

**Financial Statements  
With Independent Auditors' Report  
December 31, 2006  
With Comparative Figures for 2005**

**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  
DECEMBER 31, 2006  
WITH COMPARATIVE FIGURES FOR 2005**

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## **Independent Auditors' Report**

Report No. RPC-6634

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

We have audited the balance sheet of PT Bank Rabobank International Indonesia (the "Bank") as of December 31, 2006, and the related statements of income, changes in shareholders' equity, and cash flows for the year 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 audit. The financial statements of PT Bank Rabobank International Indonesia as of and for the year ended December 31, 2005, were audited by Prasetio, Sarwoko & Sandjaja, whose report dated February 27, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of PT Bank Rabobank International Indonesia as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

**Purwantono, Sarwoko & Sandjaja**

**Drs. Iman Sarwoko**

Public Accountant Licence No. 98.1.0359

March 5, 2007

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

These financial statements are originally issued in the Indonesian language.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**BALANCE SHEETS**  
**December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	2006	2005
<b>ASSETS</b>			
Cash		581	515
Current accounts with Bank Indonesia	3	83,038	122,940
Current accounts with other banks	2b,2c, 2k,4,34	70,332	75,551
Less: Allowance for possible losses		(703)	(756)
Net		69,629	74,795
Placements with Bank Indonesia and other banks	2b,2d, 2k,5,34	-	176,760
Less: Unamortized interest		-	(30)
Allowance for possible losses		-	(1,628)
Net		-	175,102
Securities	2e,2k,6	279,558	309,982
Less: Allowance for possible losses		(219)	(272)
Net		279,339	309,710
Derivative receivables	2b,2f, 2k,7,34	4,274	2,614
Less: Allowance for possible losses		(43)	(26)
Net		4,231	2,588
Loans	2b,2g,2h, 2k,8,34	2,980,118	3,069,852
Less: Allowance for possible losses		(80,489)	(176,475)
Net		2,899,629	2,893,377
Acceptances receivables	2i,2k,9a	57,236	4,588
Less: Allowance for possible losses		(572)	(46)
Net		56,664	4,542
Investments in shares of stock	2b,2j,2k, 10,17,22 34	-	127,001
Less: Allowance for permanent decline in value		-	(106,336)
Allowance for possible losses		-	(2,677)
Net		-	17,988
Premises and equipment	2l,11	17,377	15,309
Less: Accumulated depreciation		(12,615)	(10,838)
Net		4,762	4,471
Deferred tax assets-net	2u,19	2,302	3,881
Other assets	2b,2m, 12,34	27,442	42,673
<b>TOTAL ASSETS</b>		<b>3,427,617</b>	<b>3,652,582</b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**BALANCE SHEETS (continued)**  
**December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities immediately payable	2n	2,427	5,550
Deposits from customers	2b,2o, 13,14,34		
Demand deposits		252,014	326,956
Time deposits		854,363	1,417,421
Total deposits from customers		<u>1,106,377</u>	<u>1,744,377</u>
Deposits from other banks	2b,2p,15, 16,34		
Demand deposits		4,322	3,201
Interbank call money		455,559	209,800
Total deposits from other banks		<u>459,881</u>	<u>213,001</u>
Certificate of deposits		-	199,185
Borrowings	2b,10,17, 22,34	870,172	600,130
Derivative payables	2b,2f,7	5,529	2,311
Acceptances payables	2i,9b	57,236	4,588
Estimated losses on commitments and contingencies	2k,18,28	5,006	493
Taxes payable	2u,19	434	394
Other liabilities	2b 2t,20,34	77,221	72,183
Subordinated loans	2b,21,34	312,854	373,540
<b>TOTAL LIABILITIES</b>		<b><u>2,897,137</u></b>	<b><u>3,215,752</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
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 gains (losses) on increase (decrease) in fair value of available-for-sale securities	2e	1,624	(45)
Accumulated losses		(73,885)	(165,866)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>530,480</u></b>	<b><u>436,830</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>3,427,617</u></b>	<b><u>3,652,582</u></b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF INCOME**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
<b>INTEREST AND COMMISSION INCOME</b>	2b,2q,2r,34		
Interest income	23	275,357	298,674
Fees and commissions		19,962	21,225
<b>Total interest and commission income</b>		<u>295,319</u>	<u>319,899</u>
<b>INTEREST EXPENSE</b>	2b,2q,24,34	(181,459)	(152,069)
<b>NET INTEREST INCOME</b>		<u>113,860</u>	<u>167,830</u>
<b>OTHER OPERATING INCOME</b>			
Gains on sale of earning assets		47,888	3,521
Foreign exchange gains - net	2s	7,227	10,867
Other fees and commissions	2r	13,987	9,150
<b>Total other operating income</b>		<u>69,102</u>	<u>23,538</u>
Reversal of allowance for losses on earning assets and estimated losses on commitments and contingencies - net	2k,25	17,350	3,668
<b>OTHER OPERATING EXPENSES</b>			
General and administrative expenses	2b,11,26,34	(50,816)	(39,396)
Salaries and employee benefits	2t,27,35	(43,530)	(33,721)
Loss on sale of securities		(3,519)	(353)
Loss on loan restructuring	8	(900)	-
<b>Total other operating expenses</b>		<u>(98,765)</u>	<u>(73,470)</u>
<b>PROFIT FROM OPERATIONS</b>		101,547	121,566
<b>NON-OPERATING INCOME – NET</b>		-	220
<b>PROFIT BEFORE CORPORATE INCOME TAX EXPENSE</b>		101,547	121,786
<b>CORPORATE INCOME TAX EXPENSE</b>	2u,19		
Current		(7,987)	(18,616)
Deferred		(1,579)	(2,835)
<b>NET INCOME</b>		<u><u>91,981</u></u>	<u><u>100,335</u></u>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Issued and Paid-up Capital	Share Premium	Unrealized Gains (Losses) on Increase (Decrease) in Fair Value of Available- for-Sale Securities	Accumulated Losses	Total Shareholders' Equity
Balance, December 31, 2004	600,000	2,741	-	(266,201)	336,540
Net income for 2005	-	-	-	100,335	100,335
Decrease in fair value of available- for-sale securities	-	-	(45)	-	(45)
<b>Balance, December 31, 2005</b>	<b>600,000</b>	<b>2,741</b>	<b>(45)</b>	<b>(165,866)</b>	<b>436,830</b>
Net income for 2006	-	-	-	91,981	91,981
Increase in fair value of available- for-sale securities	-	-	1,669	-	1,669
<b>Balance, December 31, 2006</b>	<b>600,000</b>	<b>2,741</b>	<b>1,624</b>	<b>(73,885)</b>	<b>530,480</b>

