

**Financial Statements  
With Independent Auditors' Report  
Years Ended December 31, 2004 and 2003**

**PT BANK RABOBANK  
INTERNATIONAL INDONESIA**

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2004 AND 2003**

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## Independent Auditors' Report

Report No. RPC-3754

### The Shareholders, Boards of Commissioners and Directors PT Bank Rabobank International Indonesia

We have audited the balance sheets of PT Bank Rabobank International Indonesia (the "Bank") as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Bank Rabobank International Indonesia as of December 31, 2004 and 2003, and the results of its operations, and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Prasetio, Sarwoko & Sandjaja



Drs. Alwi Syahri  
Public Accountant Licence No. 98.1.0142

February 28, 2005

The accompanying 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 financial statements are those generally accepted and applied in Indonesia.

These financial statements are originally issued in Indonesian language.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**BALANCE SHEETS**  
**December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>			
Cash	2	376	369
Current accounts with Bank Indonesia	2,3	95,555	39,214
Current accounts with other banks - net of allowance for possible losses of Rp246 (2003: Rp73)	2,4,35	24,326	7,243
Placements with Bank Indonesia and other banks - net of allowance for possible losses of Rp37 (2003: Rp1,266)	2,5,35	77,576	125,359
Securities - net of unamortized interest of RpNil (2003: Rp752), and allowance for possible losses of Rp800 (2003: Rp515)	2,6	301,727	208,964
Derivatives receivable - net of allowance for possible losses of Rp46 (2003: Rp5)	2,7,35	4,581	499
Loans	2,8,35	2,413,247	1,719,766
Less: Allowance for possible losses		(187,885)	(260,621)
Net		<u>2,225,362</u>	<u>1,459,145</u>
Acceptances receivable - net of allowance for possible losses of Rp11,809 (2003: Rp10,300)	2,9	58,147	95,049
Investments in shares of stock - net of allowance for permanent decline in value of Rp4,854 (2003: Rp5,733), and allowance for possible losses of Rp111,883 (2003: Rp112,071)	2,10,12,17, 22,35,39c	-	15,157
Fixed assets - net of accumulated depreciation of Rp9,931 (2003: Rp8,682)	2,11,26	2,211	2,473
Deferred tax assets - net	2,19	6,716	20,808
Other assets	2,10,12,17, 22,35,39c	35,198	17,692
<b>TOTAL ASSETS</b>		<b><u>2,831,775</u></b>	<b><u>1,991,972</u></b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**BALANCE SHEETS (continued)**  
**December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	2004	2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities	2	5,244	1,246
Deposits from customers			
Demand deposits	2,13,35	213,073	213,433
Time deposits	2,14,35	1,083,883	600,125
Total deposits from customers		1,296,956	813,558
Deposits from other banks			
Demand deposits	2,15,35	4,834	787
Interbank call money	2,16,35	655,436	386,962
Total deposits from other banks		660,270	387,749
Borrowings	2,10,12,17, 22,35,39c	15,310	36,947
Derivatives payable	2,7,35	4,754	3,605
Acceptances payable	2,9	69,956	105,349
Estimated losses on commitments and contingencies	2,18	6,667	5,621
Taxes payable	2,19	5,889	-
Other liabilities	2,20,35	58,789	46,769
Subordinated loans	2,21,35	371,400	337,000
<b>TOTAL LIABILITIES</b>		<b>2,495,235</b>	<b>1,737,844</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital - Rp1,000,000 par value (full amount)	1,10,12, 22,35,39c	600,000	600,000
Authorized, issued and fully paid - 600,000 shares			
Share premium	22	2,741	2,741
Accumulated losses		(266,201)	(348,613)
Shareholders' Equity - Net		336,540	254,128
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,831,775</b>	<b>1,991,972</b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF INCOME**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<b>Notes</b>	<b>2004</b>	<b>2003</b>
<b>INTEREST AND COMMISSION INCOME</b>	2,23,35		
Interest and investment income		151,421	117,448
Fees and commissions		15,649	6,456
<b>Total interest and commission income</b>		<b>167,070</b>	<b>123,904</b>
<b>INTEREST EXPENSE</b>	2,24,35	<b>(73,207)</b>	<b>(58,845)</b>
<b>NET INTEREST INCOME</b>		<b>93,863</b>	<b>65,059</b>
<b>OTHER OPERATING INCOME</b>			
Gain on sale of earning assets		52,109	8,433
Other fees and commissions	2	8,277	18,324
Foreign exchange gains - net	2	6,404	-
Recovery of allowance for losses on earning assets and estimated losses on commitments and contingencies	25	5,091	-
Gain on sale of marketable securities		1,034	-
<b>Total other operating income</b>		<b>72,915</b>	<b>26,757</b>
<b>OTHER OPERATING EXPENSES</b>			
Provision for losses on earning assets and estimated losses on commitments and contingencies	2, 25	-	(18,627)
General and administrative expenses	2, 11, 26, 35	(34,828)	(24,010)
Salaries and employee benefits	2, 27, 36	(29,411)	(28,597)
Foreign exchange losses - net	2	-	(134)
<b>Total other operating expenses</b>		<b>(64,239)</b>	<b>(71,368)</b>
<b>INCOME FROM OPERATIONS</b>		<b>102,539</b>	<b>20,448</b>
<b>Non-operating income (expenses) - net</b>		<b>(146)</b>	<b>350</b>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>102,393</b>	<b>20,798</b>
<b>INCOME TAX EXPENSE</b>	2, 19		
Current		(5,889)	-
Deferred		(14,092)	(8,022)
<b>NET PROFIT</b>		<b>82,412</b>	<b>12,776</b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Issued and Fully Paid Capital</u>	<u>Share Premium</u>	<u>Accumulated Losses</u>	<u>Shareholders' Equity - Net</u>
Balance, December 31, 2002	600,000	2,741	(361,389)	241,352
Net profit for 2003	-	-	12,776	12,776
<b>Balance, December 31, 2003</b>	<b>600,000</b>	<b>2,741</b>	<b>(348,613)</b>	<b>254,128</b>
Net profit for 2004	-	-	82,412	82,412
<b>Balance, December 31, 2004</b>	<b>600,000</b>	<b>2,741</b>	<b>(266,201)</b>	<b>336,540</b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax expense		102,393	20,798
Adjustments to reconcile profit before tax expense to net cash provided by (used in) operating activities:			
Gain on sale of loans		(51,910)	(8,433)
Unrealized net foreign exchange gains (losses) on earning assets loss provision		17,936	(17,022)
Recovery of allowance (provision) for losses on earning assets and estimated losses on commitments and contingencies	25	(5,091)	18,627
Depreciation	11,26	1,249	1,821
Gain on sale of foreclosed assets		(666)	-
Gain on sale of investments in shares of stock		(199)	-
Gain on sale of fixed assets		-	(427)
Operating income before changes in assets and liabilities		<u>63,712</u>	<u>15,364</u>
Changes in operating assets and liabilities:			
Decrease (increase) in operating assets:			
Placements with other banks		49,012	(106,910)
Securities		(93,048)	50,575
Derivatives receivable		(4,123)	1,531
Loans		(777,390)	(507,354)
Acceptances receivable		35,393	(42,944)
Other assets		(2,196)	(1,303)
Increase (decrease) in operating liabilities:			
Current liabilities		3,998	(494)
Deposits from customers		487,445	355,770
Deposits from other banks		268,474	162,595
Derivatives payable		1,149	(13,443)
Acceptances payable		(35,393)	42,944
Other liabilities		12,020	(9,570)
		<u>(54,659)</u>	<u>(68,603)</u>
<b>Net cash used in operating activities</b>		<b><u>(6,257)</u></b>	<b><u>(53,239)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds on sale of loans		51,910	8,433
Proceeds on sale of foreclosed assets		666	-
Proceeds on sale of investments in shares of stock		199	-
Purchases of premises and equipment	11	(987)	(572)
Proceeds on sale of premises and equipment		-	776
<b>Net cash provided by investing activities</b>		<b><u>51,788</u></b>	<b><u>8,637</u></b>

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CASH FLOWS (continued)**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	2004	2003
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in subordinated loans caused by exchange rate differences	21	34,400	-
Payments of borrowings		(21,637)	(199,746)
Proceeds from subordinated loans	21	-	247,500
<b>Net cash provided by financing activities</b>		<b>12,763</b>	<b>47,754</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>73,604</b>	<b>3,152</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		46,899	43,747
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>120,503</b>	<b>46,899</b>
<b>Cash and cash equivalents at end of year consist of:</b>			
Cash		376	369
Current accounts with Bank Indonesia	3	95,555	39,214
Current accounts with other banks	4	24,572	7,316
<b>Total</b>		<b>120,503</b>	<b>46,899</b>
<b>SUPPLEMENTAL DISCLOSURES OF NON - CASH TRANSACTIONS</b>			
Reclassification of investments in shares of stock on PT Rabo Finance Indonesia to other assets	10,12	15,310	-

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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**1. GENERAL**

**Establishment of the Bank and General Information**

PT Bank Rabobank International Indonesia (the "Bank") was incorporated in the Republic of Indonesia based on the notarial deed No. 50 of Winnie Hadiprodjo, S.H., substitute notary of Kartini Muljadi, S.H., dated April 11, 1990, with the name of "PT Rabobank Duta". The deed of the establishment was approved by the Ministry of Justice Republic of Indonesia (currently the Ministry of Justice and Human Rights) in its decision letter No. C2-3152.HT.01.01.TH'90 dated May 31, 1990 and was published in the State Gazette Republic of Indonesia No. 59, dated July 24, 1990, Supplement No. 2576.

The name of the Bank was changed several times, the last of which was the change in the name to PT Bank Rabobank International Indonesia based on the notarial deed No. 25 of Hendra Karyadi, S.H., dated August 16, 2000. This amendment has been approved by the Ministry of Justice and Human Rights Republic of Indonesia in its decision letter No. C-23005 HT.01.04.TH.2000 dated October 24, 2000 and was published in the State Gazette Republic of Indonesia No. 34, dated April 27, 2001, Supplement No. 2724.

On November 13, 2002, the Bank increased its authorized and paid-up capital from Rp350,000 to Rp600,000 which was formalized in the deed of amendment of the articles of association No. 34 of Hendra Karyadi, S.H., dated November 29, 2002. This amendment has been approved by the Ministry of Justice and Human Rights Republic of Indonesia in its decision letter No. C-01306 HT.01.04.TH.2003 dated January 22, 2003 and was published in the State Gazette Republic of Indonesia No. 21, dated March 14, 2003, Supplement No. 2008.

The Bank started its commercial operations in banking activities on September 24, 1990. According to Article 3 of the articles of association, the Bank is engaged in banking activities and foreign exchange transactions. The Bank has obtained a license to conduct the above activities under the decision letter No. 998/KMK.013/1990 of the Ministry of Finance dated August 29, 1990 and Bank Indonesia's Senior Governor Deputy approval letter No. 2/37/KEP.DGS/2000 dated December 6, 2000.

The Bank's office is located at Plaza 89, 9<sup>th</sup> floor, Jl. H. R. Rasuna Said Kav. X-7 No. 6, Jakarta 12940.

