

**Financial Statements
With Independent Auditors' Report
Years Ended December 31, 2005 and 2004**

**PT BANK RABOBANK
INTERNATIONAL INDONESIA**

These financial statements are originally issued in the Indonesian language.

**PT BANK RABOBANK INTERNATIONAL INDONESIA
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2005 AND 2004**

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-5224

The Shareholders and the 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, 2005 and 2004, 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 presentation of the financial statements. 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, 2005 and 2004, 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 Syahrī
Public Accountant Licence No. 98.1.0142

February 27, 2006

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.

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PT BANK RABOBANK INTERNATIONAL INDONESIA
BALANCE SHEETS
December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	2005	2004
ASSETS			
Cash		515	376
Current accounts with Bank Indonesia	3	122,940	95,555
Current accounts with other banks	2b,2c, 2k,4,35	75,551	24,572
Less: Allowance for possible losses		(756)	(246)
Net		74,795	24,326
Placements with Bank Indonesia and other banks	2b,2d, 2k,5,35	176,760	77,714
Less: Unamortized interest		(30)	(101)
Allowance for possible losses		(1,628)	(37)
Net		175,102	77,576
Securities	2e,2k,6	309,982	302,527
Less: Allowance for possible losses		(272)	(800)
Net		309,710	301,727
Derivative receivables	2b,2f, 2k,7,35	2,614	4,627
Less: Allowance for possible losses		(26)	(46)
Net		2,588	4,581
Loans	2b,2g,2h, 2k,8,35	3,069,852	2,413,247
Less: Allowance for possible losses		(176,475)	(187,885)
Net		2,893,377	2,225,362
Acceptances receivable	2i,2k,9	4,588	69,956
Less: Allowance for possible losses		(46)	(11,809)
Net		4,542	58,147
Investments in shares of stock	2b,2j,2k, 10,17,22, 35,39	127,001	132,047
Less: Allowance for permanent decline in value		(106,336)	(4,854)
Allowance for possible losses		(2,677)	(111,883)
Net		17,988	15,310
Premises and equipment	2l,11	15,309	12,142
Less: Accumulated depreciation		(10,838)	(9,931)
Net		4,471	2,211
Deferred tax assets - net	2u,19	3,881	6,716
Other assets	2b,2m, 12,35,39	42,673	19,888
TOTAL ASSETS		3,652,582	2,831,775

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, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Liabilities immediately payable	2n	5,550	5,244
Deposits from customers	2b,2o, 13,14,35		
Demand deposits		326,956	213,073
Time deposits		1,417,421	1,083,883
Total deposits from customers		<u>1,744,377</u>	<u>1,296,956</u>
Deposits from other banks	2b,2p,15, 16,35,39		
Demand deposits		3,201	4,834
Interbank call money		209,800	191,922
Total deposits from other banks		<u>213,001</u>	<u>196,756</u>
Certificate of deposits		199,185	-
Borrowings	2b,10,17, 22,35,39	600,130	478,824
Derivative payables	2b,2f,7,35	2,311	4,754
Acceptances payable	2i,9	4,588	69,956
Estimated losses on commitments and contingencies	2k,18,28	493	6,667
Taxes payable	2u,19	394	5,889
Other liabilities	2b,2q, 2t,20,35	72,183	58,789
Subordinated loans	2b,21,35	373,540	371,400
TOTAL LIABILITIES		<u>3,215,752</u>	<u>2,495,235</u>
SHAREHOLDERS' EQUITY			
Share capital - Rp1,000,000 par value (full amount)			
Authorized, issued and paid-up capital			
- 600,000 shares	1,10,22	600,000	600,000
Share premium	22	2,741	2,741
Unrealized losses on decrease in value of available-for-sale securities	2e	(45)	-
Accumulated losses		(165,866)	(266,201)
SHAREHOLDERS' EQUITY - NET		<u>436,830</u>	<u>336,540</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,652,582</u>	<u>2,831,775</u>

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PT BANK RABOBANK INTERNATIONAL INDONESIA
STATEMENTS OF INCOME
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
INTEREST AND COMMISSION INCOME			
	2b,2q, 2r,23,35		
Interest income		298,674	151,421
Fees and commissions		21,225	15,649
Total interest and commission income		319,899	167,070
INTEREST EXPENSE	2b,2q,24,35	(147,847)	(73,207)
NET INTEREST INCOME		172,052	93,863
Reversal of allowance for losses on earning assets and estimated losses on commitments and contingencies - net	2k,25	3,668	5,091
OTHER OPERATING INCOME			
Gains on sale of loans		3,521	52,109
Foreign exchange gains - net	2s	10,867	6,404
Gains (losses) on sale of marketable securities		(353)	1,034
Other fees and commissions	2r	4,928	8,277
Total other operating income		18,963	67,824
OTHER OPERATING EXPENSES			
General and administrative expenses	2b,11,26,35	(39,396)	(34,828)
Salaries and employee benefits	2t,27,36	(33,721)	(29,411)
Total other operating expenses		(73,117)	(64,239)
PROFIT FROM OPERATIONS		121,566	102,539
NON-OPERATING INCOME (EXPENSES) - NET		220	(146)
PROFIT BEFORE CORPORATE INCOME TAX EXPENSE		121,786	102,393
CORPORATE INCOME TAX EXPENSE	2u,19		
Current		(18,616)	(5,889)
Deferred		(2,835)	(14,092)
NET INCOME		100,335	82,412

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PT BANK RABOBANK INTERNATIONAL INDONESIA
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	Issued and Paid-up Capital	Share Premium	Unrealized Losses on Decrease in Value of Available- for-Sale Securities	Accumulated Losses	Shareholders' Equity - Net
Balance, December 31, 2003	600,000	2,741	-	(348,613)	254,128
Net income for 2004	-	-	-	82,412	82,412
Balance, December 31, 2004	600,000	2,741	-	(266,201)	336,540
Net income for 2005	-	-	-	100,335	100,335
Decline in value of available-for-sale securities	-	-	(45)	-	(45)
Balance, December 31, 2005	600,000	2,741	(45)	(165,866)	436,830

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PT BANK RABOBANK INTERNATIONAL INDONESIA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before corporate income tax expense	121,786	102,393
Adjustments to reconcile profit before corporate income tax expense to net cash provided by (used in) operating activities:		
Gains on sale of loans	(8,738)	(51,910)
Unrealized net foreign exchange gains on earning assets loss provision	12,140	17,936
Reversal of allowance for losses on earning assets and estimated losses on commitments and contingencies	(3,668)	(5,091)
Depreciation	1,613	1,249
Gain on sale of premises and equipment	(202)	-
Gain on sale of foreclosed assets	-	(666)
Gain on sale of investments in shares of stock	-	(199)
Operating income before changes in operating assets and liabilities	122,931	63,712
Changes in operating assets and liabilities:		
Decrease (increase) in operating assets:		
Placements with other banks	(99,117)	49,012
Securities	(7,500)	(93,048)
Derivative receivables	2,013	(4,123)
Loans	(695,549)	(777,390)
Acceptances receivable	65,368	35,393
Other assets	(22,785)	(2,196)
Increase (decrease) in operating liabilities:		
Liabilities immediately payable	306	3,998
Deposits from customers	445,788	487,445
Deposits from other banks	17,878	(195,039)
Certificate of deposits	199,185	-
Derivative payables	(2,443)	1,149
Acceptances payable	(65,368)	(35,393)
Other liabilities	13,394	12,020
Payment of corporate income tax	(24,111)	-
Net cash used in operating activities	(50,010)	(454,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of premises and equipment	(3,882)	(987)
Proceeds from sale of premises and equipment	211	-
Proceeds from sale of loans	8,738	51,910
Proceeds from sale of foreclosed assets	-	666
Proceeds from sale of investments in shares of stock	-	199
Net cash provided by investing activities	5,067	51,788

