19,213	43,719
Representations and donations	18,576	21,239
Income subjected to final tax	(62,631)	(1,043)
Others	2,557,538	557,993
	<u>2,564,559</u>	<u>642,907</u>
<b>Estimated taxable income</b>	<b><u>11,036,609</u></b>	<b><u>6,106,314</u></b>

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**37. TAXATION (continued)**

b) Corporate Income Tax Expense (continued)

The computation of corporate income tax expense and income tax payable is as follows:

	<u>2007</u>	<u>2006</u>
Estimated taxable income	11,036,609	6,106,314
Corporate income tax expense - current	3,310,965	1,831,877
Income tax installment payments for the year	(2,410,513)	(1,745,965)
<b>Corporate income tax payable - Article 29</b>	<b><u>900,452</u></b>	<b><u>85,912</u></b>

BRI and Subsidiary's income tax are computed individually as separate legal entities (for the purpose of corporate tax return, consolidated tax computation is not allowed).

c) Tax Assessment

On August 14, 2007 and August 10, 2006, the Directorate General of Taxation (DGT) awarded BRI with the appreciation certificate as the recipient of the Annual Report Award (ARA) for 2006 and 2005, respectively, which exempts BRI from tax examination for the fiscal years 2006 and 2005. The DGT, however, reserves the right to conduct a tax examination if BRI has annual tax return overpayment, if there is new information, or other data are not yet disclosed, and if there is any indication of tax crime.

d) Deferred Tax Assets

The computation of deferred tax benefit (expense) of BRI (tax effects of temporary differences using 30% maximum tax rate) is as follows (Note 2ae):

	<u>2007</u>	<u>2006</u>
Decrease (increase) in value of trading securities and Government recapitalization bonds	180,946	(289,553)
Provision of allowance for possible losses on earning assets	103,341	12,929
Provision for employee benefits	81,646	458,135
Provision for estimated losses on commitments and contingencies	7,670	1,217
Overseas branches	(4,711)	-
<b>Total deferred tax benefit</b>	<b><u>368,892</u></b>	<b><u>182,728</u></b>



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**37. TAXATION (continued)**

d) Deferred Tax Assets (continued)

The tax effects of significant temporary differences between commercial reporting and tax (recorded under Deferred Tax Assets) are as follows (Note 2ae):

	<b>2007</b>	<b>2006</b>
Allowance for possible losses on earning assets	901,247	797,906
Provision for employee expense	562,757	481,111
Estimated losses on commitments and contingencies	22,149	14,479
Decrease (increase) in value of trading securities and Government recapitalization bonds	13,897	(167,049)
Unrealized gain from available-for-sale securities and Government recapitalization bonds	(227,202)	(261,442)
Overseas branches	(4,711)	-
	<u>1,268,137</u>	<u>865,005</u>
Subsidiary	1,606	-
	<u><b>1,269,743</b></u>	<u><b>865,005</b></u>

Management believes that no valuation allowance is necessary for deferred tax assets as of December 31, 2007 and 2006.

- e) On December 28, 2007, the President of the Republic of Indonesia and the Ministry of Law and Human Rights signed the Government Regulation No. 81 year 2007 ("Gov. Reg. 81/2007") on "Reduction of the Rate of Income Tax on Resident Corporate Taxpayers in the Form of Publicly-listed Companies". This Gov. Reg. 81/2007 provides that resident publicly-listed companies in Indonesia can obtain the reduced income tax rate, i.e., 5% lower than the highest income tax rate under Article 17 paragraph 1b of the Income Tax Law, provided they meet the prescribed criteria, i.e., companies whose shares or other equity instruments are listed in the Indonesian Stock exchanges, whose shares owned by the public is 40% or more of the total paid-up shares and such shares are owned by at least 300 parties, each party owning less than 5% of the total paid-up shares. These requirements should be fulfilled by the publicly-listed companies for a period of 6 (six) months in 1 (one) tax year.

This Gov. Reg. 81/2007 becomes effective on January 1, 2008. As of March 19, 2008, further implementation guidelines on this government regulation have not been issued. Therefore, the effect of the reduced tax rate has not been included in the calculation of the Company and Subsidiary's income tax amounts as of consolidated balance sheet date.

**38. RISK MANAGEMENT**

BRI's business activities are always facing risks relating to its function as an intermediary, in which, as a result, BRI's operations have to be properly managed to avoid the excessive loss for BRI. These risks include credit risk, market risk, liquidity risk, operational risk, legal risk, compliance risk, strategic risk and reputation risk.

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### **38. RISK MANAGEMENT (continued)**

#### **Risk Management Organization**

In managing risks, BRI has developed an Integrated and Comprehensive Risk Management System. The implementation of an integrated risk management system is one of BRI Directors' commitments in minimizing potential losses faced by BRI.

Risk Management has a vital role in the management of a bank, whose objective could be achieved through 2 (two) aspects: covering the capital protection and optimizing risk-return relationship.

BRI's risk management is in accordance with the implementation of three lines of defense, consisting of:

1. Risk taking units (UKO) as the first line of defense, are responsible in the conduct of internal control function and output and business process quality control according to the established policy and procedures. UKO directly controls the inherent risk and is expected to minimize the residual risk.
2. Risk management working unit (UKMR) as the second line of defense, is responsible in controlling the risk so that the overall exposure does not exceed BRI's capital coverage. Such risk control is conducted by among others, determining and monitoring the risk limit.
3. Internal Audit working unit as the third line of defense, is responsible in ensuring the effectiveness of internal control system implemented in the working units, either in the UKO or the UKMR.

BRI's risk management function is performed by the Risk Management Division and its 3 (three) sections, these are: Credit Risk Management section, Market and Comprehensive Risk Management section, and Operational and Other Risks Management section, in accordance with BRI's Directors Decision Letter No. S.23-DIR/REN/04/2005 dated April 29, 2005, regarding the Organizational Structure of Risk Management Division of BRI.

#### **Risk Management General Policy**

Risk Management General Policy (KUMR) is the highest authority in the risk management implementation of BRI's entire business activities, either the conventional or the ones based on sharia principles. BRI'S KUMR regulates the matters related to the risk management organization; risk management process (identification, measurement, monitoring and control), risk management integrity, risk management information system, internal control system, new product and activity risk management, and contingency plan. BRI's KUMR was established in accordance with BRI's Directors Decision Letter No. S-02/DIR/KMR/MMR/01/04 dated December 31, 2003 which has been revised in 2006 to change the organizational structure of the operational working units which initially was only one group of risk taking unit that became the core risk taking unit and supporting the risk taking unit.

#### **Risk Management Strategy**

In order to ensure that the activity of BRI's business risk control is properly done by considering BRI's business interests and objectives as stated in BRI's KUMR, therefore the Directors of BRI established the risk management strategy. The risk management strategy of BRI consists of:

- determination of risk parameter and limit
- planning and implementation of mitigation plan (action plan) needed according to the assessment result of BRI's risk exposure condition (risk profile) at a certain period.

Those risk limits were periodically determined and recalculated to ensure that the existing risk profile supports BRI's performance target achievement process while maintaining the consideration of the risk tolerance level.

