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LIPPOBANK

1999

Annual Report

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mission

statement

LIPPO BANK is a team of people working together toward a common purpose. The success of this team effort is determined by our shared values, the principles that guide our actions and each individual's commitment to those values.

By making this commitment, our professional relationship is mutually beneficial. As each member of the Lippo Bank team adopts corporate goals as their goals, the corporation reciprocates by adopting the personal and professional goals of each individual as a corporate goal.

Lippo Bank is not a faceless entity. It is people. We are Lippo Bank... and we are committed to our shareholders, to our customers, to our nation and to ourselves. This is our commitment.



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[pursuing international best practices]

financial

highlights

financial summary

Indonesian Rupiah (millions)	1999	1998 (restated)	%
Total Assets	23,779,364	15,080,150	57.7%
Cash and Other Liquid Assets	15,914,535 *	6,205,628	156.5%
Loans and Advances	3,017,834	4,516,932	-33.2%
Total Deposits	18,066,384	18,549,197	-2.6%
Checking Accounts	4,548,951	3,541,840	28.4%
Savings	4,758,080	2,854,580	66.7%
Time and Certificates	8,759,353	12,152,777	-27.9%
Shareholders' Equity (Capital Deficiency)	2,313,440	(5,047,996)	-145.8%
Net Interest Income (Expense)	(1,094,362)	(1,243,538)	- 12.0%
Fee-Based Income	154,607	206,849	-25.3%
Profit (Loss) before Tax	(1,827,260)	(8,352,734)	- 78.1%
Net Profit (Loss) after Tax	(1,639,824)	(7,702,226)	- 78.7%

additional financial information

Indonesian Rupiah (millions)	1999	1998 (restated)	1997	1996	1995
Total Revenues	2,665,245	4,215,906	2,189,656	1,519,235	1,275,068
Income (Loss) from Operations	(1,833,923)	(8,323,323)	177,548	130,008	149,810
Net Profit (loss) after Tax	(1,639,824)	(7,702,226)	118,106	116,505	83,755
Total Assets	23,779,364	15,080,150	12,960,508	10,182,424	7,629,579
Total Investments	7,759,808*	74,383	90,822	64,986	49,903
Total Liabilities	21,418,882	20,076,828	11,901,865	9,214,021	7,052,172
Shareholders' Equity (Capital Deficiency)	2,313,440	(5,047,996)	1,003,047	906,933	506,179
Shares Outstanding (actual)	39,157,330,385	4,521,527,860	856,980,000	856,980,000	285,660,000
Class A (par value Rp 500)	856,980,000	856,980,000	856,980,000	856,980,000	285,660,000
Class B (par value Rp 10)	14,990,984,760	3,664,547,860	-	-	-
Class C (par value Rp 10)	23,309,365,625	-	-	-	-
Earnings (Loss) per Share (Indonesian Rupiah)	(80)	(8,988)	138	163	147
Return on Average Assets	n/a**	n/a**	1.02%	1.31%	1.15%
Return on Average Equity	n/a**	n/a**	12.36%	16.49%	17.76%
Year-End Loan to Deposit Ratio	16.70%	24.35%	90.82%	85.54%	98.74%
Capital Adequacy Ratio	16.33%	n/a***	10.35%	13.23%	8.82%
Liability to Equity Ratio	9.26	n/a**	11.88	10.23	14.07
Debt to Total Assets Ratio	0.90	1.33	0.92	0.91	0.93

* Includes Government Bonds acquired as a result of the recapitalization of the Bank amounting to Rp. 7.729 trillion.

** Cannot be compared with previous years figures due to losses in 1998 and 1999.

*** The Bank participated in the government sponsored recapitalization program. On May 28, 1999 the Bank received advances from the government amounting to Rp. 7.729 trillion.

other key indicators

	1999	1998	1997	1996	1995
Number of Accounts	2,170,000	2,109,000	2,029,000	1,819,000	1,686,000
Number of Shareholders	4,942	3,124	3,176	3,108	2,859
Number of Domestic Branches	356	359	364	304	289

pt lippo bank market share prices and volume traded

	1999				1998			
	4Q99	3Q99	2Q99	1Q99	4Q98	3Q98	2Q98	1Q98
High	Rp 250	400	600	725	725	472	629	496
Low	Rp 150	125	275	300	254	327	303	230
Volume	2,481,972,230	2,653,917,277	3,679,153,390	769,009,390	1,871,612,012	5,138,920,452	4,380,959,644	4,124,223,828

PT Lippo Bank shares are traded on the Jakarta and Surabaya Stock Exchanges.

board of



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[forging strong relationships]

"I am fully confident that with its superior service and a broad range of products, Lippo Bank is on the march to robust growth."

commissioners'

report



1998 is remembered as the most challenging year in Lippo Bank's history. A year in which Lippo Bank and Indonesia faced enormous social, economic and political uncertainty.

As I stated in the 1998 Annual Report, it is a tribute to all our staff, our stakeholders, the Government of Indonesia, the Ministry of Finance, Bank Indonesia and IBRA that we emerged in relative strength.

1999 will now be remembered as the year in which - with your support - we successfully re-capitalized the bank and began the rebuilding process.

Our achievements in 1999 are considerable.

1st Indonesian Private Bank Successfully Recapitalized

Lippo Bank was at the forefront of the Bank Recapitalization process. We were the first Indonesian private bank to be successfully re-capitalized. The existing shareholders contributed

Rp. 2,68 trillion. There was a 30% over subscription of shares, reflecting a high level of market confidence in the future of Lippo Bank. Under the restructuring program IBRA also contributed Rp. 6,05 trillion for 60%.

International Best Practices

The economic crisis clearly highlighted that all Indonesian banks need to dramatically improve their business practices. It must be stressed that both foreign and local banks suffered significant losses during the crisis. This occurred no matter how well developed their risk management practices and procedures were.

Our Board of Commissioners recognized that Lippo Bank also needed to enhance its business practices to ensure its long-term profitability and continued investor confidence.

To this end Lippo Bank signed on 28 June 1999 a 3-year "Technical Assistance Agreement" with ING

Baring Institutional and Government Advisory Services B.V. ("ING Barings") which is part of ING Group, one of the world's largest financial services groups.

In the second half of 1999 ING Barings sent a team of banking specialists to undertake a comprehensive review of every area of operations of Lippo Bank. Each product and procedure was compared to "International Best Practices" and a list of recommendations was compiled.

Subsequently 12 ING Barings senior employees were seconded to Lippo Bank as Advisors for the duration of the Technical Assistant Agreement. Each Director or Product Head in the Bank now has an Advisor. Their working relationship is based on the World Bank's "Twinning" concept.

The relationships that have developed between the Directors and their Advisors are extremely positive as is the progress achieved to date.

Good Corporate Governance

Good corporate governance is a prerequisite to success for Indonesia and Lippo Bank. A new Compliance Director has been appointed and approved by Bank Indonesia. New government regulations have strengthened the supervisory role of Bank Indonesia and IBRA on the restructured banks and the banking sector generally. Lippo Bank

is, in addition, finalizing the implementation of a new "Code of Ethics", and is introducing revised "Rules & Regulations" which further define the responsibilities of the Directors and Commissioners.

New Commissioners & Directors

The Bank's Annual General Meeting on June 30th, 1999 approved the appointment of the following new Commissioners and Directors.

