

1 9 9 8 A N N U A L R E P O R T



Financial Highlights

1 9 9 8 A N N U A L R E P O R T

in million of Rupiah (unless stated otherwise)	1998	1997	Change (%)
For the Period			
Interest Income	7,043,497	3,575,885	96.97
Net Interest Income	-1,489,915	1,017,496	-246.43
Net Income Before Taxes	-11,772,493	358,586	-3,383.03
Net Income	-11,790,774	244,406	-4,924.26
At End of Period			
Loans (gross)	18,524,826	16,698,895	10.93
Earning Assets	40,089,043	22,501,048	78.17
Total Deposits	26,912,739	14,223,269	89.22
Borrowings	5,785,308	5,119,395	13.00
Shareholders' Equity	-9,072,065	2,555,726	-454.97
Total Assets	34,846,899	24,697,680	41.09
Outstanding Share (number of shares)	3,234,444,969	3,234,402,449	
Average Balance			
Loans (gross)	17,611,861	14,218,924	23.86
Earning Asset	31,295,046	19,296,882	62.18
Total Deposits	20,568,004	13,629,412	50.91
Borrowings	5,452,352	3,774,346	44.46
Shareholders' Equity	-3,258,170	1,904,301	-271.09
Total Assets	29,772,290	21,202,357	40.42
Outstanding Share (number of shares)	3,234,423,709	2,584,385,827	
Financial Ratio			
Return on Average Assets	-39.60%	1.15%	-40.75
Return on Average Equity	-361.88%	12.83%	-374.71
Net Interest Margin	-4.91%	5.27%	-10.18
Per Share (Rp)			
Net Income	-3,038	67	
Shareholders' Equity	-2,805	989	

INVESTOR INFORMATION

As of December 31, 1998
DATE OF FOUNDING May 15, 1959

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DOMESTIC NETWORK 253 Full-Branch, Sub-Branches and Cash
 Offices
 5 Subsidiaries

OVERSEAS NETWORK 6 Representatives and Branch Offices
 2 Subsidiaries

NUMBER OF EMPLOYEES 8007

TOTAL ASSETS Rp 34,846,899 million

LISTING BII is listed on the Jakarta Stock Exchange
 since 1989

SHAREHOLDERS' MEETING June 29, 1998
 December 11, 1998

QUARTERLY SHARE PRICE (in Rupiah)	1998		1997	
	Highest	Lowest	Highest	Lowest
First Period	725	250	2,350	1,625
Second Period	825	275	2,175	1,675
Third Period	425	125	2,125	800
Fourth Period	350	100	950	325

SHARE PERFORMANCE (in Rupiah, unless stated otherwise)	1998	1997
Highest Price	825	2,350
Lowest Price	100	325
Year end Price	225	325
Earnings Per Share	-3,038 *	67 *
P/E Ratio	0.0074 x	4.1 x
Dividend Payout Ratio	-	30.3%

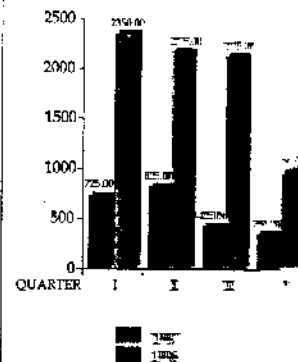
* Primary earnings per share is calculated based on the weighted average of shares outstanding in the respective period after considering retroactive effect of distribution of stock bonus. To calculate fully diluted earnings per share, the weighted average of shares outstanding is adjusted by dilution effect of warrants potentially converted to shares.

SHARE CAPITAL	1998	1997
Authorized Capital (Rp)	6,468,000,000,000	3,868,000,000,000
Number of Shares Issued and Fully Paid-up	3,234,444,969	3,234,402,449
Par Value (Rp)	500	500

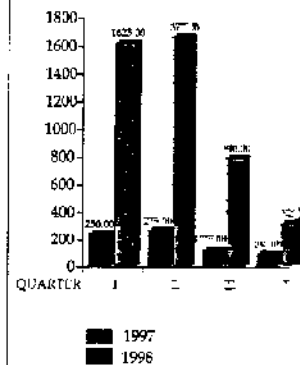
CASH DIVIDEND PAYMENT	1998	1997
Amount (Rp)	-	74,151 million
Commencement Date	-	August 19, 1997

SHAREHOLDERS	1998	1997
PT Sinar Mas Multiartha Tbk	51.00%	51.00%
Somers Nominees (Far East) Limited	5.00%	-
Public	44.00%	49.00%

THE HIGHEST SHARE PRICE



THE LOWEST SHARE PRICE





**P.T. BANK INTERNASIONAL INDONESIA Tbk
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS -
WITH CONSOLIDATING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

AND INDEPENDENT AUDITORS' REPORT

P.T. BANK INTERNASIONAL INDONESIA Tbk AND SUBSIDIARIES
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Independent Auditors' Report

No. 250599 BII LA LA

The Stockholders, Commissioners and Directors
P.T. Bank Internasional Indonesia Tbk

We have audited the accompanying consolidated balance sheet and consolidated statement of commitments and contingencies of P.T. Bank Internasional Indonesia Tbk as of December 31, 1998, and the related consolidated statements of profit and loss, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of BII Finance Co. Ltd. (Hong Kong) and Bank Internasional Ningbo (China), wholly-owned subsidiaries of PT Bank Internasional Indonesia Tbk, which statements reflect total assets constituting 15.93% of the consolidated assets as of December 31, 1998 and total revenues constituting 5.36% of the consolidated revenues for the year then ended. The financial statements of those subsidiaries were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, as far as it relates to the amounts included for those subsidiaries, is based solely on the reports of such other independent auditors. The consolidated financial statements of P.T. Bank Internasional Indonesia Tbk and subsidiaries for the year ended December 31, 1997 were audited by another independent auditors whose report dated March 15, 1998, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph describing the effects of the adverse economic condition in Indonesia on the Company's activities.


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

In our opinion, based on our audit and the reports of other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position, commitments and contingencies of P.T. Bank Internasional Indonesia Tbk and subsidiaries as of December 31, 1998, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 40 to the consolidated financial statements, the economic downturn in Indonesia which has been characterized by high interest rates, highly volatile exchange rates, illiquidity, drastic decline in stock prices and lack of confidence in the banking system has affected the operations of the Company. This economic condition has resulted in uncertainty on the ability of the customers of the Company to fulfill their obligations when they mature, thereby significantly increasing credit risk inherent on the loan portfolio of the Company. Furthermore, the economic condition has also affected the cost of funds and results of operations of the Company in the future. These factors have caused the Company to suffer a significant deficit arising from allowance for possible losses on earning assets made and negative interest margin. Such deficit has resulted to an equity deficiency as of December 31, 1998. The plans and actions of management and shareholders of the Company to solve these problems are also explained in Note 40 to the consolidated financial statements. The plans and actions include injecting additional capital into the Company amounting to Rp 1.8 trillion in April 1999, conducting fixed assets revaluations, and joining the National Banking Recapitalization Program according to Joint Decree from the Minister of Finance and the Governor of Bank Indonesia No. 53.KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 and the Government Regulation No. 34 dated May 24, 1999. The Regulation No. 34 provides that the Government will make a capital investment into the Company for the amount of Rp 8.7 trillion of total funds needed for recapitalizing the Company to achieve Capital Adequacy Ratio (CAR) of 4%. The accompanying consolidated financial statements include the effects of the economic downturn to the extent they can be determined and estimated. Resolution of the adverse economic condition is dependent on monetary and fiscal measures that will be taken by the Indonesian Government, actions which are beyond the Company's control, to achieve economic recovery. It is not possible to determine the future effects a continuation of the adverse economic condition may have on the liquidity and earnings of the Company, including the effects flowing through from the Company's investors and customers.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information was presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, commitments and contingencies, and cash flows of the Parent Company as a separate entity. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

HANS TUANAKOTTA & MUSTOFA


Drs. Lukman Abdullah
Licence No. 98.1.0383

May 25, 1999

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

T.T. BANK INTERNASIONAL INDONESIA Tbk AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS WITH CONSOLIDATING INFORMATION - PARENT COMPANY BALANCE SHEETS
 DECEMBER 31, 1998 AND 1997

	Notes	Consolidated		Parent Company	
		1998 Rp'000'000	1997 Rp'000'000	1998 Rp'000'000	1997 Rp'000'000
ASSETS					
Cash	2e,37	458,622	239,205	457,050	238,330
Demand Deposits with Bank Indonesia	3,37	1,263,890	669,481	1,263,890	669,481
Demand Deposits with Other Banks - net of allowance for possible losses of Rp 12,839 million (Parent Company Rp 12,839 million) in 1998, and nil in 1997	4,37	1,269,169	273,186	989,888	168,871
Placements with Other Banks - net of allowance for possible losses of Rp 77,664 million (Parent Company Rp 77,664 million) in 1998, and Rp 11,456 million (Parent Company Rp 11,456 million) in 1997	2d,2e,2f,2i, 5,36,37	7,627,862	1,184,043	5,671,744	974,980
Marketable Securities - net of allowance for decline in value, allowance for possible losses and unearned income of Rp 1,863,292 million (Parent Company Rp 1,858,994 million) in 1998, and Rp 440,164 million (Parent Company Rp 438,507 million) in 1997	2d,2g,2i,6, 36,37	10,957,067	4,077,522	10,843,367	3,891,238
Loans - net of allowance for possible losses of Rp 7,547,777 million (Parent Company Rp 7,366,210 million) in 1998, and Rp 220,223 million (Parent Company Rp 189,677 million) in 1997		10,473,064	16,325,378	8,982,184	14,755,184
Non-related Parties		503,985	153,294	160,706	129,157
Related Parties	2d,36				
Total	2h,2i,7,37	10,977,049	16,478,672	9,142,890	14,883,341
Income Receivable	2m,8,37	388,855	259,121	357,697	246,401
Prepayments	9,36,37	47,889	75,485	44,563	70,292
Investments in Shares - net of allowance for possible losses of Rp 32,980 million (Parent Company Rp 28,483 million) in 1998, and Rp 11,501 million (Parent Company Rp 9,101 million) in 1997	2b,2i,2j,10,37	115,243	154,628	160,757	331,206
Premises and Equipment - net of accumulated depreciation of Rp 275,867 million in 1998, (Parent Company Rp 259,795 million) and Rp 200,492 million (Parent Company Rp 193,478 million) in 1997	2k,11,37	452,228	372,798	428,943	356,452
Other Assets	2l,12,37	1,289,025	913,539	1,281,809	814,832
TOTAL ASSETS		34,846,899	24,697,680	30,642,598	22,645,424

	Notes	Consolidated		Parent Company	
		1998	1997	1998	1997
		Rp'000'000	Rp'000'000	Rp'000'000	Rp'000'000
LIABILITIES AND EQUITY (EQUITY DEFICIENCY)					
LIABILITIES					
DEPOSITS					
Demand Deposits					
Non-related Parties	13	3,348,026	2,644,229	3,493,036	2,628,634
Related Parties	2d,13,36	239,884	167,150	239,884	167,150
Savings Deposits	14	1,756,458	1,622,928	1,754,571	1,622,329
Time deposits					
Non-related Parties	15	18,999,747	7,648,760	18,730,461	7,457,370
Related Parties	2d,15,36	1,331,111	762,962	1,331,111	762,962
Certificates of Deposit - net of					
prepaid interest of Rp 2,544 million					
in 1998, and Rp 11,660 million in 1997	16	1,237,513	1,377,240	1,237,437	1,377,198
Total Deposits	37	26,912,739	14,223,269	26,786,500	14,015,643
Other Current Liabilities	17,37	222,474	130,033	186,321	96,994
Taxes Payable	18,37	111,811	8,549	105,304	2,816
Securities Issued	19	194,700	194,700	194,700	194,700
Borrowings	2d,20,36,37	5,785,308	5,119,395	3,303,102	3,496,747
Accrued Expenses	21,37	708,156	183,372	613,794	156,348
Other Liabilities	22,37	9,983,776	2,282,636	8,866,511	2,273,584
Total Liabilities		43,918,964	22,141,954	40,056,232	20,236,832
EQUITY					
Capital Stock - Rp 500 par value per share					
Authorized Capital - 12,936,000,000 shares in 1998					
and 7,736,000,000 shares in 1997					
Issued and Paid-up Capital					
- 3,234,444,969 shares in 1998 and					
3,234,402,449 shares in 1997					
	23	1,617,222	1,617,201	1,617,222	1,617,201
Capital Surplus	24	335,943	335,943	335,545	335,545
Difference in Foreign Currency Translation	2c	312,441	149,479	(28,730)	2,743
Retained Earnings (Deficit)		(11,337,671)	453,103	(11,337,671)	453,103
TOTAL EQUITY (EQUITY DEFICIENCY)		(9,072,065)	2,555,726	(9,413,634)	2,408,592
TOTAL LIABILITIES AND EQUITY (EQUITY DEFICIENCY)		34,846,899	24,697,680	30,642,598	22,645,424