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PT BANK RABOBANK INTERNATIONAL INDONESIA
STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in subordinated loans due to exchange rate differences	2,140	34,400
Increase in borrowings	121,306	441,876
Net cash provided by financing activities	123,446	476,276
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,503	73,604
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	120,503	46,899
CASH AND CASH EQUIVALENTS AT END OF YEAR	199,006	120,503
 SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash and cash equivalents at end of year consist of:		
Cash	515	376
Current accounts with Bank Indonesia	122,940	95,555
Current accounts with other banks	75,551	24,572
Total	199,006	120,503
 Activity not affecting cash flows:		
Unrealized losses on decrease in value of available-for-sale securities	(45)	-

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, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

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 of the 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 of the Republic of Indonesia No. 59, dated July 24, 1990, Supplement No. 2576.

The name of the Bank 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 was approved by the Ministry of Justice and Human Rights of the 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 of the 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 was approved by the Ministry of Justice and Human Rights of the 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 of the 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, 9th floor, Jl. H.R. Rasuna Said Kav. X-7 No. 6, Jakarta 12940.

The Boards of Commissioners and Directors, and Employees

Based on the circular resolution of the shareholders dated January 5, 2005, which was notarized by notarial deed No. 19 of Linda Herawati, S.H. dated January 14, 2005, the shareholders approved to amend its Articles of Association concerning the change in the number comprising the Boards of Directors (BOD) and Commissioners (BOC). The BOD consists of 1 (one) President Director and 3 (three) directors, and the BOC consists of 1 (one) President Commissioner and 3 (three) commissioners of the Bank.

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. Humayunbosha and Mrs. Shanti Lasminingsih Poesposoetjipto as the President Commissioner and commissioner of the Bank, respectively, effective 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. Widiyarto Suwanto Sumitro as a director of the Bank effective February 4, 2005.

PT BANK RABOBANK INTERNATIONAL INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

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

The composition of the Bank's Boards of Commissioners and Directors as of December 31, 2005 and 2004 are as follows:

	2005	2004
<u>Board of Commissioners</u>		
President Commissioner :	Mr. Humayunbosha *)	Mrs. Miranda Swaray Goeltom
Commissioners :	Mrs. Shanti L. Poesposoetjipto *)	Mr. Wouter Jacob Kolff
	Mr. Wouter Jacob Kolff	Mr. Fergus John Murphy
	Mr. Fergus John Murphy	
	2005	2004
<u>Board of Directors</u>		
President Director :	Mr. Antonio da Silva Costa	Mr. Antonio da Silva Costa
Directors :	Mr. Antonius Marie Leonardus	Mr. Antonius Marie Leonardus
	Nillesen	Nillesen
	Mr. Felix Istyono Hartadi	Mr. Felix Istyono Hartadi
	Mr. Widiyarto Suwarto Sumitro **)	

*) Bank Indonesia (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 a 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 Suwarto Sumitro as a Director of the Bank.

The Bank employs 89 employees as of December 31, 2005 (2004: 88 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies adopted by the Bank conform to the 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, 2005 and 2004, and are as follows:

a. 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 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, 2005 and 2004
(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. 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 and derivative instruments, which are stated at fair 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 BI and current accounts with other banks, which are not pledged or restricted in use.

b. 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.

c. Current Accounts with Other Banks

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

d. Placements with Bank Indonesia and Other Banks

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

e. 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.

PT BANK RABOBANK INTERNATIONAL INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. 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.

f. Derivative Receivables and Payables

Derivative assets and liabilities are presented at the amount of unrealized gains or losses on derivative contracts, less allowance for possible losses for the derivative receivables. 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.

g. Loans

Loans are stated at the gross amount of their outstanding balance, less allowance for possible losses, which is determined based on evaluation of the collectibility of each loan.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Loans (continued)

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

h. 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.

i. 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 allowance for possible losses for acceptances receivable.

j. Investments in Shares of Stock

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

k. 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 Bank Indonesia and other banks, securities, derivative receivables, loans, acceptances receivable, investments in shares of stock, and commitments and contingencies bearing credit risk. Commitments and contingencies with credit risks include, but not limited to, issued guarantees and standby letters of credit.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Allowance for Possible Losses on Earning Assets and Estimated Losses on Commitments and Contingencies (continued)

Based on Bank Indonesia regulation, performing assets are assets classified as "Current" or "Special Mention", and non-performing assets are assets classified as "Sub-standard", "Doubtful" or "Loss".

In 2004 the classification of earning assets is based on Decision Letter No. 3/147/KEP/DIR of the Director of Bank Indonesia dated November 12, 1998 regarding the Quality of Earning Assets, which consider management's evaluation of the debtor's business prospects, financial condition and ability to repay.

In 2005 the classification of earning assets is based on Bank Indonesia Regulation (PBI) No. 7/2/PBI/2005 dated January 20, 2005 regarding the Assessment of Quality of Assets of Banks, which consider management's evaluation of the debtor's business prospects, financial condition and ability to repay, and also considers such other aspects as the classification based on audit results of Bank Indonesia, the classification as determined by other banks for the same debtor, and the availability of the debtor's audited financial statements.

The minimum allowance for possible losses on earning assets and estimated losses on commitments and contingencies bearing credit risk in 2004 and 2005 is in accordance with Decision Letter No. 31/148/Kep/DIR of the Director of Bank Indonesia dated November 12, 1998 regarding Allowance for Losses on Earning Assets and Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 regarding the Assessment of Quality of Assets of Banks.

The Bank Indonesia guidelines for the recognition of minimum allowance for possible losses are as follows:

- 1) General reserve for 2004 is established at a minimum of 1% of earning assets classified as Current, excluding earning assets in the form of Bank Indonesia Certificates and Government Debentures (Government recapitalization bonds and other Government bonds). Whereas in 2005, there is an exception from providing general reserve for earning assets guaranteed with cash collaterals such as demand deposits, time deposits, savings deposits, security deposits, gold, Bank Indonesia Certificates or Government Debentures, guarantees of Government in accordance with prevailing laws and regulations, standby letter of credit from prime bank and which is issued accordance with Uniform Customs and Practice for Documentary Credit (UCP) or International Standard Practices (ISP).
- 2) Special reserve is established at a minimum of:
 - 5% of earning assets classified as Special Mention for 2004, and net of deductible collateral for 2005;
 - 15% of earning assets classified as Sub-standard, net of deductible collateral;
 - 50% of earning assets classified as Doubtful, net of deductible collateral; and
 - 100% of earning assets classified as Loss, net of deductible collateral.