The Honourable Mr. Richard A. Woolcott-
Commissioner

Mr. Jan G. Cherim - Commissioner

The Honourable Nasrudin Sumintapura -
Commissioner

Mr. Ian B. Clyne - President Director

Mr. Daniel Hong Chong Goon - Director

New Bank Indonesia regulations require all new commissioners and directors to undergo a "Fit & Proper Test". I am therefore pleased to confirm that Bank Indonesia has approved these appointments.

The appointment of Mr. Woolcott (who has served as Australia's Secretary of Foreign Affairs and Trade and Australian Ambassador to both Indonesia and the United Nations) and Mr. Cherim (Global Head of ING Baring Institutional and Government Advisory Services B.V. in Amsterdam) has provided valuable international input to the Bank.

Mr. Ian B. Clyne (formerly Country Manager of ING Barings' Indonesian operations) was appointed President Director & CEO and formally assumed full responsibility for this position from Mr. Eddy Sindoro on January 1st, 2000.

Mr. Clyne is the first foreign national ever to be appointed as President Director of an Indonesian private bank.

Mr. D. Goon (a former PricewaterhouseCoopers Principal Consultant) was also approved as the Compliance Director.

Returned to Profitability

I am very pleased to report that since the completion of the re-capitalization process in July 1999 Lippo Bank has returned to profitability on a monthly basis. While the interest contributions of the recap bonds were a contributing factor, positive spreads have now been achieved in most product areas.

Enhanced Customer Confidence

We are extremely grateful to our 2.2 million customers across Indonesia for their loyalty and support. Throughout the economic crisis Lippo Bank was able to maintain a very high level of liquidity due to customer confidence in the integrity of the bank to meet its commitments.

Several major customer service initiatives are currently underway. These are specifically designed to ensure that our customers' loyalty is rewarded with an ever-improving level of service, innovative products and international standards.

No. 1 Innovation Bank In Indonesia

Lippo Bank has always been at the forefront in terms of technological development and product innovation. Significant resources have been committed to further enhancing our IT base and product development areas.

All Lippo Bank branches have been online since September 1999. We have had an e-banking product, Lippo Net@Bank, since 1998. Our strategy is to further enhance Lippo Bank's "Innovation Strategy" by continuing to be the market leader in these areas.

Our banking strategy is well defined, and it will be a core part of our future development strategy.

Continued Customer Support

We sincerely appreciate the dedication and commitment of Lippo Bank staff over this difficult period. Despite the crisis, business activity increased throughout our network.

Our liquidity position remains very strong and will allow the Bank to recommence lending operations in full during year 2000.

Lippo Bank's strength has always been its ability to attract new customers. In this new era of democracy and openness it will be the banks that can most effectively market their products and provide a professional level of service that will reap the benefits.

I remain very confident that Lippo Bank will remain a leading bank in satisfying customer needs with new ideas supported by strong service.

Continued Responsibility

Our debt restructuring activities are a top priority. We continue to vigorously pursue our non-performing loans. The level of NPL's has decreased from the high 80% range in early 1999 to 46% at year-end, and at a much lower loan portfolio base. With a resurgent IBRA we are hopeful that private sector debt restructuring will gain more momentum during the year 2000 allowing the Bank to further reduce its NPLs.

Lippo Bank is seen as the most cautious Indonesian bank in terms of our debt provisioning levels. I strongly believe that our prudence will lead to improvements in our future profitability as we make further progress in debt restructuring and recovery.

Our specialist Asset Management Unit, which manages the portfolio of assets from our debt recovery efforts, continues to make progress in terms of asset sales.

Human Resource Initiatives

We are currently fully reviewing the compensation packages offered to our staff. Lippo Bank has always been the employer of choice in the banking sector in Indonesia. To further motivate our staff to succeed, we are introducing a "Performance Based" compensation program which will aim to reward excellence.

Considerable investment is also being made in the area of staff training. One of the major assets of Lippo Bank is the quality of our Branch Network, and the loyalty and commitment of our staff. Our new training program is aimed at providing frequent and relevant training at all levels of the organization. We have contracted international firms to provide our staff with the most up to date training material available.

Sustainable Shareholder Value

The results of our recent initiatives are to create sustainable shareholder value. The senior management changes, appointment of independent commissioners and advisors seconded from ING Barings support our stated commitment of

achieving "International Best Practice" and "International Standard Corporate Governance".

Transparency and effective communication with the investor community translate into stronger international investor confidence. This ensures that Lippo Bank is well placed to attract new investors. Our existing shareholders stand to capitalize on the Bank's renewed strength as our franchise value rises and capital markets rebound.

New Era

Indonesia has changed forever. The new government has introduced openness never before seen in this country. While this new democracy is still in its infancy new business opportunities increase daily. We are in the early stages of a sustainable economic recovery.

The banking sector is moving forward. Consolidation will continue and Lippo Bank's management is committed to remaining one of the country's major private banks, and the market leader in service and product innovation.

The Board of Commissioners takes this opportunity to sincerely thank our shareholders, staff and clients for their continued confidence and support.