**Boards of Commissioners and Directors, and Employees**

The boards of commissioners and directors as of December 31, 2004 were based on the circular resolution of the shareholders dated September 29, 2004 which was notarized through the notarial deed No. 14 of Linda Herawati, S.H. dated October 4, 2004.

The boards of commissioners and directors as of December 31, 2003 were based on the circular resolution of the shareholders dated June 3, 2003 and August 12, 2003, respectively which were notarized through the notarial deeds No. 73 and 67 of both with Linda Herawati, S.H. dated June 23, 2003 and September 26, 2003, respectively.

The composition of the Bank's Boards of Commissioners and Directors as of December 31, 2004 and 2003 are as follows:

	2004	2003
<b>Board of Commissioners</b>		
President Commissioner :	Mrs. Miranda Swaray Goeltom *)	Mr. Wagiono Ismangil
Commissioners :	Mr. Wouter Jacob Kolff	Mr. Wouter Jacob Kolff
	Mr. Fergus John Murphy *)	Mr. Christian H.A.M. Mol *)

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

**1. GENERAL (continued)**

**Boards of Commissioners and Directors, and Employees (continued)**

	2004	2003
<b><u>Board of Directors</u></b>		
President Director	: Mr. Antonio da Silva Costa	Mr. Antonio da Silva Costa
Directors	: Mr. Antonius Marie Leonardus Nillesen	Mr. Antonius Marie Leonardus Nillesen
	Mr. Felix Istyono Hartadi	Mr. Felix Istyono Hartadi

\*) Based on the circular resolution of the shareholders of the Bank dated January 13, 2004 which was notarized by the notarial deed No. 80 of Linda Herawati, S.H. dated January 30, 2004, Mrs. Miranda Swaray Goeltom has been appointed as the President Commissioner of the Bank to replace Mr. Wagiono Ismangil effective on January 5, 2004. Bank Indonesia (BI) in its letter No. 6/1/DGS/DPIP/Rahasia dated January 5, 2004 stated that BI has no objection to the appointment of Mrs. Miranda Swaray Goeltom as the President Commissioner of the Bank to replace Mr. Wagiono Ismangil.

Then, based on the circular resolution of the shareholders of the Bank dated September 29, 2004 which was notarized by the notarial deed No. 14 of Linda Herawati, S.H. dated October 4, 2004, the shareholders of the Bank have approved the resignation of Mrs. Miranda Swaray Goeltom and Mr. Christian H.A.M Mol as the President Commissioner and the Commissioner of the Bank, respectively and approved the appointment of Mr. Fergus John Murphy as the Commissioner of the Bank effective on September 29, 2004. BI in its letter No. 6/77/DGS/DPIP/Rahasia dated September 10, 2004 stated that BI has no objection to the appointment of Mr. Fergus John Murphy as the Commissioner of the Bank to replace Mr. Christian H.A.M Mol.

The Bank employs 88 employees as of December 31, 2004 (2003: 84 employees).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies adopted by the Bank conform to generally accepted accounting principles in Indonesia ("Indonesian GAAP"). The significant accounting principles were applied consistently in the preparation of the financial statements for the years ended December 31, 2004 and 2003 and are as follows:

**Basis of Financial Statements**

The financial statements, presented in millions of Rupiah unless otherwise stated, have been prepared in conformity with the Statement of Financial Accounting Standards (SFAS) No. 31 (Revised 2000), "Accounting for the Banking Industry" issued by the Indonesian Institute of Accountants (IAI) and the Accounting Guidelines for Indonesian Banking (PAPI) issued by BI in cooperation with IAI in June 2001 and, where applicable, with the prevailing banking industry practices, accounting and reporting guidelines prescribed by BI.

The reporting currency used in the financial statements is Indonesian Rupiah.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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

**Basis of Financial Statements (continued)**

The financial statements have been stated on the historical cost, except for securities classified as trading and available-for-sale, derivatives instruments which are stated at fair value, and foreclosed properties which are stated at net realizable value.

The financial statements have been prepared on the accrual basis, except for the statement of cash flows and interest income on non-performing earning assets which are recognized upon actual cash collections.

The cash flows statements present the receipts and disbursement of cash and cash equivalents into operating, investing and financing activities. The cash flows from operating activities are prepared under the indirect method. Cash and cash equivalents include cash, current accounts with Bank Indonesia and current accounts with other banks which are not pledged or restricted in use.

**Transactions with Related Parties**

The Bank has transactions with certain parties which have related party relationships as defined under the SFAS No. 7, "Related Party Disclosures".

All significant transactions with related parties are disclosed in the appropriate notes to the financial statements.

**Current Accounts with Other Banks**

Current accounts with other banks are stated at their respective outstanding balance, less allowance for possible losses.

**Placements with Bank Indonesia and Other Banks**

Placements with Bank Indonesia and other banks are stated at their respective outstanding balance, less of allowance for possible losses.

**Securities**

Securities consist of securities traded in the money market such as Certificates of Bank Indonesia listed or not listed on the stock exchange in Indonesia such as Government Bonds and export bills.

In compliance with SFAS No. 50, "Accounting for Investment in Specific Securities", securities are classified as follows:

- (1) Trading securities are reported at fair value. The unrealized gains/losses resulting from increases/decreases in fair value are recognized in the current year's profit and loss. Upon sale of securities in the trading portfolio, the difference between the selling price and fair value per books is recognized as realized gain or loss on sale.
- (2) Available-for-sale securities are reported at fair value. Unrealized gains or losses resulting from increases/decreases in fair value are not recognized in the current year's profit and loss, but are presented as a separate component of shareholders' equity. Unrealized gains or losses are recognized in the current year's profit and loss upon realization.
- (3) Held-to-maturity securities are stated at cost reduced or increased by the amortization of discount or premiums. Management has the intention to hold these securities portfolio until maturity.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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

### **Securities (continued)**

For securities which are actively traded in organized financial markets, fair value is generally determined by reference to quoted market bid prices by the stock exchanges at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset. For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of securities.

Any permanent decline in the fair value of securities held-to-maturity and available-for-sale is charged to the current year's profit and loss.

Securities are stated net of allowance for possible losses and unamortized interest/premiums or discounts. Premiums and discounts are amortized using the straight-line method.

### **Derivatives Receivable and Payable**

Based on SFAS No. 55, "Accounting for Derivative Instruments and Hedging Activities", derivative assets and liabilities are presented at the amount of unrealized gains or losses on derivative contracts, less of allowance for possible losses for the derivatives receivable. The unrealized gains or losses represent the difference between contract value and fair value of the derivative instruments as of balance sheet date, which is determined based on market value on forward market rate at reporting date.

Gains or losses on derivative contracts are accounted for based on the purpose the Bank has designated upon acquisition as (1) fair value hedge, (2) cash flow hedge, (3) a hedge of a net investment in a foreign operation, and (4) trading instruments, as follows:

- (1) Gain or loss on a derivative contract designated and qualifying as a fair value hedging instrument, and the gain or loss on the revaluation of hedged assets or liabilities is recognized currently in profit and loss in the same accounting period. Gains or losses arising from such revaluations may be offset. Any difference that arises representing the effect of hedge ineffectiveness is recognized currently in profit and loss;
- (2) The effective portion of the gain or loss on a derivative contract designated and qualifying as a cash flow hedging instrument is reported as a component of other comprehensive income under shareholders' equity. The effect of the hedge ineffectiveness and realized gain or loss is recognized currently in profit and loss;
- (3) Gain or loss on the hedging derivative instrument in a hedge of a net investment in a foreign operation is reported in other comprehensive income as part of the cumulative translation adjustment under equity to the extent it is effective as a hedge; and
- (4) Gain or loss on a derivative contract not designated as a hedging instrument (or derivative contract that does not qualify as a hedging instrument) is recognized currently in profit and loss.

### **Loans**

Loans represent the provision of money or equivalent receivables under contracts with borrowers, where borrowers are required to repay their debts with interest after a specified period.

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

**Loans (continued)**

Loans are stated at their outstanding balance less allowance for possible loan losses. The Bank provides an allowance to absorb probable losses based on a review of individual credits at year-end and further considering the general economic conditions in accordance with the decrees by BI No. 31/147/KEP/DIR and No. 31/148/KEP/DIR dated November 12, 1998.

Syndicated loans are stated at their balances in proportion with the risks borne by the Bank, less of allowance for possible losses.

**Loss on Loan Restructuring**

Loan restructuring may involve a modification of the terms of the loan, conversion of the loan into assets or equities or a combination of both.

A loss on loan restructuring is recognized only if the total discounted future cash receipts specified by the new terms of the loan, including both receipts designated as interest and those designated as loan principal, are less than the recorded loan before restructuring.

For loan restructuring which involves a conversion of a loan into assets or equities in partial satisfaction of the loan, and a modification of terms of the remaining loan, a loss on loan restructuring is recognized only if the fair value of the assets or equities received, reduced by the estimated expenses to sell those assets or equities, is less than the designated loan value.

The remaining loan that exceeds the total discounted future cash receipts specified by the new terms shall be recognized as a loss on restructuring.

Deferred interest, which is capitalized to receivables under new restructuring agreements, is recorded as deferred interest income and is amortized proportionately based on the amount of capitalized interest relative to the loan principal upon loan collections.

Direct costs in restructuring receivables are recorded as expenses when incurred.

**Acceptances Receivable and Payable**

Acceptances receivable and payable are presented at the amount of the letter of credit or at the realized amount of the letter of credit accepted by the accepting bank, less of allowance for possible losses for the acceptances receivable.

**Investments in Shares of Stock**

Investments in shares of stock consist of temporary investments and those investments in shares of stock received from several loan restructurings, and also investments in shares of stock with an ownership interest of less than 20% are recorded at cost. Investments in shares of stock are stated at cost less an provision for permanent decline in value, if any and allowance for possible losses.

Based on BI's regulation No. 5/10/PBI/2003 dated June 11, 2003, investments in shares of stock shall not exceed the Legal Lending Limit (LLL) and total investments in shares of stock shall be at a maximum of 25% of the Bank's capital.

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**Years Ended December 31, 2004 and 2003**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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

**Allowance for Possible Losses on Earning Assets and Estimated Losses on Commitments and Contingencies**

Earning assets consist of current accounts with other banks, placements with other banks, securities, derivatives receivable, loans, acceptances receivable, investments in shares of stock and commitments and contingencies with lending-related risk. Current accounts with other banks, placements with other banks, securities, derivatives receivable, loans, acceptances receivable and investment in shares of stock are defined in the preceding paragraphs.

Commitments and contingencies with credit-related risk consist of outstanding irrevocable letters of credit, import bills received, guarantees issued in the form of standby letters of credit, and bank guarantees.

A general and specific allowance for possible losses on earning assets is provided for, based on management's review of the quality of the earning assets at year-end and further considering the general economic conditions. The determination of the minimum allowance for possible losses on earning assets also takes into consideration the guidelines prescribed by BI on the provision of allowances for possible losses on earning assets.

Under BI regulations, earning assets are classified under five categories and corresponding minimum rates of allowance for possible losses are prescribed, as follows:

<u>Classification</u>	<u>Rate</u>
Current *)	1%
Special mention	5%
Sub-standard	15%
Doubtful	50%
Loss	100%

\*) *Excluding Certificates of Bank Indonesia and Government Bonds.*

The above rates of allowance for possible losses are applied at a minimum, to the outstanding balance of earning assets and commitments and contingencies with lending-related risk, net of the value of cash and non-cash collateral, except for earning assets classified as current and special mention wherein the rate is applied to the outstanding balance.