In 2004 deductible collateral include Rupiah and foreign currency current accounts, time deposits, savings and guarantee payments, which have been restricted and require authorizations to undertake clearing, Bank Indonesia Certificates and Government Debentures, 50% of the market value of securities traded in the stock exchanges at year end for securities collateral, certain

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Allowance for Possible Losses on Earning Assets and Estimated Losses on Commitments and Contingencies (continued)

percentage of the market value of land, certain percentage of the market value and calculation of costs of residential houses, and certain percentages of the market value, calculation of cost and capitalization of income of buildings, aircrafts and ships.

Whereas in 2005, deductible collateral include securities and shares which are traded actively in the Indonesian stock exchanges or having the highest investment rating, with amount up to 50% of the market value of securities traded in the stock exchanges at month end, certain percentage of land, buildings, residential houses, aircrafts, ships, motor cycles and inventories.

Estimated losses on commitments and contingencies bearing credit risk are presented in the liabilities section of the balance sheets.

The outstanding balance of earning assets classified as loss is written off against the respective allowance for possible losses when management believes that recovery is no longer possible. Recovery of earning assets previously written off is recorded as an addition to allowance for possible losses on earning assets during the year of recovery. If recovery exceeds the principal amount, the excess is recognized as interest income.

l. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Premises and Equipment 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.

m. Prepaid Expenses

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Liabilities Immediately Payable

Liabilities immediately payable represent the Bank's obligations that will be settled immediately, based on a contract or an order by the counterparty. Liabilities immediately payable are stated at the amounts of the Bank's outstanding liabilities.

o. Deposits from Customers

Demand deposits from customers are stated at the amount due to the demand account holders.

Time deposits from customers are stated at the nominal amount set forth in the agreements between the Bank and holders of time deposits.

p. Deposits from Other Banks

Deposits from other banks are stated at the amount placed by other banks.

q. Interest Income and Expense

Interest revenues and expenses are recognized on an accrual basis, except for interest revenues on loans and other earning assets classified as non-performing, which are recognized only when such interests are actually received. Interest revenues recognized or recorded but not yet received, are cancelled when the loans are classified as non-performing and are recorded as contingent receivables in the administrative accounts and will be subsequently recognized as revenue when collection in cash is received.

Loans and other earning assets (excluding securities) are considered as non-performing when they are classified as substandard, doubtful, or loss. Securities are categorized as non-performing when the issuer of securities defaults on its interest and/or principal payments or if they are rated no lower than 1 (one) level below investment grade.

Cash payments of debtors pertaining to loans classified as doubtful and loss are applied against loan principal balances, any excess is recognized as interest payment on the said loans.

r. 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.

s. 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, all monetary assets and liabilities denominated in foreign currencies are translated into Rupiah based on Reuters spot rate on that date 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, 2005 and 2004 are as follows:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Foreign Currency Transactions and Balances (continued)

	<u>2005</u>	<u>2004</u>
United States Dollar 1/Rp	9,830	9,285
British Pound Sterling 1/Rp	16,982	17,908
Euro 1/Rp	11,643	12,660
Japanese Yen 100/Rp	8,383	9,059

Any resulting gains or losses are credited or charged to profit and loss of the current year.

t. Pension Fund and Employee Benefits

The Bank has defined contribution pension plan covering substantially all of its eligible employees and an unfunded employee benefit liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law"). The provision for the Law has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plan with the benefit as stipulated under the Law after deduction of accumulation of employee contribution and the related investment results. If the employer funded portion of the Pension Plan benefit is less than the benefit as required by the Law, the Bank will provide for such shortage. Prior to January 1, 2005, the Bank determined its employee benefit liability under the Law based on an actuarial valuation and amortized unrecognized past service costs over a period of five years.

Effective January 1, 2005, the Bank resolved to adopt PSAK No. 24 (Revised 2004) - Employee Benefits, on a retrospective basis and changed its previous accounting method for employee benefits to the method required under this Standard. Under PSAK No. 24 (Revised 2004), the cost of providing employee benefit under the Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the defined benefit obligation at expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

u. Income Tax

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

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Income Tax (continued)

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 result of the appeal is determined.

v. 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.

3. CURRENT ACCOUNTS WITH BANK INDONESIA

	2005	2004
Rupiah	70,841	61,664
United States Dollar	52,099	33,891
Total	122,940	95,555

The minimum reserve requirement of the Bank as of December 31, 2005 for its Rupiah and foreign currencies accounts are 6.34% and 3.03%, respectively, in accordance with BI Regulation No. 7/29/PBI/2005 dated September 6, 2005; and 6.12% and 3.08% as of December 31, 2004 in accordance with BI Regulation No. 6/15/PBI/2004 dated June 28, 2004. Accordingly, the Bank has complied with the minimum reserve requirement of BI as of December 31, 2005 and 2004.

4. CURRENT ACCOUNTS WITH OTHER BANKS

	2005	2004
a. By currency:		
Rupiah	649	560
Foreign currencies	74,902	24,012
Total	75,551	24,572
Less: Allowance for possible losses	(756)	(246)
Net	74,795	24,326

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4. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

b. By collectibility:

All of the Bank's current accounts with other banks as of December 31, 2005 and 2004 are classified as current.

c. By related and third parties:

	2005	2004
Related parties:		
Foreign currencies	19,980	20,119
Third Parties:		
Rupiah	649	560
Foreign currencies	54,922	3,893
	55,571	4,453
Total	75,551	24,572
Less: Allowance for possible losses	(756)	(246)
Net	74,795	24,326

Current accounts with related parties relate to accounts with Rabobank International London Branch, Rabobank International Singapore Branch, Rabobank International Hong Kong Branch and Rabobank Nederland, and are classified as current.

d. Annual average interest rates during the year:

	2005	2004
Rupiah	3.55%	4.22%
Foreign currencies:		
Euro	1.46%	1.45%
USD	2.44%	2.55%

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

	2005	2004
Balance at beginning of year	246	73
Provision during the year	496	165
Foreign exchange translation	14	8
Balance at end of year	756	246

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

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5. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS

a. By type and currency:

	2005	2004
Rupiah:		
Bank Indonesia	14,000	74,000
Time deposits	44,800	-
Foreign currency:		
Call money	117,960	3,714
Total	176,760	77,714
Less: Unamortized interest	(30)	(101)
Allowance for possible losses	(1,628)	(37)
Net	175,102	77,576

b. By collectibility:

All of the Bank's placements with BI and other banks as of December 31, 2005 and 2004 are classified as current.

c. Foreign currency placements with other banks of Rp117,960 and Rp3,714 as of December 31, 2005 and 2004, respectively, represent call money placed with Rabobank Singapore and Rabobank International New York, related parties, and are classified as current.

d. Annual average interest rates during the year:

	2005	2004
Rupiah	7.95%	5.99%
Foreign currency		
USD	3.27%	1.28%

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

	2005	2004
Balance at beginning of year	37	1,266
Provision (reversal) during the year	1,589	(1,233)
Foreign exchange translation	2	4
Balance at end of year	1,628	37

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

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6. SECURITIES

Securities, which were bought from third parties, consisted of:

a. By type and currency:

	2005	2004
Rupiah:		
Trading		
Government bonds	44,116	20,070
Available-for-sale		
Certificates of Bank Indonesia	238,718	222,111
Bond	12,955	-
	<u>251,673</u>	<u>222,111</u>
Total securities in Rupiah	295,789	242,181
Foreign currencies:		
Available-for-sale		
Export bills	14,193	60,346
Total	309,982	302,527
Less: Allowance for possible losses	(272)	(800)
Net	<u>309,710</u>	<u>301,727</u>

Government bonds have total fair values of Rp44,320 and Rp20,070 as of December 31, 2005 and 2004, respectively, while the corporate bond is rated idBBB as of December 31, 2005 based on Pefindo's.

