

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

**PT BANK RABOBANK  
INTERNATIONAL INDONESIA**

**PT BANK RABOBANK INTERNATIONAL INDONESIA  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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## Independent Auditors' Report

Report No. RPC-8444

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

We have audited the balance sheets of PT Bank Rabobank International Indonesia (the "Bank") as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Bank Rabobank International Indonesia as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Sarwoko & Sandjaja



Drs. Iman Sarwoko  
Public Accountant Licence No. 98.1.0359

February 29, 2008

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 applied to audit such financial statements are those generally accepted and applied in Indonesia.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**BALANCE SHEETS**  
**December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Notes	2007	2006
<b>ASSETS</b>			
Cash		468	581
Current accounts with Bank Indonesia	3	101,065	83,038
Current accounts with other banks	2b,2c, 2k,4,33	30,886	70,332
Less: Allowance for possible losses		(414)	(703)
Net		<u>30,472</u>	<u>69,629</u>
Placements with Bank Indonesia and other banks	2b,2d, 2k,5,33	9,000	-
Less: Allowance for possible losses		(90)	-
Net		<u>8,910</u>	<u>-</u>
Securities	2e,2k,6	317,278	279,558
Less: Allowance for possible losses		(280)	(219)
Net		<u>316,998</u>	<u>279,339</u>
Derivative receivables	2b,2f, 2k,7,33	1,246	4,274
Less: Allowance for possible losses		(12)	(43)
Net		<u>1,234</u>	<u>4,231</u>
Loans	2b,2g,2h, 2k,8,33	3,276,637	2,980,118
Less: Allowance for possible losses		(47,907)	(80,489)
Net		<u>3,228,730</u>	<u>2,899,629</u>
Acceptances receivables	2i,2k,9a	28,574	57,236
Less: Allowance for possible losses		(286)	(572)
Net		<u>28,288</u>	<u>56,664</u>
Premises and equipment	2l,10	28,924	17,377
Less: Accumulated depreciation		(15,081)	(12,615)
Net		<u>13,843</u>	<u>4,762</u>
Deferred tax assets - net	2u,18	4,290	2,302
Other assets	2b,2m, 11,33	69,262	27,442
<b>TOTAL ASSETS</b>		<b><u>3,803,560</u></b>	<b><u>3,427,617</u></b>

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**BALANCE SHEETS (continued)**  
**December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities immediately payable	2n	1,571	2,427
Deposits from customers	2b,2o, 12,13,33		
Demand deposits		220,509	252,014
Time deposits		1,014,142	854,363
Total deposits from customers		<u>1,234,651</u>	<u>1,106,377</u>
Deposits from other banks	2b,2p,14, 15,33		
Demand deposits		4,599	4,322
Interbank call money		528,788	455,559
Total deposits from other banks		<u>533,387</u>	<u>459,881</u>
Borrowings	2b,16,33	1,005,517	870,172
Derivative payables	2b,2f,7,33	2,236	5,529
Acceptances payables	2i,9b	28,574	57,236
Estimated losses on commitments and contingencies	2k,17,27	7,192	5,006
Taxes payable	2u,18	4,152	434
Other liabilities	2b, 2t,19,33	103,924	77,221
Subordinated loans	2b,20,33	284,138	312,854
<b>TOTAL LIABILITIES</b>		<b><u>3,205,342</u></b>	<b><u>2,897,137</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital - Rp1,000,000 par value (full amount)			
Authorized, issued and paid-up capital			
- 600,000 shares	1,21	600,000	600,000
Share premium	21	2,741	2,741
Unrealized gain on increase in fair value			
of available-for-sale securities	2e	-	1,624
Accumulated losses		(4,523)	(73,885)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>598,218</u></b>	<b><u>530,480</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>3,803,560</u></b>	<b><u>3,427,617</u></b>

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF INCOME**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>INTEREST AND COMMISSION INCOME</b>	2b,2q,2r,33		
Interest income	22	316,933	275,357
Fees and commissions		24,649	19,962
<b>Total interest and commission income</b>		<b>341,582</b>	<b>295,319</b>
<b>INTEREST EXPENSE</b>	2b,2q,23,33	(168,181)	(181,459)
<b>NET INTEREST INCOME</b>		<b>173,401</b>	<b>113,860</b>
<b>OTHER OPERATING INCOME</b>			
Other fees and commissions	2r	12,091	13,987
Foreign exchange gains - net	2s	8,418	7,227
Gain on sale of marketable securities		4,063	-
Gains on sale of earning assets		1,314	47,888
<b>Total other operating income</b>		<b>25,886</b>	<b>69,102</b>
Reversal of allowance for losses on earning assets and estimated losses on commitments and contingencies - net	2k,24	32,191	17,350
<b>OTHER OPERATING EXPENSES</b>			
General and administrative expenses	2b,10,25,33	(81,440)	(50,816)
Salaries and employee benefits	2t,26,34	(51,982)	(43,530)
Loss on sale of securities		-	(3,519)
Gain (loss) on loan restructuring	8	900	(900)
<b>Total other operating expenses</b>		<b>(132,522)</b>	<b>(98,765)</b>
<b>PROFIT FROM OPERATIONS</b>		<b>98,956</b>	<b>101,547</b>
<b>NON-OPERATING INCOME - NET</b>		205	-
<b>PROFIT BEFORE TAX BENEFIT (EXPENSE)</b>		<b>99,161</b>	<b>101,547</b>
<b>TAX BENEFIT (EXPENSE)</b>	2u,18		
Current		(31,787)	(7,987)
Deferred		1,988	(1,579)
<b>NET INCOME</b>		<b>69,362</b>	<b>91,981</b>

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	Issued and Paid-up Capital	Share Premium	Unrealized Gain on Increase in Fair Value of Available- for-Sale Securities	Accumulated Losses	Total Shareholders' Equity
<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>
Net income for 2007	-	-	-	69,362	69,362
Realized gain in fair value of available- for-sale securities	-	-	(1,624)	-	(1,624)
<b>Balance, December 31, 2007</b>	<b>600,000</b>	<b>2,741</b>	<b>-</b>	<b>(4,523)</b>	<b>598,218</b>