DR. MOCHTAR RIADY
Chairman of The board of
Commissioner



ROY E. TIRTADJI
Commissioner



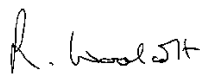
MASAGUS ISMAIL NING
Commissioner



RUDI TOHA BACHRIE
Commissioner



JAN G. CHERIM
Commissioner



RICHARD WOOLCOTT
Commissioner

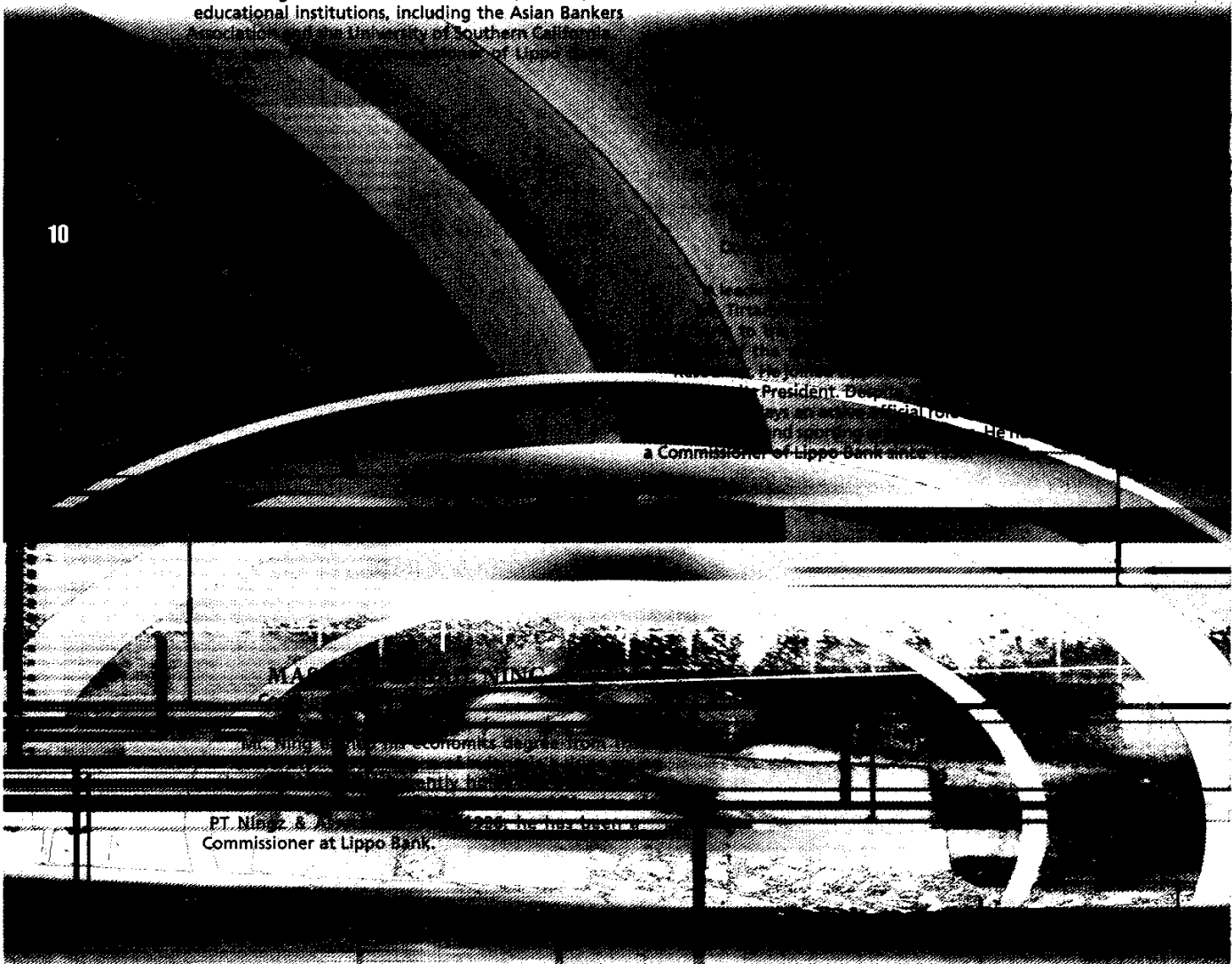
board of

DR. MOCHTAR RIADY

President Commissioner

Founder of Lippo Group and the most recognized and respected individual in the Indonesian banking community. DR. Riady holds prominent positions at a vast range of illustrious business, social, and educational institutions, including the Asian Bankers Association and the University of Southern California.

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PT. Niaga & ...
Commissioner at Lippo Bank.

commissioners

RUDY TOHA BACHRIE

Commissioner

Educated in the US, UK, and Indonesia, Mr Bachrie began his career with Lippo Bank in 1985 and has been appointed to senior positions with several Lippo Group companies. He was named a Commissioner of Lippo

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assignments in the ING Group. Currently
Global Head of ING Baring Institute
Government Advisory Services B.V. ("ING

representing the Indonesian Banking
The Commission is concurrently President
Commissioner is subject to Bank

joined Legal Department of Lippo Bank (previously called Bank Pertiqaan
until early year 2000 was a Commissioner of Lippo Bank.



IAN B. CLYNE
President Director

Mr. Clyne has managed businesses of several international banks and gained broad experience



YUSUF VALENT
Managing Director

Holding an engineering degree, Mr. Yusuf first joined Lippo Bank in 1987



BUDIONO
Managing Director

An MBA from the University of Loyola Marymount in Los Angeles, Mr. Budiono joined Lippo Bank in 1987.

appointed a Managing Director of the Bank in 1995.

TJINDRASA ING
Managing Director

A graduate from University of New South Wales, Mr. Tjindrasa joined Lippo Bank in 1987 and has gained experience in several other financial

before being named a Managing Director in 1994.



HARRY SASONGKO
Managing Director

Since 1987, Mr. Sasongko has built an impressive



RAHMAWATY
Managing Director

Ms. Rahmawaty graduated from Trisakti University. She



Wina Widjaja, Ms. Wina Widjaja joined the financial
accounting department of Lippo Bank in 1989, and was
Director in 1994. She held the position until early 2000.

PricewaterhouseCoopers Jakarta in 1997. In May 1999,
he joined Lippo Bank and was nominated as Managing
Director in June 1999.

board of

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[innovation and customer service continue to drive our
successful consumer banking business]

directors'

report

Lippo Bank has been forging ahead in 1999 and setting the pace to position itself as the best private bank in Indonesia. This effort has been unceasing in spite of ongoing economic and political turbulence.

Every area of our operations came under distress during the year. Our management focus in this difficult economic environment has been to minimize the adverse impact, and then to remedy our balance sheet and capital position by successfully pursuing the recapitalization of the Bank.

This process was completed in July 1999, with the full government sponsored recapitalization program for Lippo Bank. The government provided a net amount of Rp. 6.05 trillion of funds. In addition, we continue to vigorously pursue collections on non-performing loans.

The economy is rebounding, a new government is in place, and investor confidence is beginning to improve. Our focus is on positioning the Bank for the year 2000 and beyond.

ING Barings, a leading international financial group, was appointed in June to advise Lippo Bank over a 3 year period. This reinforces our commitment to the goal of adopting international best practice banking at Lippo Bank.

Relative Strength

1999 was characterized by incremental stability in the banking sector. There were, unlike 1998, fewer bank closings. The recapitalization program brought generally lower levels of risk in the banking sector.

During this period, Lippo Bank returned to profitability on a month to month basis. Loan portfolio improvements along with enhanced operational efficiencies led to emerging profitability. Non-performing loans decreased dramatically. Lippo Bank's relative strength remained evident as many of its competitors faced closure.

In fact, throughout the year we maintained a substantial level of liquidity. This offered us considerable protection in a volatile market. This tactic also yielded welcome interest spreads on our liquid government securities.

Moreover, we preserved our loyal, profitable customer base. We enhanced our extensive network, we identified and implemented cost efficiency measures and we advanced our technology. Overall, we have strengthened the franchise.

Such actions, together with the financial recapitalization, provide the platform for improved

Delivering international financial solutions to our global clients

financial performance as the economy continues to improve.

Financial Performance

The major efforts made to strengthen the bank throughout the continuing crisis in 1999 resulted in a solid return to profitability in the last 5 months of the year.

In 1999 the Rupiah achieved a new level of stability and inflation significantly decreased.

In this improving environment, Lippo Bank's management continued to reduce the level of non-performing loans to 46%. Loan restructuring activities continued in earnest.

Lippo Bank's conservative and risk averse culture tempered the full effects of the crisis on the Bank. Lippo Bank was able to forge ahead. Accordingly, the consolidated loss for the year amounted to Rp. 1.6 trillion (US\$210 million). This is an enormous improvement from the net loss of Rp. 7.7 trillion in 1998. Aggressive asset-liability management also contributed to these positive results. The market recognized the quality of Lippo Bank's efforts. By the end of 1999 our deposit rates were the lowest among all of the local private banks while still enjoying a very positive liquidity position.

Our cost of funds decreased during the year in an environment of lower interest rate volatility. During the year these costs were Rp. 3.6 trillion (US\$460 million), or 26% lower than the previous year.



An overall review of the balance sheet reflects the change in the Bank's asset mix. The economic crisis has necessitated a continuing focus on highly liquid short-term instruments. This also affords Lippo Bank necessary flexibility if there arises a sudden and unexpected downturn in the economy.

With regard to lending, we are extending only small amounts in relation to the entire asset portfolio.

In doing so, we are focusing on providing targeted, creditworthy customers with enough flexibility to survive the crisis. This should bode well for our long-term relationship with these valued customers.