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**38. RISK MANAGEMENT (continued)**

**Risk Profile**

BRI's aggregate risk assessment through the self assessment process will generate the risk profile. This risk profile consists of inherent risk (risk embedded to the bank's activities before control exists) and risk control system (control over inherent risks) for 8 (eight) risk types in 7 (seven) functional activities of BRI which consist of loan, treasury, trade finance, funding, operational and service, IT system and support functional activities. The entire BRI risk profile during 2007 is categorized as low level.

To decrease the risk composite in its risk profile, BRI is continuously improving the implementation of framework, governance and other operational risk management tools. In addition, BRI continuously attempts to enhance the effectiveness of risk management forum and risk management functions in each working unit, and also the formation of Risk Management Group in the Regional Offices.

**Risk Management Committee**

In managing the business risk exposure and implanting Risk Management System in BRI, the Directors of BRI are assisted by the Risk Management Committee (RMC) which holds the highest status in the hierarchy of BRI Risk Management System and is responsible to issue recommendations to the President Director. In evaluating BRI's risk exposure, BRI RMC meets regularly at least once every 3 (three) months (quarterly). During 2007, BRI RMC has conducted 4 (four) meetings, in accordance with the established schedule.

RMC was established based on the Directors' Decision Letter No. 96-DIR/KMR/03/02 dated March 8, 2002 which was amended by the Directors' Decision Letter No. 227/DIR/DMR/06/2007 dated June 22, 2007 to suit the internal needs, with several main changes as follows:

1. The change in RMC membership, by establishing the Directors of BRI as permanent members with voting rights, while the officers whose level are below the Directors represent permanent members without voting rights. Voting will be conducted where consensus could not be achieved in RMC meetings, and fulfills the requirements if agreed by  $\frac{1}{2} + 1$  permanent members with voting rights who are present.
2. The addition of permanent members without voting rights relating to the setup of new divisions in BRI Head Office.
3. The working guidelines of the sub RMC implementation (Credit Risk Management Committee, Operational Risk Management Committee and Market Risk Management Committee).

**Business Continuity Management (BCM)**

To maintain the bank's business continuity, either in the normal or disruptive or disastrous condition, BRI is challenged to implement the Business Continuity Management in maintaining continuity in the critical business process, overseeing BRI's assets, and properly responding in disruptive or disastrous situations.

As a serious concern in developing the Business Continuity management (BCM), the Directors of BRI had formed a BRI BCM Development Project Team in June 2007 so that the development of BCM and its implementation process could operate effectively and efficiently and achieve the established goals. The expected results from the effective implementation of BCM are as follows:

1. BRI is able to identify the impact of any disruption or disaster.
2. BRI has a recovery plan (Business Continuity Plan) that is able to minimize the potential losses occurring from any disruption or disaster.
3. BRI is able to continue serving its customers and maintaining the bank's business continuity.
4. Coordination among BRI working units in coping with disruptions or disasters is becoming more solid and integrated.

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**38. RISK MANAGEMENT (continued)**

**Disaster Recovery Plan (DRP)**

Disaster Recovery Plan (DRP) is a part of BRI's BCM, thus, BRI regularly performs testing to ensure the BRINETS DRC host's ability to function as a production host. For testing the DRC's ability, BRI has conducted a switch over periodically and in 2007, BRI performed the Fourth Switch Over DC-DRC-DC, focusing on live ATM transactions for BRI ATMs all over Indonesia in 1 (one) hour or 1,000 (one thousand) transactions (whichever is achieved first). The testing also involved 4 (four) online working units in Jakarta and Tabanan - Bali, including the Tabanan - Bali Branch Office, Kediri Tabanan - Bali Sub-Branch Office, Gatot Subroto Unit in Denpasar Bali, and Bendungan Hilir Unit in Jakarta.

**Management of New Products and/or Activities**

Risk management for each new products and/or activities is one step that has to be done in BRI's business development. This step is expected to minimize unexpected potential risks caused by the service for such new products or activities.

The role of risk management is to evaluate the proposed risk management on new products and activities to ensure BRI's readiness in executing those new products or activities and to recommend risk management to the Risk Management Director.

**Socialization Program**

Risk culture is needed to develop the paradigm that UKO is the ultimate risk owner in the conduct of risk mitigation in each activity. The Risk Management Division as the risk management working unit should place itself as a strategic partner to support the UKO in the development of the risk culture. With the developing risk culture, all the ability in risk mitigation would be enhanced. In addition, the UKO would be able to identify, measure, control and monitor every risk that would cause potential loss.

In connection with the above matters, BRI has implemented the risk management aspect in the employee's performance evaluation target, working unit's risk-based performance evaluation simulation, and routine conduct of risk management training and socialization to all employees of BRI. BRI also issues a simple bulletin (one page) named PerISMA, containing various information and materials about Risk Management socialization and discussion, and has developed the Risk Management Portal and Folder (intranet) which contains certain information and materials related to risk management. To develop a risk awareness culture, the Directors of BRI have enacted the risk management function embedded to all UKO, Risk Management Forum, operational Risk Management tools consisting of Risk and Control Self Assessment (RCSA), Key Risk Indicators (IRU), and Incident Management (MI).

**39. MATURITY PROFILE**

The following list presents the analysis of the maturities of BRI's assets and liabilities which are classified based on the remaining period from December 31, 2007 and 2006 until maturity date:

Description	2007					
	Total	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year	Others that have no maturities
<u>Assets</u>						
Cash	5,041,396	5,041,396	-	-	-	-
Current accounts with Bank Indonesia	31,047,872	31,047,872	-	-	-	-

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**39. MATURITY PROFILE (continued)**

Description	2007					
	Total	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year	Others that have no maturities
Current accounts with other banks	922,852	922,852	-	-	-	-
Allowance for possible losses	(9,234)	-	-	-	-	(9,234)
Placements with Bank Indonesia and other banks	14,680,860	14,358,377	322,483	-	-	-
Allowance for possible losses	(51,417)	-	-	-	-	(51,417)
Securities	17,358,248	14,214,517	-	-	3,143,731	-
Allowance for possible losses	(40,349)	-	-	-	-	(40,349)
Export bills	596,293	408,067	137,435	50,791	-	-
Allowance for possible losses	(5,968)	-	-	-	-	(5,968)
Government recapitalization bonds	18,222,590	6,883,296	-	1,269,647	10,069,647	-
Securities purchased with agreement to resell	2,573,610	2,573,610	-	-	-	-
Derivatives receivable	24,724	-	24,724	-	-	-
Allowance for possible losses	(247)	-	-	-	-	(247)
Loans	112,838,806	9,010,900	8,401,712	29,367,481	66,058,713	-
Allowance for possible losses	(6,915,043)	-	-	-	-	(6,915,043)
Sharia receivables and financing	1,134,147	6,729	12,128	106,095	1,009,195	-
Allowance for possible losses	(43,132)	-	-	-	-	(43,132)
Acceptances receivable	661,381	179,545	231,812	250,024	-	-
Allowance for possible losses	(7,018)	-	-	-	-	(7,018)
Investments in shares of stock	77,979	-	-	-	-	77,979
Allowance for possible losses	(1,311)	-	-	-	-	(1,311)
Premises and equipment - net	1,644,172	-	-	-	-	1,644,172
Deferred tax assets	1,269,743	-	-	-	-	1,269,743
Other assets - net	2,713,984	1,652,446	1,025,753	212,959	14,260	(191,434)
<b>Total Assets</b>	<b>203,734,938</b>	<b>86,299,607</b>	<b>10,156,047</b>	<b>31,256,997</b>	<b>80,295,546</b>	<b>(4,273,259)</b>
<b>Liabilities</b>						
Immediately payable liabilities	3,955,880	3,955,880	-	-	-	-
Deposits from customers	165,599,983	148,456,310	9,870,302	7,164,163	109,208	-
Deposits from other banks and financial institutions	1,611,033	1,611,033	-	-	-	-
Securities sold with agreements to repurchase	102,681	102,681	-	-	-	-
Derivatives payable	180,921	180,921	-	-	-	-
Acceptances payable	661,381	179,545	231,812	250,024	-	-
Taxes payable	1,140,490	240,038	900,452	-	-	-
Fund borrowings	2,382,277	150,734	592,378	212,748	1,426,417	-
Estimated losses on commitments and contingencies	73,846	-	-	-	-	73,846
Other liabilities	6,448,558	2,398,659	584,207	1,236,133	2,003,819	225,740
Subordinated loans	2,140,253	232	444	24,483	2,115,094	-
<b>Total Liabilities</b>	<b>184,297,303</b>	<b>157,276,033</b>	<b>12,179,595</b>	<b>8,887,551</b>	<b>5,654,538</b>	<b>299,586</b>
<b>Maturity gap</b>	<b>19,437,635</b>	<b>(70,976,426)</b>	<b>(2,023,548)</b>	<b>22,369,446</b>	<b>74,641,008</b>	<b>(4,572,845)</b>