The outstanding balances of earning assets are written off against the respective allowance for possible losses when management of the Bank believes that the earning assets are determined to be definitely uncollectible. Recovery of earning assets previously written-off is recorded as an addition to the allowance for possible losses during the year.

The classification of earning assets into current, special mention, sub-standard, doubtful and loss is determined based on the evaluation by management of the Bank of each of the borrower's business prospects, financial condition and ability to repay, and consideration of the guidelines prescribed by BI regarding the quality of earning assets.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Leasehold	3
Motor vehicles	4
Office equipment, computer hardware and software	5

The cost of repairs and maintenance is charged to income as incurred; significant renewals or betterments are capitalized. When assets are retired or otherwise disposed of, their carrying value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in earnings.

The Bank determines the indication of assets impairment based on management's review in accordance with SFAS No. 48, "Impairment in Assets Value" at the end of the year. The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. Impairment in asset value, if any, is recognized as loss in the current year's income.

### Foreclosed Properties

Foreclosed properties are presented in the "Other Assets" account.

Foreclosed properties are stated at net realizable value. Net realizable value is the fair value of the foreclosed properties less estimated costs of liquidating the assets. The excess of loan receivable over the net realizable value of the foreclosed properties is charged to allowance for possible losses.

The differences between the value of the foreclosed properties and the proceeds from the sale of such properties are recorded as a gain or loss in the period the properties are sold.

### Prepaid Expenses

Prepaid expenses are charged to expenses as incurred and presented as part of "Other Assets" account.

### Current Liabilities

Current liabilities represent the Bank's obligations that will be settled immediately to outside parties, based on a contract or an order by those parties. Current liabilities are stated at the amounts of the Bank's outstanding liabilities.

### Deposits from Customers

Demand deposits represent deposits of customers with the Bank that may be used as instruments of payment, and which may be withdrawn at any time by cheque or other orders of payment or transfers. These are stated at the amount due to the demand account holders.

Time deposits represent deposits of customers with the Bank that may only be withdrawn after a certain time in accordance with the agreement between the depositor and the Bank. These are stated at the nominal amount set forth in the agreements between the Bank holders of time deposits.

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

**Deposits from Other Banks**

Deposits from other banks represent liabilities to other banks, local and overseas banks, in the form of demand deposits and interbank call money.

**Interest Income and Expense**

Interest income and interest expense are recognized on an accrual basis. Interest income on non-performing earning assets is not recognized, except to the extent of cash collections received. When a loan is classified as non-performing, interest income previously recognized but not yet collected is reversed against interest income. The reversed interest income is recognized as a contingent receivables in the notes to the financial statements.

Loans or other earning assets are classified as non-performing when the principal and interest is past due by more than 3 months, or when, in the opinion of management, collection of the interest or the principal is doubtful.

All receipts from loans classified as doubtful or loss must be recognized firstly as a deduction of the outstanding principal balance. The excess of receipts over the outstanding principal balance shall be recognized as interest income.

Interest receivable on non-performing assets is treated as off-balance sheet and is disclosed in the notes to the financial statements.

**Fees and Commissions**

Fees and commissions that 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. Other fees and commissions that are not directly related to either lending activities or specific time periods are recognized at the transaction date.

**Foreign Currency Transactions and Balances**

The books and records of the Bank are maintained in Indonesian Rupiah. Transactions denominated in foreign currencies are translated into Rupiah at the rates of exchange prevailing at the date of transactions. At the balance sheet date, monetary assets and liabilities are translated into Rupiah based on Reuters spot rate at 16.00 p.m. of West Indonesia Time as published by BI. The resulting gains or losses are credited or charged to income during the period. The foreign exchange rates applied in these financial statements as at December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
United States Dollar 1/Rp	9,285	8,425
British Pound Sterling 1/Rp	17,908	15,057
Euro 1/Rp	12,660	10,649
Japanese Yen 100/Rp	9,059	7,893

Any resulting gains or losses are credited or charged to operations of the current year.

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

**Pension Fund and Employee Benefits**

The Bank has established a defined contribution pension scheme for all of its permanent employees. The Bank contributes 10% of the monthly basic salaries of its permanent employees which contributions are paid to Dana Pensiun DPLK Credit Suisse Life & Pensions Indonesia which administers the plan.

Benefits payable to employees from the existing pension plan satisfy the Bank's obligations to its employees in accordance with the Decree of the Minister of Manpower (Kep-Men) No. 150: "Settlement of Labor Dismissal and the Stipulation of Severance Pay, Gratuity and Compensations in Companies" dated June 20, 2000.

In 2004 and 2003, the Bank started to recognize a provision for employee service entitlements in accordance with Labor Law No. 13/2003 dated March 25, 2003. This Law supersedes the Minister of Manpower's Decree No. Kep-150/Men/2000. The new provision is estimated using actuarial valuation.

**Income Tax**

Current tax expense is computed based on the estimated taxable income for the year.

The Bank adopted SFAS No. 46, "Accounting for Income Taxes", income tax is accounted for under the liability method. Deferred tax assets and liabilities are recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry-forward balance of unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal is determined.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from the estimates.

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**3. CURRENT ACCOUNTS WITH BANK INDONESIA**

Current accounts with Bank Indonesia consisted of:

	<b>2004</b>	<b>2003</b>
Rupiah	61,664	16,661
United States Dollar	33,891	22,553
<b>Total</b>	<b>95,555</b>	<b>39,214</b>

In accordance with BI's Circular Letter No. 30/10/UPPB dated October 10, 1997, BI requires all banks to maintain their minimum reserve requirement at 5% for accounts in Rupiah and 3% for accounts in foreign currencies. On June 28, 2004, BI issued regulation No. 6/15/PBI/2004, which stated that in addition to the above minimum reserve requirement, banks are required to maintain additional reserve requirement at certain percentage based on the outstanding deposits. The regulation is effective since July 1, 2004. The Bank met the BI's minimum reserve requirement as of December 31, 2004 and 2003.

**4. CURRENT ACCOUNTS WITH OTHER BANKS**

Current accounts with other banks consisted of:

	<b>2004</b>	<b>2003</b>
a. By currency:		
Rupiah	560	293
Foreign currencies	24,012	7,023
<b>Total</b>	<b>24,572</b>	<b>7,316</b>
Less: Allowance for possible losses	(246)	(73)
<b>Net</b>	<b>24,326</b>	<b>7,243</b>

b. By collectibility:

All of the Bank's current accounts with other banks are classified as current as of December 31, 2004 and 2003.

c. By related and third parties:

	<b>2004</b>	<b>2003</b>
Rupiah:		
Third parties	560	293
	560	293
Foreign currencies:		
Related parties	20,119	4,777
Third parties	3,893	2,246
	24,012	7,023
<b>Total</b>	<b>24,572</b>	<b>7,316</b>
Less: Allowance for possible losses	(246)	(73)
<b>Net</b>	<b>24,326</b>	<b>7,243</b>

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

c. By related and third parties: (continued)

Current accounts with related parties pertain to accounts with Rabobank International London, Rabobank International Singapore Branch, Rabobank International Hong Kong Branch and Rabobank Nederland (Note 35).

d. Annual average interest rates during the year:

	<u>2004</u>	<u>2003</u>
Rupiah	4.22%	4.34%
Foreign currencies:		
Euro	1.45%	1.93%
USD	2.55%	2.57%

e. The changes in the allowance for possible losses on current accounts with other banks are as follows:

	<u>2004</u>	<u>2003</u>
Balance at beginning of year	73	118
Provision (recovery) during the year	165	(40)
Foreign exchange translation	8	(5)
<b>Balance at the end of the year</b>	<b><u>246</u></b>	<b><u>73</u></b>

Management believes that the allowance for possible losses on current accounts with other banks is adequate and is in accordance with the Bank Indonesia requirements.

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

Placements with Bank Indonesia and other banks consisted of:

a. By type and currency:

	<u>2004</u>	<u>2003</u>
Rupiah:		
Bank Indonesia	74,000	-
Time deposits	-	250
Foreign currency:		
Call money	3,714	126,375
Total	77,714	126,625
Less: Unamortized interest	(101)	-
Allowance for possible losses	(37)	(1,266)
<b>Net</b>	<b><u>77,576</u></b>	<b><u>125,359</u></b>

b. By collectibility:

All of the Bank's placements with Bank Indonesia and other banks are classified as current as of December 31, 2004 and 2003.

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

c. Foreign currency placements with other banks represent placements with related party pertains to call money with Rabobank International New York (Note 35).

d. Annual average interest rates during the year:

	<b>2004</b>	<b>2003</b>
Rupiah	5.99%	7.22%
Foreign currency USD	1.28%	1.12%

e. The changes in the allowance for possible losses on placements with Bank Indonesia and other banks are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	1,266	197
Provision (recovery) during the year	(1,233)	1,078
Foreign exchange translation	4	(9)
<b>Balance at the end of the year</b>	<b>37</b>	<b>1,266</b>

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

**6. SECURITIES**

Securities consisted of:

a. By type and currency:

	<b>2004</b>	<b>2003</b>
Rupiah:		
<b>Trading</b>		
Government bonds	20,070	-
Total securities trading	20,070	-
<b>Available for Sale</b>		
Certificates of Bank Indonesia	222,111	-
Total securities available for sale	222,111	-
<b>Held-to-maturity</b>		
Certificates of Bank Indonesia	-	158,281
Total securities held-to-maturity	-	158,281
Total securities in Rupiah	242,181	-
Foreign currencies:		
<b>Available-for-sale</b>		
Export bills	60,346	-
Total securities available-for-sale	60,346	-

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**6. SECURITIES (continued)**

a. By type and currency: (continued)

	<b>2004</b>	<b>2003</b>
Foreign currencies:		
<b>Held-to-maturity</b>		
Export bills	-	51,950
Total securities held-to-maturity	-	51,950
Total securities in foreign currencies	60,346	51,950
Total	302,527	210,231
Less: Unamortized discount	-	(752)
Allowance for possible losses	(800)	(515)
<b>Net</b>	<b>301,727</b>	<b>208,964</b>

In 2004, the Bank transferred the classification of securities under held-to-maturity to available for sale based on the management of the Bank's decision relating to International Financial Reporting Standard and Rabobank IAS Accounting Policies requirements.

b. By collectibility:

	<b>2004</b>	<b>2003</b>
Current	301,125	210,231
Substandard	1,402	-
Total	302,527	210,231
Less: Unamortized interest	-	(752)
Allowance for possible losses	(800)	(515)
<b>Net</b>	<b>301,727</b>	<b>208,964</b>

c. The annual average interest rates are as follows:

	<b>2004</b>	<b>2003</b>
Rupiah	8.63%	9.92%
Foreign currency		
USD	4.35%	4.39%

d. The changes in the allowance for possible losses on securities are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	515	36,878
Provision during the year	233	179
Foreign exchange translation	52	(1,014)
Securities sales	-	(35,528)
<b>Balance at the end of the year</b>	<b>800</b>	<b>515</b>

Management believes that the allowance for possible losses on securities is adequate and is in accordance with the Bank Indonesia requirements.