Total assets increased to Rp. 23.8 trillion (US\$3.3 billion), primarily in the form of liquid instruments of Rp. 15.9 trillion (US\$2.2 billion) as of 31 December 1999. We were able to take advantage of the incremental positive spreads offered when attracting higher levels of deposits and placing those funds in high-yielding SBI instruments with Bank Indonesia.

Indeed, Lippo Bank's liquidity position remained at the forefront of the industry during the year. We are proud that, unlike many other Indonesian banks in the past, in 1999 Lippo Bank did not require special liquidity support from Bank Indonesia.

Recapitalization Details

The successful recapitalization of the Bank was achieved in two tranches. The rights issue III of December 1998 resulted in proceeds of Rp. 1.007 trillion (US\$ 125.5 million) for the issuance of 3,664,547,860 new shares. These new shares were issued as a new Class B as agreed to by the Shareholders during the extraordinary meeting on 23 December 1998.

The Class B shares have a nominal value of Rp. 10 per share and have the same rights as Class A shareholders with regard to voting rights, dividend rights, and rights to proceeds in the case of liquidation.

CV Kekac and other similar successful exporters have long relied upon the financial expertise of Lippo Bank

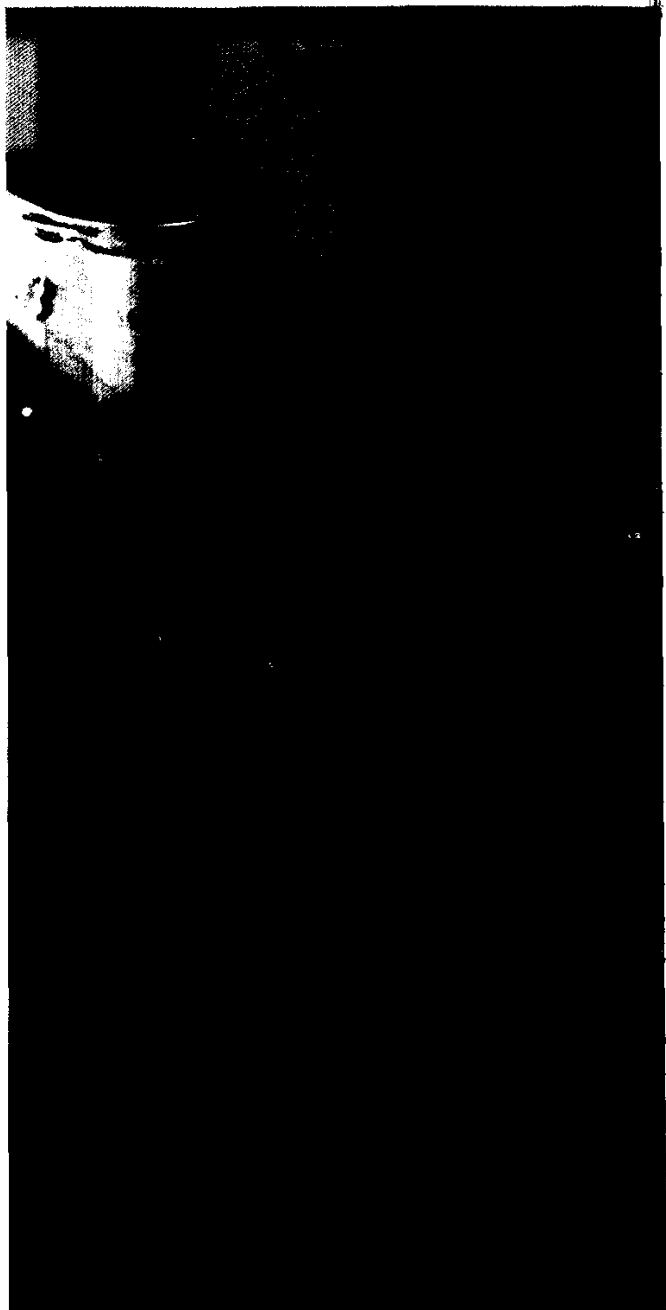
The capital injection by the Government agreed to on 28 May 1999 was executed in the rights issue IV. It amounted to net proceeds from the government of Rp. 6.05 trillion (US\$ 753.9 million) in consideration of 23,309,365,625 Class C government shares. In addition, 11,326,436,900 Class B shares were issued raising Rp. 2.94 trillion (US\$ 366.3 million). The Government initially provided Rp. 7.7 trillion of funding but because of the strong demand from existing shareholders and the public, the additional funds raised reduced the required amount of Government support.

In the recapitalization of private banks, the Indonesian Government has issued tradable bonds which can be owned by both Indonesian and foreign citizens or legal institutions. There are different types of bonds based on maturity periods and their interest rates. The maturity periods range from 3 to 10 years for variable rate issues and 5 and 10 years for fixed rate issues. The issuance of these bonds is expected to cover the negative capital of the subject banks, increase the Capital Adequacy Ratio of these banks to 4%, and have a positive impact on Indonesia's economic and banking recovery.

A Strong Franchise

The distinguishing features that made Lippo Bank such a strong franchise continued to prevail through the crisis.


The breadth and depth of our customer base has been enhanced. We now have over 2.2 million customers, which is a record high. We believe there are even further opportunities to target new, profitable customer relationships. The economic



crisis, and its impact upon the perception of the Indonesian banking sector, has meant that many customers are looking for new banking relationships. We see this as a major opportunity for Lippo Bank.

In Indonesia's uncertain economic environment, Lippo Bank has been able to distinguish itself in retaining customer trust.

The Bank is seen to be a safe haven for funds. This is reflected in the increase in our deposit liabilities. For example, in 1999 our savings account volume increased over 66% to Rp. 4.7 trillion. Supporting our franchise is a large payment processing and clearing network.



Additionally, our branches now number 356, and we have a network of 283 Automated Teller Machines and 2,400 Joint ATMs. Our coverage in Indonesia (120 cities, 20 provinces) is strong and well configured. From this strong franchise, our customers have come to appreciate the very highest levels of service that we continue to strive to deliver in the marketplace. The experience of the economic crisis has confirmed our belief that each customer forms the essence of our franchise.

Our solid customer base will underpin much of our profitability in the coming years as the Indonesian economy rebounds. That is why we continue to invest in training programs for our employees and

why we continue to emphasize the importance of each customer in every activity we undertake. These investments should pay off handsomely in a multitasking environment. As a result, we now have an even more flexible and motivated staff, determined to bring the very best service our customers have come to know and deserve.

Strategic Focus

Our strategic objective remains clear. We aim to be Indonesia's No. 1 Innovation Bank, operating to international best practices and achieving superior financial performance. Our strategy has been largely confirmed to be appropriate after the

Lippo Bank recognizes the critical role of the IT industry to Indonesia's future and supports its leading companies such as PT Metrodata

test that it has undergone throughout the economic crisis.

Lippo Bank's philosophy continues to be based upon a Full Service Concept. We aim to provide the best people, best systems and best products in our niche markets so as to give our customers pre-eminent service. A critical aspect of this strong branch network is to facilitate payments, collections and clearing.

The Bank's strategic direction continues to focus on targeted customer segments and products, effective delivery channels, profitability and efficiency measures, and prudent funding.

The Banks' strategy builds upon the pyramid concept of targeting distributors, dealers, retailers and consumers. Our penetration and coverage is already strong and well organized.