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

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CASH FLOWS**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before corporate income tax expense	101,547	121,786
Adjustments to reconcile profit before corporate income tax expense to net cash used in operating activities:		
Unrealized net foreign exchange (gains)/losses on borrowings and subordinated loans	(19,584)	21,800
Unrealized net foreign exchange (gains)/losses on earning assets loss provision	(11,206)	12,140
Reversal of allowance for losses on earning assets and estimated losses on commitments and contingencies - net	(17,350)	(3,668)
Depreciation	1,787	1,613
Gains on sale of loans	(43,841)	(8,738)
Gain on sale of investments in shares of stock	(4,047)	-
Gain on sale of premises and equipment	-	(202)
Operating income before changes in operating assets and liabilities	7,306	144,731
Changes in operating assets and liabilities:		
Decrease (increase) in operating assets:		
Placements with Bank Indonesia and other banks	176,730	(99,117)
Securities	32,093	(7,500)
Derivative receivables	(1,660)	2,013
Loans	26,270	(695,549)
Acceptances receivables	(52,648)	65,368
Other assets	15,231	(22,785)
Increase (decrease) in operating liabilities:		
Liabilities immediately payable	(3,123)	306
Deposits from customers	(638,000)	445,788
Deposits from other banks	246,880	17,878
Certificate of deposits	(199,185)	199,185
Derivative payables	3,218	(2,443)
Acceptances payables	52,648	(65,368)
Other liabilities	5,038	13,394
Total	(329,202)	(4,099)
Payment of corporate income tax	(7,947)	(24,111)
<b>Net cash used in operating activities</b>	<b>(337,149)</b>	<b>(28,210)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in investment in shares of stock	7,424	-
Purchases of premises and equipment	(2,078)	(3,882)
Proceeds from sale of loans	43,841	8,738
Proceeds from sale of investments in shares of stock	13,967	-
Proceeds from sale of premises and equipment	-	211
<b>Net cash provided by investing activities</b>	<b>63,154</b>	<b>5,067</b>

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**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CASH FLOWS (continued)**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings - net	128,782	121,306
Increase/(decrease) in subordinated loans - net	100,158	(19,660)
<b>Net cash provided by financing activities</b>	<b>228,940</b>	<b>101,646</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(45,055)</b>	<b>78,503</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	199,006	120,503
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>153,951</b>	<b>199,006</b>
 <b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
<b>Cash and cash equivalents at end of year consist of:</b>		
Cash	581	515
Current accounts with Bank Indonesia	83,038	122,940
Current accounts with other banks	70,332	75,551
<b>Total</b>	<b>153,951</b>	<b>199,006</b>
 <b>Activity not affecting cash flows:</b>		
Unrealized losses on decrease in fair value of available-for-sale securities	(1,669)	(45)

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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**1. GENERAL**

**Establishment of the Bank and General Information**

PT Bank Rabobank International Indonesia (the "Bank") was incorporated in the Republic of Indonesia based on the notarial deed No. 50 of Winnie Hadiprodjo, S.H., substitute notary of Kartini Muljadi, S.H., dated April 11, 1990, with the name of "PT Rabobank Duta". The deed of the establishment was approved by the Ministry of Justice 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 these 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 shareholders of the Bank have changed based on the circular resolution of the shareholders dated May 23, 2006, which was notarized by notarial deed No. 89 of Linda Herawati, S.H. dated June 23, 2006. PT Mitra Usaha Kencana Sejati (MUKS) bought all the shares owned by PT Rabo Finance Indonesia (liquidated). The Bank has informed Bank Indonesia about the change in its shareholders and has reported it to the Ministry of Justice and Human Rights of the Republic of Indonesia and was acknowledged in its letter No. C-UM.02.01.11852 dated July 12, 2006.

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

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

Based on the circular resolution of the shareholders dated December 15, 2006, which was notarized by notarial deed No. 15 of Linda Herawati, S.H. dated January 8, 2007, the shareholders approved to amend the Bank's Articles of Association concerning the change in the number comprising the Boards of Directors (BOD) and Commissioners (BOC). The BOD now consists of 1 (one) President Director and 3 (three) directors, and the BOC consists of 1 (one) President Commissioner and 2 (two) commissioners of the Bank.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(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, 2006 and 2005 are as follows:

	2006	2005
<b><u>Board of Commissioners</u></b>		
President Commissioner :	Mr. Humayunbosha	Mr. Humayunbosha
Commissioners :	Mrs. Shanti L. Poesposoetjipto	Mrs. Shanti L. Poesposoetjipto
	Mr. Fergus John Murphy	Mr. Wouter Jacob Kolff *)
		Mr. Fergus John Murphy
	2006	2005
<b><u>Board of Directors</u></b>		
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	Mr. Widiyarto Suwarto Sumitro

\*) Bank Indonesia (BI) in its letter No. 9/6/DPB2/TPB 2-6 dated January 18, 2007 stated that BI has approved the resignation of Mr. Wouter Jacob Kolff as Commissioner based on the circular resolution of shareholders dated December 15, 2006.

\*\*\*) Bank Indonesia (BI) in its letter No. 8/158/GBI/DPIP/Rahasia dated December 28, 2006 stated that BI has approved the resignation of Mr. Felix Istyono Hartadi as Compliance Director and has agreed to the nomination of Mrs. Dhien Tjahajani as the new Compliance Director. Moreover, based on the circular resolution of the shareholders dated January 8, 2007, which was notarized by notarial deed No. 42 of Linda Herawati, S.H. dated January 15, 2007, the shareholders approved the resignation of Mr. Felix Istyono Hartadi as Compliance Director of the Bank and has approved Mrs. Dhien Tjahajani to replace Mr. Felix Istyono Hartadi, effective January 8, 2007.

The Bank employs 96 employees as of December 31, 2006 (2005: 89 employees), unaudited.

**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 as of and for the years ended December 31, 2006 and 2005, 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" and other generally accepted accounting principles issued by the Indonesian Institute of Accountants (IAI), 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.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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

**a. Basis of Financial Statements (continued)**

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

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 SFAS No. 7, "Related Party Disclosures".

All significant transactions with related parties are disclosed in the appropriate notes to the financial statements. The Bank's personnel or employees, except for key management personnel, are not considered as related parties.

**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 discounts or premiums.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2006**  
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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 and other pricing models at reporting date.

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 in current earnings. The Bank's derivative transactions do not qualify as hedging for accounting purposes.

**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.

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.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2006**  
**With Comparative Figures for 2005**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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

**h. Loss on Loan Restructuring (continued)**

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 Receivables and Payables**

Acceptances receivables and payables 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 receivables.

**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 and Non-Earning Assets and Estimated Losses on Commitments and Contingencies**

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

BI issued regulations No. 7/2/PBI/2005 ("PBI 7/2005") relating to the assessment of the quality of assets of banks and No. 8/2/PBI/2006 ("PBI 8/2006") relating to the changes in PBI 7/2005.

Under PBI 7/2005, allowance for possible losses on assets should be provided for:

- a. Earning Assets which comprise of current accounts with other banks, placements with other banks, loans, securities, acceptances receivables, reverse repurchase agreements, derivative receivables, investments and commitments and contingencies with credit risk. Banks are required to assess their provision for these earning assets based on PBI 7/2005 starting January 20, 2005.
- b. Non-Earning Assets which include repossessed collaterals, abandoned properties, inter-branch accounts and suspense accounts. Banks are required to assess their provision for these non-earning assets based on PBI 7/2005 starting January 20, 2006.