See accompanying notes to the consolidated financial statements which are an integral part of these consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMITMENTS AND CONTINGENCIES WITH CONSOLIDATING INFORMATION -
PARENT COMPANY STATEMENTS OF COMMITMENTS AND CONTINGENCIES
DECEMBER 31, 1998 AND 1997

	Notes	Consolidated		Parent Company	
		1998 Rp'000'000	1997 Rp'000'000	1998 Rp'000'000	1997 Rp'000'000
COMMITMENTS					
Commitment Receivable					
Spot foreign currencies purchased	27	138,731	190,888	138,731	190,888
Forward foreign currencies purchased	27	421,051	5,729,587	421,051	5,705,307
Unused loan commitments received		48,277	341,718	48,277	341,718
Interest rate swap transactions	2p	40,125	120,900	40,125	120,900
Foreign currency swap transactions		-	98,750	-	98,750
Total Commitment Receivable		648,184	6,481,843	648,184	6,457,563
Commitment Liabilities					
Spot foreign currencies sold	27	204,743	139,566	204,743	139,566
Forward foreign currencies sold	27	2,676,501	3,952,821	2,676,501	3,902,476
Unused loan commitments granted to customers		4,394,381	5,528,163	4,277,868	5,085,674
Margin trading		-	232,500	-	232,500
Liabilities to repurchase assets sold under repo term	2t,6,7	125,417	963,882	100,000	938,374
Outstanding irrevocable letters of credit for imports		580,330	488,800	339,750	395,691
Acceptances of import drafts based on usance letters of credit		98,444	917,720	46,470	868,585
Total Commitment Liabilities		8,079,816	12,223,452	7,645,332	11,562,866
Commitment Liabilities - Net		(7,431,632)	(5,741,609)	(6,997,148)	(5,105,303)
CONTINGENCIES					
Contingent receivable					
Past due interest revenues	2m	4,026,086	33,242	4,026,086	33,242
Purchases of foreign currency options	2q	-	4,450,050	-	4,450,050
Total Contingent Receivable		4,026,086	4,483,292	4,026,086	4,483,292
Contingent Liabilities					
Guarantees issued in the form of :					
Bank guarantees		352,122	371,220	210,944	336,045
Shipping guarantees		7,600	23,068	7,517	22,416
Standby letters of credit		203,549	449,909	203,549	449,909
Sales of foreign currency options		-	4,450,050	-	4,450,050
Others		-	195,300	-	195,300
Total Contingent Liabilities		563,271	5,489,547	422,010	5,453,720
Contingent Receivable (Liabilities) - Net		3,462,815	(1,006,255)	3,604,076	(970,428)
Total Commitment and Contingent Liabilities - Net		(3,968,817)	(6,747,864)	(3,393,072)	(6,075,731)

See accompanying notes to the consolidated financial statements which are an integral part of these consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF PROFIT AND LOSS WITH CONSOLIDATING INFORMATION -
 PARENT COMPANY STATEMENTS OF PROFIT AND LOSS
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	Notes	Consolidated		Parent Company	
		1998	1997	1998	1997
		Rp'000'000	Rp'000'000	Rp'000'000	Rp'000'000
OPERATING REVENUES AND EXPENSES					
Interest Revenues and Expenses					
Interest revenues					
Interest received	2m,28	7,006,621	3,499,073	6,632,307	3,273,176
Loan commissions and fees	2n	36,876	76,812	36,368	74,166
Total Interest Revenues		7,043,497	3,575,885	6,668,675	3,347,342
Interest Expenses					
Interest paid	2m,29	8,529,733	2,549,277	8,273,326	2,421,542
Commissions and fees paid	2n	3,679	9,112	2,456	8,009
Total Interest Expenses		8,533,412	2,558,389	8,275,782	2,429,551
Interest Revenues (Expenses) - Net		(1,489,915)	1,017,496	(1,607,107)	917,791
Other Operating Revenues (Expenses)					
Other Operating Revenues					
Revenues on other commissions and fees		121,720	83,008	110,735	75,191
Gain on foreign exchange transactions - net		701,420	91,254	762,167	132,051
Others	30	214,947	176,736	211,579	176,468
Total Other Operating Revenues		1,038,087	350,998	1,084,481	383,710
Other Operating Expenses					
General and administrative	31	424,450	196,169	412,739	188,628
Personnel		189,322	176,906	170,509	166,218
Depreciation and amortization		78,702	58,553	70,225	53,389
Provision for possible losses on earning assets and foreclosed collaterals		10,413,751	518,449	10,264,073	496,158
Repairs and maintenance		28,723	40,854	27,236	40,302
Others	32	168,508	18,706	168,508	19,554
Total Other Operating Expenses		11,303,456	1,009,637	11,113,290	964,249
Other Operating Expenses - Net		(10,265,369)	(658,639)	(10,028,809)	(580,539)
REVENUES (EXPENSES) FROM OPERATIONS - NET		(11,755,284)	358,857	(11,635,916)	337,252
NON-OPERATING REVENUES	33	19,608	14,722	18,333	25,426
NON-OPERATING EXPENSES	34	(36,817)	(14,993)	(173,191)	(13,475)
NON-OPERATING REVENUES (EXPENSES) - NET		(17,209)	(271)	(154,858)	11,951
INCOME (LOSS) BEFORE INCOME TAX		(11,772,493)	358,586	(11,790,774)	349,203
INCOME TAX	2o,18	(16,281)	(114,180)	-	(104,797)
NET INCOME (LOSS)		(11,790,774)	244,406	(11,790,774)	244,406
PRIMARY EARNINGS PER SHARE (in full Rupiah)					
Net Revenues (Expenses) from Operations	2r,35	(3,029)	99	(2,998)	93
Net Income (Loss)	2r,35	(3,038)	67	(3,038)	67
FULLY DILUTED EARNINGS PER SHARE (in full Rupiah)					
Net Revenues (Expenses) from Operations	2r,35	(2,828)	92	(2,799)	86
Net Income (Loss)	2r,35	(2,836)	63	(2,836)	63

See accompanying notes to the consolidated financial statements which are an integral part of these consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY WITH CONSOLIDATING INFORMATION -
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	Notes	Consolidated		Parent Company	
		1998 Rp'000'000	1997 Rp'000'000	1998 Rp'000'000	1997 Rp'000'000
CAPITAL STOCK					
Balance at beginning of year		1,617,201	967,185	1,617,201	967,185
Additional capital from limited share offering		-	644,789	-	644,789
Additional capital from warrants converted to shares		21	5,227	21	5,227
Balance at end of year	23	1,617,222	1,617,201	1,617,222	1,617,201
CAPITAL SURPLUS					
Balance at beginning of year		335,943	7,290	335,545	6,892
Additional capital surplus from limited share offering		-	323,426	-	323,426
Additional capital surplus from warrants converted to shares		-	5,227	-	5,227
Balance at end of year	24	335,943	335,943	335,545	335,545
DIFFERENCE IN FOREIGN CURRENCY TRANSLATION					
		312,441	149,479	(28,730)	2,743
UNAPPROPRIATED RETAINED EARNINGS (DEFICIT)					
Balance at beginning of year		452,471	263,877	452,471	263,877
Net income (loss) during the year		(11,790,774)	244,406	(11,790,774)	244,406
Prior year adjustments for :					
Investment in shares at associated companies		-	18,339	-	18,339
Total Unappropriated Retained Earnings (Deficit)		(11,338,303)	526,622	(11,338,303)	526,622
Use During the Year :					
Cash dividends	26	-	(74,151)	-	(74,151)
Total Use During the Year		-	(74,151)	-	(74,151)
Unappropriated Retained Earnings (Deficit)		(11,338,303)	452,471	(11,338,303)	452,471
APPROPRIATED RETAINED EARNINGS					
Balance at beginning of year		632	632	632	632
Current year appropriation					
Appropriation for general reserve according to Enterprise Law No. 1 Year 1995		-	-	-	-
Appropriated Retained Earnings		632	632	632	632
RETAINED EARNINGS (DEFICIT)		(11,337,671)	453,103	(11,337,671)	453,103
TOTAL EQUITY (EQUITY DEFICIENCY)		(9,072,065)	2,555,726	(9,413,634)	2,408,592

See accompanying notes to the consolidated financial statements which are an integral part of these consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS WITH CONSOLIDATING INFORMATION - PARENT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	Consolidated		Parent Company	
	1998 Rp'000'000	1997 Rp'000'000	1998 Rp'000'000	1997 Rp'000'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	(11,790,774)	244,406	(11,790,774)	244,406
Adjustments to reconcile net income (loss) to net cash provided by operating activities :				
Provision for possible losses on				
earning assets and foreclosed collaterals	10,413,751	518,449	10,264,073	496,158
Depreciation and amortization	78,718	58,553	70,225	53,389
(Gain) loss on sale of premises and equipment	290	(1,431)	(73)	(1,430)
Equity in (income) loss of				
associated companies	17,906	(4,091)	156,964	(15,412)
Difference in foreign currency translation	153,913	128,937	(31,473)	2,743
Increase/decrease in :				
Placements with other banks (which are closed/taken over)	(1,428,345)	-	(1,428,345)	-
Marketable securities	(8,260,250)	(248,448)	(8,331,067)	(317,161)
Loans	(2,203,562)	(5,280,836)	(1,818,920)	(4,391,596)
Income receivable	(427,684)	(179,703)	(409,246)	(171,599)
Prepayments	27,596	(33,621)	25,729	(30,650)
Other assets	(1,265,561)	(667,145)	(1,356,113)	(573,586)
Demand deposits	776,531	710,660	937,136	717,022
Savings deposits	133,530	(7,219)	132,242	(7,298)
Time deposits	11,919,136	905,362	11,841,240	840,943
Certificates of deposit	(139,727)	(421,089)	(139,761)	(421,131)
Other current liabilities	92,441	84,006	89,327	55,231
Accrued expenses	524,784	74,841	457,446	55,886
Taxes payable	103,262	(6,363)	102,488	(8,562)
Borrowings	665,913	2,690,099	(193,645)	1,830,107
Other liabilities	7,657,061	1,657,500	6,548,848	1,705,890
Net Cash Provided by Operating Activities	7,048,929	222,867	5,126,301	63,350
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments in shares	-	(36,868)	(5,896)	(35,041)
Acquisition of premises and equipment	(272,630)	(216,015)	(266,706)	(212,860)
Proceeds from sale of premises and equipment	128,010	36,699	127,892	36,593
Net Cash Used in Investing Activities	(144,620)	(216,184)	(144,710)	(211,308)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of additional capital stock	21	650,016	21	650,016
Increase in capital surplus	-	328,653	-	328,653
Cash dividends paid	-	(68,359)	-	(68,359)
Tax on cash dividends paid	-	(5,792)	-	(5,792)
Net Cash Provided by Financing Activities	21	904,518	21	904,518
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,904,330	911,201	4,981,612	756,560
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,377,371	1,466,170	2,063,118	1,306,558
CASH AND CASH EQUIVALENTS AT END OF YEAR	9,281,701	2,377,371	7,044,730	2,063,118

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp'000'000	Rp'000'000	Rp'000'000	Rp'000'000
SUPPLEMENTAL DISCLOSURES				
Cash and cash equivalents at end of year				
Cash	458,622	239,205	457,050	238,330
Demand deposits with Bank Indonesia	1,263,890	669,481	1,263,890	669,481
Demand deposits with other banks	1,282,008	273,186	1,002,727	168,871
Placements with other banks	6,277,181	1,195,499	4,321,063	986,436
Total Cash and Cash Equivalents at end of year	9,281,701	2,377,371	7,044,730	2,063,118

See accompanying notes to the consolidated financial statements which are an integral part of these consolidated financial statements.

1. GENERAL

a. Establishment

P.T. Bank Internasional Indonesia Tbk ("the Company" or "Parent Company") was established in 1959 by virtue of Notarial Deed No. 53 dated May 15, 1959 of alternate Notary Soeleman Ardjasasmita SH. The Deed was subsequently amended by Notarial Deed No. 9 dated August 4, 1959 and No. 21 dated October 6, 1959 of Notary Eliza Pondaag SH in Jakarta. The Articles of Association of the Company were approved by the Minister of Justice of the Republic of Indonesia through his letter No. J.A.5/1/2/18 dated November 2, 1959 and was registered in the Jakarta Court of Justice under registration number 2116 dated November 5, 1959.

On March 31, 1980 the Company merged with PT Bank Tabungán Untuk Umum 1859, Surabaya by virtue of Notarial Deed No. 17 dated March 31, 1980 of Notary Arianny Lamoin Redjo SH.

Pursuant to Bank Indonesia Decree No. 221/I/Dir/Upps dated November 9, 1988, the Company obtained an approval to upgrade its status to a foreign exchange bank.