Our strategy will ensure that Lippo Bank will continue to play a key intermediary role in the payment value chain between manufacturers and consumers in Indonesia, with particular emphasis on flows between distributors, dealers, retailers and consumers.

Our strategic direction is also built upon a quality, low-cost liability strategy. On the asset side, we plan to further improve and enhance our asset portfolio.

In the short term, this will occur through the acquisition of highly liquid instruments offering a positive spread.



As economic conditions allow, we will be in a position to allocate a component of capital for new loans, extended prudently and cautiously, to our profitable customer base.

Also central to our strategy is the marketplace's perception of Lippo Bank as an innovator and leader. We will continue to develop and implement profitable new products. For example, Lippo NetB@nk allows individual customers to access Lippo Bank via a personal computer, just as LippoLink provides similar services for retail-commercial and corporate clients. Lippo NetB@nk links all our customers via the Internet-anytime, anywhere. The year saw other developments in ATM transaction

services, such as allowing customers to make regular payments of telephone bills or to buy pre-paid cellular phone services.

We are especially excited about the introduction of our Visa Electron product in January 2000. As the first bank to offer this cutting edge product in Indonesia the extremely successful launch was a reconfirmation of Lippo Bank's core competency in card-linked products.

As a further development of our payments expertise, Lippo Bank was the only private Indonesian bank chosen as one of three settlement banks by KSEI/KPEI to handle clearing for the country's capital market

after the introduction of the new scripless trading system in the 2nd quarter of the year 2000.

International Best Practice

Our most significant and important initiative in 1999 was to commence work with ING Barings as part of our plan to restructure the Bank's activities. The program has been planned carefully in conjunction with 12 advisors seconded from ING Barings. It comprises detailed, time-bound action plans with clear director-level accountability for each task.

Properly implemented, the program will see Lippo Bank operate at a level of international best practice

Lippo Bank professionals are committed to the development of cutting edge payment products

in the banking industry within three years. This includes: international standard risk management practices, credit analysis, treasury operations, liquidity management and funding, impaired asset management, internal control, compliance, human resource activities, and performance measurement.

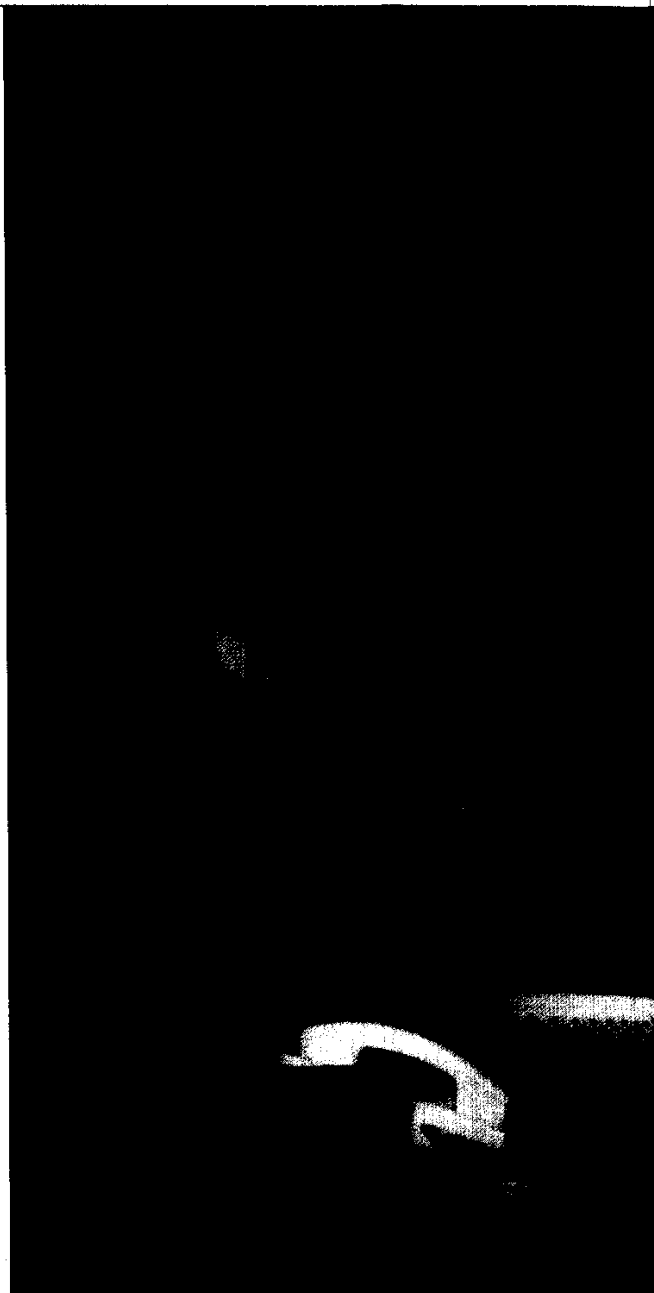
In every major area of the Bank's operations, we have identified ways to improve performance which will assist us in positioning Lippo Bank as the leading private bank in Indonesia as the economy rebounds. The commitment of management to this program is absolute.

The reconfiguration of the Board of Directors to support this restructuring was completed in February 2000. Since then, the program has been well underway. Milestones have been established on a quarterly basis, and tracking mechanisms will ensure that the momentum of the program is maintained.

Underpinning the program is a strong corporate governance framework. This framework is being enhanced by additional review committees with clear roles and accountability in the areas of board governance, management development and compensation, risk management, and asset restructuring approvals.

Profitability Improvement and Asset Rehabilitation

The Bank recognizes the need to control costs and improve efficiency in the short to medium term. As the economy rebounds and the Bank's income rises, it is important that the resulting benefits are captured appropriately by the shareholders.



Accordingly, our restructuring program includes measures to dispose of non-profitable, non-strategic assets. A "spend smart" program is underway to control costs including reductions in costs of head office activities.

The Bank's emphasis on asset rehabilitation has emerged through the economic crisis. A bank restructuring group has been established with appropriate interfaces for prudential banking activities.

Early signs are positive as to the level of collections and asset realization being achieved by the restructuring group. However, much is still to be

done. We continue to vigorously pursue collections. Reductions in non-performing loans continue to be measured carefully, even as we make every effort to maintain strong relationships with our valuable corporate and retail customers.

Effective Compliance

Lippo Bank has always recognized the fundamental importance of ensuring the Bank's continuing compliance with all legal and regulatory requirements and with internal bank policies. The Bank will not depart from this principle and is further strengthening this critical function.

Our responsive measures have included the establishment of a Compliance Committee under the auspices of the Board of Commissioners. A Director of the Board has been approved by Bank Indonesia to assume the important role of Compliance Director.

Compliance features have also been built into the Recapitalization Agreement with the Government.

Lippo Bank's undertakings include compliance target such as the reduction of affiliate loans exceeding the Legal Lending Limit, so as to represent less than 10% of capital by June 2000. In some cases fluctuations in the Indonesian Rupiah resulted in the

increase of US dollar-denominated loans to certain third parties above the Legal Lending Limit as a percentage of capital. In these small number of cases, the Bank has undertaken to reduce the exposure to the third party groups to be less than 30% of capital by 30 June 2000.

Management is confident of achieving these compliance targets. We are working hard to achieve collections and to maximize the realizations of assets assumed. Throughout the year, the Bank also complied with Bank Indonesia's requirements with regard to our net-open position.