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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)**

Criteria used to assess the quality of earning assets under PBI 7/2005 and PBI 8/2006 are summarized below:

- a. Status of principal and interest repayment.
- b. Basis of evaluation by management considering the three pillars (repayment performance, business prospects and financial condition) and other factors (i.e. other banks' credit rating, availability of audited financial statements, rating based on BI's examination, and collateral values).
- c. Additional criteria under PBI 8/2006.

Based on PBI 8/2006, some additional criteria on the classification of earning asset quality are as follows:

- a. Bank is required to apply uniform classification to Earning Assets used to finance 1 (one) debtor.
- b. If there is any difference in classification, the quality used shall conform with the lowest quality of the earning assets. The provision may be waived if the Earning Assets are classified on the basis of different assessment factors.
- c. Uniform classification of Earning Assets shall also apply to Earning Assets extended by more than 1 (one) bank and used to finance the same 1 (one) debtor or project on the basis of a joint financing agreement.
- d. The definition of lowest quality of the Earning Asset excludes:
  - Quality of Earning Assets classified using the additional factor of the country risk of the Republic of Indonesia; and/or
  - Quality of Earning Assets subject to claim write-off.
- e. The Bank is required to submit written information and explanations to Bank Indonesia in the event of any difference in classification of Earning Asset quality arising from the factors above.

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 - office	3
Office equipment, computer hardware and software	3
Motor vehicles	4

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

**I. Premises and Equipment (continued)**

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.

**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 income and expense are recognized on an accrual basis, except for interest income on loans and other earning assets classified as non-performing, which are recognized only when such interests are actually received. Interest income 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 income when collection in cash is received.

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

**q. Interest Income and Expense (continued)**

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 (classified as substandard and loss) 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**

Material commissions and fees directly or indirectly related to lending activities are recorded as deferred revenues and expenses, amortized using the straight-line method over their respective time periods. Other fees and commissions that are not related to either lending activities or specific time periods or not material 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 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 year. The foreign exchange rates applied in these financial statements as at December 31, 2006 and 2005 are as follows:

	<b>2006</b>	<b>2005</b>
United States Dollar 1/Rp	9,003	9,830
British Pound Sterling 1/Rp	17,616	16,982
Euro 1/Rp	11,846	11,643
Japanese Yen 100/Rp	7,563	8,383

**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.

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

**t. Pension Fund and Employee Benefits (continued)**

The Bank applies PSAK No. 24 (Revised 2004) - Employee Benefits. 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 up to between 10% of the present value of defined benefit obligation and 10% of the fair value of plan assets at that date. 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 income 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.

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.

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**3. CURRENT ACCOUNTS WITH BANK INDONESIA**

	<b>2006</b>	<b>2005</b>
United States Dollar	54,918	52,099
Rupiah	28,120	70,841
	<b>83,038</b>	<b>122,940</b>

The minimum reserve requirement of the Bank as of December 31, 2006 for its Rupiah and foreign currencies accounts are 5.5% and 3.17%, respectively (2005: 6.34% and 3.03%, respectively) in accordance with BI Regulation No. 7/29/PBI/2005 dated September 6, 2005. Accordingly, the Bank has complied with the minimum reserve requirement of Bank Indonesia as of December 31, 2006 and 2005.

**4. CURRENT ACCOUNTS WITH OTHER BANKS**

	<b>2006</b>	<b>2005</b>
a. By currency:		
Foreign currencies	69,996	74,902
Rupiah	336	649
Total	70,332	75,551
Less: Allowance for possible losses	(703)	(756)
	<b>69,629</b>	<b>74,795</b>

b. By collectibility:

All of the Bank's current accounts with other banks as of December 31, 2006 and 2005 are classified as current.

c. By related and third parties:

	<b>2006</b>	<b>2005</b>
Related parties:		
Foreign currencies	16,065	19,980
Third Parties:		
Foreign currencies	53,931	54,922
Rupiah	336	649
	54,267	55,571
Total	70,332	75,551
Less: Allowance for possible losses	(703)	(756)
	<b>69,629</b>	<b>74,795</b>

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 (Note 34).

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

d. Annual average interest rates during the year:

	<u>2006</u>	<u>2005</u>
Rupiah	-	3.55%
Foreign currencies:		
Euro	2.08%	1.46%
USD	2.19%	2.44%

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

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	756	246
Provision during the year (Note 25)	11	496
Foreign exchange translation	(64)	14
<b>Balance at end of year</b>	<b><u>703</u></b>	<b><u>756</u></b>

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

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

a. By type and currency:

	<u>2006</u>	<u>2005</u>
Rupiah:		
Bank Indonesia	-	14,000
Time deposits	-	44,800
Foreign currencies:		
Interbank call money	-	117,960
Total	-	176,760
Less: Unamortized interest	-	(30)
Allowance for possible losses	-	(1,628)
	<b><u>-</u></b>	<b><u>175,102</u></b>

b. By collectibility:

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

c. Foreign currency placements with other banks of Rp117,960 as of December 31, 2005, represent call money placed with Rabobank Singapore and Rabobank International New York, related parties (Note 34).

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

d. Annual average interest rates during the year:

	<b>2006</b>	<b>2005</b>
Rupiah	8.97%	7.95%
Foreign currencies		
USD	4.96%	3.27%
Euro	3.35%	-

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

	<b>2006</b>	<b>2005</b>
Balance at beginning of year	1,628	37
(Reversal) provision during the year (Note 25)	(1,622)	1,589
Foreign exchange translation	(6)	2
<b>Balance at end of year</b>	<b>-</b>	<b>1,628</b>

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.

**6. SECURITIES**

a. By type and currency:

	<b>2006</b>	<b>2005</b>
Rupiah:		
Trading		
Government bonds	11,643	44,116
Available-for-sale		
Certificates of Bank Indonesia	245,989	238,718
Corporate bond	14,624	12,955
	260,613	251,673
Total securities in Rupiah	272,256	295,789
Foreign currencies:		
Available-for-sale		
Export bills	7,302	14,193
Total	279,558	309,982
Less: Allowance for possible losses	(219)	(272)
	<b>279,339</b>	<b>309,710</b>

Government bonds have total fair values of Rp10,118 and Rp44,320 as of December 31, 2006 and 2005, respectively, while the corporate bond is rated idBBB as of December 31, 2006 and 2005 based on Pefindo's rating.