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before corporate income tax expense	99,161	101,547
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	44,386	(19,584)
Unrealized net foreign exchange (gains)/losses on earning assets provision for losses	2,653	(11,206)
Reversal of allowance for losses on earning assets and estimated losses on commitments and contingencies - net	(32,191)	(17,350)
Depreciation	3,779	1,787
Gain on sale of loans	(1,314)	(43,841)
Gain on sale of investments in shares of stock	-	(4,047)
Gain on sale of premises and equipment	(280)	-
Operating income before changes in operating assets and liabilities	116,194	7,306
Changes in operating assets and liabilities:		
Decrease (increase) in operating assets:		
Placements with Bank Indonesia and other banks	(9,000)	176,730
Securities	(39,345)	32,093
Derivative receivables	3,028	(1,660)
Loans	(297,833)	26,270
Acceptances receivables	28,662	(52,648)
Other assets	(41,820)	15,231
Increase (decrease) in operating liabilities:		
Liabilities immediately payable	(856)	(3,123)
Deposits from customers	128,551	(638,000)
Deposits from other banks	73,229	246,880
Certificate of deposits	-	(199,185)
Derivative payables	(3,293)	3,218
Acceptances payables	(28,662)	52,648
Other liabilities	26,703	5,038
Total	(44,442)	(329,202)
Payment of corporate income tax	(28,069)	(7,947)
<b>Net cash used in operating activities</b>	<b>(72,511)</b>	<b>(337,149)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in investment in shares of stock	-	7,424
Purchases of premises and equipment	(12,860)	(2,078)
Proceeds from sale of loans	1,314	43,841
Proceeds from sale of investments in shares of stock	-	13,967
Proceeds from sale of premises and equipment	280	-
<b>Net cash provided by (used in) investing activities</b>	<b>(11,266)</b>	<b>63,154</b>

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**STATEMENTS OF CASH FLOWS (continued)**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings - net	104,514	128,782
Increase/(decrease) in subordinated loans - net	(42,269)	100,158
<b>Net cash provided by financing activities</b>	<b>62,245</b>	<b>228,940</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,532)</b>	<b>(45,055)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	153,951	199,006
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>132,419</b>	<b>153,951</b>
 <b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
<b>Cash and cash equivalents at end of year consist of:</b>		
Cash	468	581
Current accounts with Bank Indonesia	101,065	83,038
Current accounts with other banks	30,886	70,332
<b>Total</b>	<b>132,419</b>	<b>153,951</b>
 <b>Activity not affecting cash flows:</b>		
Unrealized (realized) gain in fair value of available-for-sale securities	(1,624)	1,669

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

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2007 and 2006**  
**(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**  
**Years Ended December 31, 2007 and 2006**  
**(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, 2007 and 2006 are as follows:

	2007	2006
<b><u>Board of Commissioners</u></b>		
President Commissioner :	Mr. Humayunbasha	Mr. Humayunbasha
Commissioners :	Mrs. Shanti L. Poesposoetjipto Mr. Robert Jan Van Zadelhoff	Mrs. Shanti L. Poesposoetjipto Mr. Fergus John Murphy*)
	2007	2006
<b><u>Board of Directors</u></b>		
President Director :	Mr. Antonio da Silva Costa	Mr. Antonio da Silva Costa
Directors :	Mr. Antonius Marie Leonardus Nillesen Mrs. Dhien Tjahajani Mr. Widiyarto Suwarto Sumitro	Mr. Antonius Marie Leonardus Nillesen Mr. Felix Istyono Hartadi**) Mr. Widiyarto Suwarto Sumitro

\*) Bank Indonesia (BI) in its letter No. 9/154/DPB2/TPB 2-6 dated October 4, 2007 stated that BI has approved the resignation of Mr. Fergus John Murphy as Commissioner and has agreed to the nomination of Mr. Robert Jan Van Zadelhoff as the new Commissioner. Moreover, based on the circular resolution of the shareholders dated September 17, 2007, which was notarized by notarial deed No. 9 of Linda Herawati, S.H. dated October 3, 2007, the shareholders approved the resignation of Mr. Fergus John Murphy as Commissioner of the Bank and has approved Mr. Robert Jan Van Zadelhoff to replace Mr. Fergus John Murphy, effective September 21, 2007.

\*\*) 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 84 employees as of December 31, 2007 (2006: 96 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, 2007 and 2006, and are as follows:

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in millions of Rupiah, unless otherwise stated)**

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

**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 (PSAK) 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.

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 payments of cash and cash equivalents which are classified into operating, investing and financing activities, except for some cash flows in the operating and financing activities which are prepared using the indirect method. Cash and cash equivalent 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 PSAK 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:

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 statement of income. 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 in the current year's statement of income.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(Expressed in millions of Rupiah, unless otherwise stated)**

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

**e. Securities (continued)**

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 statement of income, but are presented as a separate component of shareholders' equity. Unrealized gains or losses are recognized in the current year's statement of income upon realization.

Held-to-maturity securities are stated at cost reduced or increased by the amortization of discounts or premiums.

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 statement of income.

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 year's statement of income. 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.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

**i. Acceptances 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**

The Bank provides allowance for losses on its earning assets and estimated losses on commitments and contingencies based upon a regular review and evaluation of individual exposures. In connection with this, the requirement of Bank Indonesia (BI) regarding the Allowance for Losses on Assets and Estimated Losses on Commitments and Contingencies bearing credit risk are used as reference. Earning assets include current accounts with other banks, placements with other banks, marketable securities, derivatives receivable, loans, acceptances receivable, investments in shares of stock, and commitments and contingencies arising from off-balance sheet transactions. Non-earning assets are assets with potential losses which include but is not limited to abandoned properties.

In accordance with Bank Indonesia (BI) regulations, the Bank classifies earning assets into one of five categories and non-earning assets into one of four categories. Performing assets are categorized as current and special mention, while non-performing assets are divided into three categories: sub-standard, doubtful and loss. The category for non-earning assets consist of current, sub-standard, doubtful and loss.

**PT BANK RABOBANK INTERNATIONAL INDONESIA**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The allowance for loan losses comprises specific provisions against loans and general provisions.

Specific provisions are calculated based on the borrower's debt servicing ability and adequacy of security. Specific provisions are made as soon as the debt servicing of the loan is questionable and when management considers the estimated repayment from the borrowing is likely to fall short of the amount of outstanding principal and interest.

General provisions are maintained for losses that are not yet identified but can reasonably be expected to arise, based on historical experience, from the existing overall loan portfolio. In determining the level of general provisions, management takes into account the composition of the portfolio and industry practice.