Finally, Audit Committee members and an Internal Audit Head, confirmed by Bank Indonesia, have formed an Audit Charter and Internal Audit guidelines according to Bank Indonesia Regulation Article number 1/6/PBI/1999 dated September 22, 1999.

Risk Management

In order to expand and strengthen the risk management function throughout the bank we are implementing an improved set of comprehensive policies and procedures. In addition, Lippo Bank's risk committees are meeting regularly to discuss and act on all risk issues.

While the risk management function is completely segregated from the business units and operations, a strong head office risk management team is developing a system that places trained risk

management staff throughout the bank's geographic network.

Forging Ahead

Our confidence and optimism has not been shaken by the economic crisis. Indeed, it has been enhanced. There is no doubt that the franchise of Lippo Bank has withstood the strongest tests that the economic crisis has brought.

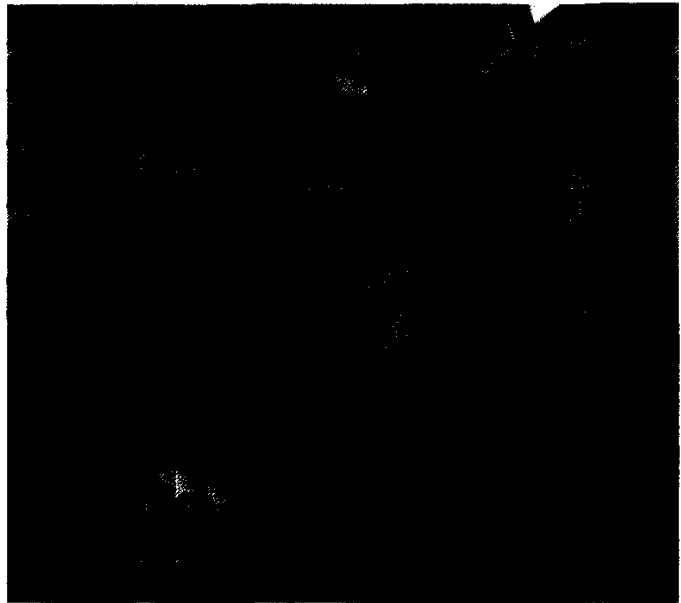
With our management focused on our franchise and with the success of the re-capitalization process, the Bank has emerged in a strong position. As with all banks, we are not yet fully through the impact of the crisis. We recognize that the rebuilding of the Indonesian economy has only just begun.

Continued good progress in reform measures across Indonesia will be the engine for renewed economic activity. Further investor confidence will follow, together with new capital and ideas. A very significant upside should then flow to Lippo Bank and our shareholders.

While the economic crisis inflicted some pain for all organizations, including Lippo Bank, we sense that we will look back in many years time and find that the platform for the future of the economy was laid during the crisis.

The survival of the strongest organizations, such as Lippo Bank, will clearly provide the pillars of profitable activity in the economy for many years to

We reach out to our global financial partners to create synergy for our shareholders



come. While many of our competitors may be tempted to relax in the midst of an improving economy, we at Lippo Bank know that we must continue to be constantly and unwaveringly vigilant.

Undoubtedly, Lippo Bank has all the right ingredients for a bright future. We confidently declare our aspiration, and expectation, to take our place as the leading retail bank in Indonesia, operating to international best practices in financial services.

Our deep and sincere gratitude is once again extended to our customers, shareholders, co-workers, regulators and financial institutions in Indonesia and all over the world, for the support provided to us throughout this pivotal year in Lippo Bank's history.

With confidence and gratitude, we are forging ahead.

On behalf of the management of Lippo Bank.

IAN B. CLYNE
President Director and CEO

YUSUF VALENT
Managing Director

IVAN SETIAWAN BUDIONO
Managing Director

TJINDRASA NG
Managing Director

HARRY SASONGKO
Managing Director

RAHMAWATY
Managing Director

DANIEL H. C. GOON
Managing Director

ING BARINGS

ING Barings

Setting the pace to achieve International Best Practices with a team of leading banking advisors second to none

KSEI/KPEI

Lippo Bank was chosen as one of only three settlement

26

Lippo Bank's Model Office

Setting the pace with branches designed to meet our customers' changing needs

Co-branded Matahari Visa card that reach to our target consumers



Visa Electron

The first bank in Indonesia to offer this innovative

PT Pos Indonesia

After a successful six month trial, PT POS recently



list of main branch offices

head office

Menara Asia
 Jl Diponegoro Bulevar 101, Lippo Karawaci 1200
 Tangerang 15810, Indonesia
 Tel. (62 21) 546 0555, 546 0666, Fax. (62 21) 546 0601/4
 Http:// www.lippobank.co.id

customer response center

Menara Asia Lt. 12
 Jl Diponegoro Bulevar 101, Lippo Karawaci 1200
 Tangerang 15810, Indonesia
 Tel. (62 21) 546 0777(hunting), Tol free. 0 800 1821 800
 Fax. (62 21) 546 0456
 E mail. crc@lippobank.co.id

operation centre

Menara Sudirman, Lt. 7
 Jl Diponegoro Bulevar 101
 Tangerang 15810, Indonesia
 Tel. (021) 546 0555, 546 0666, Fax. (021) 546 0423, 546 0288

main branches

Jakarta

Citra Graha
 Jl Gatot Subroto, Kav. 35-36, Jakarta 12950
 Tel. (021) 520 5670, 520 5690, Fax. (021) 252 1466, 252 1468

Tangerang

Menara Asia
 Jl Diponegoro Bulevar 101, Lippo Karawaci 1200
 Tangerang 15810
 Tel. (021) 546 0301 (hunting), Fax (021) 546 0312

branches outside of jakarta

Bogor

Jl Ir Haji Juanda 12
 Bogor 16121
 Tel. (0251) 328 248, Fax. (0251) 324 730

Bandung

Jl Jend. Gatot Subroto 2
 Bandung 40112
 Tel. (022) 306 622 (hunting), Fax. (022) 307 500, 307 501

Cirebon

Jl Yos Sudarso 26
 Cirebon 45111
 Tel. (0231) 206 991, Fax. (0231) 201 292, 209 888

Pekalongan

Jl Hayam Wuruk 3
 Pekalongan 51119
 Tel. (0285) 21140, Fax. (0285) 23753

Purwokerto

Jl Jend. Sudirman 605
 Purwokerto 53114
 Tel. (0281) 31862, Fax (0281) 31896

Semarang

Jl Pemuda 102-104
 Semarang 50133
 Tel. (0241) 518 900 (hunting), 510 561, 547 445;
 Fax. (0241) 542 606, 540 184

Kudus

Jl Agil Kusumadya 5a
 Kudus 59343
 Tel. (0291) 32962, 32966, Fax. (0291) 32967

Solo

Wisma Lippo
 Jl. Slamet Riyadi 136
 Solo 57131
 Tel. (0271) 45554 (hunting, Fax. (0271) 632 111

Jogyakarta

Jl Jendral Sudirman 50
 Yogyakarta 55224
 Tel. (0274) 561 361 (hunting), 565 152
 Fax. (0274) 565 151, 562 822

Malang

Jl Merdeka Timur 4
 Malang 65119
 Tel. (0341) 365 914, Fax. (0341) 365 913

Surabaya

Jl Tidar 23-25
 Surabaya 60251
 Tel. (031) 532 1025 (hunting), Fax (031) 531 1286