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**39. MATURITY PROFILE (continued)**

Description	2006					
	Total	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year	Others that have no maturities
<b>Assets</b>						
Cash	3,458,907	3,458,907	-	-	-	-
Current accounts with Bank Indonesia	14,021,368	14,021,368	-	-	-	-
Current accounts with other banks	181,935	181,935	-	-	-	-
Allowance for possible losses	(1,819)	-	-	-	-	(1,819)
Placements with Bank Indonesia and other banks	13,656,867	13,510,360	146,507	-	-	-
Allowance for possible losses	(41,081)	-	-	-	-	(41,081)
Securities	15,391,806	15,239,540	-	-	152,266	-
Allowance for possible losses	(9,074)	-	-	-	-	(9,074)
Export bills	468,921	319,971	41,675	107,275	-	-
Allowance for possible losses	(9,647)	-	-	-	-	(9,647)
Government recapitalization bonds	18,445,348	7,106,054	-	-	11,339,294	-
Securities purchased with agreement to resell	201,925	201,925	-	-	-	-
Derivatives receivable	10,607	-	10,607	-	-	-
Allowance for possible losses	(106)	-	-	-	-	(106)
Loans	89,229,539	6,847,364	5,854,880	24,760,619	51,766,676	-
Allowance for possible losses	(6,687,654)	-	-	-	-	(6,687,654)
Sharia receivables and financing	1,053,213	16,494	8,074	44,448	984,197	-
Allowance for possible losses	(30,394)	-	-	-	-	(30,394)
Acceptances receivable	327,666	84,464	75,264	167,938	-	-
Allowance for possible losses	(4,762)	-	-	-	-	(4,762)
Investments in shares of stock	69,941	-	-	-	-	69,941
Allowance for possible losses	(1,230)	-	-	-	-	(1,230)
Premises and equipment - net	1,821,978	-	-	-	-	1,821,978
Deferred tax assets	865,005	-	-	-	-	865,005
Other assets - net	2,306,227	582,955	683,626	144,174	120,893	774,579
<b>Total Assets</b>	<b>154,725,486</b>	<b>61,571,337</b>	<b>6,820,633</b>	<b>25,224,454</b>	<b>64,363,326</b>	<b>(3,254,264)</b>
<b>Liabilities</b>						
Immediately payable liabilities	2,356,547	2,356,547	-	-	-	-
Deposits from customers	124,468,339	109,400,190	5,083,213	9,864,911	120,025	-
Deposits from other banks and financial institutions	1,868,440	1,867,440	1,000	-	-	-
Securities sold with agreements to repurchase	102,716	102,716	-	-	-	-
Derivatives payable	24,226	-	24,226	-	-	-
Acceptances payable	327,666	84,464	75,264	167,938	-	-
Taxes payable	287,337	201,425	85,912	-	-	-
Fund borrowings	1,764,607	57,347	826,274	49,225	831,761	-
Estimated losses on commitments and contingencies	48,262	-	-	-	-	48,262
Other liabilities	4,367,107	14,757	550,863	1,272,260	1,113,724	1,415,503
Subordinated loans	2,231,431	109,825	1,266	28,048	2,092,292	-
<b>Total Liabilities</b>	<b>137,846,678</b>	<b>114,194,711</b>	<b>6,648,018</b>	<b>11,382,382</b>	<b>4,157,802</b>	<b>1,463,765</b>
<b>Maturity gap</b>	<b>16,878,808</b>	<b>(52,623,374)</b>	<b>172,615</b>	<b>13,842,072</b>	<b>60,205,524</b>	<b>(4,718,029)</b>

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**39. MATURITY PROFILE (continued)**

The above assets and liabilities of BRI in the previous table are based on the assumptions on the remaining contracts with the customers, assets and liabilities. Based on historical data, most of the deposits that have the lowest position during the current period (core fund) consist of:

	<b>2007</b>	<b>2006</b>
Demand deposits	18,135,186	12,781,411
Savings deposits	56,936,299	46,342,271
Time deposits	37,208,254	28,044,029

The liquidity of BRI and the impact of the changes in interest rates are controlled through the stable increase of funds primarily with the dominant deposit characteristics in the retail and micro sectors.

The actions undertaken by BRI to overcome the above maturity gap, among others are by trying to decrease the gap through the shift of short-term deposits to long-term deposits, by making the positive yield curve against deposit pricing, as well as undertaking a persuasive approach to the funding officers in the operational divisions that have optimal limit (to shorten/extend).

**40. SEGMENT INFORMATION**

Information concerning the geographical segments of BRI is as follows:

<b>As of and for the year ended December 31, 2007</b>				
	<b>Domestic</b>	<b>Overseas</b>	<b>Elimination</b>	<b>Total</b>
Earning assets (gross)	174,839,726	3,023,008	(1,401,538)	176,461,196
Total assets	202,487,366	2,890,569	(1,642,997)	203,734,938
Deposits	165,965,232	1,418,578	(172,794)	167,211,016
Fund borrowings	2,382,277	-	-	2,382,277
Stockholders' equity	19,437,635	717	(717)	19,437,635
Interest income - net	16,866,494	16,657	(186,579)	16,696,572
Income from operations	7,556,003	1,672	(1,672)	7,556,003
Net income	4,838,001	2,119	(2,119)	4,838,001

  