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

b. By collectibility:

	2005	2004
Current	309,982	301,125
Substandard	-	1,402
Total	309,982	302,527
Less: Allowance for possible losses	(272)	(800)
Net	<u>309,710</u>	<u>301,727</u>

c. The annual average interest rates are as follows:

	2005	2004
Rupiah	14.75%	8.63%
Foreign currency		
USD	7.99%	4.35%

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6. SECURITIES (continued)

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

	2005	2004
Balance at beginning of year	800	515
(Reversal) provision during the year	(536)	233
Foreign exchange translation	8	52
Balance at end of year	272	800

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

7. DERIVATIVE RECEIVABLES AND PAYABLES

In conducting its daily operations, the Bank enters into forward 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 offset the currency position and bring it to a minimum or within the approved limit. These offsetting contracts have approximately similar notional amounts and maturities as the original derivative contracts.

A summary of the derivative transactions outstanding as at December 31, 2005 and 2004 is as follows:

December 31, 2005				
Type	Notional Amount (Contract)	Fair Value	Derivative Receivables	Derivative Payables
Third Parties				
Cross currency:				
a. Swap - buy				
US Dollar	13,340	13,255	-	85
b. Swap - sell				
US Dollar	168,212	165,633	2,579	-
c. Forward - buy				
US Dollar	122,921	120,695	-	2,226
d. Forward - sell				
US Dollar	2,495	2,460	35	-
Total			2,614	2,311
Less: Allowance for possible losses			(26)	
Net			2,588	

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7. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Type	December 31, 2004			
	Notional Amount (Contract)	Fair Value	Derivative Receivables	Derivative Payables
<u>Related Parties</u>				
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			4,627	4,754
Less: Allowance for possible losses			(46)	
Net			<u>4,581</u>	

All of the Bank's derivative receivables as of December 31, 2005 and 2004 are classified as current.

The changes in the allowance for possible losses on derivative receivables are as follows:

	2005	2004
Balance at beginning of year	46	5
(Reversal) provision during the year	(22)	41
Foreign exchange translation	2	-
Balance at end of year	<u>26</u>	<u>46</u>

Management believes that the allowance for possible losses on derivative receivables is adequate, and is in accordance with the BI requirements.

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8. LOANS

a. By currency:

	2005	2004
Rupiah	1,142,180	949,247
Foreign currencies	1,927,672	1,464,000
Total	3,069,852	2,413,247
Less: Allowance for possible losses	(176,475)	(187,885)
Net	2,893,377	2,225,362

b. By type:

	2005	2004
Rupiah:		
Investment	310,000	168,853
Working capital	781,012	701,645
Syndicated	27,107	67,192
Employees	13,882	11,557
Others	10,179	-
	1,142,180	949,247
Foreign currencies:		
Investment	691,554	692,425
Working capital	752,049	594,379
Syndicated	484,067	177,196
Others	2	-
	1,927,672	1,464,000
Total	3,069,852	2,413,247
Less: Allowance for possible losses	(176,475)	(187,885)
Net	2,893,377	2,225,362

Others consist of overdraft facility and current account debit balance due to monthly charges.

c. By economic sector:

	2005	2004
Rupiah:		
Food and agribusiness	529,733	339,735
Telecommunication	310,000	168,853
Finance	189,000	280,000
Others	113,447	160,659
	1,142,180	949,247

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8. LOANS (continued)

c. By economic sector: (continued)

	2005	2004
Foreign currencies:		
Food and agribusiness	1,067,388	734,901
Mining	294,287	116,063
Others	565,997	613,036
	<u>1,927,672</u>	<u>1,464,000</u>
Total	3,069,852	2,413,247
Less: Allowance for possible losses	(176,475)	(187,885)
Net	<u>2,893,377</u>	<u>2,225,362</u>

Others mainly consist of textile, paper, mining (non metal, oil and coal), retail, trading, restaurant and hotel industries.

d. By original maturity:

	2005	2004
Rupiah:		
Less than 1 year	791,191	732,414
1 - 2 years	27,107	-
2 - 5 years	310,975	206,565
Over 5 years	12,907	10,268
	<u>1,142,180</u>	<u>949,247</u>
Foreign currencies:		
Less than 1 year	765,425	665,705
1 - 2 years	52,788	18,764
2 - 5 years	871,569	204,550
Over 5 years	237,890	574,981
	<u>1,927,672</u>	<u>1,464,000</u>
Total	3,069,852	2,413,247
Less: Allowance for possible losses	(176,475)	(187,885)
Net	<u>2,893,377</u>	<u>2,225,362</u>

e. By collectibility:

	2005	2004
Current	2,576,255	2,172,117
Special mention	337,541	29,509
Substandard	19,204	48,427
Doubtful	21,786	14,282
Loss	115,066	148,912

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8. LOANS (continued)

e. By collectibility: (continued)

	2005	2004
Total	3,069,852	2,413,247
Less: Allowance for possible losses	(176,475)	(187,885)
Net	2,893,377	2,225,362

f. The annual average interest rates were as follows:

	2005	2004
Rupiah	12.99%	9.16%
Foreign currencies	7.03%	4.72%

Significant information related to loans is 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.
- 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 5.14% to 22.48% of the total syndicated loans in 2005 (8.33% in 2004). The Bank's total participation in syndicated loans ranged from 0.24% to 19.61% of the total syndicated loans in 2005 (0.38% to 17.21% in 2004).
- The loans to the Bank's employees consist of interest-bearing loans at interest rates of 3% to 8.45% per annum in 2005 (3% to 6% per annum in 2004), 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 Rp156,056 and Rp211,621 as of December 31, 2005 and 2004, respectively. The non-performing loan ratio on a gross basis as of December 31, 2005 and 2004 is 5.08% and 8.77%, respectively (on a net basis is 0.9% and 2% for 2005 and 2004, 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 bank's total loans.
- As of December 31, 2005 and 2004, the Bank has restructured loans amounting to Rp165,283 and Rp260,894 with an allowance for possible losses of Rp57,693 and Rp86,251, 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, 2005 and 2004 amounted to Rp13,882 and Rp11,557, respectively, which are given to directors and employees, and are classified as current.
- As of December 31, 2005 and 2004, there were no excess and violation of the Legal Lending Limit, as stipulated in the Decision Letter of BI No. 31/177/KEP/DIR dated December 31, 1998 and No. 2/5/PBI dated February 21, 2000, respectively.