On September 13, 1996, by virtue of Notarial Deed No. 130 of Sutjipto SH, and approved by the Minister of Justice of the Republic of Indonesia through his letter No. C2-9626.HT.01.04-TH.96 dated October 21, 1996, the Company made the following major decisions to:

1. change the Company's Article of Association to comply with the new Enterprise Law No. 1 year 1995 and Capital Market Law No. 8 year 1995; and
2. change the share par value from Rp 1,000 to Rp 500 per share.

According to the Articles of Association, the Company's objectives are :

1. To operate in banking, finance or capital market activities which are either directly or indirectly related to trading, custodian and management of securities, or other services and other allowed activities from time to time, presently and in the future, on business with other parties or companies.
2. To set-up, or jointly set-up or have shares in other companies with similar or closely related objectives as the Company, either in the form of joint venture or contract basis.

b. Subsidiaries and the Company's Branches Domiciled Outside of Indonesia

The Company has direct or indirect ownership interest of more than 50% in the following subsidiaries :

<u>Subsidiaries</u>	<u>Domicile</u>	<u>Type of Business</u>	<u>Percentage of Ownership</u>	<u>Start of Commercial Operations</u>
BII Finance Co. Ltd.	Hong Kong	Banking	100%	1981
Bank International Ningbo	China	Banking	100%	1981
PT BII Finance Center	Jakarta	Multifinance	99.99%	1981

The Company has the following operational branches domiciled outside of Indonesia : Cayman Islands, Cook Islands, Mumbai and Mauritius. The financial statements of those branches have been combined into the Company's financial statements.

c. Public Offering of the Company's Shares

In October 1989, the Company offered/sold its shares amounting to 12,000,000 shares with par value of Rp 1,000 per share to public through the capital market in Indonesia in accordance with the provisions of the Law. The sale of shares to public was effective according to the letter from the Capital Market Supervisory Agency ("BAPEPAM") No. SI-058/SHM/MK.10/189 dated October 2, 1989.

In February 1994, the Company offered/sold its shares amounting to 52,717,184 shares with par value of Rp 1,000 per share through Limited Public Offering I ("rights issue") in which holders of every 5 shares have the rights to purchase 1 new share at Rp 4,000 per share. This rights issue was approved by the shareholders in the Extraordinary Shareholders Meeting held on January 25, 1994 and was effective according to the letter from BAPEPAM No. S-130/PM/1994 dated January 24, 1994.

In February 1997, the Company sold 1,289,579,469 shares through Limited Public Offering II. In this offering, holder of each 27 shares has subscription right for 18 new shares with offering price of Rp 750 per share, and in every 18 newly issued shares are attached 4 warrants Series I and free of charge. The subscription right is exercised in 9 folds shares for Rp 6,750. The total amount raised from this rights issue is approximately Rp 967,185 million. This rights issue was approved by the shareholders in the Extraordinary Shareholders Meeting held on December 27, 1996 and was effective according to the letter from BAPEPAM No. S-2093/PM/1996 dated December 28, 1996.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 31 regarding "Accounting for Banking" and generally accepted accounting principles and practices in Indonesia. Such consolidated financial statements are an English translation of the Company's statutory report in Indonesia, and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions. The consolidated statements of cash flows are prepared using indirect method.

The consolidated financial statements are prepared based on the historical cost concept, except for certain accounts which are prepared based on certain measurement, as explained in each accounting policy for those accounts.

In 1998, the Company presented Statement of Changes in Equity instead of Statement of Retained Earnings to conform with the Statement of Financial Accounting Standards No. 1 (Revised 1998) which will be effective on January 1, 1999. For comparative purposes, the Statement of Retained Earnings in 1997 was restated to conform with the 1998 presentation.

Unless otherwise stated, all figures presented in the notes to the consolidated financial statements are stated in millions of Rupiah.

b. Principles of Consolidation

The consolidated financial statements include all subsidiaries that are controlled by the Company, other than those excluded because control is assumed to be temporary or due to long-term restrictions significantly impairing a subsidiary's ability to transfer funds to the Company.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date that the control commenced or up to the date that the control ceased.

Control is presumed to exist where more than 50% of a subsidiary's voting power is controlled by the Company; or the Company is able to govern the financial and operating policies of a subsidiary; or control the removal or appointment of a majority of a subsidiary's board of directors.

All significant inter-company balances and transactions have been eliminated in consolidation to reflect the financial position and results of operations of the Company and its subsidiaries as one entity.

As of the balance sheet dates, the subsidiaries which were consolidated, including the percentages of ownership held by the Company, are as follows :

	December 31,	
	1998	1997
	₹	₹
BII Finance Co. Limited Hong Kong	100.00	100.00
Bank International Ningbo	100.00	100.00
PT BII Finance Center	99.99	99.99

c. Translation of Foreign Currencies

Transactions

The Company and its branches domiciled in Indonesia maintain their accounting records in Rupiah. Transactions during the year in currencies other than Rupiah are recorded at the exchange rates prevailing at the dates of the transactions.

Translation of Assets and Liabilities in Foreign Currencies

At balance sheet dates, all monetary assets and liabilities denominated in foreign currency are translated to Rupiah using the middle exchange rates for export bills transaction published by Bank Indonesia (Rp 8,025/US\$ as of December 31, 1998, Rp 4,650/US\$ as of December 31, 1997). The net differences resulting from the translations have been recognized in the year in which they occur.

Translation on Consolidation of Subsidiaries and Company's Branches Domiciled Outside of Indonesia

The subsidiaries and Company's branches domiciled outside of Indonesia maintain their accounting records in their respective domestic currency.

The financial statements of the foreign domiciled subsidiaries and Company's branches are translated into Rupiah as follows :

- balance sheet items, except for share capital account, are translated using the middle exchange rates for export bills transaction published by Bank Indonesia at balance sheet date;
- profit and loss items are translated on a monthly basis using the month end middle exchange rates for export bills transaction as published by Bank Indonesia. Profit and loss items for the year are the sum of these monthly translations; and
- difference resulting from this translation is presented in the consolidated balance sheets as part of shareholders' equity and is called as "difference in foreign currency translation".

Translation of Foreign Currency Forward Contracts of Funding Nature

For foreign currency forward contracts of a funding nature, the difference between the contracted forward rate and the spot rate on the transactions date is recorded as a premium or discount and is amortized over the life of the contract. The amortization of the premium or discount is recorded in the profit and loss statement as a component of interest.

At balance sheet date, the difference between the balance sheet date spot rate and the spot rate at the transaction date is taken to the profit and loss accounts for the year.

Translation of Foreign Currency Forward Contracts of Trading Nature

For foreign currency forward contracts of a trading nature, the difference between the contracted forward rate and the spot rate on maturity date is taken to the profit and loss account at the end of the contract period.

d. Transactions with Related Parties

According to current financial accounting standards, related parties consist of the following :

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

Transactions with related parties are summarized in Note 36 of the consolidated financial statements.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits with Bank Indonesia and with other banks, and placements with other banks which are unrestricted and have maturity of less than three months. Placements at closed and taken-over banks are excluded from cash and cash equivalents.

f. Placements with Other Banks

Placements with other banks are stated at their outstanding balance less allowance for possible losses which is determined based on evaluations of the collectibility of each balance of placements with other banks.

g. Marketable Securities

Marketable securities are comprised of money market securities, notes receivable, mutual fund units, receivable on export bills, shares and bonds.

Money market securities, notes receivable, and receivable on export bills are presented at their nominal value net of unamortized discount or premium.

Shares and mutual fund units are stated at their lower of cost and market value prevailing at balance sheet dates (COMWIL).

Bonds are stated at cost net of unamortized discount or premium.

Marketable securities are stated at their outstanding balance less allowance for possible losses which is determined based on evaluations of the collectibility of each marketable securities.

h. Loans

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

i. Allowance for Possible Losses on Earning Assets and Commitment/Contingent Liabilities

Allowance for possible losses on earning assets and commitment/contingent liabilities is determined based on evaluations by management on the collectibility of earning assets and commitment/contingent liabilities. Allowance for possible losses on commitment/contingent liabilities has just been considered in year 1998. Allowance for possible losses on earning assets and commitment/contingent liabilities for the year ended December 31, 1998 is made in accordance with Decree of Bank Indonesia No. 31/148/KEP/DIR dated November 12, 1998, while the allowance for possible losses on earning assets for the year ended December 31, 1997 was made in accordance with Decree of Bank Indonesia No. 26/22/KEP/DIR dated May 29, 1993 and No. 26/167/KEP/DIR dated March 29, 1994.

Based on the Decree of Bank Indonesia dated November 12, 1998, earning assets consist of demand deposits with other banks, interbank placements, marketable securities, loans and investments in shares. Earning assets and commitment/contingent liabilities of banks are classified into 5 (five) categories with the following percentages of allowance for possible losses :

<u>Category of Possible Losses on Earning Assets and Commitment/Contingent Liabilities</u>	<u>Percentage of Allowance</u>
Solvent	minimum 0.25%
Special mention	minimum 1.25%
Substandard	minimum 3.75%
Doubtful	minimum 50.00%
Bad debts	100.00%

The above percentages are applied to earning assets and commitment/contingent liabilities balance less the collateral value in accordance with the Decree of Bank Indonesia, except for earning assets and commitment/contingent liabilities classified as solvent and special mention, where the rates are applied directly to the earning assets and commitment/contingent liabilities balance. The minimum percentages of allowance for possible losses on earning assets and commitment/contingent liabilities classified as solvent, special mention and substandard will increase gradually up to 1% for solvent, 5% for special mention and 15% for substandard in June 2001.

Allowance for possible losses on commitment and contingent liabilities made is presented under other liabilities account.

The outstanding balance of earning assets is written-off against the respective allowance for possible loss when management believes that the assets are determined to be definitely uncollectible or unrealizable. Recovery of earning assets previously written off is recorded as an addition to allowance for possible losses on earning assets during the period of recovery.

j. Investments in Shares

Investments in shares in which the Company has ownership interest of less than 20% are carried at cost (cost method), while investments in shares with ownership interest of 20% to 50%, directly or indirectly owned, are accounted for using the equity method whereby the Company's proportionate share in the income or loss of the associated company is added to or deducted from, and the dividends received are deducted from, the acquisition cost of the investments (equity method).

Investments in subsidiaries in the consolidating information-Parent Company are presented using equity method.

k. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation, except those acquired before September 12, 1986 and which were still owned by the Company as of January 1, 1987. These assets are stated at revalued amount in accordance with the Government Regulation No. 42/1986, less their accumulated depreciation. The revaluation increment of Rp 617 million are capitalized as capital stock or additional capital.

All premises and equipment, except for land and buildings, are depreciated over their estimated useful lives using the double declining balance method. Buildings are depreciated using the straight-line method. The annual depreciation rates are as follows :

	<u>Percentage</u>
Buildings :	
• Buildings - Permanent	5%
• Buildings - Non Permanent	10%
Premises and equipment other than buildings :	
Class I : assets with useful lives less than 4 years	50%
Class II : assets with useful lives between 4 to 8 years	25%

The cost of repairs and maintenance is charged to operations as incurred, significant renewals or betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of profit and loss for the year.

1. Assets Seized on Loans In Default And Unused Assets (or Foreclosed Collaterals)

Assets seized on loans in default represent loan collaterals seized by the Company and still in the process of transferring the ownership. Meanwhile, unused assets are loan collaterals seized by, and are already under the ownership of, the Company.

Assets seized on loans in default and unused assets obtained as loan settlements by the Company are recorded based on the lower of market value and mutually agreed value. They are presented in the balance sheets as "other assets". Differences between the loan receivable and market value or mutually agreed value are charged to allowance for possible loan losses and foreclosed collaterals in the period in which they occur.

Expenses incurred for maintaining "assets seized on loans in default" and "unused assets" are charged to profit and loss account in the year incurred.

Gain or loss on sales of assets seized on loans in default and unused assets are recorded in the year they are incurred.

m. Recognition of Interest Revenue and Expense

Interest revenue or expense from interest-earning assets and interest-bearing liabilities are recognized on accrual basis, except for interest on loans and other earning assets considered as non-performing. Those interest revenue are recognized only when such interest is actually received. Such interest revenues are instead recorded as past due interest revenue in the statement of commitments and contingencies.

Loans and other earning assets are considered as non-performing when they have already been classified as substandard, doubtful or loss, and they have not been able to fulfill their monetary obligations.

n. Recognition of Provision or Commission Revenue and Expense

Provision or commission revenue and expense directly related to loans given or received in excess of Rp 100 million are recognized as deferred income or expense and are amortized on a proportional basis in accordance with the period in which the respective loans are given or received. Provision or commission revenue and expense less than or equal to Rp 100 million are recognized as income or expense upon receipt or payment. The limit of Rp 100 million is determined by considering materiality principle to the overall consolidated financial statements.

o. Income Tax

Corporate income tax is calculated based on the Company's taxable income. The Company and its subsidiaries do not apply deferred tax method for the timing differences in recognition of revenues and expenses for financial reporting and fiscal purposes.

p. Interest Rate Swap

Transactions of interest rate swaps for funding purposes

The difference between the original interest rate and the contracted interest rate is presented as an addition or deduction to the cost of funds, and is amortized on a pro-rata basis over the period of the contract.