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**6. SECURITIES (continued)**

b. By collectibility:

All of the Bank's securities as of December 31, 2006 and 2005, respectively, are classified as current.

c. The annual average interest rates are as follows:

	<u>2006</u>	<u>2005</u>
Rupiah	14.75%	14.75%
Foreign currency USD	8.93%	7.99%

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

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	272	800
Reversal during the year (Note 25)	(53)	(536)
Foreign exchange translation	-	8
<b>Balance at end of year</b>	<b><u>219</u></b>	<b><u>272</u></b>

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, 2006 and 2005 is as follows:

	<u>December 31, 2006</u>			
<u>Type</u>	<u>Notional Amount (Contract)</u>	<u>Fair Value</u>	<u>Derivative Receivables</u>	<u>Derivative Payables</u>
<u>Related Parties</u> (Note 24)				
Related to exchange rate contracts:				
a. Swap - buy Euro/USD	2,426	2,581	155	-
b. Swap - cross currency USD/JPY		232	-	232
			<u>155</u>	<u>232</u>

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**7. DERIVATIVE RECEIVABLES AND PAYABLES (continued)**

<b>December 31, 2006</b>				
<u>Type</u>	<u>Notional Amount (Contract)</u>	<u>Fair Value</u>	<u>Derivative Receivables</u>	<u>Derivative Payables</u>
<b>Third Parties</b>				
Related to exchange rate contracts:				
a. Swap - buy				
US Dollar	71,973	70,186	-	1,787
b. Swap - sell				
US Dollar	266,098	262,259	3,839	-
c. Forward - buy				
US Dollar	166,970	164,541	-	2,429
d. Forward - sell				
US Dollar	10,754	10,474	280	-
Euro	2,610	2,635	-	25
Related to interest rate swap contracts				
		1,056	-	1,056
			4,119	5,297
Total			4,274	<b>5,529</b>
Less: Allowance for possible losses			(43)	
			<b>4,231</b>	

<b>December 31, 2005</b>				
<u>Type</u>	<u>Notional Amount (Contract)</u>	<u>Fair Value</u>	<u>Derivative Receivables</u>	<u>Derivative Payables</u>
<b>Third Parties</b>				
Related to exchange rate contracts:				
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	<b>2,311</b>
Less: Allowance for possible losses			(26)	
			<b>2,588</b>	

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**7. DERIVATIVE RECEIVABLES AND PAYABLES (continued)**

All of the Bank's derivative receivables as of December 31, 2006 and 2005 are classified as current.

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

	<b>2006</b>	<b>2005</b>
Balance at beginning of year	26	46
Provision (reversal) during the year (Note 25)	19	(22)
Foreign exchange translation	(2)	2
<b>Balance at end of year</b>	<b>43</b>	<b>26</b>

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

**8. LOANS**

a. By currency:

	<b>2006</b>	<b>2005</b>
Foreign currencies	2,097,453	1,927,672
Rupiah	882,665	1,142,180
Total	2,980,118	3,069,852
Less: Allowance for possible losses	(80,489)	(176,475)
	<b>2,899,629</b>	<b>2,893,377</b>

b. By type:

	<b>2006</b>	<b>2005</b>
Rupiah:		
Investment	323,229	310,000
Working capital	536,423	781,012
Employees	15,436	13,882
Others	7,577	10,179
Syndicated	-	27,107
	<b>882,665</b>	<b>1,142,180</b>

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**8. LOANS (continued)**

	<b>2006</b>	<b>2005</b>
Foreign currencies:		
Working capital	1,062,235	752,049
Investment	528,910	691,554
Syndicated	506,308	484,067
Others	-	2
	<u>2,097,453</u>	<u>1,927,672</u>
Total	2,980,118	3,069,852
Less: Allowance for possible losses	(80,489)	(176,475)
	<u><b>2,899,629</b></u>	<u><b>2,893,377</b></u>

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

c. By economic sector:

	<b>2006</b>	<b>2005</b>
Rupiah:		
Telecommunications	308,850	310,000
Food and agribusiness	272,390	529,733
Finance	210,436	189,000
Others	90,989	113,447
	<u>882,665</u>	<u>1,142,180</u>
Foreign currencies:		
Food and agribusiness	1,595,346	1,067,388
Finance	1,017	-
Mining	-	294,287
Others	501,090	565,997
	<u>2,097,453</u>	<u>1,927,672</u>
Total	2,980,118	3,069,852
Less: Allowance for possible losses	(80,489)	(176,475)
	<u><b>2,899,629</b></u>	<u><b>2,893,377</b></u>

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

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**8. LOANS (continued)**

d. By original maturity:

	<b>2006</b>	<b>2005</b>
Rupiah:		
Less than 1 year	544,000	791,191
1 - 2 years	-	27,107
2 - 5 years	14,404	310,975
Over 5 years	324,261	12,907
	<u>882,665</u>	<u>1,142,180</u>
Foreign currencies:		
Less than 1 year	1,088,376	765,425
1 - 2 years	156,383	52,788
2 - 5 years	633,313	871,569
Over 5 years	219,381	237,890
	<u>2,097,453</u>	<u>1,927,672</u>
Total	2,980,118	3,069,852
Less: Allowance for possible losses	(80,489)	(176,475)
	<u><b>2,899,629</b></u>	<u><b>2,893,377</b></u>

e. By collectibility:

	<b>2006</b>	<b>2005</b>
Current	2,585,975	2,576,255
Special mention	45,972	337,541
Substandard	348,171	19,204
Doubtful	-	21,786
Loss	-	115,066
	<u>2,980,118</u>	<u>3,069,852</u>
Less: Allowance for possible losses	(80,489)	(176,475)
	<u><b>2,899,629</b></u>	<u><b>2,893,377</b></u>

f. The annual average interest rates were as follows:

	<b>2006</b>	<b>2005</b>
Rupiah	14.14%	12.99%
Foreign currencies	8.45%	7.03%

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**8. LOANS (continued)**

**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 is 25.89% of the total syndicated loans in 2006 (ranged from 5.14% to 22.48% in 2005). The Bank's total participation in syndicated loans ranged from 0.26% to 32.93% of the total syndicated loans in 2006 (0.24% to 19.61% in 2005).
- The loans to the Bank's employees consist of interest-bearing loans at interest rates of 3% to 12.75% per annum in 2006 (3% to 8.45% per annum in 2005), 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 Rp348,171 and Rp156,056 as of December 31, 2006 and 2005, respectively. The non-performing loan ratio on a gross basis as of December 31, 2006 and 2005 is 11.68% and 5.08%, respectively (on a net basis is 9.93% and 0.9% for 2006 and 2005, 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 net non-performing loan ratio not exceeding 5% of the bank's total loans. The Bank's high NPL ratio was due to a significant loan which was classified as Loss then upgraded to Sub-standard during 2006 following the restructuring agreement which was signed in December 2006. The Bank has reported this matter to Bank Indonesia (BI) and expects to upgrade the said loan in February 2007 which will result in NPL ratio below the maximum limit set by BI.
- As of December 31, 2006 and 2005, the Bank has restructured loans amounting to Rp401,427 and Rp165,283, respectively, with an allowance for possible losses of Rp54,597 and Rp57,693, respectively. The agreed restructuring schemes comprise the 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, 2006 and 2005 amounted to Rp1,133 and Rp2,592, respectively (Note 34), which are given to directors, and are classified as current.
- As of December 31, 2006 and 2005, there were no excess and violation of the Legal Lending Limit, as per BI regulations.
- The changes in the allowance for possible losses on loans during the year are as follows:

	<b>2006</b>	<b>2005</b>
Balance at beginning of year	176,475	187,885
(Reversal) provision during the year (Note 25)	(21,416)	15,438
Loan sales	(108,694)	(46,917)
Recoveries	45,230	7,973
Foreign exchange translation	(11,106)	12,096
<b>Balance at end of year</b>	<b>80,489</b>	<b>176,475</b>

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**8. LOANS (continued)**

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

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.