The determination of the minimum allowance for possible losses on assets and commitments and contingencies takes into consideration the guidelines prescribed in Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 (PBI 7) regarding Asset Quality Rating For Commercial Banks, which prescribe minimum rates of allowance for possible losses on assets and commitments and contingencies with credit-related risk, that was amended by Bank Indonesia Regulation No. 8/2/PBI/2006 dated January 30, 2006 regarding Amendment to PBI 7 concerning Asset Quality Rating For Commercial Banks, which has been further amended by Bank Indonesia Regulation No. 9/6/PBI/2007 dated March 30, 2007.

The determination of the minimum allowance in accordance with the Bank Indonesia Regulation is as follows:

1. General provision, at a minimum of 1% from the asset classified as current, except for earning assets in the form of Certificate of Bank Indonesia and Government Bonds (Government Recapitalization Bonds and other government bonds) and earning assets that are guaranteed with cash collateral such as current accounts, time deposit, savings, margin deposits, gold, Certificate of Bank Indonesia or Government Bonds, Government Guarantees in accordance with the regulations, standby letters of credit from prime banks, which is issued in accordance with Uniform Customs and Practice for Documentary Credit (UCP) or International Standard Practices (ISP).
2. Special provision at a minimum of:
  - a. 5% from the asset classified as special mention after deducting the value of collateral.
  - b. 15% from the asset classified as sub-standard after deducting the value of collateral.
  - c. 50% from the asset classified as doubtful after deducting the value of collateral.
  - d. 100% from the asset classified as loss after deducting the value of collateral.

The collateral value may only be deducted from allowance for possible losses as referred to above for earning assets.

The collateral which can be deducted from the allowance for possible losses on earning assets is collateral with an appraisal conducted not exceeding 24 months and with independent appraisal for amounts equal to/or exceeding Rp5 billion.

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

**I. Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation. Premises and Equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

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

The cost of repairs and maintenance is charged to current year's statement of 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 current year's statement of income.

The Bank determines the indication of assets impairment based on management's review in accordance with PSAK 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 statement of 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**

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 statement of income during the year. The foreign exchange rates applied in these financial statements as at December 31, 2007 and 2006 are as follows:

	2007	2006
United States Dollar 1/Rp	9,393	9,003
British Pound Sterling 1/Rp	18,760	17,616
Euro 1/Rp	13,822	11,846
Japanese Yen 100/Rp	8,384	7,563

**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. 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.

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.

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

**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.

**3. CURRENT ACCOUNTS WITH BANK INDONESIA**

	<b>2007</b>	<b>2006</b>
United States Dollar	58,331	54,918
Rupiah	42,734	28,120
	<b>101,065</b>	<b>83,038</b>

Based on Bank Indonesia's regulation (PBI) No. 6/15/PBI/2004 dated June 28, 2004, banks are required to maintain minimum reserve requirement (GWM) equivalent to 5% of third party funds in Rupiah currency from commercial banking and 3% of third party funds in foreign currency. In addition to the minimum reserve requirement, banks are required to maintain additional reserve requirements at certain percentages in excess of Rp1 trillion up to certain threshold amounts of third party funds in Rupiah. Bank Indonesia shall pay interest on the additional reserve requirement in Rupiah.

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**3. CURRENT ACCOUNTS WITH BANK INDONESIA (continued)**

Effective September 8, 2005, Bank Indonesia regulation (PBI) No. 7/29/PBI/2005 dated September 6, 2005 requires banks to maintain additional minimum reserve requirements (GWM) in Rupiah at certain percentage based on the amount of the Bank's loan deposit ratio (LDR). This regulation is an additional requirement to PBI No. 6/15/PBI/2004 dated June 28, 2004 on GWM.

The minimum reserve requirement of the Bank as of December 31, 2007 for its Rupiah and foreign currencies accounts are 5.54% and 3.13%, respectively (2006: 5.5% and 3.17%, 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, 2007 and 2006.

**4. CURRENT ACCOUNTS WITH OTHER BANKS**

a. By currency:

	<b>2007</b>	<b>2006</b>
Foreign currencies	30,485	69,996
Rupiah	401	336
Total	30,886	70,332
Less: Allowance for possible losses	(414)	(703)
	<b>30,472</b>	<b>69,629</b>

b. By collectibility:

All of the Bank's current accounts with other banks as of December 31, 2007 and 2006 are classified as current.

c. By related and third parties:

	<b>2007</b>	<b>2006</b>
Related parties:		
Foreign currencies	15,296	16,065
Third Parties:		
Foreign currencies	15,189	53,931
Rupiah	401	336
	15,590	54,267
Total	30,886	70,332
Less: Allowance for possible losses	(414)	(703)
	<b>30,472</b>	<b>69,629</b>

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

- c. By related and third parties (continued):

Current accounts with related parties relate to accounts with Rabobank International London branch, Rabobank International Singapore branch, Rabobank International Hong Kong branch, and Rabobank Utrecht (Note 33).

- d. Annual average interest rates during the year:

	<u>2007</u>	<u>2006</u>
Rupiah	-	-
Foreign currencies:		
Euro	3.39%	2.08%
USD	4.35%	2.19%

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	703	756
Provision (reversal) during the year (Note 24)	(306)	11
Foreign exchange translation	17	(64)
<b>Balance at end of year</b>	<b><u>414</u></b>	<b><u>703</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>2007</u>	<u>2006</u>
Rupiah:		
Interbank call money	9,000	-
Total	9,000	-
Less: Allowance for possible losses	(90)	-
	<b><u>8,910</u></b>	<b><u>-</u></b>

- b. By collectibility:

All of the Bank's placements with other banks as of December 31, 2007 are classified as current.

- c. Rupiah placements with other banks of Rp9,000 as of December 31, 2007, represent call money placed with Bank Hagakita, a related party (Note 33).