Transactions of interest rate swaps for trading purposes

The difference between the original interest rate and the contracted interest rate is recognized as gain or loss at the end of the contract period.

q. Option

In the event that the Company acts as an issuer of options, losses arising from the difference between the contracted option rate and the spot rate at reporting date is recognized as expense for the current year. Meanwhile, gains arising from the difference between the contracted option rate and the spot rate at the reporting date is not recognized as revenue for the current year but will be recognized as revenue at the realization date.

r. Earnings Per Share

Primary earnings per share is calculated based on the weighted average of shares outstanding in the respective period after considering retroactive effect of distribution of stock bonus.

To calculate fully diluted earnings per share, the weighted average of shares outstanding is adjusted by dilution effect of warrants potentially converted to shares.

s. Pension Fund

The Company had defined contribution pension plans since May 1996 for all of its local permanent employees. Pension expense under this program is recognized on accrual basis.

t. Assets Sold Under Repurchase Agreement

Assets (securities and loan) which are sold under repurchase agreement are not presented on the balance sheet date, but they are presented as "Liabilities to repurchase assets sold under repossession terms" in the statement of commitments and contingencies.

3. DEMAND DEPOSITS WITH BANK INDONESIA

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Rupiah	983,617	436,981	983,617	436,981
United States Dollar	280,273	232,500	280,273	232,500
Total Demand Deposits with Bank Indonesia	1,263,890	669,481	1,263,890	669,481

According to Bank Indonesia Decree, each bank in Indonesia is required to maintain a minimum liquidity reserves amounted to 5% of liabilities in Rupiah and 3% of liabilities in foreign currency. The balance of minimum liquidity reserves of the Parent Company as of December 31, 1998 was Rp 1,155,972 million.

4. DEMAND DEPOSITS WITH OTHER BANKS

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Rupiah	6,280	4,796	6,276	4,775
Foreign currency	1,275,728	268,390	996,451	164,096
Total Demand Deposits with Other Banks	1,282,008	273,186	1,002,727	168,871
Less allowance for possible losses	(12,839)	-	(12,839)	-
Total Demand Deposits with Other Banks - Net	1,269,169	273,186	989,888	168,871

The management believes that the allowance for possible losses on earning assets is adequate to cover the losses which might arise from uncollectible demand deposits with other banks.

5. PLACEMENTS WITH OTHER BANKS

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Non-related parties :				
Rupiah	4,225,767	623,758	4,225,767	623,758
Foreign Currency	353,472	183,803	34,602	60,299
	4,579,239	807,561	4,260,369	684,057
Related parties :				
Rupiah	-	212,777	-	212,777
Foreign Currency	3,126,287	175,161	1,489,039	89,602
Total Placements with Other Banks	7,705,526	1,195,499	5,749,408	986,436
Less allowance for possible losses	(77,664)	(11,456)	(77,664)	(11,456)
Total Placements with Other Banks - Net	7,627,862	1,184,043	5,671,744	974,980

Placements with other banks by type of placements are as follows :

	1998		
	Average	Consolidated	Parent Company
	Interest Rates	Rp '000'000	Rp '000'000
	%		
Rupiah			
Call money	65.36	1,253,846	1,253,846
Time deposits	60.00	2,943,000	2,943,000
Certificates of deposit - net of prepaid interest of of Rp 1,079 million	51.00	28,921	28,921
Subtotal		4,225,767	4,225,767
Foreign Currencies			
Call money	20.07	2,720,383	1,519,723
Time deposits	9.50	759,376	3,918
Subtotal		3,479,759	1,523,641
Total Placements with Other Banks		7,705,526	5,749,408
Less allowance for possible losses		(77,664)	(77,664)
Total Placements with Other Banks - Net		7,627,862	5,671,744

	1997		
	Average	Consolidated	Parent Company
	Interest Rates	Rp '000'000	Rp '000'000
	%		
Rupiah			
Call money	39.91	269,333	269,333
Time deposits	26.59	199,777	199,777
Certificates of deposits - net of prepaid interest of Rp 5,575 million	28.17	367,425	367,425
Subtotal		836,535	836,535
Foreign Currencies			
Call money	15.56	236,069	149,901
Time deposits	9.37	122,895	-
Subtotal		358,964	149,901
Total Placements with Other Banks		1,195,499	986,436
Less allowance for possible losses		(11,456)	(11,456)
Total Placements with Other Banks - Net		1,184,043	974,980

Placements with related party banks were made at similar terms and conditions as those done with non-related parties.

Placements with other banks (call money) included placements at closed banks, taken over banks and liquidated banks amounting to Rp 1,428,345 million. Claims for placements at those banks have been filed to Bank Indonesia and the Indonesian Banking Restructuring Agency because such placements with other banks are included in the third party fund guarantee program of the Indonesian Government (see Note 41).

The maturity of call money is between 1 day and 90 days (except for call money at closed banks, taken over banks and liquidated banks), while the tenure of time deposits is between 1 month and 3 months.

The management believes that the allowance for possible losses on earning assets is adequate to cover the losses which might arise from uncollectible placements with other banks.

6. MARKETABLE SECURITIES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Certificates of Bank Indonesia (SBI)	520,000	31,625	520,000	31,625
Less unamortized discount	(10,012)	(3,413)	(10,012)	(3,413)
Certificates of Bank Indonesia (SBI) - Net	509,988	28,212	509,988	28,212
Money market securities (SBPU) and notes receivable	3,575,052	1,675,529	3,575,052	1,669,526
Less unamortized discount	(14,526)	(29,829)	(14,526)	(29,829)
Money Market Securities (SBPU) and Notes Receivable - Net	3,560,526	1,645,700	3,560,526	1,639,697
Receivable on export bills	8,112,800	1,889,198	7,994,802	1,707,260
Less unamortized discount	(365,529)	(147,416)	(365,529)	(147,416)
Receivable on Export Bills - Net	7,747,271	1,741,782	7,629,273	1,559,844
Shares listed on the stock exchange	2,442	4,842	2,442	4,842
Less allowance for decline in market value	(1,832)	(1,782)	(1,832)	(1,782)
Shares listed on the stock exchange - Net	610	3,060	610	3,060
Mutual fund units	-	536,136	-	536,136
Less allowance for decline in net assets value	-	(167,907)	-	(167,907)
Mutual fund units - Net	-	368,229	-	368,229
Bonds	601,891	361,732	601,891	361,732
Draft	8,021	18,358	8,021	18,358
Traveller cheques	153	266	153	266
Total Securities	12,428,460	4,167,339	12,310,462	3,979,398
Less allowance for possible losses	(1,471,393)	(89,817)	(1,467,095)	(88,160)
Total Securities - Net	10,957,067	4,077,522	10,843,367	3,891,238

The consolidated notes receivable as of December 31, 1998 included notes receivable issued by related parties amounted to Rp 593,850 million (1997 : Rp 87,989 million). Balance of notes receivable sold under repurchase agreement to third parties as of December 31, 1998 amounted to Rp 25,417 million (1997 : Rp 876,882 million). The notes receivable are recorded as "liabilities to repurchase assets sold with repossession terms" in the statement of commitments and contingencies. Balance of assets sold under repurchase agreement in the amount of Rp 100,000 million consists of Certificates of Bank Indonesia which were sold under repossession terms to PT Asuransi Sinar Mas (related party).

Money market securities included securities endorsed by closed banks amounted to Rp 896,000 million. Claims on those securities have been filed to Bank Indonesia and the Indonesian Banking Restructuring Agency because the funds in such closed banks are included in the third party fund guarantee program of the Indonesian Government (see Note 41).

The outstanding export bills as of December 31, 1998 amounted to Rp 7,956,744 million (1997 : Rp 1,052,237 million) were purchased from related parties. The export bills purchased have been accepted by importers and are covered by insurance. Export bills amounted to Rp 7,541,579 million (1997 : Rp 1,523,407 million) had been rediscounted to Bank Indonesia.

Shares listed on the stock exchange as of December 31, 1998 included shares issued by related parties amounted to Rp 916 million.

Mutual fund units issued by related parties as of December 31, 1998 was nil (1997 : Rp 169,009 million).

Cost of mutual fund units as of December 31, 1998 was nil (1997 : Rp 536,136 million). Investment in mutual fund units as of December 31, 1998 in which the Company acted as sponsor was nil (1997 : Rp 456,968 million).

Bonds consist of securities denominated in Rupiah currency issued by companies in Indonesia. The market value of the bonds as of December 31, 1998 amounted to Rp 278,109 million (1997 : Rp 319,713 million). The bonds value as of December 31, 1998 included bonds issued by related parties amounted to Rp 184,900 million (1997 : Rp 60,000 million), and bonds amounted to Rp 14,000 million (1997 : Rp 4,000 million) which were pledged as "sinking fund" of bonds issued by the Company.

The average interest rates on Certificates of Bank Indonesia, money market securities, notes receivable and bonds denominated in Rupiah currency as of December 31, 1998 was 20% - 45% per annum (1997 : 20% per annum), while the average interest rates on notes receivable and export bills denominated in foreign currency as of December 31, 1998 was 9% - 15% per annum (1997 : 12% per annum).

Purchases of marketable securities from related parties were made at similar terms and conditions as those done with non-related parties.

The management believes that the allowance for possible losses on earning assets is adequate to cover the losses which might arise from uncollectible marketable securities.

7. LOANS

a. Classified Based on Type of Loans

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Promissory notes	13,878,303	11,349,015	12,337,484	10,153,607
Overdraft	930,306	476,370	919,059	475,924
Small business credits (KUK)	903,572	1,520,073	903,572	1,520,073
Housing loans (KPR)	760,120	999,579	760,120	999,579
Export credits	1,084,726	1,451,317	1,075,412	1,445,681
Import credits	277,877	198,627	131,054	90,145
Credit card receivable	150,407	212,588	150,407	212,588
Factoring receivable	153,751	155,776	-	-
Advance under letters of credit	126,288	70,568	126,288	70,568
KIK, MKP, KI and KFG	55,452	35,088	55,452	35,088
Consumer finance receivable - net	89,813	112,995	-	-
Leased receivable - net	59,937	45,348	-	-
Staff loans	27,998	25,784	23,976	23,998
KMP	6,726	19,505	6,726	19,505
Others	19,550	26,262	19,550	26,262
Total Loans	18,524,826	16,698,895	16,509,100	15,073,018
Less allowance for possible losses	<u>(7,547,777)</u>	<u>(220,223)</u>	<u>(7,366,210)</u>	<u>(189,677)</u>
Total Loans - Net	<u>10,977,049</u>	<u>16,478,672</u>	<u>9,142,890</u>	<u>14,883,341</u>

- b. The balance of KUK Channeling outstanding as of December 31, 1998 amounted to Rp 165,528 million (1997 : Rp 564,174 million), of which Rp 70,778 million (1997 : Rp 183,790 million) had been distributed through related parties.
- c. The loan collaterals are usually in the form of tangible assets (i.e. land, buildings, machinery, inventory and time deposits).
- d. Housing loans (KPR) amounted to Rp 205 billion are pledged as security of bonds issued by the Company (See Note 19).
- e. Movement in the allowance for possible losses of loans :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Balance at Beginning of Year	220,223	265,211	189,677	259,098
Additions :				
Recoveries of loans previously written off	15,353	78,410	15,336	71,694
Provision for current year	7,705,185	221,629	7,559,371	203,394
Difference in foreign currency translation	5,190	-	-	-
Deduction :				
Loans written off during the year	<u>(398,174)</u>	<u>(345,027)</u>	<u>(398,174)</u>	<u>(344,509)</u>
Balance at End of Year	<u>7,547,777</u>	<u>220,223</u>	<u>7,366,210</u>	<u>189,677</u>

The management believes that loans given have been secured by sufficient collaterals and the allowance for possible losses on earning assets is adequate to cover the losses which might arise from uncollectible loans.

- f. The total loans to related parties as of December 31, 1998 amounted to Rp 522,324 million (1997 : Rp 154,064 million). The balance comprised of loans to customers including listed and non-listed companies of Rp 494,326 million (1997 : Rp.128,280 million), and loans to employees of Rp 27,998 million (1997 : Rp 25,784 million).

Except loans to employees, loans are given to related parties at similar terms and conditions as those done with non-related parties.