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8. LOANS (continued)

Significant information related to loans is as follows: (continued)

- The changes in the allowance for possible losses on loans during the year are as follows:

	2005	2004
Balance at beginning of year	187,885	260,621
Provision (reversal) during the year	15,438	(5,220)
Loan sales	(46,917)	(103,073)
Recoveries	7,973	19,164
Foreign exchange translation	12,096	16,393
Balance at end of year	176,475	187,885

As described in Note 2k, 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 BI 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 loan portfolio, the Bank continuously applies a conservative approach in recognizing the provision for possible losses on 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 BI requirements.

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

	2005	
	Non-Performing Loans	Minimum Allowance for Possible Losses
Food and agribusiness	40,990	13,774
Others	115,066	115,066
Total	156,056	128,840

	2004	
	Non-Performing Loans	Minimum Allowance for Possible Losses
Food and agribusiness	76,801	35,638
Others	134,820	127,679
Total	211,621	163,317

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8. LOANS (continued)

Significant information related to loans is 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 certain industry or borrower 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

- a. By type:

	2005	2004
Import	4,588	69,956
Less: Allowance for possible losses	(46)	(11,809)
Net	4,542	58,147

All acceptances receivable are denominated in foreign currency.

- b. By collectibility:

	2005	2004
Current	4,588	58,734
Loss	-	11,222
Total	4,588	69,956
Less: Allowance for possible losses	(46)	(11,809)
Net	4,542	58,147

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

	2005	2004
Balance at beginning of year	11,809	10,300
(Reversal) provision during the year	(11,766)	452
Foreign exchange translation	3	1,057
Balance at end of year	46	11,809

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9. ACCEPTANCES RECEIVABLE AND PAYABLE (continued)

- c. The changes in allowance for possible losses on acceptances receivable during the year:
 (continued)

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

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

10. INVESTMENTS IN SHARES OF STOCK

	2005	2004
PT Sierad Produce Tbk.	81,428	81,428
PT Japfa Comfeed	30,263	30,263
PT Rabo Finance Indonesia (RFI)	15,310	15,310
PT Wicaksana Overseas International Tbk.	-	5,046
Total	127,001	132,047
Less: Allowance for permanent decline in value	(106,336)	(4,854)
Allowance for possible losses	(2,677)	(111,883)
Net	17,988	15,310

- a. In 2005, the Bank has reclassified its shares participation in RFI back to investment from accounts receivable (under other assets) in line with BI audit recommendation of 2004. With reference to the said BI audit recommendation it has also been accepted that no provision is required as the source of fund for the said investment comes from Rabobank Nederland and that any proceed from the sale of RFI assets shall be treated as a settlement of such fund. Since October 2003, RFI has been in-liquidation and with reference to a confirmation letter of Rabobank Nederland No. PPH/041021 dated October 21, 2004 it has been deconsolidated from Rabobank Nederland.
- b. The changes in the allowance for possible losses on investments in shares of stock during the year are as follows:

	2005	2004
Balance at beginning of year	111,883	112,071
Reversal during the year	(2,677)	(153)
Reclassification to allowance for permanent decline in value	(106,336)	-
Sales during the year	(193)	(35)
Balance at end of year	2,677	111,883

All investments in shares of stock in 2005 are classified as doubtful, except for investment in RFI which was classified as loss. Management believes that the allowance for possible losses on investments in shares of stock is adequate, and is in accordance with the BI requirements.

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12. OTHER ASSETS

	<u>2005</u>	<u>2004</u>
Interest receivables	35,732	14,017
Prepaid expenses	5,771	4,094
Security deposits	1,007	802
Others	163	975
Total	<u>42,673</u>	<u>19,888</u>

13. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS

a. By currencies:

	<u>2005</u>	<u>2004</u>
Rupiah	58,636	53,728
Foreign currencies	268,320	159,345
Total	<u>326,956</u>	<u>213,073</u>

b. Demand deposits of related parties as of December 31, 2005 and 2004 amounted to Rp51,754 and Rp49,611, respectively (Note 35).

c. Annual average interest rates for the year:

	<u>2005</u>	<u>2004</u>
Rupiah	6%	2%
Foreign currencies:		
Euro	1%	0.1%
USD	2%	1%

14. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS

a. By currencies:

	<u>2005</u>	<u>2004</u>
Rupiah	693,332	776,848
Foreign currencies	724,089	307,035
Total	<u>1,417,421</u>	<u>1,083,883</u>

b. Time deposits of related parties as of December 31, 2005 and 2004 amounted to Rp130 and Rpnil, respectively.

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14. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)

c. Annual average interest rates for the year:

	<u>2005</u>	<u>2004</u>
Rupiah	6.49%	5.90%
Foreign currencies:		
Euro	1.00%	0.93%
USD	2.52%	0.97%

d. Time deposits amounting to Rp30,969 as of December 31, 2005 were pledged as loan collateral. There were no time deposits pledged as loan collateral as of December 31, 2004.

15. DEPOSITS FROM OTHER BANKS - DEMAND DEPOSITS

a. Demand deposits from other banks are non-interest bearing demand deposits in Rupiah.

b. By related and third parties:

	<u>2005</u>	<u>2004</u>
Related parties	2,484	4,761
Third parties	717	73
Total	<u>3,201</u>	<u>4,834</u>

The related parties' deposits from other banks - demand deposits were placed by Rabobank International London Branch, Rabobank Australia Sydney, Rabobank International Singapore Branch, Rabobank Nederland and Rabobank International Hong Kong Branch.

16. DEPOSITS FROM OTHER BANKS - INTERBANK CALL MONEY

a. By currency:

	<u>2005</u>	<u>2004</u>
Rupiah	209,800	113,000
Foreign currency	-	78,922
Total	<u>209,800</u>	<u>191,922</u>

There were no interbank call money deposits from related party banks.

b. Annual average interest rates during the year:

	<u>2005</u>	<u>2004</u>
Rupiah	6.00%	5.54%
Foreign currency:		
USD	-	1.28%

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17. BORROWINGS

a. By currency:

	<u>2005</u>	<u>2004</u>
Rupiah	15,310	15,310
Foreign currencies	584,820	463,514
Total	<u>600,130</u>	<u>478,824</u>

Borrowing in Rupiah amounting to Rp15,310 as of December 31, 2005 and 2004 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 shareholder.