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

d. Annual average interest rates during the year:

	<u>2007</u>	<u>2006</u>
Rupiah	6.94%	8.97%
Foreign currencies		
USD	5.38%	4.96%
Euro	3.82%	3.35%

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	-	1,628
Provision (reversal) during the year (Note 24)	90	(1,622)
Foreign exchange translation	-	(6)
<b>Balance at end of year</b>	<b><u>90</u></b>	<b><u>-</u></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:

	<u>2007</u>	<u>2006</u>
Rupiah:		
Trading		
Government bonds	-	11,643
Available-for-sale		
Certificates of Bank Indonesia	289,243	245,989
Export bills	7,513	-
Corporate bond	-	14,624
	<u>296,756</u>	<u>260,613</u>
Total securities in Rupiah	296,756	272,256
Foreign currencies:		
Available-for-sale		
Export bills	20,522	7,302
Total	317,278	279,558
Less: Allowance for possible losses	(280)	(219)
	<b><u>316,998</u></b>	<b><u>279,339</u></b>

Government bonds have total fair values of Rp10,118 as of December 31, 2006, while the corporate bond is rated idBBB as of December 31, 2006 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, 2007 and 2006, respectively, are classified as current.

c. The annual average interest rates during the years are as follows:

	<u>2007</u>	<u>2006</u>
Rupiah	14.58%	14.75%
Foreign currency USD	8.5%	8.93%

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	219	272
Provision (reversal) during the year (Note 24)	58	(53)
Foreign exchange translation	3	-
<b>Balance at end of year</b>	<b><u>280</u></b>	<b><u>219</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, 2007 and 2006 is as follows:

Type	<b>December 31, 2007</b>			
	<u>Notional Amount (Contract)</u>	<u>Fair Value</u>	<u>Derivative Receivables</u>	<u>Derivative Payables</u>
<b>Related Parties (Note 33)</b>				
Related to exchange rate contracts:				
a. Swap - sell USD	68,546	68,655	109	-
b. Swap - cross currency USD/JPY	-	223	-	223
			<u>109</u>	<u>223</u>

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

<b>December 31, 2007</b>				
Type	Notional Amount (Contract)	Fair Value	Derivative Receivables	Derivative Payables
<b>Third Parties</b>				
Related to exchange rate contracts:				
a. Swap - buy US Dollar	171,417	171,036	11	393
b. Swap - sell US Dollar	312,216	313,043	912	85
c. Forward - buy US Dollar	71,161	70,936	113	338
d. Forward - sell US Dollar	28,269	28,370	101	-
Related to interest rate swap contracts	-	1,197	-	1,197
			<u>1,137</u>	<u>2,013</u>
Total			1,246	<b>2,236</b>
Less: Allowance for possible losses			(12)	
			<u><u>1,234</u></u>	

<b>December 31, 2006</b>				
Type	Notional Amount (Contract)	Fair Value	Derivative Receivables	Derivative Payables
<b>Related Parties (Note 33)</b>				
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>
<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
			<u>4,119</u>	<u>5,297</u>
Total			4,274	<b>5,529</b>
Less: Allowance for possible losses			(43)	
			<u><u>4,231</u></u>	

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

All of the Bank's derivative receivables as of December 31, 2007 and 2006 are classified as current.

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	43	26
Provision (reversal) during the year (Note 24)	(32)	19
Foreign exchange translation	1	(2)
<b>Balance at end of year</b>	<b><u>12</u></b>	<b><u>43</u></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:

	<u>2007</u>	<u>2006</u>
Foreign currencies	2,222,755	2,097,453
Rupiah	1,053,882	882,665
Total	3,276,637	2,980,118
Less: Allowance for possible losses	(47,907)	(80,489)
	<b><u>3,228,730</u></b>	<b><u>2,899,629</u></b>

b. By type:

	<u>2007</u>	<u>2006</u>
Rupiah:		
Working capital	684,660	536,423
Investment	306,749	323,229
Syndicated	27,857	-
Employees	16,237	15,436
Others	18,379	7,577
	<u>1,053,882</u>	<u>882,665</u>
Foreign currencies:		
Working capital	1,566,695	1,062,235
Syndicated	485,373	506,308
Investment	170,687	528,910
	<u>2,222,755</u>	<u>2,097,453</u>
Total	3,276,637	2,980,118
Less: Allowance for possible losses	(47,907)	(80,489)
	<b><u>3,228,730</u></b>	<b><u>2,899,629</u></b>

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

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**8. LOANS (continued)**

c. By economic sector:

	<b>2007</b>	<b>2006</b>
Rupiah:		
Food and agribusiness	442,716	272,390
Telecommunications	306,749	308,850
Finance	282,737	210,436
Others	21,680	90,989
	<u>1,053,882</u>	<u>882,665</u>
Foreign currencies:		
Food and agribusiness	1,535,041	1,595,346
Finance	40,577	1,017
Others	647,137	501,090
	<u>2,222,755</u>	<u>2,097,453</u>
Total	3,276,637	2,980,118
Less: Allowance for possible losses	(47,907)	(80,489)
	<u><b>3,228,730</b></u>	<u><b>2,899,629</b></u>

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

d. By original maturity:

	<b>2007</b>	<b>2006</b>
Rupiah:		
Less than 1 year	706,335	544,000
1 - 2 years	12,941	-
2 - 5 years	334,606	14,404
Over 5 years	-	324,261
	<u>1,053,882</u>	<u>882,665</u>
Foreign currencies:		
Less than 1 year	1,555,011	1,088,376
1 - 2 years	151,745	156,383
2 - 5 years	515,999	633,313
Over 5 years	-	219,381
	<u>2,222,755</u>	<u>2,097,453</u>
Total	3,276,637	2,980,118
Less: Allowance for possible losses	(47,907)	(80,489)
	<u><b>3,228,730</b></u>	<u><b>2,899,629</b></u>

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**8. LOANS (continued)**

e. By collectibility:

	<b>2007</b>	<b>2006</b>
Current	2,915,200	2,585,975
Special mention	361,437	45,972
Substandard	-	348,171
Total	3,276,637	2,980,118
Less: Allowance for possible losses	(47,907)	(80,489)
	<b>3,228,730</b>	<b>2,899,629</b>

f. The annual average interest rates were as follows:

	<b>2007</b>	<b>2006</b>
Rupiah	11.31%	14.14%
Foreign currencies	8.42%	8.45%

**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 51.84% of the total syndicated loans in 2007 (25.89% in 2006). The Bank's total participation in syndicated loans ranged from 0.29% to 39.11% of the total syndicated loans in 2007 (0.26% to 32.93% in 2006).
- The loans to the Bank's employees consist of interest-bearing loans at interest rates of 3% to 7.5% per annum in 2007 (3% to 12.75% per annum in 2006), 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 Rp0 and Rp348,171 as of December 31, 2007 and 2006, respectively. The non-performing loan ratio on a gross basis as of December 31, 2007 and 2006 is 0% and 11.68%, respectively (on a net basis is 0% and 9.93% for 2007 and 2006, 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 a net non-performing loan ratio not exceeding 5% of the bank's total loans. The Bank's high NPL ratio as of December 31, 2006 was due to a significant loan that has been classified as Sub-standard following a restructuring agreement which was signed in December 2006. Since February 2007, the said loan has been further upgraded to Special Mention and the Bank since then maintained its NPL ratio below the minimum (BI) acceptable ratio of 5%. Meanwhile, the Bank has continuously reported the progress of this matter to BI.
- As of December 31, 2007 and 2006, the Bank has restructured loans amounting to Rp360,536 and Rp401,427, respectively, with an allowance for possible losses of Rp17,316 and Rp54,597, 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, 2007 and 2006 amounted to Rp2,456 and Rp1,133, respectively (Note 33), which are given to directors and executive officers, and are classified as current.