- g. Amount of loans which were in the process of rescue (classified as doubtful and bad debt) as of December 31, 1998 amounted to Rp 8,827,396 million (1997 : Rp 62,484 million).
- h. Amount of syndicated loans as of December 31, 1998 amounted to Rp 1,332,339 million (1997 : Rp 1,564,584 million). The Company participates as leader or member of the syndication with percentage ranging between 7% and 36% of the total syndicated loans.
- i. Amount of loans which were sold to Bank Indonesia under repurchase agreement as of December 31, 1997 amounted Rp 87,000 million. The loans were recorded as "liabilities to repurchase assets sold with repossession terms" in statement of commitments and contingencies.
- j. Classified based on tenure :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Short-term credits (<= 1 year)	9,853,136	8,502,158	8,833,825	7,539,958
Long-term credits (> 1 year)	8,671,690	8,196,737	7,675,275	7,533,060
Total	<u>18,524,826</u>	<u>16,698,895</u>	<u>16,509,100</u>	<u>15,073,018</u>

- k. The average interest rates per annum on loans of the Company are as follows :

	1998	1997
In Rupiah	55.09%	30.94%
In foreign currencies	19.90%	14.41%

1. The Company's loans classified based on the economic sector according to Bank Indonesia Decree :

	1998	1997
Services	6,128,012	6,248,727
Manufacturing	5,605,612	3,914,221
Trade	2,706,477	2,317,807
Agriculture and transportation	1,431,969	1,247,407
Construction	1,091,112	1,016,963
Others	1,561,644	1,953,770
Total Loans	18,524,826	16,698,895

8. INCOME RECEIVABLE

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Interest Earned on :				
• Loans	225,723	199,568	199,285	189,102
• Marketable securities	69,201	52,738	69,201	50,528
• Other earning assets	93,931	6,815	89,211	6,771
Swap funding premium (see Note 27b)	297,950	-	297,950	-
Total Income Receivable	686,805	259,121	655,647	246,401
Less allowance for possible losses	(297,950)	-	(297,950)	-
Total Income Receivable - Net	388,855	259,121	357,697	246,401

9. PREPAYMENTS

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp 000'000	Rp 000'000	Rp 000'000	Rp 000'000
Rents	27,507	24,704	27,507	24,180
Others	20,382	50,781	17,056	46,112
Total Prepayments	47,889	75,485	44,563	70,292

Prepaid rent as of December 31, 1998 included unamortized rental fee paid to PT Royal Oriental (related party) amounted to Rp 8,162 million (1997 : Rp 17,559 million).

Other prepayments include insurance premiums, car license, advances for installing computers, purchase of uniforms, advertisements etc.

10. INVESTMENTS IN SHARES

Represents investments in shares of the following companies :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
PT BII Finance Center				
Investment cost	-	-	37,500	37,500
Percentage of ownership - 99.99%				
Interest on retained earnings (deficit)	-	-	(181,949)	9,700
BII Finance Co. Limited Hong Kong				
Investment cost	-	-	13,563	13,563
Percentage of ownership - 100%				
Interest on retained earnings	-	-	7,716	24,151
Bank International Ningbo				
Investment cost	-	-	109,100	63,465
Percentage of ownership - 100%				
Interest on retained earnings	-	-	69,028	39,740
PT BII Lend Lease Investment Services				
Investment cost	4,777	4,777	4,777	4,777
Percentage of ownership - 50%				
Interest on deficit	(3,290)	(1,554)	(3,290)	(1,554)
PT Fuji Bank Internasional Indonesia				
Investment cost	27,250	27,250	27,250	27,250
Percentage of ownership - 20%				
Interest on retained earnings	10,035	9,949	10,035	9,949
PT Bank Credit Lyonnais Indonesia				
Investment cost	10,000	10,000	10,000	10,000
Percentage of ownership - 20%				
Interest on retained earnings	-	2,616	-	2,616
PT Bank Dagang & Industri				
Investment cost	16,754	16,754	16,754	16,754
Percentage of ownership - 24.55%				
Interest on retained earnings	-	1,002	-	1,002
PT Bank BII Commonwealth				
Investment cost	75,000	75,000	75,000	75,000
Percentage of ownership - 50%				
Interest on retained earnings (deficit)	(9,831)	2,807	(9,831)	2,807
Investment in other companies by PT BII Finance Center	13,941	13,941	-	-
Others	3,587	3,587	3,587	3,587
Total Investments in Shares	148,223	166,129	189,240	340,307
Less allowance for possible losses	(32,980)	(11,501)	(28,483)	(9,101)
Total Investments In Shares - Net	115,243	154,628	160,757	331,206

In 1997, the Company has acquired additional shares of PT Fuji Bank Internasional Indonesia and PT Bank Credit Lyonnais Indonesia which increased the ownership interest of the Company in those companies to 20% (from 15% in 1996), and shares of PT Bank Dagang dan Industri to 24.55% (from 15% in 1996). With these additional acquisitions, the Company records the investments in shares of those companies using the equity method. The Company's equity in those associated companies' retained earnings prior to 1997 amounted Rp 18,339 million is recorded as adjustment to the beginning balance of retained earnings 1997.

PT Bank BII Commonwealth started its commercial operations in 1997.

Other investments represent long-term investments in shares of various companies in which the ownership of the Company is less than 5%. Those companies are PT Aplikasi Lintas Arta, PT Sarana Bersama Pembiayaan Indonesia, PT Sarana Sulsel Ventura, PT Sarana Bali Ventura, PT Sarana Sumatera Barat Ventura, PT Sarana Lampung Ventura, PT Sarana Sumsel Ventura, PT Sarana Jambi Ventura, PT Sarana Kalbar Ventura, PT Asprina Prima Sentosa, PT Sarana Sulut Ventura, PT Bhakti Sarana Ventura, PT Penjamin Kredit Pengusaha Indonesia, PT Sarana Riau Ventura and PT Sarana Sumut Ventura.

The management believes that the allowance for possible losses on investments in shares is adequate to cover the losses which might arise for unrealizable investments in shares.

11. PREMISES AND EQUIPMENT

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Cost and Revaluation				
Direct Acquisitions :				
Landrights	107,284	95,494	107,284	95,494
Buildings	253,266	212,500	230,656	200,020
Office equipment	59,189	45,304	56,850	43,698
Installation	232,009	155,241	222,962	149,570
Vehicles	56,444	52,535	52,359	49,654
Generator and AC	19,903	12,216	18,627	11,494
Total Cost	<u>728,095</u>	<u>573,290</u>	<u>688,738</u>	<u>549,930</u>
Accumulated Depreciation				
Direct Acquisitions :				
Buildings	50,283	34,089	45,450	30,968
Office equipment	49,568	29,368	48,080	28,529
Installation	128,298	95,924	121,636	94,377
Vehicles	41,579	35,546	39,235	34,210
Generator and AC	6,139	5,565	5,394	5,394
Total Accumulated Depreciation	<u>275,867</u>	<u>200,492</u>	<u>259,795</u>	<u>193,478</u>
Net Book Value	<u>452,228</u>	<u>372,798</u>	<u>428,943</u>	<u>356,452</u>

The following are the balances and mutations of consolidated premises and equipment for the year ended December 31, 1998 :

	December 31, 1997	Addition	Deduction	Translation Adjustment	December 31, 1998
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Cost and Revaluation					
Direct Acquisitions :					
Landrights	95,494	11,799	.9	-	107,284
Buildings	212,500	103,649	71,941	9,059	253,266
Office equipment	45,304	22,237	9,062	710	59,189
Installation	155,241	120,122	44,538	1,184	232,009
Vehicles	52,535	6,477	3,772	1,204	56,444
Generator and AC	12,216	6,346	1,184	525	19,903
Total Cost	573,290	272,630	130,506	12,681	728,095
Accumulated Depreciation					
Direct Acquisitions :					
Buildings	34,089	14,582	-	1,612	50,283
Office equipment	29,368	19,814	156	542	49,568
Installation	95,924	33,700	2,029	703	128,298
Vehicles	35,546	5,586	22	469	41,579
Generator and AC	5,565	268	-	306	6,139
Total Accumulated Depreciation	200,492	73,950	2,207	3,632	275,967
Net Book Value	372,798				452,228

The Company increased expenditure for office equipment and installation in year 1998 in order to achieve "Y2K Compliance".

The following are the balances and mutations of consolidated premises and equipment for the year ended December 31, 1997 :

	December 31, 1996	Addition	Deduction	Translation Adjustment	December 31, 1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Cost and Revaluation					
Direct Acquisitions :					
Landrights	67,402	32,221	4,129	-	95,494
Buildings	136,761	98,695	29,039	6,083	212,500
Office equipment	30,465	18,830	4,467	476	45,304
Installation	106,078	50,510	2,057	710	155,241
Vehicles	42,330	10,985	1,589	809	52,535
Generator and AC	7,202	4,774	112	352	12,216
Total Cost	390,238	216,015	41,393	8,430	573,290
Accumulated Depreciation					
Direct Acquisitions :					
Buildings	25,850	10,338	2,907	808	34,089
Office equipment	19,791	11,029	1,599	147	29,368
Installation	68,986	27,175	902	665	95,924
Vehicles	29,485	6,618	717	160	35,546
Generator and AC	5,508	57	-	-	5,565
Total Accumulated Depreciation	149,620	55,217	6,125	1,780	200,492
Net Book Value	240,618				372,798

Fixed assets of the Company were insured with PT Asuransi Sinar Mas (related party) for the amount of Rp 97,793 million.

12. OTHER ASSETS

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Assets seized on loans in default	502,383	147,865	502,383	147,865
Unused assets	68,111	41,022	68,111	41,022
New branch opening costs	6,078	30,362	6,078	30,362
Interbranch	38,339	14,242	38,339	14,242
Building renovation and repairs	4,432	3,088	4,432	3,088
Revaluation of forward foreign exchange contract	630,526	505,034	630,526	505,034
Sundry accounts receivable	866,736	112,707	863,546	21,880
Others	57,726	59,219	53,700	51,339
Total Other Assets	2,174,331	913,539	2,167,115	814,832
Less allowance for possible losses	(885,306)	-	(885,306)	-
Total Other Assets - Net	1,289,025	913,539	1,281,809	814,832

Revaluation of forward foreign exchange contract pertains to forward foreign exchange transactions for funding purposes - see Note 27b.

Sundry accounts receivable include receivable or claim to general insurance company for overdue export bills and receivable from other parties. The claim to general insurance company has been settled in March 1999.

Other assets include guarantee deposits for office rent, telephone, golf membership, etc.

Allowance for possible losses as of December 31, 1998 represents allowance for possible losses on revaluation of forward foreign exchange contracts, assets seized on loans in default, and unused assets.

13. DEMAND DEPOSITS

Consist of :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Interest bearing	2,832,114	2,444,124	2,977,124	2,428,529
Non-interest bearing	755,796	367,255	755,796	367,255
Total Demand Deposits	3,587,910	2,811,379	3,732,920	2,795,784

The average interest rate on demand deposits as of December 31, 1998 was 9.80% per annum (1997 : 9.17%), and 5.07% per annum for foreign currencies (1997 : 4.08%).

The balance of demand deposits from related parties as of December 31, 1998 amounted to Rp 239,884 million (1997 : Rp 167,150 million). The balance of current accounts which were blocked as of December 31, 1998 and 1997 were nil.

The interest rates on demand deposits from related parties are similar to those offered to non-related parties.

14. SAVINGS DEPOSITS

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
BII savings deposits	1,710,645	1,527,107	1,708,758	1,527,107
Kesra savings deposits	45,298	94,424	45,298	94,424
Other savings deposits	515	1,397	515	798
Total Savings Deposits	1,756,458	1,622,928	1,754,571	1,622,329
			1998	1997
Average interest rates per annum			20.63%	19.41%

15. TIME DEPOSITS

a. Classified based on maturity :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
1 month	17,802,671	5,968,894	17,709,421	5,877,193
3 months	1,985,386	1,538,703	1,919,837	1,481,588
6 months	269,478	670,642	216,201	670,642
12 months	273,323	233,483	216,113	190,909
Total Time Deposits	20,330,858	8,411,722	20,061,572	8,220,332

b. The average interest rates per annum on time deposits in Rupiah are as follows :

	1998	1997
1 month	53.46%	26.07%
3 months	41.43%	26.84%
6 months	37.48%	20.14%
12 months	33.26%	20.40%

c. The average interest rates per annum on time deposits in foreign currencies are as follows :

	1998	1997
1 month	13.40%	8.86%
3 months	13.06%	9.09%
6 months	10.64%	8.25%
12 months	7.70%	7.19%

Total time deposits which were blocked or under-lien as of December 31, 1998 amounted to Rp 327,156 million (1997 : Rp 938,048 million).

The balance of time deposits from related parties as of December 31, 1998 amounted to Rp 1,331,111 million (1997 : Rp 762,962 million).

The interest rates on time deposits from related parties are similar to those offered to non-related parties.

16. CERTIFICATES OF DEPOSIT

a. Classified based on maturity :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
1 month	84,282	310,121	84,282	310,121
3 months	21,115	14,952	21,115	14,952
6 months	5,343	312,395	5,343	312,395
12 months	1,129,317	751,432	1,129,241	751,390
Total Certificates of Deposit	1,240,057	1,388,900	1,239,981	1,388,858
Less prepaid interest	(2,544)	(11,660)	(2,544)	(11,660)
Total Certificates of Deposit - Net	<u>1,237,513</u>	<u>1,377,240</u>	<u>1,237,437</u>	<u>1,377,198</u>

b. The average interest rates per annum on certificates of deposit in Rupiah are as follows :

	1998	1997
1 month	58.81%	23.85%
3 months	39.74%	24.87%
6 months	35.99%	15.58%
12 months	37.78%	14.34%

c. The average interest rates per annum on certificates of deposit in foreign currencies as of December 31, 1998 was between 6.00% - 9.31%.