<b>As of and for the year ended December 31, 2006</b>				
	<b>Domestic</b>	<b>Overseas</b>	<b>Elimination</b>	<b>Total</b>
Earning assets (gross)	141,533,325	2,055,922	(1,343,350)	142,245,897
Total assets	153,473,499	2,289,159	(1,037,172)	154,725,486
Deposits	126,336,546	889,448	(889,215)	126,336,779
Fund borrowings	1,764,607	-	-	1,764,607
Stockholders' equity	16,878,808	(4,638)	4,638	16,878,808
Interest income - net	13,927,007	16,007	(153,659)	13,789,355
Income from operations	5,784,619	(5,423)	5,423	5,784,619
Net income	4,257,572	(4,617)	4,617	4,257,572

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**41. EMPLOYEES' PROGRAM**

a. Defined Benefit Pension Plan

BRI established a Defined Benefit Pension Plan covering all eligible employees of BRI who fulfill the conditions provided in the Pension Fund rules of BRI's Pension Fund. Under this program, the right on pension benefit is given based on the established conditions which are stated in the regulation with consideration of the yearly gratuity factor over the work period, and income on the Pension Fund. BRI's pension plan is managed by Dana Pensiun BRI (DPBRI). According to the provisions negotiated in the BRI's Directors' Decision Letter, the employee's contribution for pension contribution amounted to 7% of employee's pension-base salary and any remaining amount required to fund DPBRI represent the contribution by BRI.

The actuarial calculation of BRI's pension costs as of December 31, 2007 and 2006, based on PSAK No. 24 (Revised 2004), was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" and considered the following assumptions:

	<u>2007</u>	<u>2006</u>
Annual discount rate	9.5%	9.5%
Annual pension-base salary growth rate	7.5	7.5
Annual pension benefit growth rate	4.0	4.0

The assets of DPBRI principally consist of time deposits, securities and long-term investments in the form of shares of stock and property.

The status of the pension plan based on the actuarial calculation is as follows:

	<u>2007</u>	<u>2006</u>
Assets at fair value	6,854,624	5,890,519
Present value of defined benefit liabilities	(6,243,059)	(5,442,971)
Pension program funded status	611,565	447,548
Unrecognized actuarial adjustments	(678,082)	(316,015)
<b>Unrecognized assets (liabilities) defined benefit pension</b>	<b>(66,517)</b>	<b>131,533</b>

The movements in the defined benefit pension liabilities for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance	-	107,058
Defined benefit pension expense - net (Note 34)	209,325	180,911
BRI contribution	(142,808)	(287,969)
<b>Ending balance (Note 26)</b>	<b>66,517</b>	<b>-</b>



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**41. EMPLOYEES' PROGRAM (continued)**

a. Defined Benefit Pension Plan (continued)

Defined benefit pension expense based on the actuarial calculation is as follows:

	<u>2007</u>	<u>2006</u>
Current service cost	172,204	114,961
Interest cost	526,335	500,998
Expected return on plan assets	(566,221)	(566,581)
Immediate recognition of past service cost - vested	208,540	-
Change in deferred assets	(131,533)	131,533
<b>Defined benefit pension expense (Note 34)</b>	<b><u>209,325</u></b>	<b><u>180,911</u></b>

b. Old-Age Benefits Plan

BRI's employees are also given old-age benefits based on the regulation as stated in the decision letter by the Directors of BRI. BRI's old-age benefits plan is managed by Yayasan Kesejahteraan Pegawai BRI.

Old-age benefit contributions consist of payment from BRI and employees in accordance with the plan policies formulated by the Directors of BRI.

Based on the actuarial calculation of BRI's old-age benefits as of December 31, 2007 and 2006 which was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" and with the following assumptions:

	<u>2007</u>	<u>2006</u>
Annual discount rate	10.0%	10.5%
Gross wages growth rate	7.5	7.5

The status of the old-age benefits based on the actuarial calculation is as follows:

	<u>2007</u>	<u>2006</u>
Assets at fair value	1,611,421	1,411,789
Present value of old-age benefits liability	(1,115,674)	(895,894)
Funded status	495,747	515,895
Unrecognized actuarial gain	(83,455)	(83,455)
<b>Prepaid old-age benefits</b>	<b><u>412,292</u></b>	<b><u>432,440</u></b>

The movements in the prepaid old-age benefits during the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance of deferred assets	432,440	340,258
Old-age benefit (expense) income - net	(65,644)	47,688
BRI contributions	45,496	44,494
<b>Ending balance of deferred assets</b>	<b><u>412,292</u></b>	<b><u>432,440</u></b>

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**41. EMPLOYEES' PROGRAM (continued)**

b. Old-Age Benefits Plan (continued)

Old-age benefits expense and (income) based on the actuarial calculation is as follows:

	<b>2007</b>	<b>2006</b>
Current service cost	35,656	24,847
Interest cost	91,841	97,263
Expected return on plan assets	(149,719)	(167,202)
Amortization of unrecognized actuarial gain	-	(2,596)
Recognition of current year losses	87,866	-
Change in deferred assets	(20,148)	-
<b>Old-age benefits expense (income)</b>	<b>45,496</b>	<b>(47,688)</b>

As of December 31, 2007 and 2006, BRI did not recognize the prepaid old-age benefits and the income of old-age benefits as management has no plans to reduce BRI's contributions in the future.

c. Defined Contribution Pension Plan

The employees of BRI are also included in the Defined Contribution Pension Plan in accordance with the BRI's Directors decision which is effective in October 2000. BRI's contributions to the plan that are charged to current operations amounted to Rp59,700 and Rp57,962 for the years ended December 31, 2007 and 2006, respectively (Note 34). This pension plan is managed by Dana Pensiun Lembaga Keuangan BRI.

d. Work Separation Scheme

(i) BRI only

Based on the BRI management calculation which used the actuarial valuation assumptions on BRI's liability related to the allowance for cost settlement of separation pay (PHK) including severance, gratuity and compensation benefits based on Labor Law No. 13 year 2003 (UU No. 13/2003) for liability as of December 31, 2007 and 2006. The actuarial calculation by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 by using the "Projected Unit Credit Method" and considered the following assumptions:

	<b>2007</b>	<b>2006</b>
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5
Decrements:		
• Mortality (USA Table of Mortality, using Commissioners Standards Ordinary (CSO))	CSO 1958	CSO 1958
• Disability	10% of CSO 1980	10% of CSO 1980
• Resignation	Using age range for turn over rate	Using age range for turn over rate
Normal retirement age	56 years	56 years

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**41. EMPLOYEES' PROGRAM (continued)**

d. Work Separation Scheme (continued)

(i) BRI only (continued)

The status of the work separation scheme based on the actuarial calculation is as follows:

	<b>2007</b>	<b>2006</b>
Present value of work separation liability	(364,493)	(346,808)
Unrecognized actuarial gain	(26,660)	(1,601)
<b>Work separation scheme liability (Note 26)</b>	<b>(391,153)</b>	<b>(348,409)</b>

The movements in the work separation scheme liability during the years ended December 31, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Beginning balance	348,409	298,748
Work separation scheme expense - net (Note 34)	60,496	55,727
Actual benefit payments by BRI	(17,752)	(6,066)
<b>Ending balance (Note 26)</b>	<b>391,153</b>	<b>348,409</b>

The calculation of work separation scheme expense based on the actuarial calculation is as follows:

	<b>2007</b>	<b>2006</b>
Current service cost	26,358	22,049
Interest cost	34,138	33,678
<b>Work separation scheme expense (Note 34)</b>	<b>60,496</b>	<b>55,727</b>

(ii) Subsidiary

The subsidiary provides the work separation scheme based on the provisions of Labor Law No. 13/2003 dated March 25, 2003.