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**8. LOANS (continued)**

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

- As of December 31, 2007 and 2006, 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 years are as follows:

	<b>2007</b>	<b>2006</b>
Balance at beginning of year	80,489	176,475
Reversal during the year (Note 24)	(33,820)	(21,416)
Loan sales	(1,314)	(108,694)
Recoveries	-	45,230
Foreign exchange translation	2,552	(11,106)
<b>Balance at end of year</b>	<b>47,907</b>	<b>80,489</b>

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>

- 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.

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**8. LOANS (continued)**

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

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

**9. ACCEPTANCES RECEIVABLES AND PAYABLES**

a. Acceptances Receivables

	<b>2007</b>	<b>2006</b>
Import:		
Rupiah	-	2,500
Foreign currency	28,574	54,736
Total	28,574	57,236
Less: Allowance for possible losses	(286)	(572)
	<b>28,288</b>	<b>56,664</b>

All of the Bank's acceptances receivables as of December 31, 2007 and 2006, respectively, are classified as current.

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

	<b>2007</b>	<b>2006</b>
Balance at beginning of year	572	46
Provision (reversal) during the year (Note 24)	(298)	530
Foreign exchange translation	12	(4)
<b>Balance at end of year</b>	<b>286</b>	<b>572</b>

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

b. Acceptances Payables

	<b>2007</b>	<b>2006</b>
Import:		
Rupiah	-	2,500
Foreign currency	28,574	54,736
<b>Total</b>	<b>28,574</b>	<b>57,236</b>



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**11. OTHER ASSETS**

	<u>2007</u>	<u>2006</u>
Interest receivables	60,212	15,960
Prepaid expenses	6,817	10,039
Security deposits	1,156	1,036
Others	1,077	407
	<u><b>69,262</b></u>	<u><b>27,442</b></u>

**12. DEPOSITS FROM CUSTOMERS - DEMAND DEPOSITS**

a. By currencies:

	<u>2007</u>	<u>2006</u>
Rupiah	65,165	28,311
Foreign currencies	155,344	223,703
	<u><b>220,509</b></u>	<u><b>252,014</b></u>

b. By related and third parties:

	<u>2007</u>	<u>2006</u>
Related parties (Note 33)	76	141
Third parties	220,433	251,873
	<u><b>220,509</b></u>	<u><b>252,014</b></u>

Demand deposits from related parties as of December 31, 2007 and 2006 were placed by Rabo Club and Rabobank International Holding BV.

c. Annual average interest rates for the years:

	<u>2007</u>	<u>2006</u>
Rupiah	3.5%	4.0%
Foreign currencies:		
Euro	0.1%	2.5%
USD	2.0%	1.0%

**13. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS**

a. By currencies:

	<u>2007</u>	<u>2006</u>
Rupiah	715,451	336,086
Foreign currencies	298,691	518,277
	<u><b>1,014,142</b></u>	<u><b>854,363</b></u>

b. By related and third parties:

	<u>2007</u>	<u>2006</u>
Related parties (Note 33)	-	85
Third parties	1,014,142	854,278
	<u><b>1,014,142</b></u>	<u><b>854,363</b></u>

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

Time deposits of related parties as of December 31, 2007 and 2006 were placed by Rabo Club.

c. Annual average interest rates for the years:

	<u>2007</u>	<u>2006</u>
Rupiah	5.90%	8.44%
Foreign currencies:		
USD	4.50%	4.29%
Euro	3.21%	-

d. Time deposits pledged as loan collateral as of December 31, 2007 and 2006 amounted to Rp24,618 and Rp19,157, respectively.

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

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

b. By related and third parties:

	<u>2007</u>	<u>2006</u>
Related parties (Note 33)	3,089	1,133
Third parties	1,510	3,189
	<u><b>4,599</b></u>	<u><b>4,322</b></u>

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.

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

a. By currency:

	<u>2007</u>	<u>2006</u>
Rupiah	134,000	280,000
Foreign currency	394,788	175,559
	<u><b>528,788</b></u>	<u><b>455,559</b></u>

b. By related and third parties:

	<u>2007</u>	<u>2006</u>
Related parties (Note 33)	18,675	-
Third parties	510,113	455,559
	<u><b>528,788</b></u>	<u><b>455,559</b></u>

c. Annual average interest rates during the years:

	<u>2007</u>	<u>2006</u>
Rupiah	5.09%	9.03%
Foreign currencies:		
USD	4.95%	5.15%
JPY	2.62%	2.27%
Euro	3.42%	3.00%

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**16. BORROWINGS**

a. By currency:

	<u>2007</u>	<u>2006</u>
Foreign currencies	1,005,517	870,172
	<u><b>1,005,517</b></u>	<u><b>870,172</b></u>

b. By related and third parties:

	<u>2007</u>	<u>2006</u>
Related parties (Note 33)	733,265	579,568
Third parties	272,252	290,604
	<u><b>1,005,517</b></u>	<u><b>870,172</b></u>

As of December 31, 2007 and 2006, there were borrowings in foreign currencies from Rabobank Singapore, a related party, amounting to Rp733,265 and Rp579,568, respectively (Note 33). The remaining balance of Rp272,252 and Rp290,604 as of December 31, 2007 and 2006, respectively, were borrowings from European Investment Bank, a third party.

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

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

	<u>2007</u>	<u>2006</u>
Rupiah:		
Outstanding irrevocable letters of credit	7,500	-
Foreign currencies:		
Outstanding irrevocable letters of credit	24,924	25,907
Bank guarantees issued	109,262	133,136
	<u>134,186</u>	<u>159,043</u>
Total	141,686	159,043
Less: Estimated losses on commitments and contingencies	(7,192)	(5,006)
	<u><b>134,494</b></u>	<u><b>154,037</b></u>

b. By collectibility:

All of the Bank's commitments and contingencies as of December 31, 2007 and 2006 are classified as current.