17. OTHER CURRENT LIABILITIES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Unclaimed matured deposits	18,322	27,518	18,322	27,518
Transfer, cheques for collection and clearing	19,603	6,210	19,603	6,210
Other bank liabilities	184,549	96,305	148,396	63,266
Total Other Current Liabilities	222,474	130,033	186,321	96,994

Other bank liabilities include payments for electricity, telephone and transfer which are still in the clearing process.

18. TAXES PAYABLE AND INCOME TAX

Taxes payable consists of :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Corporate income taxes	6,507	5,214	-	102
Income taxes articles 21 and 23	105,304	3,335	105,304	2,714
Total Taxes Payable	111,811	8,549	105,304	2,816

Corporate income taxes payable as of December 31, 1998 pertained to Bank International Ningbo.

Lodgment of tax returns is based on taxpayers' own calculation of tax liabilities (self - assessment). The tax authorities may conduct a tax audit on the Company for up to ten years thereafter.

A reconciliation between income (loss) before income tax per statements of income and taxable income of the Company is as follows :

	1998	1997
	Rp '000'000	Rp '000'000
Profit (loss) before income tax	(11,790,774)	349,203
Add (less) investment income (loss) resulting the presentation of investment using equity method	139,060	(30,921)
Company's Profit Before Income Tax	(11,651,714)	318,282

	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000
<u>Positive Corrections :</u>		
Investment loss from associate companies (equity method)	17,904	15,509
Donations	1,772	286
Employee benefits	169	254
Representation	1,893	1,716
Loss on investment in securities	130,039	37,355
BII's portion of profit from BII Finance Hong Kong	-	3,877
Provision for contingent loss in securities	126,969	-
Provision for possible losses on earning assets and foreclosed collaterals	5,354,354	-
<u>Negative Corrections :</u>		
BII's portion of loss from BII Finance Hong Kong	(16,439)	-
Dividend income (including dividend of mutual fund)	(3,726)	(27,928)
Technical assistance fee	(958)	-
Total positive fiscal corrections - Net	<u>5,611,977</u>	<u>31,069</u>
Taxable Income (Fiscal Loss)	<u>(6,039,737)</u>	<u>349,351</u>

The computation of income tax and income tax payable for the year 1997 are as follows :

	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000
Corporate income tax		
10% X Rp 25 million	-	3
15% X Rp 25 million	-	4
30% X Rp 349,301 million in 1997	-	104,790
Income Tax	-	104,797
Prepaid tax		
Article 25	-	(104,695)
Corporate Income Tax Payable	<u>-</u>	<u>102</u>

The taxable income and corporate income tax for 1997 are in accordance with the annual tax returns lodged by the Company to the Tax office.

19. SECURITIES ISSUED

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Bonds	194,700	194,700	194,700	194,700
Total Securities Issued	194,700	194,700	194,700	194,700

In July 1995, the Company issued bonds amounted to Rp 194,700 million which consist of :

Type	Certificate	Nominal Value	Amounts
		Rp '000'000	Rp '000'000
Type A	600	1	600
Type B	450	10	4,500
Type C	296	100	29,600
Type D	120	500	60,000
Type E	100	1,000	100,000
Total	1,566		194,700

Trustee Agent ("Wali Amanat") for the issuance of these bonds is PT Bank Niaga. At initial public offering, the bonds were issued at 100% of nominal value. These bonds will mature within 5 years and are subject to interest of 18.5% per annum for the first year and floating rate for the year II, III, IV and V which is calculated based on the average interest rates of time deposits for 6 (six) months of PT Bank Negara Indonesia, PT Bank Ekspor Impor Indonesia, PT Bank Tabungan Negara, PT Bank Dagang Nasional Indonesia, PT Bank Bali and PT Bank Lippo plus premium of 2%.

Interest is payable every 3 months in accordance with the payment date stated in each coupon. First interest coupon was paid on October 1, 1995. Meanwhile, the final interest coupon will be paid on July 24, 2000 at the maturity date of the bonds.

The bonds are secured by the Company's housing loans (KPR) amounted to Rp 205 billion (i.e. 105% of the value of bonds issued), the Company's claim to insurance company on the recovery of life insurance of its debtors and the recovery of fire insurance of the security pledge for the housing loans. This collateral agreement is documented by Notary Adam Kasdarmadji SH, in his Notarial Deeds No. 289 dated June 23, 1995.

In accordance with the agreement with "Wali Amanat" No. 287 dated June 23, 1995, the Company is required to make a reserve for the "bonds sinking funds". The following are the schedule for setting-up the reserve for the sinking funds.

On December 31, 1995	Minimum 1% the total nominal value of bonds	1,947 million
On July 24, 1996	Minimum 1% the total nominal value of bonds	1,947 million
On July 24, 1997	Minimum 2% the total nominal value of bonds	3,894 million
On July 24, 1998	Minimum 3% the total nominal value of bonds	5,841 million
On July 24, 1999	Minimum 4% the total nominal value of bonds	7,788 million
On July 22, 2000	100% the total nominal value of bonds	194,700 million

In the respective agreement, the Company is required to place the bonds sinking funds in time deposits and/or bonds issued or guaranteed by the state-owned banks and/or Certificate of Bank Indonesia or other kind of deposits which are agreed by the Company and "Wali Amanat".

As of December 31, 1998, the bonds sinking funds were placed on bonds which were guaranteed by the state-owned banks (see Note 6).

20. BORROWINGS

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
<u>Loans received from Bank Indonesia</u>				
Two Step Loan (ADB, BOE Japan, OECF and AJDF)	165,636	139,625	165,636	139,625
Small investment loans (KIK)	99,252	58,960	99,252	58,960
KPRS and KPG	861	805	861	805
Total Loans Received From Bank Indonesia	265,749	199,390	265,749	199,390
Placements from other banks	2,552,017	1,827,188	908,455	759,550
Loans from other banks	<u>2,967,542</u>	<u>3,092,817</u>	<u>2,128,898</u>	<u>2,537,807</u>
Total Borrowings	<u>5,785,308</u>	<u>5,119,395</u>	<u>3,303,102</u>	<u>3,496,747</u>

The "Two Step Loan" is a loan received through Bank Indonesia from Asian Development Bank, Bank Export Import Japan, AJDF and OECF to be distributed to the Company's customers. The "two step loan" as of December 31, 1998 from Asian Development Bank was Rp 98,744 million (1997 : Rp 65,232 million), Bank Export Import Japan was Rp 23,780 million (1997 : Rp 29,064 million), AJDF was Rp 21,420 million (1997 : Rp 23,460 million) and OECF was Rp 21,692 million (1997 : Rp 21,869 million). The maximum facility of the loan from the Asian Development Bank is the Rupiah equivalent of US\$ 25 million, Bank Export Import of Japan is the Rupiah equivalent of JPY 2,140 million, AJDF is the Rupiah equivalent of JPY 995 million and OECF is the Rupiah equivalent of JPY 991 million. Loans which are received from ADB will mature in 2005 and 2008, Bank Exim of Japan will mature in 2003, AJDF will mature in 2009 and OECF will mature in 2013.

The loans received from Bank Indonesia including the two step loans are unsecured and bear interest rate between 4% - 14% (1998 and 1997) per annum. The loans (KIK, KPRS and KPG) will mature in 2007.

Placements from other banks represent the balance of placements from other banks (interbank taking) which are obtained from money markets with interest rates as of December 31, 1998 ranging between 50% and 55% per annum (1997 : 15% to 33% per annum) for Rupiah and 9% to 10% per annum (1997 : 8% to 10% per annum) for foreign currencies.

The balance of placements from related party banks as of December 31, 1998 amounted to Rp 1,338,611 million (December 31, 1997 : Rp 771,455 million).

The balance of loans received from related parties as of December 31, 1998 amounted to Rp 214,171 million (December 31, 1997 : Rp 64,969 million).

Loans and placements from related parties were received under the same terms and conditions as those received from non-related parties.

Loans from other banks represent the balance of loans received from local banks and overseas banks, unsecured with average interest rate of 30% per annum for Rupiah (1997 : 17.25% per annum) and 7% to 9% per annum for foreign currencies (1997 : 7% to 8% per annum). The Company has signed an "Exchange Offer Program Agreement" with Bank Indonesia on August 18, 1998. The total loans from offshore banks registered under the Exchange Offer Program is US\$ 164 million.

The following is the repayment schedule of the loans registered with the Exchange Offer Program :

Repayment Schedule	Repayment Date	US\$
15% of Outstanding borrowings	25 August 1999	24,591,056
30% of Outstanding borrowings	25 August 2000	49,182,113
45% of Outstanding borrowings	25 August 2001	73,023,170
10% of Outstanding borrowings	25 August 2002	17,177,037

The maturity of the remaining loans is within one or two years.

21. ACCRUED EXPENSES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Accrued interest expenses	694,243	175,744	600,496	149,774
Other accrued expenses	13,913	7,628	13,298	6,574
Total Accrued Expenses	708,156	183,372	613,794	156,348

22. OTHER LIABILITIES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Liabilities on export bills which are rediscounted to Bank Indonesia	7,541,579	1,523,407	7,541,579	1,523,407
Margin deposits	16,240	25,027	14,769	24,196
Deferred income	27,727	39,605	24,937	36,863
Liability on securitization of future credit card receivable	1,104,434	651,000	1,104,434	651,000
Others	1,293,796	43,597	180,792	38,118
Total Other Liabilities	9,983,776	2,282,636	8,866,511	2,273,584

On July 14, 1997, the Company has signed an agreement with Acme Securitisation for securitizing future credit card receivable amounting to US\$ 140 million to Visa International since July 1997. The contract will mature in year 2007.

Other liabilities include accrued general and administration expenses, allowance for possible losses on commitment and contingent liabilities (amounting to Rp 44,079 million), payroll services, and deposits as paying agent.

23. CAPITAL STOCK

In February 1997, the Company sold 1,289,579,469 new shares with par value of Rp 500 through Limited Public Offering II. In this offering the Company issued 286,573,215 Series I warrants free of charge. Holder of each 27 shares has subscription right for 18 new shares with offering price of Rp 750 per share, and in every 18 newly issued shares are attached 4 warrants. Each Series I warrants can be exercised by purchasing one new share of the Company at the price of Rp 1,000 per share, starting from July 16, 1997 to January 17, 2000.

In the Extraordinary Shareholders Meeting held on June 29, 1998, the shareholders decided to increase the authorized capital of the Company to 12,936,000,000 shares or equivalent to Rp 6,468,000 million. The decision was documented in Notarial Deed of Notary Adam Kasdarmadji, SH, No. 134, 135 and 136 dated June 29, 1998 and was approved by the Minister of Justice of the Republic of Indonesia through his letter No. C2-11116.HT.01.04.Th.98 dated August 12, 1998.

The Company's shareholders as of balance sheet dates are as follows :

Name of Stockholder	December 31, 1998		
	%	Shares (thousand)	Rp (million)
PT Sinar Mas Multiartha Tbk	51	1,651,542	825,771
Somers Nominees (Far East) Limited	5	165,144	82,572
Public (less than 5%)	44	1,417,758	708,879
Total	100	3,234,444	1,617,222

Name of Stockholder	December 31, 1997		
	%	Shares (thousand)	Rp (million)
PT Sinar Mas Multiartha Tbk	51	1,651,542	825,771
Public (less than 5%)	49	1,582,860	791,430
Total	100	3,234,402	1,617,201

The following are the summary of changes in capital stock during the period from January 1, 1997 up to December 31, 1998 :

	<u>Shares</u>	<u>Paid-up Capital</u> Rp '000'000
Beginning Balance as of January 1, 1997	1,934,369,204	967,185
Limited Share Offering II in February 1997 1,289,579,469 shares issued with par value of Rp 500 per share	1,289,579,469	644,789
Warrants converted to shares during 1997	10,453,776	5,227
Warrants converted to shares during 1998	<u>42,520</u>	<u>21</u>
Ending Balance as of December 31, 1998	<u>3,234,444,969</u>	<u>1,617,222</u>

24. CAPITAL SURPLUS

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Capital surplus - Company	330,318	330,318	330,318	330,318
Capital surplus - Warrants	5,227	5,227	5,227	5,227
Capital surplus - Subsidiaries	<u>398</u>	<u>398</u>	<u>-</u>	<u>-</u>
Total Capital Surplus	<u>335,943</u>	<u>335,943</u>	<u>335,545</u>	<u>335,545</u>

The following is the movement of capital surplus during the period from January 1, 1997 up to December 31, 1998 :

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Beginning Balance as of January 1, 1997	335,943	7,290	335,545	6,892
<u>Addition</u>				
Increase in capital surplus due to the Limited Share Offering II in February 1997	-	323,426	-	323,426
Increase in capital surplus due to conversion of warrants to shares when market price exceeds par value of shares	<u>-</u>	<u>5,227</u>	<u>-</u>	<u>5,227</u>
Ending Balance as of December 31, 1998	<u>335,943</u>	<u>335,943</u>	<u>335,545</u>	<u>335,545</u>

25. WARRANTS

The Company issued 286,573,215 Series I warrants convertible into shares in February 1997. Such warrants can be exercised starting July 16, 1997 to January 17, 2000. Each warrant is convertible to 1 (one) new share at its conversion price of Rp 1,000 per share. As of December 31, 1998, there were 276,076,919 warrants which have not been exercised or converted to shares (1997 : 276,119,439 warrants).