The following tables summarize the components of the work separation scheme expense recognized in the consolidated statements of income and the amount recognized in the consolidated balance sheets for the work separation scheme liability as of December 31, 2007, as determined by PT Dian Artha Tama, an independent actuary, whose report dated February 21, 2008 used the "Projected Unit Credit Method" and considered the following assumptions:

Annual discount rate	:	10.0%
Gross wages future growth rate	:	6.5%
Mortality rate	:	Indonesian-II (1999)

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**41. EMPLOYEES' PROGRAM (continued)**

d. Work Separation Scheme (continued)

(ii) Subsidiary (continued)

As of December 31, 2007, the status of the work separation scheme based on the actuarial calculation is as follows:

Present value of work separation liability	(4,142)
Unrecognized actuarial loss	114
	(4,028)
<b>Work separation scheme liability (Note 26)</b>	<b>(4,028)</b>

The movements in the work separation scheme liability during the year ended December 31, 2007 are as follows:

Beginning balance	3,366
Work separation scheme expense - net	814
Actual benefit payments	(152)
	4,028
<b>Ending balance (Note 26)</b>	<b>4,028</b>

The work separation scheme expense for the year ended December 31, 2007 based on the actuarial calculation is as follows:

Current service cost	438
Interest cost	375
Actuarial gain	1
	814
<b>Work separation scheme expense</b>	<b>814</b>

e. Other Long-term Employee Benefits

The BRI employees also have other long-term employee benefits, such as gratuity for services, long sabbatical leaves and pension preparation period (MPP).

(i) Provision for gratuity for services

The actuarial calculation on gratuity for services as of December 31, 2007 and 2006 was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" with the following assumptions:

	2007	2006
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5

The present value of obligation for gratuity for services based on the actuarial calculation amounted to Rp347,184 and Rp322,909 as of December 31, 2007 and 2006, respectively.

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**41. EMPLOYEES' PROGRAM (continued)**

e. Other Long-term Employee Benefits (continued)

(i) Provision for gratuity for services (continued)

The movements in the provision for gratuity for services during the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance of liability	322,909	242,710
Gratuity for service expense - net (Note 34)	70,457	125,427
Actual benefit payments by BRI	(46,182)	(45,228)
<b>Gratuity for services liability (Note 26)</b>	<b><u>347,184</u></b>	<b><u>322,909</u></b>

The gratuity for service expense based on the actuarial calculation is as follows:

	<u>2007</u>	<u>2006</u>
Current service cost	26,577	21,847
Interest cost	31,445	28,850
Recognized losses	12,435	74,730
<b>Gratuity for services expense (Note 34)</b>	<b><u>70,457</u></b>	<b><u>125,427</u></b>

(ii) Long Sabbatical Leaves

The actuarial calculation for long sabbatical leaves as of December 31, 2007 and 2006 was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" with the following assumptions:

	<u>2007</u>	<u>2006</u>
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5

The present value of obligation for long sabbatical leaves based on the actuarial calculation amounted to Rp222,752 and Rp224,274 as of December 31, 2007 and 2006, respectively.

The movements in the provision for long sabbatical leaves during the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance of liability	224,274	203,460
Long sabbatical leaves expense - net (Note 34)	91,540	99,556
Actual benefit payments by BRI	(93,062)	(78,742)
<b>Long sabbatical leaves liability (Note 26)</b>	<b><u>222,752</u></b>	<b><u>224,274</u></b>

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**41. EMPLOYEES' PROGRAM (continued)**

e. Other Long-term Employee Benefits (continued)

(ii) Long Sabbatical Leaves (continued)

The long sabbatical leaves expense based on the actuarial calculation is as follows:

	<u>2007</u>	<u>2006</u>
Current service cost	72,785	69,261
Interest cost	18,538	20,466
Recognized gains or losses	217	9,829
<b>Long sabbatical leaves expense (Note 34)</b>	<b><u>91,540</u></b>	<b><u>99,556</u></b>

(iii) Pension preparation period

The actuarial calculation of pension preparation period as of December 31, 2007 and 2006 was prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, whose reports dated February 27, 2008 and March 5, 2007 used the "Projected Unit Credit Method" with the following assumptions:

	<u>2007</u>	<u>2006</u>
Annual discount rate	10.0%	10.5%
Gross wages future growth rate	7.5	7.5

The present value of obligation for pension preparation period based on the actuarial calculation amounted to Rp824,664 and Rp661,065 as of December 31, 2007 and 2006, respectively (Note 26).

The movements in the provision for pension preparation period during the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance of liability	661,065	508,171
Pension preparation period expense - net (Note 34)	201,980	180,197
Actual benefit payments by BRI	(38,381)	(27,303)
<b>Pension preparation period liability (Note 26)</b>	<b><u>824,664</u></b>	<b><u>661,065</u></b>

Pension preparation period expense based on the actuarial calculation is as follows:

	<u>2007</u>	<u>2006</u>
Current service cost	35,329	25,495
Interest cost	67,863	64,392
Recognition of past service cost	69,470	-
Recognized gains or losses	29,318	90,310
<b>Pension preparation period expense (Note 34)</b>	<b><u>201,980</u></b>	<b><u>180,197</u></b>

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**42. INFORMATION OF COMMITMENTS AND CONTINGENCIES**

	<b>2007</b>	<b>2006</b>
<b><u>Commitments</u></b>		
Commitment Receivables		
Unused borrowing facilities	127,054	121,779
Commitment Liabilities		
Unused credit facilities granted to debtors	20,258,739	11,676,751
Outstanding irrevocable letters of credit (Note 25c)	6,185,571	2,632,965
Others	-	547
Total Commitment Liabilities	26,444,310	14,310,263
<b>Commitments - net</b>	<b>(26,317,256)</b>	<b>(14,188,484)</b>
<b><u>Contingencies</u></b>		
Contingent Receivables		
Interest receivables under settlement	928,021	629,092
Guarantees received from other banks	11,691	14,812
Others	223,279	114,296
Total Contingent Receivables	1,162,991	758,200
Contingent Liabilities		
Guarantees issued in the form of (Note 25c):		
Standby L/C	397,459	299,548
Bank guarantees and risk sharing	786,676	275,616
Total Contingent Liabilities	1,184,135	575,164
<b>Contingencies - net</b>	<b>(21,144)</b>	<b>183,036</b>

**43. NET OPEN POSITION**

The calculation of Net Open Position (NOP) as of December 31, 2007 and 2006 is based on the regulation No. 7/31/PBI/2005 of Bank Indonesia dated September 30, 2005 regarding the Second Amendment of Regulation No. 5/13/PBI/2003 of Bank Indonesia regarding NOP for Commercial Banks.

The balance sheet NOP is the net difference between the assets and liabilities denominated in each foreign currency which are all stated in Rupiah. While the overall NOP is the sum of the absolute values of the net difference between all assets and liabilities denominated in foreign currency and net difference of the receivables and payables of both commitments and contingencies recorded in the administrative accounts denominated in each foreign currency, which are stated in Rupiah.