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

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

	<b>2007</b>	<b>2006</b>
Balance at beginning of year	5,006	493
Provision during the year (Note 24)	2,117	4,537
Foreign exchange translation	69	(24)
<b>Balance at end of year</b>	<b>7,192</b>	<b>5,006</b>

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

**18. TAXATION**

**Taxes payable:**

	<b>2007</b>	<b>2006</b>
Income tax article 29	2,643	434
Income tax article 25	1,509	-
<b>Total tax payable</b>	<b>4,152</b>	<b>434</b>

**Corporate Income Tax Calculation**

	<b>2007</b>	<b>2006</b>
Profit before tax benefit (expense)	99,161	101,547
<b><u>Temporary differences:</u></b>		
Accrual expense	3,248	-
Adjustment to provisions of employee benefits	1,037	(262)
Allowance for possible losses on earning assets	3,064	(4,246)
Depreciation of premises and equipment	(723)	(753)
<b>Total temporary differences</b>	<b>6,626</b>	<b>(5,261)</b>
<b><u>Permanent differences:</u></b>		
Donations, benefits-in-kind and other non-deductible items	7,754	7,049
Gain from sale of earning assets	(1,314)	(10,312)
Gain from sale of premises and equipment	(157)	-
Allowance of earning assets that have been written off	(6,275)	(66,519)
Depreciation of premises and equipment	220	176
<b>Total permanent differences</b>	<b>228</b>	<b>(69,606)</b>
<b>Estimated taxable income</b>	<b>106,015</b>	<b>26,680</b>
<b>Income taxes based on the applicable rates (progressive rates):</b>		
10% x Rp50	5	5
15% x Rp50	7	7
30% x Rp105,915	31,775	-
30% x Rp26,580	-	7,975
Current income tax expense at standard statutory rate	31,787	7,987
Less: Corporate income tax paid	(27,635)	(7,553)
<b>Corporate income tax payable</b>	<b>4,152</b>	<b>434</b>

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**18. TAXATION (continued)**

**Corporate Income Tax Calculation (continued)**

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

**Corporate income tax expense (benefit)**

	<u>2007</u>	<u>2006</u>
Current	31,787	7,987
Deferred	(1,988)	1,579
	<u><b>29,799</b></u>	<u><b>9,566</b></u>

**Deferred tax assets**

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

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Allowance for possible losses on earning assets	2,914	1,994
Accrued expense	974	-
Provision for employee service entitlements	854	543
Depreciation	(452)	(235)
<b>Net deferred tax assets</b>	<u><b>4,290</b></u>	<u><b>2,302</b></u>

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

	<u>2007</u>	<u>2006</u>
Deferred tax assets at the beginning of year	2,302	3,881
Deferred tax benefits for the year	1,988	(1,579)
<b>Deferred tax assets at the end of year</b>	<u><b>4,290</b></u>	<u><b>2,302</b></u>

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.

**19. OTHER LIABILITIES**

	<u>2007</u>	<u>2006</u>
Payables to the parent company and its other regional branches (Note 33)	63,644	31,579
Accrued expenses	18,583	13,700
Interest payable	8,770	13,032
Unearned income	3,874	7,904
Others	9,053	11,006
	<u><b>103,924</b></u>	<u><b>77,221</b></u>

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

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**20. 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, 2007 and 2006 as follows (Note 33):

<b>Date Obtained</b>	<b>2007</b>	<b>2006</b>
November 11, 2002	37,572	54,018
November 17, 2003	246,566	258,836
<b>Balance at end of year</b>	<b>284,138</b>	<b>312,854</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 33). 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 33). 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.

**21. SHARE CAPITAL AND SHARE PREMIUM**

The Bank's issued and paid-up capital as of December 31, 2007 and 2006 is comprised of:

	December 31, 2007				December 31, 2006			
	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%	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>

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, 2007 and 2006 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.

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**22. INTEREST INCOME**

Interest income was derived from the following:

	<b>2007</b>	<b>2006</b>
Loans	251,886	204,723
Securities	56,388	58,409
Placements with BI and other banks	6,961	9,564
Others	1,698	2,661
	<b>316,933</b>	<b>275,357</b>

Interest income from related parties in 2007 and 2006 amounted to Rp5,830 and Rp5,408, respectively (Note 33).

**23. INTEREST EXPENSE**

This account represents interest expense incurred on the following:

	<b>2007</b>	<b>2006</b>
Time deposits	86,196	103,786
Fund Borrowings	39,455	34,560
Subordinated loans	27,336	26,532
Derivatives	2,576	6,278
Demand deposits	5,829	2,957
Others	6,789	7,346
	<b>168,181</b>	<b>181,459</b>

Interest expense to related parties in 2007 and 2006 amounted to Rp109,160 and Rp55,812, respectively (Note 33).

**24. REVERSAL OF ALLOWANCE (PROVISION) FOR POSSIBLE LOSSES ON EARNING ASSETS AND ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES - NET**

	<b>2007</b>	<b>2006</b>
Reversal of allowance (provision) for possible losses:		
Current accounts with other banks (Note 4e)	306	(11)
Placements with other banks (Note 5e)	(90)	1,622
Securities (Note 6d)	(58)	53
Derivative receivables (Note 7)	32	(19)
Loans (Note 8)	33,820	21,416
Acceptances receivables (Note 9a)	298	(530)
Investments in shares of stock	-	(644)
Estimated losses on commitments and contingencies (Note 17c)	(2,117)	(4,537)
	<b>32,191</b>	<b>17,350</b>

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**25. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2007</b>	<b>2006</b>
Administration charges	42,858	30,883
Professional fees	16,997	4,965
Transportation and business travelling	4,206	2,194
Mailing and telecommunications	4,164	3,629
Building rental	3,789	3,427
Depreciation (Note 10)	3,779	1,787
Repairs and maintenance	1,628	1,347
Others	4,019	2,584
	<b>81,440</b>	<b>50,816</b>

As of December 31, 2007 and 2006, general and administrative expenses incurred with related parties amounted to Rp42,900 and Rp21,321, respectively (Note 33). Administration expenses with related parties represent expenses for services provided by the parent company and its other regional branches.

**26. SALARIES AND EMPLOYEE BENEFITS**

	<b>2007</b>	<b>2006</b>
Salaries, wages, severance and benefits in kind	34,272	24,770
Bonus	10,686	13,284
Training and development	2,172	1,950
Pension	3,137	1,843
Transportation	701	710
Others	1,014	973
	<b>51,982</b>	<b>43,530</b>

The pension expense consist of contribution pension plan, pension plan for expatriate, and an unfunded employee benefit liability in accordance with Labor Law amounting to Rp1,204 and Rp553 as of December 31, 2007 and 2006 (Note 34).