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**7. DERIVATIVES RECEIVABLE AND PAYABLE**

In conducting its daily operation, the Bank enters into forward foreign and cross currency swap contracts with customers or other financial institutions. As part of the Bank's risk management policy, the Bank covers these contracts with corresponding contracts to bring the currency position to a minimum or within the approved limit. These corresponding contracts have approximately similar notional amounts and maturities as the original derivative contracts.

A summary of the derivative transactions outstanding as at December 31, 2004 and 2003 is as follows:

Type	2004			
	Notional Amount (Contract)	Fair Value	Derivatives Receivable	Derivatives Payable
<u>Related Parties</u> (Note 35)				
Cross currency:				
a. Swap - sell US Dollar	105,700	107,589	-	1,889
b. Forward - sell US Dollar	392,618	392,084	668	134
			<u>668</u>	<u>2,023</u>
<u>Third Parties</u>				
Cross currency:				
a. Swap - buy US Dollar	210,443	213,445	3,128	126
b. Swap - sell US Dollar	48,109	48,905	-	796
c. Forward - buy US Dollar	588,247	587,165	324	1,406
d. Forward - sell US Dollar	228,825	228,721	507	403
			<u>3,959</u>	<u>2,731</u>
Total			<b>4,627</b>	<b>4,754</b>
Less: Allowance for possible losses			<u>(46)</u>	
<b>Net</b>			<b><u>4,581</u></b>	
Type	2003			
	Notional Amount (Contract)	Fair Value	Derivatives Receivable	Derivatives Payable
<u>Related Parties</u> (Note 35)				
Cross currency:				
a. Swap JPY - USD	21,335	21,733	398	-
EUR - USD	7,868	7,931	63	-
			<u>461</u>	<u>-</u>

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

Type	2003 (continued)			
	Notional Amount (Contract)	Fair Value	Derivatives Receivable	Derivatives Payable
<b>Third Parties</b>				
Cross currency:				
a. Swap - buy				
US Dollar	249,462	245,857	-	3,605
b. Swap - sell				
US Dollar	4,271	4,228	43	-
			43	3,605
<b>Total</b>			<b>504</b>	<b>3,605</b>
Less: Allowance for possible losses			(5)	
<b>Net</b>			<b>499</b>	

All of the Bank's derivatives receivable are classified as current as of December 31, 2004 and 2003.

The changes in the allowance for possible losses on derivatives receivable are as follows:

	2004	2003
Balance at beginning of year	5	20
Provision (recovery) during the year	41	(15)
Foreign exchange translation	-	-
<b>Balance at the end of the year</b>	<b>46</b>	<b>5</b>

Management believes that the allowance for possible losses on derivatives receivable is adequate and is in accordance with the Bank Indonesia requirements.

**8. LOANS**

Loans consist of the following:

a. By currency:

	2004	2003
Rupiah	949,247	740,814
Foreign currencies	1,464,000	978,952
<b>Total</b>	<b>2,413,247</b>	<b>1,719,766</b>
Less: Allowance for possible losses	(187,885)	(260,621)
<b>Net</b>	<b>2,225,362</b>	<b>1,459,145</b>

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**8. LOANS (continued)**

b. By type:

	<b>2004</b>	<b>2003</b>
Rupiah:		
Investment	168,853	119,715
Working capital	701,645	608,099
Syndicated	67,192	-
Employees	11,557	10,683
Others	-	2,317
	<u>949,247</u>	<u>740,814</u>
Foreign currencies:		
Investment	692,425	331,556
Working capital	594,379	586,224
Syndicated	177,196	61,172
	<u>1,464,000</u>	<u>978,952</u>
Total	2,413,247	1,719,766
Less: Allowance for possible losses	(187,885)	(260,621)
<b>Net</b>	<b><u>2,225,362</u></b>	<b><u>1,459,145</u></b>

c. By economic sector:

	<b>2004</b>	<b>2003</b>
Rupiah:		
Manufacturing	373,600	200,000
Agriculture	71,885	136,929
Trading, restaurant and hotel	43,352	4,126
Other services	280,000	238,489
Social services	-	5,987
Others	180,410	155,283
	<u>949,247</u>	<u>740,814</u>
Foreign currencies:		
Manufacturing	712,363	624,664
Agriculture	442,260	160,432
Trading, restaurant and hotel	193,314	151,731
Social services	-	42,125
Others	116,063	-
	<u>1,464,000</u>	<u>978,952</u>
Total	2,413,247	1,719,766
Less: Allowance for possible losses	(187,885)	(260,621)
<b>Net</b>	<b><u>2,225,362</u></b>	<b><u>1,459,145</u></b>

Manufacturing mainly consists of chemical, tobacco, textile, food and beverages, palm oil and paper industries.

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**8. LOANS (continued)**

d. By period:

	<b>2004</b>	<b>2003</b>
Rupiah:		
Less than 1 year	732,414	603,099
1 - 2 years	-	3,000
2 - 5 years	206,565	15,000
Over 5 years	10,268	119,715
	<u>949,247</u>	<u>740,814</u>
Foreign currencies:		
Less than 1 year	665,705	488,378
1 - 2 years	18,764	111,612
2 - 5 years	204,550	70,799
Over 5 years	574,981	308,163
	<u>1,464,000</u>	<u>978,952</u>
Total	2,413,247	1,719,766
Less: Allowance for possible losses	(187,885)	(260,621)
<b>Net</b>	<b><u>2,225,362</u></b>	<b><u>1,459,145</u></b>

e. By collectibility:

	<b>2004</b>	<b>2003</b>
Current	2,172,117	1,310,842
Special mention	29,509	106,889
Substandard	48,427	12,242
Doubtful	14,282	37,909
Loss	148,912	251,884
	<u>2,413,247</u>	<u>1,719,766</u>
Less: Allowance for possible losses	(187,885)	(260,621)
<b>Net</b>	<b><u>2,225,362</u></b>	<b><u>1,459,145</u></b>

f. The annual average interest rates were as follows:

	<b>2004</b>	<b>2003</b>
Rupiah	9.16%	13.08%
Foreign currencies	4.72%	4.43%

**Significant information related to loans are as follows:**

- The loans are generally collateralized by registered mortgages or by powers of attorney to mortgage or sell, time deposits or other guarantees acceptable to the Bank.

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**8. LOANS (continued)**

**Significant information related to loans are as follows: (continued)**

- The syndicated loans represent loans provided to customers under syndication agreements with other banks. The Bank's share as lead manager in syndicated loans ranged from 8.33% of the total syndicated loans in 2004 (4.07% to 5.68% in 2003). The Bank's total participation in syndicated loans ranged from 0.38% to 17.21% of the total syndicated loans in 2004 (0.28% to 8.54% in 2003).
- The loans to the Bank's employees consist of interest-bearing loans at interest rates of 3% to 6% per annum in 2004 (3% to 9.3% per annum in 2003), which are intended for acquisitions of vehicles, houses and other personal properties and are repayable within 1 to 20 years through monthly payroll deductions.
- The loans whereby the accrual of interest have been stopped (non-performing loans) amounted to Rp211,621 and Rp302,035 as of December 31, 2004 and 2003, respectively. The non-performing loan ratio on a gross basis as of December 31, 2004 and 2003 is 8.77% and 17.56%, respectively (on a net basis is 2% and 3.49% for 2004 and 2003, respectively). Based on BI's regulation No. 3/25/PBI/2001 dated December 26, 2001 concerning the determination of bank status and transfer of the bank to the Indonesian Bank Restructuring Agency, banks in Indonesia are required to have the non-performing loan ratio on a net basis not exceeding 5% of the banks' total loans.
- As of December 31, 2004 and 2003, the Bank has restructured loans amounting to Rp260,894 and Rp357,205 with an allowance for possible losses of Rp86,251 and Rp110,900, respectively. The agreed restructuring schemes comprise of reduction of interest rates, rescheduling of past due interest, extension of the maturity dates and extension of the periods of payment of past due interest.
- Loans to related parties as of December 31, 2004 and 2003 amounted to Rp11,557 and Rp10,683, respectively or 0.48% of total assets in 2004 (0.53% in 2003) which are given to directors and employees (Note 35).
- As of December 31, 2004, the Bank's compliance with BI's LLL requirements is still being discussed with BI's Directorate of Supervision Bank 2 with regard to the LLL definition of one debtor.
- The changes in the allowance for possible losses on loans are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	260,621	294,747
Provision (recovery) during the year	(5,220)	6,581
Loans sales	(103,073)	(45,358)
Recoveries	19,164	20,463
Foreign exchange translation	16,393	(15,812)
<b>Balance at the end of the year</b>	<b>187,885</b>	<b>260,621</b>

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**8. LOANS (continued)**

**Significant information related to loans are as follows: (continued)**

As described in Note 2, an allowance for possible losses is provided based on the review and evaluation of the collectibility and realizable value of the respective loan balances at the end of the year. In determining the minimum amount of allowance for possible loan losses, the Bank takes into account Bank Indonesia regulations on allowances for possible losses on earning assets.

As it is difficult to assess the true extent of the crisis in Indonesia and its impact on the Bank's corporate portfolio, the Bank continuously applies a conservative approach in recognizing the provision for possible losses on interest earning assets. The Bank for example, in most cases does not take into account collateralized assets for the purpose of determining the level of provisions.

Management believes that the allowance for possible losses on loans is adequate to cover the minimum provision requirements in accordance with Bank Indonesia requirements.

- A summary of non-performing loans based on economic sector and related minimum allowance for possible losses based on Bank Indonesia regulations, are as follows:

	<b>2004</b>	
	<b>Non-performing Loan</b>	<b>Minimum Allowance for possible losses</b>
Foreign currencies:		
Manufacturing	152,645	135,342
Agriculture	36,472	5,471
Trading, restaurant and hotel	22,504	22,504
<b>Total</b>	<b>211,621</b>	<b>163,317</b>
	<b>2003</b>	
	<b>Non-performing Loan</b>	<b>Minimum Allowance for possible losses</b>
Rupiah:		
Agriculture	36,031	36,031
Foreign currencies:		
Manufacturing	157,340	144,871
Agriculture	86,720	36,406
Trading, restaurant and hotel	21,944	21,944
<b>Total</b>	<b>302,035</b>	<b>239,252</b>

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**8. LOANS (continued)**

**Significant information related to loans are as follows: (continued)**

- The Bank's lending policy is as follows:

The Bank encourages diversification in the credit portfolio among a variety of industry or economic sectors, loan types and debtors in order to minimize the credit risk. Industry limits are based on the Bank's strategic plan, target sectors, current economic conditions, government policy, funding sources and growth projections. Exceptions to the certain industry or borrowers exposure limits are reported to the Board of Directors and an action plan is devised to reduce the concentration.

The Bank's credit policy also satisfactorily establishes the authority standards and framework for managing, operating, monitoring and administering the loan portfolio. The policy is reviewed and approved by the Board of Directors on an annual basis, and it is amended as needed to incorporate changes in the Bank policy and new banking regulations.

**9. ACCEPTANCES RECEIVABLE AND PAYABLE**

Acceptances receivable consisted of:

- a. By type:

	<b>2004</b>	<b>2003</b>
Import	69,956	105,349
Total	69,956	105,349
Less: Allowance for possible losses	(11,809)	(10,300)
<b>Net</b>	<b>58,147</b>	<b>95,049</b>

All acceptances receivable are denominated in foreign currency.