Based on such regulation, BRI is required to maintain the overall NOP ratio at a maximum of 20% of total capital.

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**43. NET OPEN POSITION (continued)**

The following is the NOP of BRI only:

Currencies	2007		
	Assets	Liabilities	NOP
<b><u>Balance Sheet</u></b>			
United States Dollar	17,033,800	17,914,285	(880,485)
European Euro	397,325	230,501	166,824
Australian Dollar	15,354	2,123	13,231
Great Britain Pounds Sterling	23,768	23,061	707
Japanese Yen	158,572	138,768	19,804
Singapore Dollar	29,020	56,942	(27,922)
Others	102,991	18,801	84,190
			<b>(623,651)</b>
<b><u>Balance Sheet and Administrative Accounts</u></b>			
United States Dollar	19,098,581	18,062,894	1,035,687
European Euro	397,325	230,501	166,824
Australian Dollar	15,354	2,123	13,231
Great Britain Pounds Sterling	23,768	23,061	707
Japanese Yen	158,572	138,768	19,804
Singapore Dollar	29,020	56,942	27,922
Others	102,991	18,801	84,190*
			<b>1,348,365</b>
Capital (Note 48a)			17,058,707
<b>NOP Ratio (Balance Sheet)</b>			<b>(3.66%)</b>
<b>NOP Ratio (Overall)</b>			<b>7.90%</b>

Currencies	2006		
	Assets	Liabilities	NOP
<b><u>Balance Sheet</u></b>			
United States Dollar	9,530,837	9,354,136	176,701
European Euro	657,305	55,161	602,144
Australian Dollar	5,102	1,475	3,627
Great Britain Pounds Sterling	12,293	9,231	3,062
Japanese Yen	8,217	7,803	414
Singapore Dollar	12,625	12,763	(138)
Others	18,044	2,495	15,549
			<b>801,359</b>



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**43. NET OPEN POSITION (continued)**

Currencies	2006		
	Assets	Liabilities	NOP
<b>Balance Sheet and Administrative Accounts</b>			
United States Dollar	9,680,287	9,498,184	182,103
European Euro	657,305	55,161	602,144
Australian Dollar	5,102	1,475	3,627
Great Britain Pounds Sterling	12,293	9,231	3,062
Japanese Yen	8,217	7,803	414
Singapore Dollar	12,625	12,763	138
Others	18,044	2,495	15,549*)
			<b>807,037</b>
Capital (Note 48a)			14,914,930
<b>NOP Ratio (Balance Sheet)</b>			<b>5.37%</b>
<b>NOP Ratio (Overall)</b>			<b>5.41%</b>

\*) Represents the sum of the absolute values of the difference between the assets and liabilities denominated in several other foreign currencies.

**44. RELATED PARTIES TRANSACTIONS**

Related parties consist of the management or key personnel of BRI and entities that are owned directly or indirectly by BRI.

Related parties by entity and/or management:

Related parties	Nature of relationship
- PT UFJ-BRI Finance	- Ownership (Note 14)
- PT Bringin Srikandi Finance	- Ownership by Dana Pensiun BRI
- PT Bringin Indotama Sejahtera Finance	- Ownership by Dana Pensiun BRI
- Yayasan Kesejahteraan Pegawai BRI	- Management relationship

In the ordinary course of its business, BRI engages in significant transactions with related parties as follows:

	2007	2006
<b>Assets</b>		
Placements with Bank Indonesia and other banks (Note 6)		
PT UFJ-BRI Finance	225,000	166,000
Loans (Note 12)		
PT Bringin Indotama Sejahtera Finance	212,083	140,373
PT Bringin Srikandi Finance	156,812	153,490
Others	62,616	61,644
	431,511	355,507

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**44. RELATED PARTIES TRANSACTIONS (continued)**

	<b>2007</b>	<b>2006</b>
Investments in shares of stock (Note 14)		
PT UFJ-BRI Finance	76,333	68,295
<b>Total assets from related parties</b>	<b>732,844</b>	<b>589,802</b>
<b>Total consolidated assets</b>	<b>203,734,938</b>	<b>154,725,486</b>
<b>Percentage of assets from related parties to total consolidated assets</b>	<b>0.360%</b>	<b>0.381%</b>
<b><u>Liabilities</u></b>		
Demand deposits (Note 18)	8,012	3,646
Savings deposits (Note 19)	38,774	9,169
Time deposits (Note 20)	298,824	557,025
Other liabilities (Note 26)		
PT Bringin Srikandi Finance	25,878	69,569
<b>Total liabilities to related parties</b>	<b>371,488</b>	<b>639,409</b>
<b>Total consolidated liabilities</b>	<b>184,297,303</b>	<b>137,846,678</b>
<b>Percentage of liabilities to related parties to total consolidated liabilities</b>	<b>0.201%</b>	<b>0.464%</b>
<b>Salaries and allowances of the Directors and Board of Commissioners (Note 34)</b>	<b>23,801</b>	<b>16,916</b>
<b>Tantiem, bonuses and incentives of the Directors and Board of Commissioners and executive officers (Note 34)</b>	<b>59,052</b>	<b>57,076</b>

The percentage of transactions with related parties over the total consolidated assets and liabilities of BRI are as follows:

	<b>2007</b>	<b>2006</b>
<b><u>Assets</u></b>		
Placements with Bank Indonesia and other banks	0.110%	0.107%
Loans	0.212	0.230
Investments in shares of stock	0.038	0.044
<b>Total</b>	<b>0.360%</b>	<b>0.381%</b>
<b><u>Liabilities</u></b>		
Demand deposits	0.004%	0.003%
Savings deposits	0.021	0.007
Time deposits	0.162	0.404
Other liabilities	0.014	0.050
<b>Total</b>	<b>0.201%</b>	<b>0.464%</b>

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**44. RELATED PARTIES TRANSACTIONS (continued)**

As of December 31, 2007 and 2006, BRI has insured its premises and equipment with PT Asuransi Bringin Sejahtera Arthamakmur (a related party) (Note 15).

**45. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES**

a. Communication Services Agreement

On December 9, 2004, BRI entered into an agreement with PT Citra Sari Makmur (CSM) in relation to VSAT network lease services for 10 Regional Offices for 3 (three) years with a contract value of Rp6.2 billion. As of the date of the independent auditor's report, the renewal of this agreement is still in process.

On October 22, 2004, BRI entered into an agreement with PT Indonesia Comnets Plus in relation to High speed VSAT telecommunication network - Trunk pool lease services for 3 (three) years period (October 14, 2004 to October 15, 2007) with a contract value of Rp5 billion. As of the date of the independent auditor's report, the renewal of this agreement is still in process.

On July 14, 2006, BRI entered into an agreement with CSM in accordance with the procurement of media or communication network lease services of BRI at 986 locations which will end on December 31, 2007 with monthly fees of Rp4.9 billion. As of the date of the independent auditor's report, the renewal of this agreement is still in process.

On December 15, 2006, BRI entered into an agreement with PT IBM Indonesia in accordance with the procurement of Integrated IBM Operational Facility Management Services (IBM iSeries DC, IBM iSeries DRC, IBM zSeries and IBM pSeries) for 3 (three) years period (November 15, 2006 to November 14, 2009) with a contract value of Rp32.8 billion.