**27. COMMITMENTS AND CONTINGENCIES**

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

	<b>2007</b>	<b>2006</b>
<b>Commitments</b>		
Commitment payables:		
Unused loan facilities	581,628	341,538
Outstanding irrevocable letters of credit	32,424	25,907
Total commitment payables	614,052	367,445

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**27. COMMITMENTS AND CONTINGENCIES (continued)**

	<u>2007</u>	<u>2006</u>
<b>Contingencies</b>		
Contingent receivables:		
Interest receivables on non-performing loans	16,825	97,933
Contingent payables:		
Bank guarantees issued	109,262	133,136
Contingent (payables) receivables - net	<u>(92,437)</u>	<u>(35,203)</u>
<b>Commitments and contingencies - Net</b>	<b><u>706,489</u></b>	<b><u>402,648</u></b>

All bank guarantees issued as of December 31, 2007 and 2006 are for third parties.

**28. FOREIGN CURRENCY TRANSACTIONS**

Details of outstanding spot foreign currency bought and sold transactions from third parties as of December 31, 2007 and 2006 are as follows:

<b>2007</b>				
<u>Original Currency</u>	<u>Spot-Bought</u>		<u>Spot-Sold</u>	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
United States Dollar	11,900,000	111,777	8,436,560	79,245
Euro	300,000	4,147	-	-
		<b><u>115,924</u></b>		<b><u>79,245</u></b>

  

<b>2006</b>				
<u>Original Currency</u>	<u>Spot-Bought</u>		<u>Spot-Sold</u>	
	Foreign Currency Amount (full amount)	Rupiah Equivalent	Foreign Currency Amount (full amount)	Rupiah Equivalent
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>

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**29. MATURITY PROFILE**

Description	December 31, 2007					
	Total	< 1 month	1 month - 3 months	>3 months - < 12 months	1 - 5 years	>5 years
<b>Assets</b>						
Cash	468	468	-	-	-	-
Current accounts with Bank Indonesia	101,065	101,065	-	-	-	-
Current accounts with other banks - net	30,472	30,472	-	-	-	-
Placements - net	8,910	8,910	-	-	-	-
Securities - net	316,998	10,949	289,243	16,806	-	-
Derivative receivables - net	1,234	1,234	-	-	-	-
Loans - net	3,228,730	1,067,590	856,434	313,456	991,250	-
Acceptances receivables - net	28,288	-	903	27,385	-	-
Premises and equipment - net	13,843	-	-	-	13,843	-
Deferred tax assets	4,290	-	-	-	4,290	-
Other assets	69,262	262	61,027	6,817	1,156	-
<b>Total Assets</b>	<b>3,803,560</b>	<b>1,220,950</b>	<b>1,207,607</b>	<b>364,464</b>	<b>1,010,539</b>	<b>-</b>
<b>Liabilities</b>						
Liabilities immediately payable	1,571	1,571	-	-	-	-
Demand deposits	220,509	220,509	-	-	-	-
Time deposits	1,014,142	904,480	42,747	29,577	-	37,338
Deposits from other banks						
- Demand deposits	4,599	4,599	-	-	-	-
- Interbank call money	528,788	528,788	-	-	-	-
Borrowings	1,005,517	487,873	122,109	-	272,252	123,283
Derivative payables	2,236	815	224	-	1,197	-
Acceptances payables	28,574	-	912	27,662	-	-
Estimated losses on commitments and contingencies	7,192	7,192	-	-	-	-
Taxes payable	4,152	-	4,152	-	-	-
Other liabilities	103,924	-	103,924	-	-	-
Subordinated loans	284,138	-	-	-	37,572	246,566
<b>Total Liabilities</b>	<b>3,205,342</b>	<b>2,155,827</b>	<b>274,068</b>	<b>57,239</b>	<b>311,021</b>	<b>407,187</b>
<b>Assets (Liabilities) Net</b>	<b>598,218</b>	<b>(934,877)</b>	<b>933,539</b>	<b>307,225</b>	<b>699,518</b>	<b>(407,187)</b>

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**29. MATURITY PROFILE (continued)**

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>

**30. NET OPEN POSITION**

Net Open Position (NOP) as of December 31, 2007 and 2006 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.

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

The Bank's NOP and NOP ratio as of December 31, 2007 and 2006 are calculated as follows:

Currencies	<b>December 31, 2007</b>			
	Assets	Liabilities	Net Value	Net Absolute Value
<b><u>On-Balance Sheet</u></b>				
Unites States Dollar	2,357,986	2,314,634	43,352	43,352
Japanese Yen	26,725	26,082	643	643
Euro	13,812	83,730	(69,918)	69,918
Others	1,691	548	1,143	1,143
Total			(24,780)	115,056
<b><u>Off-Balance Sheet</u></b>				
Unites States Dollar	481,417	615,198	(133,781)	133,781
Euro	79,748	6,493	73,255	73,255
Total			(60,526)	207,036
<b>Total Absolute Open Position</b>				<b>91,980</b>
Total Capital as of December 31, 2007				885,047
<b>NOP Ratio (On-Balance Sheet)</b>				<b>13.00%</b>
<b>NOP Ratio</b>				<b>10.39%</b>

NOP Ratios based on the total capital as of November 30, 2007 (unaudited) are as follows:

Total Capital as of November 30, 2007	887,255
NOP Ratio (On-Balance Sheet)	12.97%
NOP Ratio (Overall)	10.77%

Currencies	<b>December 31, 2006</b>			
	Assets	Liabilities	Net Value	Net Absolute Value
<b><u>On-Balance Sheet</u></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	16,368	1,010	1,010
Others	290	-	290	290
Total			42,961	42,961

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

Currencies	December 31, 2006			
	Assets	Liabilities	Net Value	Net Absolute Value
Off-Balance Sheet				
Unites States Dollar	468,642	493,973	(25,331)	25,331
Euro	3,260	3,260	-	-
Total			25,331	25,331
<b>Total Absolute Open Position</b>				<b>17,630</b>
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%

**31. 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:

	2007	2006
Credit risk charge:		
Total Tier I and II Capital	885,047	752,170
Less: Investments	-	-
Total Capital	885,047	752,170
Total Risk-Weighted Assets	3,737,289	3,345,688
<b>CAR - credit risk</b>	<b>23.68%</b>	<b>22.48%</b>
Credit and market risks charges:		
Total Capital	885,047	752,170
Total Risk-Weighted Assets	3,821,228	3,388,524
<b>CAR - credit and market risks</b>	<b>23.16%</b>	<b>22.19%</b>
Minimum CAR based on BI regulation	<b>8%</b>	<b>8%</b>

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**32. 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, 2007 and 2006 amounted to 0% and 9.80%, respectively.