- b. By collectibility:

	<b>2004</b>	<b>2003</b>
Current	58,734	86,477
Doubtful	-	18,872
Loss	11,222	-
Total	69,956	105,349
Less: Allowance for possible losses	(11,809)	(10,300)
<b>Net</b>	<b>58,147</b>	<b>95,049</b>

- c. The changes in allowance for possible losses on acceptances receivable are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	10,300	1,336
Provision during the year	452	9,043
Foreign exchange translation	1,057	(79)
<b>Balance at the end of the year</b>	<b>11,809</b>	<b>10,300</b>

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

- c. The changes in allowance for possible losses on acceptances receivable are as follows:  
 (continued)

Management believes that the allowance for possible losses on acceptances receivable is adequate and is in accordance with the Bank Indonesia requirements.

- d. Acceptances payable is presented at gross amount of acceptances receivable.

**10. INVESTMENTS IN SHARES OF STOCK**

- a. The Bank's investment in shares of stock as of December 31, 2004 and 2003 consist of:

	<b>2004</b>	<b>2003</b>
PT Sierad Produce Tbk.	81,428	81,428
PT Japfa Comfeed	30,263	30,263
PT Wicaksana Overseas International Tbk.	5,046	5,960
PT Rabo Finance Indonesia (Note 35)	-	15,310
<b>Total</b>	<b>116,737</b>	<b>132,961</b>
Less: Provision for permanent decline in value	(4,854)	(5,733)
Allowance for possible losses	(111,883)	(112,071)
<b>Net</b>	<b>-</b>	<b>15,157</b>

- b. Except for the investments in shares of stock in PT Rabo Finance Indonesia, all investments resulted from loans restructuring. The Bank has reclassified to accounts receivable (part of other assets) its investment in PT Rabo Finance Indonesia, the shareholder, based on Head Office's confirmation letter to the Bank No. PPH/041021 dated October 21, 2004 that the Bank will not incur a loss on its participation in PT Rabo Finance Indonesia, because PT Rabo Finance Indonesia is in liquidation and the Bank has deconsolidated PT Rabo Finance Indonesia (Notes 12, 17, 22, 35 and 39c).

- c. The changes in the allowance for possible losses on investments in shares of stock are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	112,071	121,855
Provision (recovery) during the year	(153)	380
Sales during the year	(35)	(10,164)
<b>Balance at the end of the year</b>	<b>111,883</b>	<b>112,071</b>

Management believes that the allowance for possible losses on investments in shares of stock is adequate and is in accordance with the Bank Indonesia requirements.

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**11. FIXED ASSETS**

Fixed assets consisted of:

	<b>2004</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	
<u>At Cost</u>				
Office equipment	1,503	633	-	2,136
Computer hardware and software	4,695	354	-	5,049
Motor vehicles	3,035	-	-	3,035
Leasehold - office	1,922	-	-	1,922
<b>Total cost</b>	<b>11,155</b>	<b>987</b>	<b>-</b>	<b>12,142</b>
<u>Accumulated Depreciation</u>				
Office equipment	1,372	104	-	1,476
Computer hardware and software	3,924	314	-	4,238
Motor vehicles	1,638	759	-	2,397
Leasehold - office	1,748	72	-	1,820
<b>Total accumulated depreciation</b>	<b>8,682</b>	<b>1,249</b>	<b>-</b>	<b>9,931</b>
<b>Net book value</b>	<b>2,473</b>			<b>2,211</b>
<b>2003</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<u>At Cost</u>				
Office equipment	1,459	44	-	1,503
Computer hardware and software	4,308	387	-	4,695
Motor vehicles	4,313	-	1,278	3,035
Leasehold - office	1,781	141	-	1,922
<b>Total cost</b>	<b>11,861</b>	<b>572</b>	<b>1,278</b>	<b>11,155</b>
<u>Accumulated Depreciation</u>				
Office equipment	1,265	107	-	1,372
Computer hardware and software	3,517	407	-	3,924
Motor vehicles	1,640	927	929	1,638
Leasehold - office	1,368	380	-	1,748
<b>Total accumulated depreciation</b>	<b>7,790</b>	<b>1,821</b>	<b>929</b>	<b>8,682</b>
<b>Net book value</b>	<b>4,071</b>			<b>2,473</b>

Depreciation of fixed assets charged to profit and loss amounted to Rp1,249 in 2004 (2003: Rp1,821) (Note 26).

As of December 31, 2004, premises and equipment of the Bank were insured against risk of fire and theft with insurance companies for Rp18,886 (2003: Rp6,742). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

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**12. OTHER ASSETS**

Other assets consisted of:

	<b>2004</b>	<b>2003</b>
Accounts receivable from PT Rabo Finance Indonesia (Notes 10, 17, 22, 35 and 39c)	15,310	-
Interest receivables	14,017	11,195
Prepaid expenses	4,094	4,204
Security deposits	802	1,054
Foreclosed properties	-	908
Others	975	331
<b>Total</b>	<b>35,198</b>	<b>17,692</b>

Foreclosed properties comprise of land, buildings and machinery.

**13. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS**

Demand deposits consisted of:

a. By currencies:

	<b>2004</b>	<b>2003</b>
Rupiah	53,728	38,713
Foreign currencies	159,345	174,720
<b>Total</b>	<b>213,073</b>	<b>213,433</b>

b. As of December 31, 2004 and 2003, demand deposits of related parties amounted to Rp49,611 and Rp8,909, respectively (Note 35).

c. Annual average interest rates for the year:

	<b>2004</b>	<b>2003</b>
Rupiah	2.00%	2.00%
Foreign currencies:		
Euro	0.1%	0.1%
USD	1%	0.25%

d. As of December 31, 2004 and 2003, there were no demand deposits pledged as loans collateral.

**14. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS**

Time deposits consisted of:

a. By currencies:

	<b>2004</b>	<b>2003</b>
Rupiah	776,848	247,336
Foreign currencies	307,035	352,789
<b>Total</b>	<b>1,083,883</b>	<b>600,125</b>

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**14. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)**

b. As of December 31, 2004 and 2003, time deposits of related parties amounted to nil and Rp23,200, respectively (Note 35).

c. Annual average interest rates for the year:

	2004	2003
Rupiah	5.90%	7.21%
Foreign currencies:		
Euro	0.93%	0.75%
USD	0.97%	0.76%

d. As of December 31, 2004 and 2003, there were no time deposits pledged as loans collateral.

**15. DEPOSITS FROM OTHER BANKS - DEMAND DEPOSITS**

a. This represents non-interest bearing demand deposits in Rupiah.

b. By related and third parties:

	2004	2003
Related parties	4,761	769
Third parties	73	18
<b>Total</b>	<b>4,834</b>	<b>787</b>

The related parties' deposits from other banks - demand deposits pertain to Rabobank Australia Sydney, Rabobank International Singapore Branch, Rabobank Nederland and Rabobank International Hong Kong Branch (Note 35).

c. As of December 31, 2004 and 2003, there were no demand deposits from other banks pledged as loans collateral.

**16. DEPOSITS FROM OTHER BANKS - INTERBANK CALL MONEY**

Interbank call money consisted of:

a. By currency:

	2004	2003
Rupiah	113,000	130,000
Foreign currencies	542,436	256,962
<b>Total</b>	<b>655,436</b>	<b>386,962</b>

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**16. DEPOSITS FROM OTHER BANKS - INTERBANK CALL MONEY (continued)**

b. By related and third parties:

	<b>2004</b>	<b>2003</b>
Related party	232,125	223,262
Third parties	423,311	163,700
<b>Total</b>	<b>655,436</b>	<b>386,962</b>

The related party deposits from other banks - interbank call money pertain to Rabobank International Singapore Branch (Note 35).

c. Annual average interest rates during the year:

	<b>2004</b>	<b>2003</b>
Rupiah	5.54%	9.23%
Foreign currencies	1.22%	1.16%

d. As of December 31, 2004 and 2003, there was no interbank call money pledged as loans collateral.

**17. BORROWINGS**

Borrowings consisted of:

	<b>2004</b>	<b>2003</b>
Rabobank Nederland	15,310	15,310
Rabobank International Singapore Branch	-	21,637
<b>Total</b>	<b>15,310</b>	<b>36,947</b>

**Rabobank Nederland (Notes 10, 12, 22, 35 and 39c)**

This represents a Rupiah non-interest bearing loan obtained on December 24, 2001 from Rabobank Nederland, a related party, to maintain a 15% ownership interest in PT Rabo Finance Indonesia, a related party.

**Rabobank International Singapore Branch (Note 35)**

As of December 31, 2003, this represents funding loan obtained on October 10, 2003 from Rabobank International Singapore Branch amounting to JPY274,125,000 (equivalent to Rp21,637) to swap into USD funding. This loan bore interest at the rate of 0.06% in 2003 and has been fully paid on October 8, 2004.

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

- a. Commitment and contingent transactions in the normal course of the Bank's activities that carry a credit risk are as follows:

	<b>2004</b>	<b>2003</b>
Rupiah:		
Outstanding irrevocable letters of credit	149,996	148,049
Foreign currencies:		
Outstanding irrevocable letters of credit	88,256	80,348
Bank guarantees issued	696	36,447
	88,952	116,795
<b>Total</b>	<b>238,948</b>	<b>264,844</b>

- b. By collectibility:

	<b>2004</b>	<b>2003</b>
Current	231,367	258,778
Substandard	3,798	-
Doubtful	-	6,066
Loss	3,783	-
<b>Total</b>	<b>238,948</b>	<b>264,844</b>

- c. The changes in the estimated losses on commitments and contingencies are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	5,621	4,303
Provision during the year	624	1,421
Foreign exchange translation	422	(103)
<b>Balance at the end of the year</b>	<b>6,667</b>	<b>5,621</b>

Management believes that the estimated losses on commitments and contingencies are adequate and are in accordance with the Bank Indonesia requirements.

**19. TAXATION**

Taxes payable consist of the following:

	<b>2004</b>	<b>2003</b>
Corporate income tax	5,889	-
<b>Total</b>	<b>5,889</b>	<b>-</b>

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**19. TAXATION (continued)**

**Corporate Income Tax Calculation**

	<b>2004</b>	<b>2003</b>
Profit before income tax expense	102,393	20,798
<u>Difference between commercial and taxable income:</u>		
Depreciation of fixed assets	529	923
Allowance for possible losses on earning assets	(15,968)	9,122
Gain on disposal of fixed assets	-	(414)
Donations, employee benefits and other non-deductible items	4,901	5,182
Taxable income	91,855	35,611
Tax losses carried forward from prior years	(72,166)	(107,777)
<b>Estimated taxable income (tax losses carried forward)</b>	<b>19,689</b>	<b>(72,166)</b>

Under Indonesian taxations laws, tax losses may be carried forward for a period of five years. Companies in Indonesia are generally subject to progressive tax rates up to a maximum of 30%. The Bank submits tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within 10 years from the date when the tax is payable.