Banyuwangi

Jl Jendral Sudirman 23-25
 Banyuwangi 648400
 Tel. (0333) 411 522, 411 528

Denpasar

Jl M.H.Thamrin 77
 Denpasar 80119
 Tel. (0361) 436 047, Fax. (0361) 436 048, 427 461

Batam

Jl Sultan Abul Rachman
 Kom. Lumbang Rejeki, Blok G No. 6,7,8
 Bukit Nagoya, Batam 29422
 Tel. (0778) 457 361, 456 365, 456 152, 456 634
 Fax. (0778) 456 390

Tanjung Pinang

Jl Merdeka 11
 Tanjung Pinang 29111
 Tel. (0771) 27947, 27948, 27949, Fax. (0771) 27950, 27951

Jambi

Jl Dr. Sutomo 31
 Jambi 36113
 Tel. (0741) 32900, Fax. (0741) 32213

Medan

Jl Pemuda 14 A-B
 Medan 20117
 Tel. (061) 556 622, 550 322, Fax. (061)538 410

Pematang Siantar

Jl Merdeka 282
 Pematang Siantar 21132
 Tel. (0622) 21227, 21288, Fax. (0622) 24632

Padang

Jl Moh. Yamin 148
 Padang 25112
 Tel. (0751) 32517, 32533, Fax. (0751) 34022

Pekanbaru

Jl Nangka 355
 Pekanbaru
 Tel. (0761) 46885, 46886, 46895, Fax. (0761) 24530

Palembang

Jl Mesjid Lama 110-111
 Palembang 30125
 Tel. (061) 312881, 362101, Fax. (061) 310 881

Tanjung Karang

Jl Palembang II 84 no. 16-18
 Tanjung Karang, Lampung 35111
 Tel. (0721) 261 994, 261 998, Fax. (0721) 263 442

Pontianak

Lippo Graha
 Jl Tanjung Pura
 Pontianak 78117
 Tel. (0561) 30101, Fax. (0561) 30222

Balikpapan

Jl Jendral Ahmad Yani Rt. 9 no. 7
 Balikpapan 76121
 Tel. (0524) 33037 (hunting), Fax. (0524) 33122

Samarinda

Jl KH. A. Khalid no. 32
 Samarinda 75111
 Tel. (0541) 3272, Fax. (0541) 35239

Menado

Jl Walanda Maramis 91
 Menado 95122
 Tel. (0431) 853 901, Fax. (0431) 853 906

Ujung Pandang

Jl Ahmad Yani 37 C-D
 Ujung Pandang 90174
 Tel. (0411) 310 866 (hunting), Fax. (0411) 316 306

Ambon

Jl Sam Ratulangi 89
 Ambon 97113
 Tel. (0911) 55171, Fax. (0911) 53239

financial

1999

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PRASETIO UTOMO

ARTHUR ANDERSEN

This Report is Originally Issued in Indonesian Language.

Prasetio, Utomo & Co.
Registered Public Accountants

INDEPENDENT AUDITORS' REPORT

Report No. 338055

**The Board of Directors
PT Bank Lippo Tbk**

We have audited the consolidated balance sheets and statements of commitments and contingencies of PT Bank Lippo Tbk and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity (capital deficiency) and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

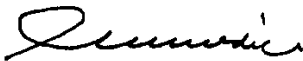
We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Bank Lippo Tbk and Subsidiaries and their commitments and contingencies as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

In 1999, the Bank adopted the Statement of Financial Accounting Standards (PSAK) No. 46 on Accounting for Income Taxes Issued by the Indonesian Institute of Accountants. The effects of such adoption in the 1998 consolidated financial statements are discussed in Note 2p.

As discussed in Note 36 to the consolidated financial statements, the economic downturn in Indonesia which has been characterized by highly volatile foreign currency exchange rates, high interest rates, tight liquidity and lack of public confidence has significantly affected and will continue to affect the banking sector, including the Bank's operations. These economic conditions have caused uncertainty with respect to the ability of the Bank's customers to fulfill their obligations when they mature, thereby significantly increasing credit risk inherent in the Bank's lending portfolio. Such economic conditions have also affected the Bank's costs of funds as well as the potential success of its future operations. Also, the very volatile exchange rates will have an impact on the Bank's exposures to foreign exchange risk. For the year ended December 31, 1999, the Bank incurred a net loss of about Rp 1.6 trillion (US\$ 210 million). The Bank also incurred a net loss of about Rp 7.7 trillion (US\$ 780 million) in 1998, resulting in a capital deficiency of about Rp 5.0 trillion (US\$ 629 million) as of December 31, 1998. Hence, in 1998, the Bank participated in the bank recapitalization program of the Government of the Republic of Indonesia. On December 23, 1998 and June 30, 1999, the Bank conducted its Rights Issue III and IV, respectively, to meet the 20% of the minimum capital requirement. The Government also complied with its commitment to contribute its 80% share in the Bank's recapitalization program in accordance with Government Regulation No. 4/1999 dated January 18, 1999. In addition, as discussed in Note 33, on May 28, 1999, in connection with the above-mentioned recapitalization program, the Bank, the controlling shareholders and the Indonesian Bank Restructuring Agency (IBRA) entered into an investment, management and performance agreement. As discussed in Note 36, the Bank's recapitalization was completed on July 14, 1999. Note 36 also includes the other measures the Bank had implemented or plans to implement in response to the adverse economic conditions. The accompanying consolidated financial statements include the effects of the adverse economic conditions to the extent they can be determined and estimated. Resolution of the adverse economic conditions is dependent on the monetary, fiscal and other measures that are being taken or will be undertaken by the Government to achieve economic recovery, actions which are beyond the Bank's control. It is not possible to determine the future effects a continuation of the adverse economic conditions may have on the Bank's earnings and realization of its earning assets, including the effects flowing through from the Bank's customers, creditors and stockholders.

PRASETIO, UTOMO & CO.
License No. 98.2.0024



Drs. Nunu Nurdijaman
License No. 98.1.0062

March 30, 2000

NOTICE TO READERS

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

consolidated balance sheets

december 31, 1999 and 1998 (in thousands, except share data)