**33. 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>2007</b>	<b>2006</b>
<b>Assets</b>		
Current accounts with other banks (Note 4c)	15,296	16,065
Placements with Bank Indonesia and other banks (Note 5)	9,000	-
Derivative receivables (Note 7)	109	155
Loans (Note 8)	2,456	1,133
Other assets (Note 11)	474	691
Total assets with related parties	27,335	18,044
<b>Total assets</b>	<b>3,803,560</b>	<b>3,427,617</b>

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

	<b>2007</b>	<b>2006</b>
Current accounts with other banks	0.40%	0.47%
Placements with Bank Indonesia and other banks	0.24%	-
Derivative receivables	-*	-*
Loans	0.06%	0.03%
Other assets	0.01%	0.02%
<b>Total percentage of assets with related parties to total assets</b>	<b>0.71%</b>	<b>0.52%</b>

\*) below 0.01%

	<b>2007</b>	<b>2006</b>
<b>Liabilities</b>		
Derivative payables (Note 7)	223	232
Deposits from customers - demand deposits (Note 12b)	76	141
Deposits from customers - time deposits (Note 13b)	-	85
Deposits from other banks - demand deposits (Note 14b)	3,089	1,133
Deposits from other banks – interbank call money (Note 15b)	18,675	-
Borrowings (Note 16)	733,265	579,568
Other liabilities (Note 19)	63,644	31,579
Subordinated loans (Note 20)	284,138	312,854
Total liabilities with related parties	1,103,110	925,592
<b>Total liabilities</b>	<b>3,205,342</b>	<b>2,897,137</b>

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

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

	<b>2007</b>	<b>2006</b>
Derivative payables	_*	_*
Deposits from customers - demand deposits	_*	_*
Deposits from customers - time deposits	-	_*
Deposits from other banks - demand deposits	0.10%	0.04%
Deposits from other banks – interbank call money	0.58%	-
Borrowings	22.88%	20.00%
Other liabilities	1.99%	1.09%
Subordinated loans	8.86%	10.80%
<b>Total percentage of liabilities with related parties to total liabilities</b>	<b>34.41%</b>	<b>31.93%</b>

\*) below 0.01%

	<b>2007</b>	<b>2006</b>
<b>Profit and loss</b>		
Interest income (Note 22)	5,830	5,408
Interest expense (Note 23)	109,160	55,812
General and administrative expenses (Note 25)	42,900	21,321

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

	<b>2007</b>	<b>2006</b>
Interest income	1.8%	1.9%
Interest expense	61.4%	30.8%
General and administrative expenses	64.9%	42.0%

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

**34. 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, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Interest rate per year	10%	9%
Expected return on plan assets	7%	7%
Salary increase rate per year	8%	7%
Mortality rate	TMI 1999	CSO 1999
Retirement age	55 years	55 years
Method	Projected Unit Credit	Projected Unit Credit

The current year contribution under the pension plan is Rp1,204 (2006: Rp553) (Note 26).

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**34. EMPLOYEE BENEFITS (continued)**

The following tables summarize the components of net employee service entitlement expense recognized in the statement of income and amounts recognized in the balance sheet in relation to employee service entitlements as determined as of December 31, 2007 and 2006 by an independent actuary (PT Sentra Jasa Aktuaria) in its reports dated January 23, 2008 and February 2, 2007, respectively.

a. Net employee service entitlement expense

	<u>2007</u>	<u>2006</u>
Current service cost	689	307
Interest cost	261	266
Net actuarial loss (gain)	223	(51)
Amortization of unrecognized past service cost	31	31
<b>Net employee service entitlement expense</b>	<b><u>1,204</u></b>	<b><u>553</u></b>

b. Employee benefits payable as of December 31, 2007 and 2006 is comprised of:

	<u>2007</u>	<u>2006</u>
Present value of defined benefit obligation (*)	4,984	2,607
Unrecognized actuarial losses	(1,931)	(560)
Unrecognized past service cost	(207)	(238)
<b>Balance as of December 31, 2007 and 2006</b>	<b><u>2,846</u></b>	<b><u>1,809</u></b>

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

Movements in the employee benefits payable during the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	1,809	1,973
Net employee service entitlement expense	1,204	553
Benefits paid during the year	(167)	(717)
<b>Balance at end of year</b>	<b><u>2,846</u></b>	<b><u>1,809</u></b>

**35. 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.

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

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.

#### **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.

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**35. RISK MANAGEMENT (continued)**

**Market Risk (continued)**

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.

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, 2007 the foreign currency net open position was 2.18% (2006: 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.

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### **36. NEW ACCOUNTING PRONOUNCEMENTS**

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

- a. PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, "Accounting for Certain Investments in Securities" and is to be applied prospectively for the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.
- b. PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" establishes the principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", and is to be applied prospectively for financial statements covering the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.
- c. PSAK No. 16 (Revised 2007), "Fixed Assets" prescribes the accounting treatment for property, plant and equipment to enable financial statements users to obtain information about an entity's investment in its property, plant and equipment and the changes in such investment. This standard provides, among others, for the recognition of the assets, determination of their carrying amounts and related depreciation and impairment losses. Under this standard, an entity shall choose between the cost model or revaluation model as the accounting policy for its property, plant and equipment. This revised standard supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets" and PSAK No. 17 (1994), "Accounting for Depreciation", and is effective for the preparation and presentation of financial statements beginning on or after January 1, 2008.

The Bank is presently evaluating and has not yet determined the effects of these revised PSAKs on its financial statements.

### **37. SUBSEQUENT EVENT**

Rabobank International Holding BV had successfully acquired Bank Haga and Bank Hagakita in 2006. The purchase was made by and recorded in the parent company. The two banks are planned to be merge with Rabobank Indonesia at June 30, 2008.

### **38. COMPLETION OF THE FINANCIAL STATEMENTS**

The management of the Bank is responsible for the preparation of these financial statements that were completed on February 29, 2008.