In recognizing the provision for possible losses on loans, the Bank in most cases considers not to 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:

	<b>2006</b>	
	<b>Non-Performing Loans</b>	<b>Minimum Allowance for Possible Losses</b>
Food and agribusiness	39,321	5,898
Telecommunications	308,850	46,327
	<b>348,171</b>	<b>52,225</b>
	<b>2005</b>	
	<b>Non-Performing Loans</b>	<b>Minimum Allowance for Possible Losses</b>
Food and agribusiness	40,990	13,774
Others	115,066	115,066
	<b>156,056</b>	<b>128,840</b>

- 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.

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**9. ACCEPTANCES RECEIVABLES AND PAYABLES**

a. Acceptances Receivables

	<u>2006</u>	<u>2005</u>
Import:		
Rupiah	2,500	4,588
Foreign currency	54,736	4,588
Total	57,236	4,588
Less: Allowance for possible losses	(572)	(46)
	<u><b>56,664</b></u>	<u><b>4,542</b></u>

All of the Bank's acceptances receivables as of December 31, 2006 and 2005, respectively, are classified as current.

The changes in allowance for possible losses on acceptances receivables during the year are as follows:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	46	11,809
Provision (reversal) during the year (Note 25)	530	(11,766)
Foreign exchange translation	(4)	3
<b>Balance at end of year</b>	<u><b>572</b></u>	<u><b>46</b></u>

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

b. Acceptances Payables

	<u>2006</u>	<u>2005</u>
Import:		
Rupiah	2,500	4,588
Foreign currency	54,736	4,588
<b>Total</b>	<u><b>57,236</b></u>	<u><b>4,588</b></u>

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**10. INVESTMENTS IN SHARES OF STOCK**

	<b>2006</b>	<b>2005</b>
PT Sierad Produce Tbk.	-	81,428
PT Japfa Comfeed	-	30,263
PT Rabo Finance Indonesia (RFI)	-	15,310
Total	-	127,001
Less: Allowance for permanent decline in value	-	(106,336)
Allowance for possible losses	-	(2,677)
	<b>-</b>	<b>17,988</b>

- a. In 2006, the Bank has sold its shares participation in PT Sierad Produce Tbk and PT Japfa Comfeed to PT Millenium Atlantic Security and PT Sucorinvest Central Government, respectively.
- b. The changes in the allowance for possible losses on investments in shares of stock during the year are as follows:

	<b>2006</b>	<b>2005</b>
Balance at beginning of year	2,677	111,883
Provision (reversal) during the year (Note 25)	644	(2,677)
Reclassification to allowance for permanent decline in value	-	(106,336)
Sales during the year	(3,321)	(193)
<b>Balance at end of year</b>	<b>-</b>	<b>2,677</b>

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.

**11. PREMISES AND EQUIPMENT**

	<b>2006</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	
<u>At Cost</u>				
Office equipment	2,222	885	-	3,107
Computer hardware and software	7,644	1,193	10	8,827
Motor vehicles	3,277	-	-	3,277
Leasehold - office	2,166	-	-	2,166
Total cost	15,309	2,078	10	17,377
<u>Accumulated Depreciation</u>				
Office equipment	1,709	362	-	2,071
Computer hardware and software	4,688	1,046	10	5,724
Motor vehicles	2,315	339	-	2,654
Leasehold - office	2,126	40	-	2,166
Total accumulated depreciation	10,838	1,787	10	12,615
<b>Net book value</b>	<b>4,471</b>			<b>4,762</b>

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

	2005			Ending Balance
	Beginning Balance	Additions	Deductions	
<u>At Cost</u>				
Office equipment	2,136	86	-	2,222
Computer hardware and software	5,049	2,595	-	7,644
Motor vehicles	3,035	957	715	3,277
Leasehold - office	1,922	244	-	2,166
<b>Total cost</b>	<b>12,142</b>	<b>3,882</b>	<b>715</b>	<b>15,309</b>
<u>Accumulated Depreciation</u>				
Office equipment	1,476	233	-	1,709
Computer hardware and software	4,238	450	-	4,688
Motor vehicles	2,397	624	706	2,315
Leasehold - office	1,820	306	-	2,126
<b>Total accumulated depreciation</b>	<b>9,931</b>	<b>1,613</b>	<b>706</b>	<b>10,838</b>
<b>Net book value</b>	<b>2,211</b>			<b>4,471</b>

Depreciation of premises and equipment charged to 2006 profit and loss amounted to Rp1,787 (2005: Rp1,613) (Note 26).

Premises and equipment of the Bank as of December 31, 2006 were insured against risks of fire and theft for Rp18,841 (2005: Rp14,744). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Management believes that there is no impairment to the fixed assets as at of December 31, 2006 and 2005.

**12. OTHER ASSETS**

	2006	2005
Interest receivables	15,960	35,732
Prepaid expenses	10,039	5,771
Security deposits	1,036	1,007
Others	407	163
	<b>27,442</b>	<b>42,673</b>

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

a. By currencies:

	2006	2005
Rupiah	28,311	58,636
Foreign currencies	223,703	268,320
	<b>252,014</b>	<b>326,956</b>

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**13. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS (continued)**

b. By related and third parties:

	<b>2006</b>	<b>2005</b>
Related parties (Note 34)	141	51,754
Third parties	251,873	275,202
	<b>252,014</b>	<b>326,956</b>

Demand deposits from related parties as of December 31, 2006 and 2005 were placed by Rabo Club and Rabobank International Holding BV.

c. Annual average interest rates for the year:

	<b>2006</b>	<b>2005</b>
Rupiah	4%	6%
Foreign currencies:		
Euro	2.5%	1%
USD	1%	2%

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

a. By currencies:

	<b>2006</b>	<b>2005</b>
Rupiah	336,086	693,332
Foreign currencies	518,277	724,089
	<b>854,363</b>	<b>1,417,421</b>

b. By related and third parties:

	<b>2006</b>	<b>2005</b>
Related parties (Note 34)	85	130
Third parties	854,278	1,417,291
	<b>854,363</b>	<b>1,417,421</b>

Time deposits of related parties as of December 31, 2006 and 2005 were placed by Rabo Club.

c. Annual average interest rates for the year:

	<b>2006</b>	<b>2005</b>
Rupiah	8.44%	6.49%
Foreign currencies:		
USD	4.29%	2.52%
Euro	-	1.00%

d. Time deposits pledged as loan collateral as of December 31, 2006 and 2005 amounted to Rp19,157 and Rp30,969, respectively.

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**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:

	<b>2006</b>	<b>2005</b>
Related parties (Note 34)	1,133	2,484
Third parties	3,189	717
	<b>4,322</b>	<b>3,201</b>

The related party deposits from other banks - demand deposits were placed by Rabobank Nederland, Rabobank International Singapore branch, Rabobank Australia Sydney and Rabobank International Hong Kong branch.

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

- a. By currency:

	<b>2006</b>	<b>2005</b>
Rupiah	280,000	209,800
Foreign currency	175,559	-
	<b>455,559</b>	<b>209,800</b>

- b. By related and third parties:

There were no interbank call money deposits from related party banks as of December 31, 2006 and 2005.