**Components of corporate income tax expenses**

	<b>2004</b>	<b>2003</b>
Current	(5,889)	-
Deferred	(14,092)	(8,022)
<b>Total</b>	<b>(19,981)</b>	<b>(8,022)</b>

**Deferred tax assets**

The tax effects from significant temporary differences between commercial and tax reporting purposes are as follows:

	<b>2004</b>	<b>2003</b>
Deferred tax assets:		
Tax loss carried forward	-	21,650
Allowance for possible losses on earning assets	6,293	5,334
Provision for employee service entitlements	388	388
Fixed assets depreciation	35	86
Valuation allowance	-	(6,650)
<b>Net deferred tax assets</b>	<b>6,716</b>	<b>20,808</b>

**Analysis of change in deferred tax assets**

	<b>2004</b>	<b>2003</b>
Deferred tax assets - beginning balance	20,808	28,830
Deferred income tax expense for the year	(14,092)	(8,022)
<b>Deferred tax assets - ending balance</b>	<b>6,716</b>	<b>20,808</b>

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**19. TAXATION (continued)**

The utilization of deferred tax assets recognized by the Bank is dependent upon future taxable profits in excess of profits resulting from the reversal of existing taxable temporary differences. The Bank has historically shown strong cyclical trends and is showing early indications of recovery. Based on this information and forecasts related to the Bank's future, profits are expected to arise in the year of reversal of the deferred tax assets that have been recognized.

**20. OTHER LIABILITIES**

Other liabilities consisted of:

	2004	2003
Payables to other regional branches and head office (Note 35)	23,998	10,191
Accrued expenses	9,664	9,014
Unearned income	6,931	2,235
Interest payable	4,944	4,722
Others	13,252	20,607
<b>Total</b>	<b>58,789</b>	<b>46,769</b>

Payables to other regional branches and head office represent liabilities for services provided by these related parties.

**21. SUBORDINATED LOANS**

The Bank obtained a subordinated loan of USD10 million (or equivalent to Rp92,850) on November 11, 2002 from Rabobank Nederland, the Bank's majority shareholder, to fulfill the Bank's Capital Adequacy Ratio and Legal Lending Limit as stipulated by Bank Indonesia (Note 35). Interest is payable at 6 (six) months Libor plus 0.5% p.a, repayable in semi-annual installments of USD1 million, commencing June 30, 2005 until December 31, 2009.

The Bank obtained an additional subordinated loan of USD30 million (or equivalent to Rp278,550) on November 17, 2003 from Rabobank Nederland, the Bank's majority shareholder, to strengthen the Bank's balance sheet, fund the sub-prime loan portfolio, allow new business with core customers and general corporate purposes (Note 35). Interest is payable at 6 (six) months Libor plus 0.25% p.a, repayable in semi-annual installments of USD1.25 million, commencing June 10, 2006 until June 4, 2018. The loan is guaranteed by Nederlandsche Credietverzekering Maatschappij.

**22. SHAREHOLDERS' EQUITY**

The Bank's shareholders as of December 31, 2004 and 2003 are as follows:

	December 31, 2004 and 2003			
	Number of Of Issued and Fully Paid Shares	Par Value (full amount)	Share Value	Percentage of Ownership
Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A. (Rabobank Nederland)	594,000	1,000,000	594,000	99.00%
PT Rabo Finance Indonesia (RFI)	6,000	1,000,000	6,000	1.00%
<b>Total</b>	<b>600,000</b>	-	<b>600,000</b>	<b>100.00%</b>

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**22. SHAREHOLDERS' EQUITY (continued)**

On November 13, 2002, the Bank increased its authorized and paid-up capital from Rp350,000 to Rp600,000 which was formalized in the deed of amendment of the articles of association No. 34 of Hendra Karyadi, S.H., dated November 29, 2002. This amendment has been approved by the Ministry of Justice and Human Rights in its decision letter No. C-01306 HT.01.04.TH.2003 dated January 22, 2003 and was published in the State Gazette No. 21, dated March 14, 2003, Supplement No. 2008 (Note 1).

On October 31, 2003, the Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A. (Rabobank Nederland) and the Bank, as the RFI's shareholder, approved a plan to liquidate RFI as of October 31, 2003, due to the significant reduction in RFI's business activities and transactions such that it is no longer efficient to continue RFI's operations. Up to February 28, 2005, the liquidation process is ongoing (Notes 10, 12, 35 and 39c).

The share premium arose because of interest earned on time deposits by the shareholders prior to commercial operations of the Bank and has been contributed by the shareholders as additional capital.

**23. INTEREST AND COMMISSION INCOME**

Interest and commission income were derived from the following:

	<b>2004</b>	<b>2003</b>
Loans	106,366	85,416
Securities	35,729	29,912
Provision and commissions	15,649	6,456
Placements with other banks	9,326	2,120
<b>Total</b>	<b>167,070</b>	<b>123,904</b>

As of December 31, 2004 and 2003, interest income to related parties amounted to Rp4,233 and Rp785, respectively (Note 35).

**24. INTEREST EXPENSE**

This account represents interest costs incurred on the following:

	<b>2004</b>	<b>2003</b>
Time deposits	50,826	36,790
Derivatives	12,901	18,633
Subordinated loan	6,534	2,731
Demand deposits	2,946	691
<b>Total</b>	<b>73,207</b>	<b>58,845</b>

As of December 31, 2004 and 2003, interest expense to related parties amounted to Rp6,791 and Rp6,016, respectively (Note 35).

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**25. PROVISION (RECOVERY OF ALLOWANCE) FOR LOSSES ON EARNING ASSETS AND COMMITMENTS AND CONTINGENCIES**

This account consists of the following:

	<b>2004</b>	<b>2003</b>
Provision (recovery of allowance) for possible losses:		
Current accounts with other banks	165	(40)
Placements with other banks	(1,233)	1,078
Securities	233	179
Derivatives receivable	41	(15)
Loans	(5,220)	6,581
Acceptances receivable	452	9,043
Investments in shares of stock	(153)	380
Estimated losses on commitments and contingencies	624	1,421
<b>Total</b>	<b>(5,091)</b>	<b>18,627</b>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of the following:

	<b>2004</b>	<b>2003</b>
Administration charges (Note 35)	22,539	13,302
Building rent	3,745	3,153
Mailing and telecommunications	2,722	2,638
Depreciation of fixed assets (Note 11)	1,249	1,821
Professional fees	1,217	895
Transportation and business traveling	682	766
Repairs and maintenance	650	598
Others (each below Rp500)	2,024	837
<b>Total</b>	<b>34,828</b>	<b>24,010</b>

Administration charges represent expenses for services provided by other regional branches and head office.

As of December 31, 2004 and 2003, general and administrative expenses incurred or paid to related parties amounted to Rp22,570 and Rp16,103, respectively (Note 35).

**27. SALARIES AND EMPLOYEE BENEFITS**

This account consists of the following:

	<b>2004</b>	<b>2003</b>
Salaries, wages, pension and severance	15,873	15,955
Bonus	8,188	5,598
Employee benefits in kind (Note 36)	2,263	4,814
Training and development	1,966	1,233
Transportation	694	706
Others (each below Rp500)	427	291
<b>Total</b>	<b>29,411</b>	<b>28,597</b>

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**28. COMMITMENTS AND CONTINGENCIES**

This account consists of the following:

	<b>2004</b>	<b>2003</b>
<b>Commitments</b>		
Commitment payables:		
Unused loan facilities	42,567	31,275
Outstanding irrevocable letters of credit	238,252	228,397
Total commitment payables	<u>280,819</u>	<u>259,672</u>
<b>Contingencies</b>		
Contingent receivables:		
Interest receivable on non-performing loans	65,853	74,074
Total contingent receivables	<u>65,853</u>	<u>74,074</u>
Contingent payables:		
Bank guarantees issued	696	36,447
Total contingent payables	<u>696</u>	<u>36,447</u>
Contingent receivables	<u>65,157</u>	<u>37,627</u>
<b>Commitments and contingencies - Net</b>	<b><u>215,662</u></b>	<b><u>222,045</u></b>

**29. FOREIGN CURRENCY TRANSACTIONS**

Details of outstanding spot foreign currency bought and sold transactions as of December 31, 2004 and 2003 are as follows:

	<b>2004</b>			
	Spot-Bought		Spot-Sold	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
Original Currency				
United States Dollar	19,211,350	178,377	22,161,250	205,767
British Pound Sterling	2,500,000	44,771	2,500,000	44,771
Euro	1,000,000	12,600	1,000,000	12,660
Japanese Yen	51,705,000	4,684	51,670,000	4,681
<b>Total</b>		<b><u>240,432</u></b>		<b><u>267,879</u></b>

	<b>2003</b>			
	Spot-Bought		Spot-Sold	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
Original Currency				
United States Dollar	6,000,000	50,550	6,900,000	58,133
Japanese Yen	107,020,000	8,447	107,165,000	8,458
<b>Total</b>		<b><u>58,997</u></b>		<b><u>66,591</u></b>

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**30. BANK GUARANTEES ISSUED**

All guarantees issued as of December 31, 2004 and 2003 are all for third parties.

**31. MATURITY PROFILE**

Description	2004					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 – 5 years	>5 years
<b>Assets</b>						
Cash	376	376	-	-	-	-
Current accounts with Bank Indonesia	95,555	95,555	-	-	-	-
Current accounts with other banks - net	24,326	24,326	-	-	-	-
Placements with Bank Indonesia and other banks - net	77,576	77,576	-	-	-	-
Securities - net	301,727	242,089	38,124	1,494	20,020	-
Derivatives receivable - net	4,581	4,581	-	-	-	-
Loans - net	2,225,362	818,974	528,641	34,369	425,580	417,798
Acceptances receivable - net	58,147	1,027	13,027	44,093	-	-
Investments in shares of stock - net	-	-	-	-	-	-
Fixed assets - net	2,211	-	-	-	2,211	-
Deferred tax assets	6,716	-	-	-	6,716	-
Other assets	35,198	15,603	14,017	4,776	802	-
<b>Total</b>	<b>2,831,775</b>	<b>1,280,107</b>	<b>593,809</b>	<b>84,732</b>	<b>455,329</b>	<b>417,798</b>
<b>Liabilities</b>						
Current Liabilities	5,244	5,244	-	-	-	-
Deposits from customers - demand deposits	213,073	213,073	-	-	-	-
Deposits from customers - time deposits	1,083,883	902,881	167,028	13,974	-	-
Deposits from other banks – demand deposits	4,834	4,834	-	-	-	-
Deposits from other banks - interbank call money	655,436	254,047	401,389	-	-	-
Borrowings	15,310	-	-	-	-	15,310
Derivatives payable	4,754	4,754	-	-	-	-
Acceptances payable	69,956	69,956	-	-	-	-
Estimated losses on commitments and contingencies	6,667	6,667	-	-	-	-
Taxes payable	5,889	5,889	-	-	-	-
Other liabilities	58,789	119	58,670	-	-	-
Subordinated loans	371,400	-	-	-	123,026	248,374
<b>Total</b>	<b>2,495,235</b>	<b>1,467,464</b>	<b>627,087</b>	<b>13,974</b>	<b>123,026</b>	<b>263,684</b>

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**31. MATURITY PROFILE (continued)**