As of December 31, 2005 and 2004, there were borrowings in foreign currencies from Rabobank Singapore, related party, amounting to Rp380,421 and Rp232,125, respectively. The remaining balance of Rp204,399 and Rp231,389 as of December 31, 2005 and 2004, respectively, were from European Investment Bank, a third party.

b. By related and third parties:

	<u>2005</u>	<u>2004</u>
Related parties	395,731	247,435
Third parties	204,399	231,389
Total	<u>600,130</u>	<u>478,824</u>

18. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES

a. Commitment and contingent transactions from third parties in the normal course of the Bank's activities that carry a credit risk and related estimated losses are as follows:

	<u>2005</u>	<u>2004</u>
Rupiah:		
Outstanding irrevocable letters of credit	20,719	149,996
Foreign currencies:		
Outstanding irrevocable letters of credit	8,204	88,256
Bank guarantees issued	20,397	696
	<u>28,601</u>	<u>88,952</u>
Total	49,320	238,948
Less: Estimated losses on commitments and contingencies	(493)	(6,667)
Net	<u>48,827</u>	<u>232,281</u>

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18. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

b. By collectibility:

	<u>2005</u>	<u>2004</u>
Current	49,320	231,367
Substandard	-	3,798
Loss	-	3,783
Total	<u>49,320</u>	<u>238,948</u>

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

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	6,667	5,621
(Reversal) provision during the year	(6,190)	624
Foreign exchange translation	16	422
Balance at end of year	<u>493</u>	<u>6,667</u>

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

19. TAXATION

Taxes payable of Rp394 and Rp5,889 as of December 31, 2005 and 2004, respectively, represents corporate income tax liabilities.

Corporate Income Tax Calculation

	<u>2005</u>	<u>2004</u>
Profit before corporate income tax expense	121,786	102,393
<u>Differences between commercial and taxable income:</u>		
Depreciation of premises and equipment	343	529
Allowance for possible losses on earning assets	(64,378)	(15,968)
Loss from sale of premises and equipment	(181)	-
Donations, employee benefits and other non-deductible items	4,544	4,901
Taxable income	62,114	91,855
Tax losses carried forward from prior years	-	(72,166)
Estimated taxable income	<u>62,114</u>	<u>19,689</u>
Current income tax expense of standard statutory rate	18,616	5,889
Less: Corporate income tax paid	(18,222)	-
Corporate income tax payable	<u>394</u>	<u>5,889</u>

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19. TAXATION (continued)

Under the Indonesian taxation 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 expense

	2005	2004
Current	18,616	5,889
Deferred	2,835	14,092
Total	21,451	19,981

Deferred tax assets

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

	2005	2004
Deferred tax assets:		
Allowance for possible losses on earning assets	3,268	6,293
Provision for employee service entitlements	621	388
Depreciation	(8)	35
Net deferred tax assets	3,881	6,716

Analysis of change in deferred tax assets during the year:

	2005	2004
Deferred tax assets - beginning balance	6,716	20,808
Deferred income tax expense for the year	(2,835)	(14,092)
Deferred tax assets - ending balance	3,881	6,716

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 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

	2005	2004
Payables to the parent company and its other regional branches	27,691	23,998
Unearned income	12,744	6,931
Accrued expenses	10,826	9,664
Interest payable	9,988	4,944
Others	10,934	13,252
Total	72,183	58,789

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20. OTHER LIABILITIES (continued)

Payables to the parent company and its other regional branches represent liabilities for services provided by these related parties.

21. SUBORDINATED LOANS

The Bank obtained a subordinated loan of US\$10 million 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 BI (Note 35). Interest is payable at 6 (six) months Libor plus 0.5% p.a, repayable in semi-annual installments of US\$1 million, commencing June 30, 2005 until December 31, 2009. Outstanding balance of this facility as of December 31, 2005 and 2004 amounted to Rp78,640 and Rp92,850, respectively.

The Bank obtained an additional subordinated loan of US\$30 million 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 for general corporate purposes (Note 35). Interest is payable at 6 (six) months Libor plus 0.25% p.a, repayable in semi-annual installments of US\$1.25 million, commencing June 10, 2006 until June 4, 2018. The loan is guaranteed by Nederlandsche Credietverzekering Maatschappij ("NCM") for country and political risk. Outstanding balance of this facility as of December 31, 2005 and 2004 amounted to Rp294,900 and Rp278,550, respectively.

22. SHARE CAPITAL AND SHARE PREMIUM

The Bank's shareholders as of December 31, 2005 and 2004 are as follows:

	December 31, 2005 and 2004			
	Number of of Issued and Fully Paid Shares	Par Value (full amount)	Amount	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%
Total	600,000		600,000	100.00%

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 27, 2006, the liquidation is still in process (Note 10).

The share premium arose from 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.

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23. INTEREST AND COMMISSION INCOME

Interest and fees and commission income were derived from the following:

	2005	2004
Loans	233,742	106,366
Securities	48,073	35,729
Fees and commissions	21,225	15,649
Placements with other banks	14,231	9,326
Others	2,628	-
Total	319,899	167,070

Interest income from related parties during 2005 and 2004 amounted to Rp6,839 and Rp4,233, respectively.

24. INTEREST EXPENSE

This account represents interest expense incurred on the following:

	2005	2004
Time deposits	126,608	50,826
Subordinated loans	15,928	6,534
Derivatives	2,847	12,901
Demand deposits	2,464	2,946
Total	147,847	73,207

Interest expense to related parties during 2005 and 2004 amounted to Rp25,095 and Rp6,791, respectively.

25. REVERSAL OF ALLOWANCE FOR LOSSES ON EARNING ASSETS AND ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES - NET

	2005	2004
(Provision) reversal of allowance for possible losses:		
Current accounts with other banks (Note 4e)	(496)	(165)
Placements with other banks (Note 5e)	(1,589)	1,233
Securities (Note 6d)	536	(233)
Derivative receivables (Note 7)	22	(41)
Loans (Note 8)	(15,438)	5,220
Acceptances receivable (Note 9c)	11,766	(452)
Investments in shares of stock (Note 10b)	2,677	153
Estimated losses on commitments and contingencies (Note 18c)	6,190	(624)
Net	3,668	5,091

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26. GENERAL AND ADMINISTRATIVE EXPENSES

	2005	2004
Administration charges	26,036	22,539
Building rental	3,338	3,745
Mailing and telecommunications	3,427	2,722
Depreciation (Note 11)	1,613	1,249
Professional fees	1,749	1,217
Transportation and business traveling	1,182	682
Repairs and maintenance	831	650
Others	1,220	2,024
Total	39,396	34,828

Administration charges represent expenses for services provided by the parent company and with its other regional branches.

As of December 31, 2005 and 2004, general and administrative expenses incurred with related parties amounted to Rp26,074 and Rp22,570, respectively.

27. SALARIES AND EMPLOYEE BENEFITS

	2005	2004
Salaries, wages, pension, severance and benefits in kind	21,752	17,487
Bonus	7,691	8,188
Training and development	2,249	1,966
Employee benefits (Note 36a)	729	649
Transportation	559	694
Others	741	427
Total	33,721	29,411

28. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies are derived from third parties and consist of the following:

	2005	2004
Commitments		
Commitment payables:		
Unused loan facilities	359,252	357,074
Outstanding irrevocable letters of credit	28,923	238,252
Total commitment payables	388,175	595,326

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28. COMMITMENTS AND CONTINGENCIES (continued)

	<u>2005</u>	<u>2004</u>
Contingencies		
Contingent receivables:		
Interest receivables on non-performing loans	70,074	65,853
Contingent payables:		
Bank guarantees issued	20,397	696
Contingent receivables - net	49,677	65,157
Commitments and contingencies - Net	338,498	530,169

29. FOREIGN CURRENCY TRANSACTIONS

Details of outstanding spot foreign currency bought and sold transactions from third parties as of December 31, 2005 and 2004 are as follows:

Original Currency	2005			
	Spot-Bought		Spot-Sold	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
United States Dollar	-	-	712,600	7,005
Euro	80,000	931	-	-
Total		931		7,005

Original Currency	2004			
	Spot-Bought		Spot-Sold	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
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
Total		240,432		267,879

30. BANK GUARANTEES ISSUED

All bank guarantees issued as of December 31, 2005 and 2004 are for third parties.