26. DIVIDENDS

In the Annual Shareholders Meeting held on June 16, 1997 documented by Notary Sutjipto SH in his Notarial Deeds No. 135 dated June 19, 1997, the Company declared cash dividends of Rp 23 per share with total value of Rp 74,151 million. The Company did not declare any dividends in 1998.

27. DERIVATIVE FINANCIAL INSTRUMENTS

- a. The Company deals in a variety of derivative financial instruments - principally, forward contracts, options and swaps - which enable the Company and its customers to manage their interest rate and foreign exchange exposures.

Forward foreign exchange contracts are commitments to deliver financial instruments to the seller or buyer to sell or buy certain currencies on a future date at a specified price.

Option contracts give the acquirer the right to buy or sell a financial instrument at a specified price within a specified period.

Swap contracts are comprised of currency swap and interest swap. Swap contracts are commitments to settle in cash on a future date or dates with interest rate commitments or currency amounts based upon a notional principal amount.

Derivative financial instrument trading gives rise to market and credit risks.

The market risk of derivative financial instruments arises from the potential for changes in value due to fluctuations in interest and foreign exchange rates. Credit risk is the possibility that a loss may occur due to the failure of a counter-party to fulfill their obligation according to the terms of the contract.

The notional or contract amount of derivative financial instruments stated on the statement of commitments and contingencies represent the volume of outstanding transactions and do not represent the potential for gain or loss associated with the market risk or credit risk of such instruments.

b. Commitments on purchases and sales of foreign currencies.

Outstanding foreign currencies purchased at balance sheet dates are as follows :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
<u>Spot Foreign Currencies Purchased:</u>				
United States Dollar (USD)	134,866	190,888	134,866	190,888
Australian Dollar (AUD)	1,477	-	1,477	-
Deutsche Mark (DEM)	2,388	-	2,388	-
Total Spot Foreign Currencies Purchased	<u>138,731</u>	<u>190,888</u>	<u>138,731</u>	<u>190,888</u>
<u>Forward Foreign Currencies Purchased:</u>				
United States Dollar (USD)	264,769	5,259,081	264,769	5,240,908
Australian Dollar (AUD)	9,847	33,439	9,847	33,439
Canadian Dollar (CAD)	-	1,623	-	1,623
Deutsche Mark (DEM)	19,108	109,400	19,108	109,400
Great British Poundsterling (GBP)	7,979	21,970	7,979	21,970
Hong Kong Dollar (HKD)	-	6,336	-	6,336
Italian Lira (ITL)	-	4,547	-	4,547
Japanese Yen (JPY)	66,154	214,579	66,154	210,658
New Zealand Dollar (NZD)	-	9,878	-	9,070
Singapore Dollar (SGD)	53,194	68,734	53,194	66,548
Total Forward Foreign Currencies Purchased	<u>421,051</u>	<u>5,729,587</u>	<u>421,051</u>	<u>5,705,307</u>

Meanwhile, outstanding foreign currencies sold at balance sheet dates are as follows :

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
<u>Spot foreign currencies sold</u>				
United States Dollar (USD)	186,438	139,566	186,438	139,566
Deutsche Mark (DEM)	9,554	-	9,554	-
Japanese Yen (JPY)	8,751	-	8,751	-
Total Spot Foreign Currencies Sold	<u>204,743</u>	<u>139,566</u>	<u>204,743</u>	<u>139,566</u>

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
<u>Forward foreign currencies sold:</u>				
United States Dollar (USD)	2,660,750	3,605,911	2,660,750	3,580,054
Australian Dollar (AUD)	-	4,560	-	4,560
Deutsche Mark (DEM)	-	103,251	-	101,380
Great British Poundsterling (GBP)	-	1,927	-	1,927
Hong Kong Dollar (HKD)	-	28,953	-	6,336
Italian Lira (LTL)	-	4,555	-	4,555
Japanese Yen (JPY)	15,751	203,664	15,751	203,664
Total Forward Foreign Currencies Sold	<u>2,676,501</u>	<u>3,952,821</u>	<u>2,676,501</u>	<u>3,902,476</u>

Unrealized loss on forward foreign currency contract transactions for "trading" purposes of the Company as of December 31, 1998 amounted to Rp 1,984 million (1997 : unrealized loss Rp 60,160 million). According to Indonesian Accounting Standards, the unrealized gain or loss arising from forward foreign currencies transactions for "trading" purposes are not recorded in the statements of profit and loss of the current year. They will be recognized as gain or loss at the maturity date of the contract. The average tenure of forward purchases and sales is 3 months.

Total amount of forward contracts outstanding with related parties as of December 31, 1998 was equivalent to Rp 2,181,736 million.

28. INTEREST RECEIVED

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Loans	3,933,989	2,636,054	3,607,241	2,459,409
Placements with other banks	1,238,319	572,712	1,237,802	531,254
Marketable securities	1,834,313	290,307	1,787,264	282,513
Total Interest Received	<u>7,006,621</u>	<u>3,499,073</u>	<u>6,632,307</u>	<u>3,273,176</u>

29. INTEREST PAID

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Time deposits	5,570,094	1,234,604	5,448,531	1,177,764
Borrowings and securities issued	1,840,151	554,367	1,707,453	488,137
Demand deposits	636,447	274,167	634,301	269,502
Savings deposits	352,158	268,957	352,158	268,957
Certificates of deposit	130,883	217,182	130,883	217,182
Total Interest Paid	<u>8,529,733</u>	<u>2,549,277</u>	<u>8,273,326</u>	<u>2,421,542</u>

30. OTHER REVENUES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Retail administration	40,337	18,397	40,337	18,397
Credit card administration	26,816	28,109	26,816	28,109
Investment banking administration	23,965	44,744	23,965	44,744
Banking services	5,845	4,322	5,845	4,322
Loan administration	4,544	7,963	4,544	7,963
Export and import administration	3,796	1,915	3,796	1,915
Dividend received	3,757	27,929	3,757	27,929
Foreign currency transaction administration	3,162	937	3,162	937
Others	102,725	42,420	99,357	42,152
Total Other Revenues	214,947	176,736	211,579	176,468

31. GENERAL AND ADMINISTRATIVE EXPENSES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
General	138,401	32,681	132,022	27,089
Rent	71,658	49,352	71,658	49,352
Premium on Government guarantee (see Note 41)	62,266	-	62,266	-
Printing and stationeries	24,826	13,564	24,107	13,234
Banking communication line	24,551	15,052	24,551	15,052
Telephone, telex and wires	21,598	18,401	21,047	17,634
Professional and advisory	14,735	4,739	11,323	4,632
Transportation and utilities	14,500	9,616	14,500	9,616
Promotion	13,816	20,849	13,375	20,646
Research and development	12,718	12,408	12,701	12,330
Water and electricity	10,499	8,947	10,326	8,726
Supplies	7,956	3,942	7,956	3,715
Stamps and stamps duty	6,926	6,618	6,907	6,602
Total General and Administrative Expenses	424,450	196,169	412,739	188,628

32. OTHER OPERATING EXPENSE

Represent net amount of capital gain from marketable securities transactions amounted to Rp 88,500 million (1997 : Rp 18,649 million), loss on investments in mutual fund units amounting to Rp 130,039 million (1997 : Rp 37,355 million), and loss on contingent liabilities transactions with Peregrine Fixed Income Limited and Credit Suisse Financial Products amounted to Rp 126,969 million.

33. NON-OPERATING REVENUES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Rent	4,660	3,185	4,660	3,185
Investment income - Net	-	4,091	-	15,412
Gain on sale of premises and equipment	-	1,431	73	1,430
Others	14,948	6,015	13,600	5,399
Total Non-Operating Revenues	19,608	14,722	18,333	25,426

Other non-operating income includes consulting fees and fees for services other than banking operations.

34. NON-OPERATING EXPENSES

	Consolidated		Parent Company	
	1998	1997	1998	1997
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
Investment loss - Net	17,906	-	156,964	-
Legal, court and mortgage	3,409	1,877	3,409	1,877
Donations and penalties	1,773	5,189	1,773	5,189
Loss on sale of premises and equipment	290	-	-	-
Others	13,439	7,927	11,045	6,409
Total Non-Operating Expenses	36,817	14,993	173,191	13,475

Donation for the years ended December 31, 1998 and 1997 included donation for "Pembinaan Keluarga Prasejahtera dan Keluarga Sejahtera I" and donation for the establishment of "Yayasan Dana Sejahtera Mandiri".

Other non-operating expenses include meeting, sport and recreation, and other general needs.

35. EARNINGS PER SHARE

The weighted average of the Company's shares outstanding which is used as a basis to calculate the net operating revenues (expenses) per share and net income (loss) per share as of December 31, 1998 was 3,881,310,891 shares (1997 : 3,623,928,361 shares). Meanwhile, the weighted average of the Company's shares outstanding which is used as a basis to calculate the diluted net operating revenues (expenses) per share and net income (loss) per share as of December 31, 1998 was 4,157,410,882 shares (1997 : 3,902,635,517 shares). The weighted average of the Company's shares outstanding included the retroactive effect of bonus share executed by the Company on February 6, 1999 (see Note 43a).

36. TRANSACTIONS WITH RELATED PARTIES

Nature of Related Parties

Related parties are companies under Sinar Mas Group.

Transactions With Related Parties

In its normal course of business, the Company carries out transactions with related parties (Note 2d) under the same terms and conditions as those done with non-related parties, except loans to employees. Balances with related parties as of balance date are disclosed in the following accounts: placements with other banks (Note 5), marketable securities (Note 6), loans (Note 7), demand deposits (Note 13), time deposits (Note 15) and borrowings (Note 20). The Company also paid rental fee to related parties (Note 9), purchased insurance policy (Note 11), and dealt with purchases/sales of forward foreign exchange contracts (Note 27b).

Total commitment and contingent liabilities to related parties (consisting of letters of credit, acceptances and bank guarantees) outstanding as of December 31, 1998 amounted to Rp 222,468 million.

37. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

a. Balance of assets and liabilities which are in foreign currencies as of balance sheet dates are as follows :

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000	Rp '000'000	Rp '000'000
<u>Assets :</u>				
Cash	205,235	31,359	203,789	30,703
Demand deposits with Bank				
Indonesia	280,273	232,500	280,273	232,500
Demand deposits with other				
banks	1,275,728	268,390	996,451	164,096
Placements with other banks	3,479,759	358,964	1,523,641	149,901
Marketable securities	10,224,216	2,731,295	10,106,218	2,545,011
Loans	12,439,308	8,105,411	10,626,665	6,736,590
Income receivable	189,533	123,478	158,375	110,757
Prepayments	1,776	30,535	-	28,281
Investments in shares	8,345	8,345	215,842	102,674
Premises and equipment	20,563	12,468	-	-
Other assets	931,794	19,704	927,098	14,690
Total Assets	29,056,530	11,922,449	25,038,352	10,115,203
<u>Liabilities :</u>				
Demand deposits	2,314,244	1,563,694	2,206,085	1,547,648
Savings deposits	2,402	1,395	515	796
Time deposits	6,803,752	4,459,314	6,534,466	4,257,924
Certificates of deposit	1,129,194	606,869	1,129,118	606,827
Other current liabilities	134,218	22,353	106,770	98
Taxes payable	6,585	4,766	-	-
Borrowings	4,950,801	4,266,470	2,468,596	2,731,573
Accrued expenses	217,296	114,959	125,454	89,689
Other liabilities	9,893,895	2,368,994	8,784,487	2,362,405
Total Liabilities	25,452,387	13,408,814	21,355,491	11,596,960

b. Net Open Position

The following is the Company's foreign currency net open position as submitted to Bank Indonesia. The net open position does not include the Company's branches domiciled outside of Indonesia.