Description	2003					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 – 5 years	>5 years
<b>Assets</b>						
Cash	369	369	-	-	-	-
Current accounts with Bank Indonesia	39,214	39,214	-	-	-	-
Current accounts with other banks - net	7,243	7,243	-	-	-	-
Placements with Bank Indonesia and other banks - net	125,359	125,359	-	-	-	-
Securities - net	208,964	170,474	14,888	23,602	-	-
Derivatives receivable - net	499	499	-	-	-	-
Loans - net	1,459,145	704,895	379,250	108,869	168,959	97,172
Acceptances receivable - net	95,049	12,105	59,914	23,030	-	-
Investments in shares of stock - net	15,157	-	-	-	15,157	-
Fixed assets - net	2,473	-	-	-	2,473	-
Deferred tax assets	20,808	-	-	-	20,808	-
Other assets	17,692	400	8,368	6,962	1,962	-
<b>Total</b>	<b>1,991,972</b>	<b>1,060,558</b>	<b>462,420</b>	<b>162,463</b>	<b>209,359</b>	<b>97,172</b>
<b>Liabilities</b>						
Current liabilities	1,246	1,246	-	-	-	-
Deposits from customers - demand deposits	213,433	213,433	-	-	-	-
Deposits from customers - time deposits	600,125	495,267	88,336	16,522	-	-
Deposits from other banks - demand deposits	787	787	-	-	-	-
Deposits from other banks - interbank call money	386,962	311,962	75,000	-	-	-
Borrowings	36,947	-	-	21,637	-	15,310
Derivatives payable	3,605	3,605	-	-	-	-
Acceptances payable	105,349	12,227	67,541	25,581	-	-
Estimated losses on commitments and contingencies	5,621	5,621	-	-	-	-
Taxes payable	-	-	-	-	-	-
Other liabilities	46,769	-	46,769	-	-	-
Subordinated loans	337,000	-	-	-	187,456	149,544
<b>Total</b>	<b>1,737,844</b>	<b>1,044,148</b>	<b>277,646</b>	<b>63,740</b>	<b>187,456</b>	<b>164,854</b>

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**32. NET OPEN POSITION**

Net Open Position (NOP) is the cumulative absolute amount of the net difference between assets and liabilities denominated in foreign currency, in the balance sheet and/or administrative accounts. Based on BI's decision letter No. 5/13/PBI/2003 dated July 17, 2003, which has been amended by BI's decision letter No. 6/20/PBI/2004 dated August 2, 2004, banks are required to maintain a net open position of a maximum of 20% of the sum of Core Capital (Tier I) and Supplementary Capital (Tier II) in the middle and end of business day.

The Bank's NOP and NOP ratio as of December 31, 2004 and 2003 are calculated as follows:

<b>2004</b>			
Currency	Assets	Liabilities	Net Open Position (In Absolute Amount)
<b>On Balance Sheet</b>			
Unites States Dollar	1,605,342	1,640,567	35,225
Japanese Yen	49,751	49,597	154
Euro	19,305	19,507	202
Others	1,028	-	1,028
<b>Total</b>			<b>36,609</b>
<b>Off Balance Sheet</b>			
Currency	Administrative Assets Accounts	Administrative Liabilities Accounts	Net Open Position (In Absolute Amount)
Unites States Dollar	1,152,796	1,123,192	29,604
British Pound Sterling	44,771	44,771	-
Euro	17,865	17,865	-
Japanese Yen	4,684	4,681	3
<b>Total</b>			<b>29,607</b>
<b>Total Absolute Open Position</b>			<b>7,009</b>
<b>Total Tier I and II Capital</b>			<b>449,270</b>
<b>Less: Investment</b>			<b>-</b>
<b>Total Capital</b>			<b>449,270</b>
<b>NOP Ratio (On Balance Sheet)</b>			<b>8.2%</b>
<b>NOP Ratio (Off Balance Sheet)</b>			<b>6.6%</b>
<b>NOP Ratio</b>			<b>1.6%</b>

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

Currency	2003		Net Open Position (In Absolute Amount)
	Assets and Administrative Assets Accounts	Liabilities and Administrative Liabilities Accounts	
Unites States Dollar	200,671	203,203	2,532
Japanese Yen	21,501	21,625	124
British Pound Sterling	420	-	420
Others	8,633	7,987	646
Total Absolute Open Position			3,722
Total Tier I and II Capital (Note 34)			390,283
Less: Investment			(15,310)
Total Capital			374,973
<b>NOP Ratio</b>			<b>1%</b>

**33. CAPITAL ADEQUACY RATIO**

The Bank's capital adequacy ratio ("CAR") as of December 31, 2004 and 2003 are calculated as follows:

	2004	2003
Capital:		
Tier I (*)	281,572	247,740
Tier II	167,698	142,543
Total Tier I and II Capital	449,270	390,283
Less: Investment	-	(15,310)
Total Capital	449,270	374,973
Total Risk-Weighted Assets	2,353,540	1,555,678
<b>CAR</b>	<b>19.09%</b>	<b>24.1%</b>
Minimum CAR	8%	8%

(\*) Excluding deferred tax assets.

Based on BI's regulation No. 3/21/PBI/2001 dated December 13, 2001 on the minimum capital adequacy requirement, banks in Indonesia are required to have a minimum CAR of 8%.

**34. PERCENTAGE OF NON-PERFORMING ASSETS TO TOTAL EARNING ASSETS**

The non-performing earning assets ratio (gross basis) as a percentage of the total earning assets as of December 31, 2004 and 2003 amounted to 10.54% and 17.14%, respectively (on a net basis the percentage amounted to 1.62% and 2.83% as of December 31, 2004 and 2003, respectively).

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**35. RELATED PARTY TRANSACTIONS**

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

	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current accounts with other banks (Note 4)	20,119	4,777
Placements with other banks (Note 5)	3,714	126,375
Derivatives receivable (Note 7)	668	461
Loans (Note 8)	11,557	10,683
Investments in shares of stock (Note 10)	-	15,310
Other assets (Note 12)	16,149	7
<b>Total related parties of assets transactions</b>	<b>52,207</b>	<b>157,613</b>
Total assets	2,831,775	1,991,972
<b>Percentage of assets from related parties to total assets</b>	<b>1.8%</b>	<b>7.9%</b>

The percentages of related parties from current accounts with other banks, placements with other banks, derivatives receivable, loans, investments in shares of stock and other assets compared to the total assets are as follows:

	<b>2004</b>	<b>2003</b>
Current accounts with other banks	0.7%	0.3%
Placements with other banks	0.1%	6.3%
Derivatives receivable	-	-
Loans	0.4%	0.5%
Investments in shares of stock	-	0.8%
Other assets	0.6%	-
<b>Total percentages of assets from related parties to total assets</b>	<b>1.8%</b>	<b>7.9%</b>

	<b>2004</b>	<b>2003</b>
<b>Liabilities</b>		
Deposits from customers - demand deposits (Note 13)	49,611	8,909
Deposits from customers - time deposits (Note 14)	-	23,200
Deposits from other banks - demand deposits (Note 15)	4,761	769
Deposits from other banks - interbank call money (Note 16)	232,125	223,262
Borrowings (Note 17)	15,310	36,947
Derivatives payable (Note 7)	2,023	-
Other liabilities (Note 20)	26,098	11,433
Subordinated loans (Note 21)	371,400	337,000
<b>Total related parties of liabilities transactions</b>	<b>701,328</b>	<b>641,520</b>
Total liabilities	2,495,235	1,737,844
<b>Percentage of liabilities to related parties to total liabilities</b>	<b>28.1%</b>	<b>36.9%</b>

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**35. RELATED PARTY TRANSACTIONS (continued)**

The percentages of related parties from deposits from customers - demand deposits and time deposits, deposits from other banks - demand deposits and interbank call money, borrowings, derivatives payable, other liabilities and subordinated loans compared to the total liabilities are as follows:

	<u>2004</u>	<u>2003</u>
Deposits from customers - demand deposits	2.0%	0.5%
Deposits from customers - time deposits	-	1.3%
Deposits from other banks - demand deposits	0.2%	-
Deposits from other banks - interbank call money	9.3%	12.8%
Borrowings	0.6%	2.1%
Derivatives payable	0.1%	-
Other liabilities	1.0%	0.7%
Subordinated loans	14.9%	19.4%
<b>Total percentages of liabilities to related parties to total liabilities</b>	<b>28.1%</b>	<b>36.8%</b>

	<u>2004</u>	<u>2003</u>
<b>Profit and loss</b>		
Interest income (Note 23)	4,233	785
Interest expense (Note 24)	6,791	6,016
Other operating income	-	6,866
General and administrative expenses (Note 26)	22,570	16,103

The percentages of related parties from interest income, interest expense, other operating income and general and administrative expenses compared to the total interest income, interest expense, other operating income, and general and administrative expenses, respectively, are as follows:

	<u>2004</u>	<u>2003</u>
Interest income	2.5%	0.6%
Interest expense	9.3%	10.2%
Other operating income	-	25.7%
General and administrative expenses	64.8%	67.1%

The above related entities are those having the same shareholders as with the Bank.

**36. LIABILITY FOR EMPLOYEE BENEFITS**

The Bank has a defined contribution pension plan, covering substantially all of its permanent employees, which is funded through monthly fixed contributions to a separately administered fund. The Bank provides additional minimum benefits under Labor Law No. 13/2003 dated March 25, 2003. The additional benefits under the Law are unfunded. The normal retirement age is 55.

The current year contribution under the pension plan is Rp998 (2003: Rp917).

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**36. LIABILITY FOR EMPLOYEE BENEFIT (continued)**

Movements in the liability for employee benefits during the years ended December 31, 2004 and 2003 are as follows:

	<b>2004</b>	<b>2003</b>
Balance at beginning of year	1,294	-
Net employee benefit expense	1,647	2,211
Payments made during the year:		
• Contribution paid	(998)	(917)
• Benefit paid	(649)	-
<b>Balance at the end of the year</b>	<b>1,294</b>	<b>1,294</b>

**37. CURRENT ECONOMIC CONDITIONS**

The Indonesian economy grew by 5.1% during 2004 and the outlook for 2005 is also positive with a projected growth of 5.5%. Lower interest rates and higher wages are underpinning consumer spending. Private investments should continue to recover substantially, with a recent Central Bank survey showing firm corporate investment plans for the first half of 2005. The outlook for foreign direct investment, which is admittedly coming from a very low base could improve investment application in response to reduced political uncertainty and cautious optimism with regard to the new government. Net exports will make a positive contribution to overall GDP growth, albeit a relatively modest one.

Consumer and business sentiment is improving on the back of reduced political uncertainty. Inflationary pressure will continue to rise during the first half of 2005, but should ease off from there and not become a problem overall. The new government in general is seen as pro-business and pro-investment, while it has committed itself to fighting corruption. The outlook for Indonesia was upgraded in February 2005 by Moody's to positive from stable. Analysts cited fiscal policies that have kept budget deficits low, relatively rapid nominal GDP growth and a strengthening of the exchange rate at that time.