- c. Annual average interest rates during the year:

	<b>2006</b>	<b>2005</b>
Rupiah	9.03%	6.00%
Foreign currencies:		
USD	5.15%	2.98%
JPY	2.27%	2.62%
Euro	3.00%	-

**17. BORROWINGS**

- a. By currency:

	<b>2006</b>	<b>2005</b>
Rupiah	-	15,310
Foreign currencies	740,754	584,820
	<b>740,754</b>	<b>600,130</b>

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**17. BORROWINGS (continued)**

b. By related and third parties:

	<b>2006</b>	<b>2005</b>
Related parties (Note 34)	450,150	395,731
Third parties	290,604	204,399
	<b>740,754</b>	<b>600,130</b>

As of December 31, 2006 and 2005, there were borrowings in foreign currencies from Rabobank Singapore, a related party, amounting to Rp450,150 and Rp380,421, respectively (Note 34). The remaining balance of Rp290,604 and Rp204,399 as of December 31, 2006 and 2005, respectively, were borrowings from European Investment Bank, a third party.

The borrowing in Rupiah amounting to Rp15,310 as of December 31, 2005 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 (former shareholder) that has been fully repaid on November 14, 2006 (Notes 10 and 24).

**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:

	<b>2006</b>	<b>2005</b>
Rupiah:		
Outstanding irrevocable letters of credit	-	20,719
Foreign currencies:		
Outstanding irrevocable letters of credit	25,907	8,204
Bank guarantees issued	133,136	20,397
	159,043	28,601
Total	159,043	49,320
Less: Estimated losses on commitments and contingencies	(5,006)	(493)
	<b>154,037</b>	<b>48,827</b>

b. By collectibility:

All of the Bank's commitments and contingencies as of December 31, 2006 and 2005 are classified as current.

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

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

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	493	6,667
Provision (reversal) during the year (Note 25)	4,537	(6,190)
Foreign exchange translation	(24)	16
<b>Balance at end of year</b>	<b><u>5,006</u></b>	<b><u>493</u></b>

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

**19. TAXATION**

**Corporate Income Tax Calculation**

	<u>2006</u>	<u>2005</u>
Profit before corporate income tax expense	101,547	121,786
<u>Differences between commercial and taxable income:</u>		
Depreciation of premises and equipment	(577)	343
Adjustment to provisions of employee benefits	(262)	-
Allowance for possible losses on earning assets	(70,765)	(64,378)
Gain from sale of earning assets	(10,312)	-
Loss from sale of premises and equipment	-	(181)
Donations, benefits-in-kind and other non-deductible items	7,049	4,544
<b>Estimated taxable income</b>	<b><u>26,680</u></b>	<b><u>62,114</u></b>
Current income tax expense at standard statutory rate	7,987	18,616
Less: Corporate income tax paid	(7,553)	(18,222)
<b>Corporate income tax payable</b>	<b><u>434</u></b>	<b><u>394</u></b>

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.

**Corporate income tax expense**

	<u>2006</u>	<u>2005</u>
Current	7,987	18,616
Deferred	1,579	2,835
	<b><u>9,566</u></b>	<b><u>21,451</u></b>

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**19. TAXATION (continued)**

**Deferred tax assets**

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

	<u>2006</u>	<u>2005</u>
Deferred tax assets:		
Allowance for possible losses on earning assets	1,994	3,268
Provision for employee service entitlements	543	621
Depreciation	(235)	(8)
<b>Net deferred tax assets</b>	<b><u>2,302</u></b>	<b><u>3,881</u></b>

**Analysis of change in deferred tax assets during the year:**

	<u>2006</u>	<u>2005</u>
Deferred tax assets at the beginning of year	3,881	6,716
Deferred income tax expense for the year	(1,579)	(2,835)
<b>Deferred tax assets at the end of year</b>	<b><u>2,302</u></b>	<b><u>3,881</u></b>

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**

	<u>2006</u>	<u>2005</u>
Payables to the parent company and its other regional branches (Note 34)	31,579	27,691
Accrued expenses	13,700	10,826
Interest payable	13,032	9,988
Unearned income	7,904	12,744
Others	11,006	10,934
	<b><u>77,221</u></b>	<b><u>72,183</u></b>

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

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## 21. SUBORDINATED LOANS

The Bank obtained subordinated loans from Rabobank Nederland, the Bank's majority shareholder, on various dates with outstanding balances as of December 31, 2006 and 2005 as follows (Note 34):

<u>Date Obtained</u>	<u>2006</u>	<u>2005</u>
November 11, 2002	54,018	78,640
November 17, 2003	258,836	294,900
<b>Balance at end of year</b>	<b>312,854</b>	<b>373,540</b>

The Bank obtained a subordinated loan of US\$10 million on November 11, 2002 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.

The Bank obtained an additional subordinated loan of US\$30 million on November 17, 2003 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 34). 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.

## 22. SHARE CAPITAL AND SHARE PREMIUM

The Bank's issued and paid-up capital as of December 31, 2006 and 2005 is comprised of:

	<u>December 31, 2006</u>				<u>December 31, 2005</u>			
	Number of of Issued and Fully Paid Shares	Par Value (full amount)	Amount	Percentage of Ownership	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%	594,000	1,000,000	594,000	99.00%
PT Mitra Usaha Kencana Sejati (MUKS)	6,000	1,000,000	6,000	1.00%	-	-	-	-
PT Rabo Finance Indonesia (RFI)	-	-	-	-	6,000	1,000,000	6,000	1.00%
	<b>600,000</b>		<b>600,000</b>	<b>100.00%</b>	<b>600,000</b>		<b>600,000</b>	<b>100.00%</b>

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**22. SHARE CAPITAL AND SHARE PREMIUM (continued)**

The composition of the shareholders of the Bank changed in 2006. In accordance with the notarial deed No. 89 of Linda Herawati, S.H. dated June 23, 2006, PT Mitra Usaha Kencana Sejati (MUKS) bought all the shares owned by PT Rabo Finance Indonesia (liquidated company pending tax clearance) with the approval from the General Meeting of the Shareholders ("RUPS") dated on June 14, 2006. The Bank has informed Bank Indonesia about the change in its shareholders and has reported it to the Ministry of Law and Human Rights.

The share premium of Rp2,741 as of December 31, 2006 and 2005 arose from interest earned on time deposits placed by the shareholders prior to commercial operations of the Bank and has been contributed by the shareholders as additional capital.

**23. INTEREST INCOME**

Interest income was derived from the following:

	<b>2006</b>	<b>2005</b>
Loans	204,723	233,742
Securities	58,409	48,073
Placements with BI and other banks	9,564	14,231
Others	2,661	2,628
	<b>275,357</b>	<b>298,674</b>

Interest income from related parties in 2006 and 2005 amounted to Rp5,408 and Rp6,839, respectively (Note 34).

**24. INTEREST EXPENSE**

This account represents interest expense incurred on the following:

	<b>2006</b>	<b>2005</b>
Time deposits	103,786	112,332
Fund Borrowings	34,560	14,276
Subordinated loans	26,532	15,928
Derivatives	6,278	2,847
Demand deposits	2,957	2,464
Others	7,346	4,222
	<b>181,459</b>	<b>152,069</b>

Interest expense to related parties in 2006 and 2005 amounted to Rp55,812 and Rp26,654, respectively (Note 34).