On February 5, 2007, BRI entered into an agreement with PT Satkomindo Mediyasa in accordance with the procurement of VSAT networking services in 101 locations and 323 locations for 36 (thirty-six) months period, with contract values of Rp454 and Rp1,246 per month, respectively.

b. Contingent Liabilities

In the conduct of its business, BRI is a defendant in various litigation actions and legal claims mainly with respect to matters of contractual compliance. Although there is no clear assurance yet, BRI believes that based on information currently available, the ultimate resolution of these legal proceedings and legal claims will not likely have a material effect on the operations, financial position or liquidity level of BRI. As of December 31, 2007 and 2006, BRI has established a provision (included in "Other Liabilities") for several pending lawsuits filed against BRI amounting to Rp202,355 and Rp143,503, respectively (Note 26). Management believes that the provision is adequate to cover possible losses arising from pending litigations, or legal claims that are currently in progress.

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#### **46. ECONOMIC CONDITIONS**

BRI's operations have been affected, and may continue to be affected, by economic conditions in Indonesia. Despite the recent developments in key economic indicators, Indonesian banks are still engaged in limited lending activities. Any worsening in economic conditions, including the significant depreciation of the Rupiah or increase in interest rates, could affect the ability of BRI's customers (including borrowers and other contractual counterparties) to fulfill their obligations when they mature, and consequently impact negatively BRI's profitability and its capital adequacy.

In general, Indonesia's economic performance until the end of 2007 expresses sustainable growth with managed macro economy and monetary system stability. The current external volatility caused by the increase in worldwide oil prices and remaining impact of sub-prime mortgage crisis in global financial market towards economic growth and inflation are still under control.

The inflation rate during 2007 (January - December) is 6.59%, or still in line with the year-to-year inflation rate (December 2007 as compared to December 2006). Although the inflation rate is still within the range of official estimation of 6% plus minus 1%, the amount is relatively high and needs to be taken into account in the future. Bank Indonesia recorded some risk factors which can give pressure to the inflation rate in future years. These factors consist of the continuing increase in worldwide oil prices which can affect the increase in goods prices, economic players' perception over the continuity of government financing, the progress of investment package policies implementation, and the Government's ability to overcome problems in the supply and distribution of goods as basic needs.

On December 6, 2007, Bank Indonesia once again decided to decrease the BI rate by 25 basis points from 8.25% since July 2007, to become 8%. During 2007, BI has decreased its rate up to a total of 6 (six) times from the initial 9.75% at the end of December 2006. The decrease of such BI rate is believed not to affect the achievement of the inflation target, particularly for the medium and long-term period. Furthermore, the decrease of BI rate is expected to be able to stimulate and maintain the momentum of high economic growth in Indonesia along with the continuing macro economy stability in future years.

The movement of Rupiah exchange rate towards United States Dollar is quite fluctuative during 2007, ranging from Rp8,640 to Rp9,580 per 1 US\$, the lowest is on May 23, 2007 and the highest is on August 16, 2007, with the average rate of Rp9,139 per 1 US\$, and depreciated by 4.5% during 2007. The Rupiah depreciation is mainly influenced by external factors which include the continuing impact of the sub-prime mortgage crisis and increase in worldwide oil prices. In the future, those external factors are still likely to influence the movement of Rupiah.

BRI's operational activities still consider the progress of the key economic indicators along with their influential risk factors and the real sector activities, particularly in the attempt for current business development and search for new business opportunities. On the other hand, these indicators are also used to anticipate the possibility of unfavorable conditions emerging for BRI, which will result in a negative impact for BRI's profitability.

To anticipate various changes in economic conditions, BRI is consistently implementing the Company Business Plans and Budgets (RKAP) and the business development plan which is stated in the Business Plan of the Bank, in order to maintain the improvement in BRI's performance and to comply with all prudential banking conditions.

The recovery of the economic condition depends on monetary, fiscal and other policies that have been and will be undertaken by the Indonesian Government, actions that are beyond the control of BRI. Therefore, it is not possible to determine the future effects of the economic conditions on BRI's earnings and realization of its earning assets, including the effects on the flow of funds through and from BRI's customers, depositors, creditors and stockholders.

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**47. GOVERNMENT GUARANTEE ON OBLIGATIONS OF COMMERCIAL BANKS**

Based on Presidential Decree No. 26 of 1998 as implemented by the Decree of the Ministry of Finance dated January 28, 1998 and the Joint Decrees No. 30/270/KEP/DIR and No. 1/BPPN/1998 dated March 6, 1998 of the Director of Bank Indonesia and Head of IBRA, the Government provided a guarantee on certain obligations of all locally incorporated commercial banks. Based on the latest amendment under the Decree of the Ministry of Finance No. 179/KMK.017/2000 dated May 26, 2000, this guarantee is valid from January 26, 1998 up to January 31, 2001 and with automatic extension of the guarantee period continuously every 6 (six) months, unless within 6 (six) months before the maturity of the guarantee period or its extension period, the Ministry of Finance will announce to the public the expiry and/or change in the guarantee program. For this guarantee, the Government charges premium which is computed based on a certain percentage in accordance with the prevailing regulations.

The Decision Letter No. 179/KMK.017/2000 dated May 26, 2000 from the Ministry of Finance of the Republic of Indonesia, concerning the Conditions and Procedures in the Implementation of Government Guarantee for the Payment of Obligations of Commercial Banks was amended by Decision Letter No. 84/KMK.06/2004 dated February 27, 2004, concerning the Conditions, Procedures and Policy in the Implementation of Government Guarantee for the Payment of Obligations of Commercial Banks. The changes consist of, among others, the payment for the guarantee premium which was previously paid through the Indonesian Bank Restructuring Agency (IBRA) which was changed to make the payment through the Government Guarantee Implementation Unit (UP3).

In accordance with regulation No. 17/PMK.05/2005 dated March 3, 2005 of the Ministry of Finance, starting April 18, 2005, commercial bank obligations guaranteed by the Government guarantee program include demand deposits, savings deposits, time deposits and borrowings from other banks in the form of inter-bank money market transactions.

The Government guarantee program through UP3 was terminated on September 22, 2005 based on Regulation No. 68/PMK.05/2005 dated August 10, 2005 of the Ministry of Finance regarding the Calculation and Payment of Premium on Government Guarantee Program on the payment of obligations of Commercial Banks for the period of July 1 to September 21, 2005. The Government has established the Indonesia Deposit Insurance Institution (LPS), an independent agency, to replace UP3 based on Law No. 24 of 2004 dated September 22, 2004 regarding LPS, in which LPS guarantees public funds including funds from other banks in the form of demand deposits, time deposits, certificates of deposits, savings deposits and/or other similar forms.

Based on LPS regulation No. 1/PLPS/2006 dated March 6, 2006 regarding Government Guarantee Program on Savings Account, the balance of savings account guaranteed by the government for each customer of the bank is as follows:

- a. Maximum of Rp5 billion, since March 22, 2006 up to September 21, 2006
- b. Maximum of Rp1 billion, since September 22, 2006 up to March 21, 2007
- c. Maximum of Rp100 million, since March 22, 2007.