Summarizing, the Bank believes that the economy and the political environment have taken a turn for the better and the Bank forecasts a robust growth for 2005. In response to these improved conditions, the Bank has set challenging targets for 2005 and has implemented the following:

- Remain focused on the core business area's of the Bank
- Further strengthen the Food and Agri Research and advisory capacities
- Increase customer and market penetration
- Further reduce the non-performing assets
- Enhance the Treasury function by diversifying funding sources and by offering more products to our customers
- Introduce Enterprise Risk Management in order to assess and respond to all risks in a rigorous and coordinated approach
- Increase operating efficiency and improve management information

All of the above depends of course upon several factors such as fiscal and monetary action being undertaken by the government and often, action that are beyond the control of the Bank.

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**37. CURRENT ECONOMIC CONDITIONS (continued)**

The financial statements include the effects of the economic conditions to the extent they can be determined and estimated. It is not possible to determine the future effects a continuation of the economic conditions may have on the Bank's liquidity, earnings and realization of its earning assets, including the effects from its customers, creditors and shareholders. The ultimate effect of the economic condition the stated amounts of assets and liabilities at the balance sheet date cannot presently be determined. Related effects will be reported in the financial statements as they become known and can be estimated.

**38. RISK MANAGEMENT**

The Bank is exposed to specific risks in connection with the deposit-taking and lending business, the management of the investment portfolio, and the environment within which the Bank operates. The Bank's goal in risk management is to ensure that the Bank understands, measures and monitors the various risks that arise and that the Bank's organization adheres, as far as reasonably and practically possible, to the policies and procedures which are established to address these risks.

The Bank is primarily exposed to credit risk, market risk (including liquidity risk, interest rate risk, trading risk and foreign exchange risk), and operational and legal risks. The Bank focuses all risk categories through appropriate committees, with relevant members, authorities and proper minute taking.

In addition, there is an overall risk committed to review the risk in the Bank based upon an Enterprise Risk Management approach (ERM). In this risk committee, compliance, audit and regulatory issues are also being discussed. The risk committee report twice a year to the Board of Commissioner on the risk status of the Bank.

The Risk Committee is also responsible for establishing bank-wide risk management policies, reviewing internal limits, establishing the credit policies and interest rates, monitoring the implementation of credit policies and procedures and establishing the criteria for risk identification, measurement and mitigation.

**Credit Risk**

The Bank has written credit policies and guidelines which specify the procedures for credit analysis, credit approval, monitoring and supervision, and credit restructuring. Through the credit policies, the Bank attempt to maintain the asset quality. The policies involve credit analysis and periodic review of credit status, portfolio diversification, and sufficient collateral and internal controls. No credit decision can be made unless it is approved by the Credit Committee.

Since most credit risk in its loan portfolio is taken during the loan origination and continues to exist until the loan closing, the Bank realizes the importance of monitoring and supervision. All loans are monitored on a regular basis by the responsible officers.

The policy is reviewed and approved by the Chief Risk Officer on a regular basis, and is amended as needed to incorporate changes in the Bank's policy and new banking regulations.

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**38. RISK MANAGEMENT (continued)**

**Market Risk**

Market risk is the risk of loss of future earnings, from fair values, or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. The exposure to market risk is a function of the asset and liability management activities. The objective of market risk management is to avoid excessive exposure from the open positions, which potentially impact earnings and equity, and to manage the volatility inherent in financial instruments.

The asset and liability management process begins with an assessment of current economic parameters affecting the Bank, which are primarily inflation, money supply, SBI rates, the US Dollar-Rupiah exchange rate and other macroeconomic factors. Liquidity, foreign currency and interest rate risk are reported on a daily basis to the Chief Risk Officer. Market risk mainly comprises of liquidity risk, interest rate risk, trading risk and foreign exchange risk.

a. Liquidity Risk

Liquidity risk arises in the funding of lending activities, the repayment of deposits, and in the management of working capital needs. It includes both the risk of unexpected increases in the cost of funding the asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is for the Bank to be able, even under adverse conditions, to meet all contractual and regulatory financial obligations.

The Bank emphasizes maintenance of adequate liquidity to meet commitments to customers and counter-parties, both in terms of loan demand and repayment of deposits and in terms of satisfying operational liquidity requirements. The function of managing these liquidity requirements is carried out by the Treasury Department.

b. Interest Rate Risk

The principal interest rate sensitive liabilities are deposits and the principal interest rate sensitive assets are loans. The Management Committee monitors interest rate movements and makes adjustments to deposit and loan rates to account for interest rate movements.

The Bank seeks to maintain the interest rates paid on deposits at or below Certificates of Bank Indonesia rates for Rupiah currency and market rates for foreign currencies that generally vary according to market and competitive conditions, and the maturity and size of the deposit.

The Bank determines the interest rates for the lending products using a cost of funds rate plus a risk premium. The cost of funds rate is reviewed every month by the Management Committee. The cost of funds rate consists of cost of money (including reserve requirements) and overhead costs.

The risk premium applied to a particular loan is dependent on a number of factors including the creditworthiness of the borrower, the collateral provided to secure the loan and the proposed use of the loan.

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**38. RISK MANAGEMENT (continued)**

c. Trading Risk

In monitoring the treasury trading activities, the Bank produces daily, weekly and monthly value at risk reports for all the financial products traded by the Bank. The value at risk reports are intended to provide measures of the risk of losses arising from potential adverse movements in interest rates, foreign exchange rates and other volatilities which could affect values of financial instruments. To manage abnormal market behavior, the Bank has implemented stress testing methodologies to quantify financial risk arising from abnormal market movements on a quarterly basis.

d. Foreign Exchange Risk

The Bank's operational management of its foreign exchange position is within the Treasury Department, which is required to follow the policies and procedures set by the Management Committee, and the overall net open position limit set by Bank Indonesia regulations. The Bank complies with the Bank Indonesia requirement that the net open position in all foreign currencies be no more than 20% of the Tier I and Tier II capital. As of December 31, 2004 the foreign currency net open position was 1.6% of the total Tier I and Tier II capital.

**Operational and Legal Risks**

As a financial institution, the Bank is exposed to many types of operational risks, which can generally be classified under business risk and event risk. Business risk arises from the uncertainties in the Bank's general business environment, which may disturb business operations and impair the attainment of implementation of the Bank's strategy. Event risk, on the other hand, results from non-economic events such as process error, system malfunction, control breakdown, theft, fraud and man-made or natural disasters.

The Bank monitors and manages operational risks so that the banking operations will comply with existing and anticipated Bank Indonesia regulatory requirements. Meanwhile, the Bank seeks to reduce legal risk by using appropriate legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting external legal advisors, if necessary.

**39. SUBSEQUENT EVENTS**

**a. Circular Resolutions of Shareholders**

Based on the circular resolution of the shareholders dated January 5, 2005 which was notarized by the notarial deed No. 19 of Linda Herawati, S.H. dated January 14, 2005, the shareholders approved to change article 10 verse 1 and article 13 verse 1 of the articles of association concerning of the change of Boards of Directors and Commissioners' members which were consist of 1 (one) President Director and 3 (three) Directors, and 1 (one) President Commissioner and 3 (three) Commissioners of the Bank, respectively.

Based on the circular resolution of the shareholders dated January 5, 2005 which was notarized by the notarial deed No. 20 of Linda Herawati, S.H. dated January 14, 2005, the shareholders approved the appointment of Mr. Humayunboshah and Mrs. Shanti Lasminingsih Poesposoetjipto as the President Commissioner and the Commissioner of the Bank, respectively effective on January 5, 2005.

Based on the circular resolution of the shareholders dated February 4, 2005 which was notarized by the notarial deed No. 45 of Linda Herawati, S.H. dated February 21, 2005, the shareholders approved the appointment of Mr. Widiyanto Suwanto Sumitro as the Director of the Bank effective on February 4, 2005.

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**39. SUBSEQUENT EVENTS (continued)**

**a. Circular Resolutions of Shareholders (continued)**

Therefore, the composition of the Boards of Commissioners and Directors of the Bank as of February 4, 2005 are as follows:

President Commissioner	:	Mr. Humayunbosha *)
Commissioners	:	Mr. Wouter Jacob Kolff Mr. Fergus John Murphy Mrs. Shanti Lasminingsih Poesposoetjipto *)
President Director	:	Mr. Antonio da Silva Costa
Directors	:	Mr. Antonius Marie Leonardus Nillesen Mr. Felix Istyono Hartadi Mr. Widiyarto Suwanto Sumitro **)

\*) BI in its letter No. 6/107/DGS/DPIP/Rahasia dated December 23, 2004 stated that BI has no objection to the appointment of Mr. Humayunbosha and Mrs. Shanti Lasminingsih Poesposoetjipto as the President Commissioner and the Commissioner of the Bank, respectively.

\*\*\*) BI in its letter No. 7/7/DGS/DPIP/Rahasia dated January 24, 2005 stated that BI has no objection to the appointment of Mr. Widiyarto Suwanto Sumitro as the Director of the Bank.

**b. New Regulations from BI**

On July 17, 2003, BI issued regulation No. 5/12/PBI/2003 concerning the calculation of CAR considering market risk. Based on the regulation, banks which meet certain criteria are required to meet the CAR at minimum 8% considering market risk within 18 months of the regulation being issued, which is in the financial statements as of January 31, 2005.

In January 2005, Bank Indonesia issued various regulations in respect to, among others, General Bank Legal Lending Limit, Bank Foreign Borrowings, and Assessment on the Quality of General Bank Earning Assets. The Bank's management is in the process of evaluating the impact of these regulations.

**c. Liquidation of PT Rabo Finance Indonesia (RFI), the Shareholder of the Bank**

Up to February 28, 2005, the liquidation process of RFI is ongoing (Notes 10, 12, 22 and 35).

**40. NEW ACCOUNTING PRONOUNCEMENT**

In July 2004, IAI issued SFAS No. 24 (Revised 2004), "Employee Benefits" ("Revised SFAS No. 24"), which provides the accounting and disclosures for employee benefits. It supersedes SFAS No. 24, "Accounting for Pension Benefits Cost", which was issued in 1994.

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**(Expressed in millions of Rupiah, unless otherwise stated)**

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**40. NEW ACCOUNTING PRONOUNCEMENT (continued)**

The Revised SFAS No. 24 becomes effective for the preparation and presentation of financial statements covering periods beginning on or after July 1, 2004. The initial application of the requirements of the Revised SFAS No. 24 is applied retrospectively by reporting the amounts of any resulting adjustments that relate to prior periods as adjustments to the beginning balance of retained earnings of the earliest comparative period presented. The Bank is currently evaluating the impact of the application of the Revised SFAS No. 24 on its financial position, results of operations, and cash flows.

**41. RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENT**

Certain accounts in the financial statements as of December 31, 2003 have been reclassified to conform with the presentation of accounts in the financial statements as of December 31, 2004.

The 2003 financial statements have been reclassified as follows:

	<u>As Previously Reported</u>	<u>Reclassification</u>	<u>As Reclassified</u>
Current liabilities	-	1,246	1,246
Deposits from customers - time deposits	597,092	3,033	600,125
Deposits from other banks - interbank call money	166,733	220,229	386,962
Borrowings	260,209	(223,262)	36,947
Taxes payable	1,202	(1,202)	-
Other liabilities	46,813	(44)	46,769
Other operating income	26,623	134	26,757
Other operating expenses	(71,234)	(134)	(71,368)

**42. COMPLETION OF THE FINANCIAL STATEMENTS**

The management of the Bank is responsible for the preparation of these financial statements that were completed on February 28, 2005.