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

	<b>2006</b>	<b>2005</b>
(Provision) reversal of allowance for possible losses:		
Current accounts with other banks (Note 4e)	(11)	(496)
Placements with other banks (Note 5e)	1,622	(1,589)
Securities (Note 6d)	53	536
Derivative receivables (Note 7)	(19)	22
Loans (Note 8)	21,416	(15,438)
Acceptances receivables (Note 9c)	(530)	11,766
Investments in shares of stock (Note 10b)	(644)	2,677
Estimated losses on commitments and contingencies (Note 18c)	(4,537)	6,190
	<b>17,350</b>	<b>3,668</b>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2006</b>	<b>2005</b>
Administration charges	30,883	26,036
Professional fees	4,965	1,749
Mailing and telecommunications	3,629	3,427
Building rental	3,427	3,338
Transportation and business traveling	2,194	1,182
Depreciation (Note 11)	1,787	1,613
Repairs and maintenance	1,347	831
Others	2,584	1,220
	<b>50,816</b>	<b>39,396</b>

As of December 31, 2006 and 2005, general and administrative expenses incurred with related parties amounted to Rp21,321 and Rp26,074, respectively (Note 34). Administration expenses with related parties represent expenses for services provided by the parent company and its other regional branches.

**27. SALARIES AND EMPLOYEE BENEFITS**

	<b>2006</b>	<b>2005</b>
Salaries, wages, pension, severance and benefits in kind	26,060	21,752
Bonus	13,284	7,691
Training and development	1,950	2,249
Transportation	710	559
Employee benefits (Note 35a)	553	729
Others	973	741
	<b>43,530</b>	<b>33,721</b>

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**28. COMMITMENTS AND CONTINGENCIES**

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

	<u>2006</u>	<u>2005</u>
<b>Commitments</b>		
Commitment payables:		
Unused loan facilities	341,538	359,252
Outstanding irrevocable letters of credit	25,907	28,923
Total commitment payables	<u>367,445</u>	<u>388,175</u>
<b>Contingencies</b>		
Contingent receivables:		
Interest receivables on non-performing loans	97,933	70,074
Contingent payables:		
Bank guarantees issued	133,136	20,397
Contingent (payables) receivables – net	<u>(35,203)</u>	<u>49,677</u>
<b>Commitments and contingencies – Net</b>	<b><u>402,648</u></b>	<b><u>338,498</u></b>

All bank guarantees issued as of December 31, 2006 and 2005 are for third parties.

**29. FOREIGN CURRENCY TRANSACTIONS**

Details of outstanding spot foreign currency bought and sold transactions from third parties as of December 31, 2006 and 2005 are as follows:

	<b>2006</b>			
	<u>Spot-Bought</u>		<u>Spot-Sold</u>	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
<u>Original Currency</u>				
United States Dollar	8,500,000	76,476	6,811,848	61,290
		<b><u>76,476</u></b>		<b><u>61,290</u></b>

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

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**30. MATURITY PROFILE**

Description	December 31, 2006					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 - 5 years	>5 years
<b>Assets</b>						
Cash	581	581	-	-	-	-
Current accounts with Bank Indonesia	83,038	83,038	-	-	-	-
Current accounts with other banks - net	69,629	69,629	-	-	-	-
Securities - net	279,339	18,872	245,989	-	14,478	-
Derivative receivables - net	4,231	4,231	-	-	-	-
Loans - net	2,899,629	793,146	665,614	149,592	796,033	495,244
Acceptances receivables - net	56,664	7,978	44,575	4,111	-	-
Premises and equipment - net	4,762	-	-	-	4,762	-
Deferred tax assets	2,302	-	-	-	2,302	-
Other assets	27,442	596	15,771	10,039	1,036	-
<b>Total Assets</b>	<b>3,427,617</b>	<b>978,071</b>	<b>971,949</b>	<b>163,742</b>	<b>818,611</b>	<b>495,244</b>
<b>Liabilities</b>						
Liabilities immediately payable	2,427	2,427	-	-	-	-
Demand deposits	252,014	252,014	-	-	-	-
Time deposits	854,363	653,555	140,954	42,015	-	17,839
Deposits from other banks						
- Demand deposits	4,322	4,322	-	-	-	-
- Interbank call money	455,559	455,559	-	-	-	-
Borrowings	740,754	128,743	321,407	-	290,604	-
Derivative payables	5,529	4,241	232	-	1,056	-
Acceptances payables	57,236	8,059	45,025	4,152	-	-
Estimated losses on commitments and contingencies	5,006	5,006	-	-	-	-
Taxes payable	434	-	434	-	-	-
Other liabilities	77,221	259	76,962	-	-	-
Subordinated loans	442,272	-	-	-	54,018	388,254
<b>Total Liabilities</b>	<b>2,897,137</b>	<b>1,514,185</b>	<b>585,014</b>	<b>46,167</b>	<b>345,678</b>	<b>406,093</b>
<b>Assets (Liabilities) Net</b>	<b>530,480</b>	<b>(536,114)</b>	<b>386,935</b>	<b>117,575</b>	<b>472,933</b>	<b>89,151</b>

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**30. MATURITY PROFILE (continued)**

Description	December 31, 2005					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 - 5 years	>5 years
<b>Assets</b>						
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 receivables - 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	-
<b>Total</b>	<b>3,652,582</b>	<b>1,218,212</b>	<b>879,682</b>	<b>114,698</b>	<b>1,327,259</b>	<b>112,731</b>
<b>Liabilities</b>						
Liabilities immediately payable	5,550	5,550	-	-	-	-
Demand deposits	326,956	326,678	-	-	278	-
Time deposits	1,417,421	1,218,952	183,111	14,794	564	-
Deposits from other banks						
- Demand deposits	3,201	3,201	-	-	-	-
- Interbank call money	209,800	209,800	-	-	-	-
Certificates of deposits	199,185	199,185	-	-	-	-
Borrowings	600,130	-	380,421	-	-	219,709
Derivative payables	2,311	251	1,403	657	-	-
Acceptances payables	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
<b>Total</b>	<b>3,215,752</b>	<b>1,967,469</b>	<b>638,741</b>	<b>15,451</b>	<b>79,482</b>	<b>514,609</b>
<b>Assets (Liabilities) Net</b>	<b>436,830</b>	<b>(749,257)</b>	<b>240,941</b>	<b>99,247</b>	<b>1,247,777</b>	<b>(401,878)</b>

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**31. NET OPEN POSITION**

Net Open Position (NOP) as of December 31, 2006 and 2005 are 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 regarding NOP for Commercial Banks. Based on these regulations, banks are required to maintain an overall and balance sheet net open position at a maximum of 20% of the total regulatory capital.