	1998	1997
	Rp '000'000	Rp '000'000
<u>Currency</u>		
<u>Assets</u>		
United States Dollar	27,217,951	10,461,739
Great British Poundsterling	10,875	23,228
Japanese Yen	128,749	221,868
Deutsche Mark	138,534	120,018
Netherlands Guilder	1,361	723
Others	342,735	252,181
Total Assets	27,840,205	11,079,757
<u>Liabilities</u>		
United States Dollar	27,261,946	10,580,115
Great British Poundsterling	11,424	22,129
Japanese Yen	127,641	247,112
Deutsche Mark	31,951	124,161
Netherlands Guilder	32	6
Others	270,084	196,913
Total Liabilities	27,703,078	11,170,436
Net	137,127	(90,679)

The above net open position included net open position of administrative accounts.

38. PENSION FUND

The Company has a defined benefit pension plan for all of its permanent employees until the period ended April 30, 1996. The criteria to join the pension benefits is permanent employee above 18 years old or has married. The pension fund is managed by Dana Pensiun Bank Internasional Indonesia and is invested in short-term time deposits and shares. The latest report of the actuary was made by PT Jasa Aktuaria Praptasentosa Gunajasa on August 25, 1995. The available balance for pension fund as of June 30, 1995 is Rp 9,447 million, while the total premium reserved is Rp 8,540 million.

In April 1996, the pension fund scheme of the Company was changed from defined benefit pension plan into defined contribution pension plan. The net assets available for benefit as of the change of the pension program was Rp 12,480 million. The change of the pension fund scheme was approved by Finance Department of the Republic of Indonesia through its letter No. Kep-147/KM.17.1996 dated April 16, 1996.

Pension expense for the years ended December 31, 1998 and 1997 amounted to Rp 1,640 million and Rp 1,599 million, respectively. Since the establishment of the scheme (year 1990), the total pension fund made by the Company and received by Dana Pensiun BII until December 31, 1998 is the same as the total pension fund recognized as expense up to the respective date, which amounted to Rp 12,861 million.

39. BUSINESS ACTIVITIES INFORMATION BY SEGMENT

The following are the financial information of the Company and subsidiaries :

a. Business Activities

Company	Business Activities
Company	Banking
BII Finance Co. Limited, Hong Kong	Banking
Bank International Ningbo, China	Banking
PT BII Finance Center	Multifinance

b. Total Assets

The following is the total assets of the Company and subsidiaries :

	1998	1997
	Rp '000'000	Rp '000'000
Company	30,642,598	22,645,424
BII Finance Co. Limited	467,983	395,431
Bank International Ningbo	5,084,564	1,484,627
PT BII Finance Center	456,110	446,751
Total Assets Before Consolidation		
Elimination	36,651,255	24,972,233
Less consolidation elimination	(1,804,356)	(274,553)
Total Assets After Consolidation		
Elimination	34,846,899	24,697,680

c. Interest Received

The following is the interest received of the Company and subsidiaries :

	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000
Company	6,632,307	3,273,176
BII Finance Co. Limited	57,351	41,333
Bank International Ningbo	317,910	91,464
PT BII Finance Center	<u>100,198</u>	<u>93,100</u>
Total Interest Received Before Consolidation Elimination	7,107,766	3,499,073
Less consolidation elimination	<u>(101,145)</u>	<u>-</u>
Total Interest Received After Consolidation Elimination	<u><u>7,006,621</u></u>	<u><u>3,499,073</u></u>

d. Net Operating Revenues (Expenses)

The following is the net operating revenues (expenses) of the Company and subsidiaries :

	<u>1998</u>	<u>1997</u>
	Rp '000'000	Rp '000'000
Company	(11,635,916)	337,252
BII Finance Co. Limited	(16,133)	4,964
Bank International Ningbo	86,996	24,068
PT BII Finance Center	<u>(190,231)</u>	<u>(7,427)</u>
Total Net Operating Revenues (Expenses) Before Consolidation Elimination	(11,755,284)	358,857
Less consolidation elimination	<u>-</u>	<u>-</u>
Total Net Operating Revenues (Expenses) After Consolidation Elimination	<u><u>(11,755,284)</u></u>	<u><u>358,857</u></u>

e. Net Income (Loss)

The following is the net income (loss) of the Company and subsidiaries :

	<u>1998</u>	<u>1997</u>
	Rp (000.000)	Rp (000.000)
Company	(11,790,774)	244,406
BII Finance Co. Limited	(16,439)	3,877
Bank International Ningbo	69,028	19,235
PT BII Finance Center	<u>(191,649)</u>	<u>(11,791)</u>
Net Income (Loss) Before Consolidation Elimination	(11,929,834)	255,727
Less consolidation elimination	<u>139,060</u>	<u>(11,321)</u>
Net Income (Loss) After Consolidation Elimination	<u><u>(11,790,774)</u></u>	<u><u>244,406</u></u>

40. THE EFFECTS OF THE ADVERSE ECONOMIC CONDITION IN INDONESIA ON THE COMPANY AND ITS SUBSIDIARIES

Many Asia Pacific countries, including Indonesia, are experiencing adverse economic conditions since mid 1997, mainly resulting from currency devaluation in the region. The liquidation and closure of several banks in Indonesia since November 1997 has generated negative impact on public confidence in the Indonesian banking system. The principal consequences are an extreme lack of liquidity, high interest rates, and highly volatile exchange rates. The crisis has also resulted in a tightening of credit availability, drastic decline in market values of securities, stoppage or postponement of certain construction projects, over supply of property, decrease in purchasing power of consumers, and decrease in economic activities throughout the region.

The adverse economic condition has caused uncertainty on the debtors' ability to fulfill their liabilities on due dates, thereby increasing the credit risk inherent in the earning assets portfolio of the Company. This adverse economic condition has also affected the cost of funds of the Company. Volatility in exchange rates has increased the risk in foreign currency transactions of the Company. These factors have caused the Company to suffer a significant deficit arising from allowance for possible losses on earning assets made and negative interest margin. The deficit has resulted to an equity deficiency as of December 31, 1998.

In response to the economic crisis starting from mid 1997, the shareholders and management have taken and will take several strategic steps to solve the challenges facing the Company :

- a. The shareholders injected additional capital amounting to Rp 1.8 trillion through Limited Share Offering ("rights issue") III in April 1999.
- b. The Company revalued its fixed assets resulting to a revaluation increment of Rp 1.3 trillion.
- c. The Company joined the National Banking Recapitalization Program based on Joint Decree from the Minister of Finance and the Governor of Bank Indonesia No. 53.KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 and statement from "Dewan Pemantapan Ketahanan Ekonomi dan Keuangan" dated March 13, 1999. The Joint Decree states that the Government will make a capital investment into the private banks which are qualified to join the recapitalization program with maximum amount of 80% of total fund needed for recapitalizing those private banks in order to achieve Capital Adequacy Ratio (CAR) of 4%. The controlling shareholders, the Governor of Bank Indonesia, the Minister of Finance and the Head of Indonesian Banking Restructuring Agency have signed the "Investment, Management and Performance Agreement" on May 19, 1999. Based on Government Regulation No. 34 dated May 24, 1999, the Indonesian Government decided to make a capital investment into the Company in the amount of Rp 8.7 trillion.
- d. The Company's management increase supervisory actions and perform intensive analysis of the debtors' conditions to maintain the collectibility of granted loans and have stopped granting new loans.

e. The Company signed an "Exchange Offer Program" with Bank Indonesia for borrowings from offshore banks amounting to US\$ 164 million on August 18, 1998 (Note 20).

f. The Company tries to balance foreign exchange exposures as an effort to control net open position in compliance with Bank Indonesia regulation.

For uncertain period, the Company will continue to be affected by this adverse economic condition resulting to uncertainty on the Company's operations in the future, recovery of the Company's assets and the ability to fulfill its obligations when they mature. The Company's financial statements include the effects of the economic downturn to the extent they can be determined and estimated. Resolution of the adverse economic conditions is dependent on monetary and fiscal measures that will be taken by the Indonesian Government, actions which are beyond the Company's control, to achieve economic recovery. It is not possible to determine the future effects the continuation of the adverse economic condition may have on the liquidity and earnings of the Company and realization of its receivables.

41. GOVERNMENT GUARANTEE ON OBLIGATIONS OF PRIVATE BANKS

Based on the decision letter from the Minister of Finance of the Republic of Indonesia No. 26/KMK.17/1998 dated January 28, 1998 regarding "Requirements and Procedures on Government Guarantee on Obligations of Private Banks", the Government will guarantee the obligations of private banks including demand deposits, savings, time deposits and on-call deposits, bonds, marketable securities, inter-bank borrowings, loans received, swaps/hedges/futures, derivatives and other contingent liabilities such as bank guarantees, standby letter of credits, performance bonds and other kind of liabilities other than those excluded in the said decision letter such as subordinated loans, liabilities to directors, commissioners and related parties of the Company. The guarantee is valid for 2 years starting from January 26, 1998 up to January 31, 2000.

42. OTHER IMPORTANT INFORMATION

The Indonesian Institute of Accountants issued Statement No. 46 regarding "Accounting for Income Taxes" for companies which issue securities to public and Statement No. 50 regarding "Accounting for Certain Investments in Securities". Both statements will be effective on or after January 1, 1999. Application of these new accounting standards in 1999 will affect the Company's financial position and results of operations.

43. EVENTS SUBSEQUENT TO BALANCE SHEET DATES

The following are the significant events occurred subsequent to December 31, 1998 :

- a. In the Extraordinary Shareholders' Meeting held on February 6, 1999 documented in Notarial Deed No. 43 dated February 6, 1999 of Notary Sutjipto SH, the Company decided to distribute bonus share, where holders of 5 existing shares are entitled to 1 new share. The bonus share was taken from the conversion of the capital surplus of the Company amounted to Rp 324,444 million divided into 646,888,994 shares with par value of Rp 500 per share. The decision of the Extraordinary Shareholders' Meeting was documented in Notarial Deed No. 43 of Notary Sutjipto SH dated February 6, 1999.
- b. On March 13, 1999, "Dewan Pemantapan Ketahanan Ekonomi dan Keuangan Indonesia" issued a statement for including PT Bank Internasional Indonesia Tbk as one of the banks that will be recapitalized by the Indonesian Government.
- c. The Company received the approval from the Tax Office on March 25, 1999 on the increment of the fixed assets revaluation amounting to Rp 1.3 trillion through letter No. KEP-7/WPJ.06/KP.0404/1999. The revaluation increment will be booked by the Parent Company on April 1, 1999.
- d. The Company held another Extraordinary Shareholders Meeting on March 31, 1999 to approve the Limited Share Offering ("rights issue") III plan for 62,101,383,408 new shares (Series B and C each with par value of Rp 125 per share) and 7,762,672,926 Series II warrants, and raised the Company's authorized capital from Rp 6,468,000 million to Rp 38,000,000 million (consisting of 5,000,000,000 shares Series A with par value of Rp 500; 204,000,000,000 shares Series B with par value of Rp 125; and 80,000,000,000 shares Series C with par value of Rp 125). The Company has received an effective letter from BAPEPAM for this rights issue III on March 30, 1999 through its letter No.S-434/PM/1999. The total proceeds amounting to Rp 1.8 trillion (for 14,963,834,195 shares and 1,870,479,274 Series II warrants) from the rights issue III was received by the Company in April 1999. In the Extraordinary Shareholders' Meeting, the shareholders agreed to divest all its investments in subsidiaries and associated companies to comply with Bank Indonesia Decree of No. 31/177/KEP/DIR dated December 31, 1998 regarding "Legal Lending Limit". The minutes of this Extraordinary Shareholders Meeting was documented in Notarial Deed of Notary Sutjipto SH No. 60 dated March 31, 1999 and was approved by the Minister of Justice through his letter No. C-5902.HT.01.04.TH.99 dated April 5, 1999.
- e. On May 19, 1999 the Company and Sinar Mas Group as controlling shareholders, the Government of the Republic of Indonesia represented by the Governor of Bank Indonesia, the Head of Indonesian Banking Restructuring Agency and the Minister of Finance have signed an "Investment, Management and Performance Agreement" together with enclosed agreements in connection with recapitalization program. The agreement includes the following matters :
 1. Capital structure for recapitalization through rights issue.

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2. Rules of corporate governance to achieve the Company's performance in the next 3 (three) years, including appointment of compliance director.
 3. Determination of requirements and instruments to transfer and to recover assets classified as loss (category 5) which are transferred to Indonesian Banking Restructuring Agency.
 4. Requirements, rules and determination of divesting instruments of Government shares in the Company to controlling shareholders, investors or third party banks in 3 years after the primary recapitalization agreement is signed.
 5. Requirements and rules for Government bonds in connection with recapitalization program, including type of bonds and interest rate on those bonds.
- f. The Company plans to transfer the bad assets (earning assets and foreclosed assets) amounting to Rp 7.2 trillion to the Indonesian Banking Restructuring Agency Assets Management Unit at the end of May 1999 with nil value.
- g. In accordance with the Government Regulation No. 34 dated May 24, 1999, the Indonesian Government will make a capital investment into the Company in the amount of Rp 8.7 trillion. Hence, the Government will be the majority shareholder.

44. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements for the year ended December 31, 1997 have been reclassified to conform with presentation of the consolidated financial statements for the year ended December 31, 1998.