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**48. OTHER DISCLOSURES**

a. Capital Adequacy Ratio (CAR)

CAR is the ratio of capital to Risk Weighted Assets (RWA). Based on Bank Indonesia regulation No. 3/21/PBI/2001 dated December 13, 2001, the total capital for credit risk consist of core capital and supplementary capital net of investments in shares of stock. Based on Bank Indonesia regulation No. 5/12/PBI/2003 dated July 17, 2003, banks which meet certain criteria should consider market risk in the computation of CAR and include additional supplementary capital.

As of December 31, 2007 and 2006, the CAR of BRI only for credit risk are 16.66% and 19.97%, respectively, and for credit and market risks are 15.84% and 18.82%, respectively, which are computed as follows (unaudited):

	<b>2007</b>	<b>2006</b>
<b>Capital</b>		
Core Capital *)	15,448,235	13,104,120
Supplementary Capital **)	1,819,451	1,880,751
Total Core and Supplementary Capital	17,267,686	14,984,871
Less: Investments in shares of stock	(208,979)	(69,941)
<b>Total Capital for Credit and Market Risks</b>	<b>17,058,707</b>	<b>14,914,930</b>
RWA for Credit Risk after considering Specific Risk	102,382,429	74,690,731
RWA for Market Risk	5,328,550	4,570,435
<b>Total RWA for Credit and Market Risks</b>	<b>107,710,979</b>	<b>79,261,166</b>
<b>CAR for Credit Risk</b>	<b>16.66%</b>	<b>19.97%</b>
<b>CAR for Credit and Market Risks</b>	<b>15.84%</b>	<b>18.82%</b>
<b>Minimum CAR</b>	<b>8.00%</b>	<b>8.00%</b>

\*) Presented by excluding deferred tax assets according to Bank Indonesia Regulation No. 3/21/PBI/2001 dated December 13, 2001.

\*\*\*) Presented after deducting the amortization of Subordinated Bonds I and Subordinated Notes which is calculated using straight-line method during the period of Subordinated Bonds I and Subordinated Notes according to Bank Indonesia Letter No. 6/71/DPwB2/PwB24 dated May 17, 2004.

b. Legal Lending Limit (LLL)

Based on the legal lending limit reports submitted to Bank Indonesia as of December 31, 2007 and 2006, BRI has reported no credit which did not comply or exceeded the legal lending limit requirement both from related parties and third parties (Note 12e.11).

c. Non-performing Loans (NPL) Ratio

As of December 31, 2007 and 2006, BRI's non-performing loan ratio including sharia receivables and financing are as follows:

(i) Consolidated

	<b>2007</b>
Gross NPL ratio	3.46%
Net NPL ratio	0.88

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**48. OTHER DISCLOSURES (continued)**

c. Non-performing Loans (NPL) Ratio (continued)

(ii) BRI only

	<b>2007</b>	<b>2006</b>
Gross NPL ratio	3.44%	4.81%
Net NPL ratio	0.88	1.29

Net NPL ratio is calculated based on NPL after deducting the minimum allowance for possible losses divided by the total loans amount in accordance with Bank Indonesia regulations.

d. Non-Performing Earning Assets Ratio

(i) Consolidated

<b>Collectibility</b>	<b>2007</b>	
Sub-standard	837,804	
Doubtful	587,349	
Loss	2,518,839	
<b>Total non-performing earning assets</b>	<b>3,943,992</b>	
<b>Total earning assets</b>	<b>176,461,196</b>	
<b>Ratio</b>	<b>2.24%</b>	

(ii) BRI only

<b>Collectibility</b>	<b>2007</b>	<b>2006</b>
Sub-standard	836,233	812,930
Doubtful	580,928	941,398
Loss	2,502,282	2,598,669
<b>Total non-performing earning assets</b>	<b>3,919,443</b>	<b>4,352,997</b>
<b>Total earning assets</b>	<b>176,413,803</b>	<b>142,245,897</b>
<b>Ratio</b>	<b>2.22%</b>	<b>3.06%</b>

e. Custodian Operations

BRI has rendered custodian services since 1996 based on its operating license through Bapepam Chairman Decision Letter No. 91/PM/1996 dated April 11, 1996.

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**48. OTHER DISCLOSURES (continued)**

e. Custodian Operations (continued)

The custodian services business is a part of the Treasury Division, which provides services such as:

- Safekeeping services
- Settlement/transaction handling
- Income collection
- Corporate actions and proxy services
- Reporting services
- Selling agent

BRI has 44 and 38 customers as of December 31, 2007 and 2006, respectively, which are primarily pension funds, finance institutions, securities companies, mutual funds and other companies.

The custodian fees and commissions earned for the years ended December 31, 2007 and 2006 amounted to Rp6,176 and Rp6,726, respectively.

The mutual fund and retail government bonds selling agent fees earned for the years ended December 31, 2007 and 2006 amounted to Rp2,156 and Rp873, respectively.

f. Trust Operations

BRI has rendered trust services since 1990. The operating license of BRI for trust services has been granted by the Ministry of Finance based on its Decision Letter No. 1554/KMK.013/1990 dated December 6, 1990 and registered with Bapepam in conformity with its operating license for trust services No. 08/STTD-WA/PM/1996 dated June 11, 1996.

The trust services business is a part of the Treasury Division which provides services such as:

- Trust services
- Security agent
- Payment agent
- Sinking fund agent

BRI has 13 and 15 customers as of December 31, 2007 and 2006, respectively. The total value of bonds issuance on behalf of bonds issuers managed by BRI amounted to Rp14,039,327 and Rp15,125,318 as of December 31, 2007 and 2006, respectively.

The fees and commissions on trust services and other related services (payment agent) earned for the years ended December 31, 2007 and 2006 amounted to Rp3,880 and Rp4,997, respectively.



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**49. EARNINGS PER SHARE**

The following presents the reconciliation of factors in the computation of basic and diluted earnings per share (EPS):

	<b>2007</b>		
	Net Income	Weighted Average Number of Ordinary Shares Outstanding	Earnings Per Share (Full Rupiah)
<b>Basic EPS</b>	<b>4,838,001</b>	<b>11,985,918,915</b>	<b>403,64</b>
Add: Assumed shares issued from exercise of Management Stock Ownership Program			
- MSOP I	-	145,456,067	-
- MSOP II	-	63,157,466	-
- MSOP III	-	51,833,158	-
<b>Diluted EPS</b>	<b>4,838,001</b>	<b>12,246,365,606</b>	<b>395,06</b>
	<b>2006</b>		
	Net Income	Weighted Average Number of Ordinary Shares Outstanding	Earnings Per Share (Full Rupiah)
<b>Basic EPS</b>	<b>4,257,572</b>	<b>11,972,159,586</b>	<b>355.62</b>
Add: Assumed shares issued from exercise of Management Stock Ownership Program			
- MSOP I	-	134,226,618	-
- MSOP II	-	56,086,037	-
- MSOP III	-	17,965,609	-
<b>Diluted EPS</b>	<b>4,257,572</b>	<b>12,180,437,850</b>	<b>349.54</b>

**50. COMPLETION OF THE FINANCIAL STATEMENTS**

The management of BRI is responsible for the preparation of these consolidated financial statements which were completed on March 19, 2008.