The Bank's NOP and NOP ratio as of December 31, 2006 and 2005 are calculated as follows:

Currencies	<b>December 31, 2006</b>			
	Assets	Liabilities	Net Value	Net Absolute Value
<b>On-Balance Sheet</b>				
Unites States Dollar	2,259,511	2,218,051	41,460	41,460
Japanese Yen	29,837	29,636	201	201
Euro	17,378	16,367	1,010	1,010
Others	290	-	290	290
<b>Total</b>			<b>42,961</b>	<b>42,961</b>
<b>Off-Balance Sheet</b>				
Unites States Dollar	468,642	493,973	(25,331)	25,331
Euro	3,260	3,260	-	-
<b>Total</b>			<b>25,331</b>	<b>25,331</b>
Total Absolute Open Position				17,630
Total Capital as of December 31, 2006				752,170
<b>NOP Ratio (On-Balance Sheet)</b>				<b>5.7%</b>
<b>NOP Ratio</b>				<b>2.3%</b>

NOP Ratios based on the total capital as of November 30, 2006 (unaudited) are as follows :

Total Capital as of November 30, 2006	424,524
NOP Ratio (On-Balance Sheet)	10.1%
NOP Ratio (Overall)	4.2%

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

Currency	December 31, 2005			
	Assets	Liabilities	Net Value	Net Absolute Value
<b>On-Balance Sheet</b>				
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	29,666
<b>Off-Balance Sheet</b>				
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
Total Capital as of December 31, 2005				588,103
<b>NOP Ratio (On-Balance Sheet)</b>				<b>4.7%</b>
<b>NOP Ratio</b>				<b>0.2%</b>

NOP Ratios based on the total capital as of November 30, 2005 (unaudited) are as follows :

Total Capital as of November 30, 2005	582,020
NOP Ratio (On-Balance Sheet)	4.8%
NOP Ratio (Overall)	0.2%

**32. CAPITAL ADEQUACY RATIO**

Following is the Bank's Capital Adequacy Ratio based on BI Circular Letter 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 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:

	2006	2005
Credit risk charge:		
Total Tier I and II Capital	752,170	606,091
Less: Investments	-	(17,988)
Total Capital	752,170	588,103
Total Risk-Weighted Assets	3,345,688	3,146,476
<b>CAR – credit risk</b>	<b>22.48%</b>	<b>18.69%</b>

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**32. CAPITAL ADEQUACY RATIO (continued)**

	<b>2006</b>	<b>2005</b>
Credit and market risks charges:		
Total Capital	752,170	588,103
Total Risk-Weighted Assets	3,388,524	3,152,576
<b>CAR – credit and market risks</b>	<b>22.19%</b>	<b>18.65%</b>
Minimum CAR based on BI regulation	<b>8%</b>	<b>8%</b>

**33. 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, 2006 and 2005 amounted to 9.80% and 4.76%, respectively.

**34. 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:

	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current accounts with other banks (Note 4c)	16,065	19,980
Placements with other banks (Note 5c)	-	117,960
Derivative receivables (Note 7)	155	-
Loans (Note 8)	1,133	2,592
Investments in shares of stock (Note 10)	-	15,310
Other assets (Note 12)	691	997
Total assets with related parties	18,044	156,839
Total assets	3,427,617	3,652,582
<b>Percentage of assets with related parties to total assets</b>	<b>0.53%</b>	<b>4.29%</b>

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

	<b>2006</b>	<b>2005</b>
Current accounts with other banks	0.47%	0.54%
Placements with other banks	-	3.23%
Derivative receivables	-	-
Loans	0.04%	0.07%
Investments in shares of stock	-	0.42%
Other assets	0.02%	0.03%
<b>Total percentage of assets with related parties to total assets</b>	<b>0.53%</b>	<b>4.29%</b>

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

	<b>2006</b>	<b>2005</b>
<b>Liabilities</b>		
Deposits from customers - demand deposits (Note 13b)	141	51,754
Deposits from customers - time deposits (Note 14b)	85	130
Deposits from other banks - demand deposits (Note 15b)	1,133	2,484
Borrowings (Note 17b)	579,568	395,731
Other liabilities (Note 20)	31,579	27,691
Subordinated loans (Note 21)	312,854	373,540
Total liabilities with related parties	925,360	851,330
Total liabilities	2,897,137	3,215,752
<b>Percentage of liabilities with related parties to total liabilities</b>	<b>31.94%</b>	<b>26.47%</b>

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

	<b>2006</b>	<b>2005</b>
Deposits from customers - demand deposits	-	1.61%
Deposits from customers - time deposits	-	-
Deposits from other banks - demand deposits	0.04%	0.08%
Borrowings	20.01%	12.31%
Other liabilities	1.09%	0.86%
Subordinated loans	10.80%	11.61%
<b>Total percentage of liabilities with related parties to total liabilities</b>	<b>31.94%</b>	<b>26.47%</b>

	<b>2006</b>	<b>2005</b>
<b>Profit and loss</b>		
Interest income (Note 23)	5,408	6,839
Interest expense (Note 24)	55,812	25,095
General and administrative expenses (Note 26)	21,321	26,074

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

	<b>2006</b>	<b>2005</b>
Interest income	1.9%	2.1%
Interest expense	30.8%	16.5%
General and administrative expenses	42.0%	66.2%

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

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**35. 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, 2006 and 2005 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 Rp553 (2005: Rp729) (Note 27).

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, 2006 and 2005 by an independent actuary (PT Sentra Jasa Aktuaria) in its reports dated February 2, 2007 and February 24, 2006, respectively.

a. Net employee service entitlement expense

	<b>2006</b>	<b>2005</b>
Current service cost	307	368
Interest cost	266	221
Net actuarial (gain) loss	(51)	121
Amortization of unrecognized past service cost	31	19
<b>Net employee service entitlement expense</b>	<b>553</b>	<b>729</b>

b. Employee benefits payable as of December 31, 2006 and 2005 is comprised of:

	<b>2006</b>	<b>2005</b>
Present value of defined benefit obligation (*)	2,607	2,957
Unrecognized actuarial losses	(560)	(715)
Unrecognized past service cost	(238)	(269)
<b>Balance as of December 31, 2006 and 2005</b>	<b>1,809</b>	<b>1,973</b>

(\*) after taking into account the defined contribution scheme

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**35. EMPLOYEE BENEFITS (continued)**

Movements in the employee benefits payable during the years ended December 31, 2006 and 2005 are as follows:

	<b>2006</b>	<b>2005</b>
Balance at beginning of year	1,973	1,294
Net employee service entitlement expense	553	729
Benefits paid during the year	(717)	(50)
<b>Balance at end of year</b>	<b>1,809</b>	<b>1,973</b>

**36. 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 attempts 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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**36. 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 fair 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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**36. 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, 2006 the foreign currency net open position was 2.3% 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.

**37. SUBSEQUENT EVENT**

The Bank had upgraded a significant loan which was restructured in December 2006 from category Loss to Sub-standard, and subsequently to Special Mention as of February 28, 2007. As a result, the Bank's NPL ratios changed from 11.68% (gross) and 9.33% (net) as of December 31, 2006 to 1.59% (gross) and 1.35% (net) as of February 28, 2007 (unaudited).

**38. COMPLETION OF THE FINANCIAL STATEMENTS**

The management of the Bank is responsible for the preparation of these financial statements that were completed on March 5, 2007.