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31. MATURITY PROFILE

Description	December 31, 2005					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 – 5 years	>5 years
Assets						
Cash	515	515	-	-	-	-
Current accounts with Bank Indonesia	122,940	122,940	-	-	-	-
Current accounts with other banks - net	74,795	74,795	-	-	-	-
Placements with Bank Indonesia and other banks - net	175,102	175,102	-	-	-	-
Securities - net	309,710	1,021	246,192	-	62,497	-
Derivative receivables - net	2,588	2,588	-	-	-	-
Loans - net	2,893,377	838,225	596,079	108,927	1,237,415	112,731
Acceptances receivable - net	4,542	2,965	1,577	-	-	-
Investments in shares of stock - net	17,988	-	-	-	17,988	-
Premises and equipment - net	4,471	-	-	-	4,471	-
Deferred tax assets	3,881	-	-	-	3,881	-
Other assets	42,673	61	35,834	5,771	1,007	-
Total	3,652,582	1,218,212	879,682	114,698	1,327,259	112,731
Liabilities						
Liabilities immediately payable	5,550	5,550	-	-	-	-
Deposits from customers - demand deposits	326,956	326,678	-	-	278	-
Deposits from customers - time deposits	1,417,421	1,218,952	183,111	14,794	564	-
Deposits from other banks - demand deposits	3,201	3,201	-	-	-	-
Deposits from other banks - interbank call money	209,800	209,800	-	-	-	-
Certificates of deposit	199,185	199,185	-	-	-	-
Borrowings	600,130	-	380,421	-	-	219,709
Derivative payables	2,311	251	1,403	657	-	-
Acceptances payable	4,588	2,995	1,593	-	-	-
Estimated losses on commitments and contingencies	493	493	-	-	-	-
Taxes payable	394	-	394	-	-	-
Other liabilities	72,183	364	71,819	-	-	-
Subordinated loans	373,540	-	-	-	78,640	294,900
Total	3,215,752	1,967,469	638,741	15,451	79,482	514,609

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31. MATURITY PROFILE (continued)

Description	December 31, 2004					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 – 5 years	>5 years
Assets						
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	-
Derivative receivables - 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	15,310	-	-	-	15,310	-
Premises and equipment - net	2,211	-	-	-	2,211	-
Deferred tax assets	6,716	-	-	-	6,716	-
Other assets	19,888	293	14,017	4,776	802	-
Total	2,831,775	1,264,797	593,809	84,732	470,639	417,798
Liabilities						
Liabilities immediately payable	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	191,922	191,922	-	-	-	-
Borrowings	478,824	-	232,125	-	-	246,699
Derivative payables	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
Total	2,495,235	1,405,339	457,823	13,974	123,026	495,073

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32. NET OPEN POSITION

Net Open Position (NOP) as of December 31, 2005 is computed based on BI Regulation No. 7/37/PBI/2005 dated September 30, 2005 regarding The Second Amendment of BI Regulation No. 5/13/PBI/2003 of regarding NOP for Commercial Banks, whereas NOP as of December 31, 2004 are computed based on BI Regulation No. 6/20/PBI/2004 dated July 15, 2004 regarding The Amendment of BI Regulation No. 5/13/PBI/2003 regarding NOP for Commercial Banks. Based on these decision letters, banks are required to maintain overall and balance sheet net open position of a maximum of 20% of the total capital.

The balance sheet NOP is the net difference (2004: the sum of the absolute values of the net difference) between the assets and liabilities denominated in each foreign currency which are stated in Rupiah. The overall NOP is the sum of the absolute values of the net difference between the assets and liabilities denominated in each foreign currency and net difference of the receivables and payables of both commitments and contingencies recorded in the administrative accounts denominated in each foreign currency, which are stated in Rupiah.

The Bank's NOP and NOP ratio as of December 31, 2005 and 2004 are calculated as follows:

Currency	December 31, 2005			
	Assets	Liabilities	Net Value	Net Absolute Value
<u>On-Balance Sheet</u>				
Unites States Dollar	2,162,739	2,134,934	27,805	27,805
Japanese Yen	39,721	39,301	420	420
Euro	20,005	20,963	(958)	958
Others	451	57	394	483
Total			27,661	29,667
<u>Off-Balance Sheet</u>				
Unites States Dollar	160,517	188,757	(28,240)	28,240
Euro	931	-	931	931
Total			27,309	29,171
Total Absolute Open Position				1,365
NOP Ratio (On-Balance Sheet)				4.6%
NOP Ratio				0.2%

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32. NET OPEN POSITION (continued)

Currency	December 31, 2004		
	Assets	Liabilities	Net Absolute Value
On-Balance Sheet			
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
Total			36,609
Off-Balance Sheet			
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
Total			29,607
Total Absolute Open Position			7,009
NOP Ratio (On-Balance Sheet)			8.4%
NOP Ratio			1.6%

33. CAPITAL ADEQUACY RATIO

Following is the Bank's minimum Capital Adequacy Ratio based on the Circular Letter from BI No. 7/10/DPNP dated March 31, 2005 regarding Yearly, Quarterly and Monthly Published Financial Statements for Public Banks and Certain Reports Submitted to BI and for 2005 also based on BI Regulation No. 5/12/PBI/2003 dated July 17, 2003 regarding Capital Adequacy Ratio of Commercial Banks with Consideration for Credit and Market Risks:

	2005	2004
Without market risk charge:		
Total Tier I and II Capital	606,091	449,270
Less: Investments	(17,988)	(15,310)
Total Capital	588,103	433,960
Total Risk-Weighted Assets	3,146,476	2,353,540
CAR	18.69%	18.44%

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33. CAPITAL ADEQUACY RATIO (continued)

	2005	2004
With market risk charge:		
Total Capital	588,103	433,960
Total Risk-Weighted Assets	3,152,576	2,368,841 ^{*)}
CAR	18.65%	18.32%^{*)}
Minimum CAR	8%	8%

^{*)} Unaudited

The Bank presented its 2004 Minimum Capital Adequacy Ratio to conform with BI Circular Letter No. 7/10/DPNP dated March 31, 2005.

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

The non-performing earning assets ratio (gross) as a percentage of the total earning assets as of December 31, 2005 and 2004 amounted to 4.76% and 10.54%, respectively (on a net basis the percentage amounted to 1.22% and 1.62% as of December 31, 2005 and 2004, respectively).

35. RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Bank engages in significant transactions with related parties which have normal terms and conditions as third parties, except for the loans to the Bank's employees (Note 8), as follows:

	2005	2004
Assets		
Current accounts with other banks (Note 4c)	19,980	20,119
Placements with other banks (Note 5c)	117,960	3,714
Derivative receivables (Note 7)	-	668
Loans (Note 8)	13,882	11,557
Investments in shares of stock (Note 10)	15,310	15,310
Other assets	997	839
Total assets with related parties	168,129	52,207
Total assets	3,652,582	2,831,775
Percentage of assets with related parties to total assets	4.6%	1.8%

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35. RELATED PARTY TRANSACTIONS (continued)

The percentages of asset balances with related parties as compared to total assets are as follows:

	2005	2004
Current accounts with other banks	0.5%	0.7%
Placements with other banks	3.2%	0.1%
Derivative receivables	-	-
Loans	0.4%	0.4%
Investments in shares of stock	0.4%	0.5%
Other assets	0.1%	0.1%
Total percentage of assets with related parties to total assets	4.6%	1.8%

	2005	2004
Liabilities		
Deposits from customers - demand deposits (Note 13b)	51,754	49,611
Deposits from customers - time deposits (Note 14b)	130	-
Deposits from other banks - demand deposits (Note 15b)	2,484	4,761
Borrowings (Note 17b)	395,731	247,435
Derivative payables (Note 7)	-	2,023
Other liabilities (Note 20)	27,691	26,098
Subordinated loans (Note 21)	373,540	371,400
Total liabilities with related parties	851,330	701,328
Total liabilities	3,215,752	2,495,235
Percentage of liabilities with related parties to total liabilities	26.5%	28.1%

The percentages of liability account balances with related parties as compared to total liabilities are as follows:

	2005	2004
Deposits from customers - demand deposits	1.6%	2.0%
Deposits from customers - time deposits	-	-
Deposits from other banks - demand deposits	0.1%	0.2%
Borrowings	12.3%	9.9%
Derivative payables	-	0.1%
Other liabilities	0.9%	1.0%
Subordinated loans	11.6%	14.9%
Total percentage of liabilities with related parties to total liabilities	26.5%	28.1%

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35. RELATED PARTY TRANSACTIONS (continued)

	2005	2004
Profit and loss		
Interest income (Note 23)	6,839	4,233
Interest expense (Note 24)	25,095	6,791
General and administrative expenses (Note 26)	26,074	22,570

The percentages of profit and loss accounts with related parties as compared to respective totals, are as follows:

	2005	2004
Interest income	2.1%	2.5%
Interest expense	17%	9.3%
General and administrative expenses	66.2%	64.8%

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

36. 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 principal assumptions used in determining employee benefits liability as of December 31, 2005 and 2004 are as follows:

Interest rate	: 9% per year	
Expected return on plan assets	: 7%	
Salary increase rate	: 7% per year	
Mortality rate	: CSO 1999	
Retirement age	: 55 years	
Method	: Projected Unit Credit	

The current year contribution under the pension plan is Rp729 (2004: Rp649).

The following tables summarize the components of net employee service entitlement expense recognized in the profit and loss statement and amounts recognized in the balance sheet in relation to employee service entitlements as determined as of December 31, 2005 by an independent actuary (PT Sentra Jasa Aktuaria) in its report dated February 24, 2006.

a. Net employee service entitlement expense

	2005	2004
Current service cost	368	291
Interest cost	221	148
Net actuarial loss	121	191
Amortization of unrecognized past service cost	19	19
Net employee service entitlement expense	729	649

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36. EMPLOYEE BENEFITS (continued)

b. Employee benefits payable as of December 31, 2005 and 2004 is comprised of:

	2005	2004
Present value of defined benefit obligation (*)	2,957	2,452
Unrecognized actuarial losses	(715)	(870)
Unrecognized past service cost	(269)	(288)
Balance as of December 31, 2005 and 2004	1,973	1,294

(*) after taking into account the defined contribution scheme

Movements in the employee benefits payable during the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Balance at beginning of year	1,294	1,294
Net employee service entitlement expense	729	649
Benefits paid	(50)	(649)
Balance at end of year	1,973	1,294

37. CURRENT ECONOMIC CONDITIONS

The operations of the Bank have been affected, and may continue to be affected for the foreseeable future by the economic conditions in Indonesia. Despite recent improvement in key economic indicators, Indonesian banks have engaged in limited lending activities. Any worsening of economic conditions, including a significant depreciation of the Rupiah or increase in interest rates, could adversely affect the ability of the Bank's customers (including borrowers and other contractual counterparties) to fulfill their obligations when they mature, and consequently negatively impact the Bank's profitability and its capital adequacy. Economic improvements and sustained recovery are dependent upon several factors such as fiscal and monetary actions being undertaken by the Government and others; actions that are beyond the control of the Bank.

In response to these conditions, the measures, which the Bank has implemented, or plan to implement include:

- Continue to focus on food, agribusiness, telecommunication, media and internet sectors.
- Explore opportunities in new sectors (e.g. Natural Resources).
- Expand the product range including merger, acquisition and advisory resources.
- Diversify funding sources.
- Implement enterprise risk management.

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37. CURRENT ECONOMIC CONDITIONS (continued)

The accompanying financial statements include the effects of the economic conditions to the extent they can be determined and estimated. Recovery of the economy depends on the monetary, fiscal and other measures that have been and will be undertaken by the Indonesian Government to achieve economic recovery: actions which are beyond the control of the Bank. It is not possible to determine the future effects of the economic conditions on the Bank's liquidity, earnings and realization of their earning assets, including the effects from their customers, creditors, shareholders and other stakeholders. The ultimate effect of these uncertainties on 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 Committee to review the risks in the Bank based upon an Enterprise Risk Management (ERM) approach. In this Risk Committee, compliance, audit and regulatory issues are also discussed. The Risk Committee reports twice a year to the Board of Commissioners 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 BI 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)

Market Risk (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 BI regulations. The Bank complies with the BI 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, 2005 the foreign currency net open position was 0.2% 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 BI 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. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the financial statements as of December 31, 2004 have been reclassified to conform with the presentation of accounts in the financial statements as of December 31, 2005, and are as follows:

	<u>As Previously Reported</u>	<u>Reclassification</u>	<u>As Reclassified</u>
Investments in shares of stock	116,737	15,310	132,047
Other assets	35,198	(15,310)	19,888
Deposits from other banks			
- interbank call money	655,436	(463,514)	191,922
Borrowings	15,310	463,514	478,824

These financial statements are originally issued in the Indonesian language.

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40. SUBSEQUENT EVENT

In January 2006, Bank Indonesia issued certain regulations in respect to, among others, Assessment of the Quality of Earning Assets, Implementation of Good Corporate Governance for a Commercial Bank, Banking Intermediaries and Procedures of Selling and Purchasing of Government Bonds by Bank Indonesia in a Secondary Market in Connection with Open Market Operation. The Bank's management has determined that these regulations will affect the Bank's financial statements prospectively.

41. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Bank is responsible for the preparation of these financial statements that were completed on February 27, 2006.