ASSETS

	Notes	Indonesian Rupiah		United States Dollars (Note 3)	
		1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
CASH		Rp 842,482,559	Rp 434,656,887	\$ 118,659.5	\$ 54,162.9
CURRENT ACCOUNTS WITH BANK INDONESIA	4	992,766,241	981,303,507	139,826.2	122,280.8
CURRENT ACCOUNTS WITH OTHER BANKS	5	280,662,725	571,380,041	39,530.0	71,200.0
PLACEMENTS WITH OTHER BANKS AND NON-BANK FINANCIAL INSTITUTIONS - Net of allowance for possible losses of Rp 32,341,292 (US\$ 4,555.1) in 1999 and Rp 8,991,251 (US\$ 1,120.4) in 1998	2d,2e,6	3,276,337,937	894,645,811	461,456.0	111,482.3
SECURITIES - Net of allowance for possible losses and unamortized interest of Rp 285,524,360 (US\$ 40,214.7) and Rp 45,647,293 (US\$ 6,429.2), respectively, in 1999 and Rp 291,097,666 (US\$ 36,273.9) and Rp 71,398,800 (US\$ 8,897.0), respectively, in 1998	2d,2f,7	2,793,048,366	3,323,640,726	393,387.1	414,160.8
LOANS - Net of allowance for loan losses of Rp 1,068,230,117 (US\$ 150,454.9) in 1999 and Rp 4,930,168,003 (US\$ 614,351.2) in 1998					
Related parties	2c,2d,2g,8,20,32,33	318,497,276	42,255,746	44,858.8	5,265.5
Third parties	2d,2g,8,13,15,20,33	2,699,337,682	4,474,675,957	380,188.4	557,592.0
Total Loans		3,017,834,958	4,516,931,703	425,047.2	562,857.5
GOVERNMENT BONDS	9,18,33	7,729,237,000	-	1,088,624.9	-
INVESTMENTS IN SHARES OF STOCK - Net of allowance for possible losses of Rp 308,794 (US\$ 43.5) in 1999 and Rp 246,973 (US\$ 30.8) in 1998					
Related parties	2c,2d,2h,10,31,32	27,180,886	70,970,427	3,828.3	8,843.6
Third parties	2d,2h,10,31	3,389,760	3,412,669	477.4	425.3
Total Investments in Shares of Stock		30,570,646	74,383,096	4,305.7	9,268.9
PREMISES AND EQUIPMENT - Net of accumulated depreciation of Rp 290,329,941 (US\$ 40,891.5) in 1999 and Rp 161,668,229 (US\$ 20,145.6) in 1998	2c,2i,11,20,28,31,32b	898,924,919	943,889,796	126,609.1	117,618.7
DEFERRED TAX - Net	2p,17	831,539,651	643,241,264	117,118.3	80,154.7
OTHER ASSETS					
Other real and chattel properties - net	2j,12	2,704,332,703	2,454,639,445	380,891.9	305,874.1
Accrued interest receivable		158,522,800	43,397,121	22,327.3	5,407.7
Prepaid rent and other expenses	2k	100,289,094	104,120,013	14,125.2	12,974.5
Security deposits	2c,34a	25,394,558	20,292,267	3,576.7	2,528.6
Others	17	97,420,219	73,628,390	13,721.2	9,174.9
Total Other Assets		3,085,959,374	2,696,077,236	434,642.3	335,959.8
TOTAL ASSETS		Rp 23,779,364,376	Rp 15,080,150,067	\$ 3,349,206.3	\$ 1,879,146.4

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

consolidated balance sheets

december 31, 1999 and 1998 (in thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)

	Notes	Indonesian Rupiah		United States Dollars (Note 3)	
		1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
LIABILITIES					
DEPOSITS					
Demand deposits					
Related parties	2c,2l,13,32	Rp 303,494,300	Rp 78,569,509	\$ 42,745.7	\$ 9,790.6
Third parties	2l,8,13	4,245,456,669	3,463,270,796	597,951.6	431,560.2
Total Demand Deposits		4,548,950,969	3,541,840,305	640,697.3	441,350.8
Savings Deposits					
Related parties	2c,2l,14,32	1,069,000	555,330	150.6	69.2
Third parties	2l,14	4,757,010,789	2,854,024,403	670,001.5	355,641.7
Total Savings Deposits		4,758,079,789	2,854,579,733	670,152.1	355,710.9
Time Deposits					
Related parties	2c,2l,15,32	178,290,800	197,868,150	25,111.4	24,656.5
Third parties	2l,8,15	8,552,058,686	11,883,777,710	1,204,515.3	1,480,844.6
Total Time Deposits		8,730,349,486	12,081,645,860	1,229,626.7	1,505,501.1
Certificates of deposits - Net of unamortized interest of Rp 237,888 (US\$ 33.5) in 1999 and Rp 3,147,364 (US\$ 392.2) in 1998	2l,16,20	29,004,112	71,130,636	4,085.1	8,863.6
Total Deposits		18,066,384,356	18,549,196,534	2,544,561.2	2,311,426.4
TAXES PAYABLE	2p,17	43,260,103	105,129,101	6,093.0	13,100.2
PAYABLE TO INDONESIAN BANK RESTRUCTURING AGENCY	9,18, 23,33,36	1,673,836,760	-	235,751.7	-
OTHER CURRENT LIABILITIES	19	920,602,713	556,706,817	129,662.4	69,371.6
FUND BORROWINGS	8,11,16,20	579,536,816	757,492,563	81,624.9	94,391.6
OTHER LIABILITIES	2d,21	135,261,135	108,302,538	19,050.8	13,495.6
Total Liabilities		21,418,881,883	20,076,827,553	3,016,744.0	2,501,785.4
SUBORDINATED BORROWINGS	22	47,042,111	51,318,667	6,625.7	6,394.8
STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)					
Capital Stock					
Rp 500, Rp 10 and Rp 10 par value per shares for Class A, Class B and Class C, respectively in 1999 and Rp 500, Rp 10, Rp 10 and Rp 10 par value per share for Class A, Class B, Class C and Class D, respectively in 1998					
Authorized - 856,980,000 Class A shares, 97,151,000,000 Class B shares and 30,000,000,000 Class C shares in 1999 and 856,980,000 Class A shares, 87,151,000 Class B shares, 20,000,000,000 Class C shares and 20,000,000,000 Class D shares in 1998					
Issued and fully paid - 856,980,000 Class A shares, 14,990,984,760 Class B shares and 23,309,365,625 Class C shares in 1999 and 856,980,000 Class A shares and 3,664,547,860 class B shares in 1998					
	1,23,33,36	811,493,504	465,135,479	114,294.8	57,960.8
Capital paid-in excess of par value		9,779,687,481	1,128,218,183	1,377,420.8	140,587.9
Revaluation increment in premises and equipment	2l,11	633,299,776	633,321,233	89,197.1	78,918.6
Translation adjustments	2b, 3	30,753,687	27,298,820	4,331.5	3,401.7
Retained earnings (deficit)					
Appropriated for general reserve		265,095,568	265,095,568	37,337.4	33,033.7
Unappropriated	(	9,206,889,634)	(7,567,065,436)	(1,296,745.0)	(942,936.5)
Stockholders' Equity (Capital Deficiency) - Net		2,313,440,382	(5,047,996,153)	325,836.6	(629,033.8)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)		Rp 23,779,364,376	Rp 15,080,150,067	\$ 3,349,206.3	\$ 1,879,146.4

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

consolidated statements of commitments and contingencies

December 31, 1999 and 1998 (in thousands)

	Notes	Indonesian Rupiah		United States Dollars (Note 3)	
		1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
COMMITMENTS					
<i>Commitment Receivables</i>					
Forward foreign currencies bought	24	Rp 76,065,854	Rp -	\$ 10,713.5	\$ -
<i>Commitment Payables</i>					
Unused loan facilities granted		811,642,018	1,719,689,454	114,315.8	214,291.5
Forward foreign currencies sold	24	72,478,800	8,025,000	10,208.3	1,000.0
Outstanding irrevocable export-import usance letters of credit		40,127,872	75,802,076	5,651.8	9,445.7
Acceptances on export-import usance letters of credit		38,024,151	92,421,123	5,355.5	11,516.7
Unrealized spot foreign currency sold	24	-	28,087,500	-	3,500.0
Total Commitment Payables		962,272,841	1,924,025,153	135,531.4	239,753.9
Net Commitments		(886,206,987)	(1,924,025,153)	(124,817.9)	(239,753.9)
CONTINGENCIES					
<i>Contingent Receivables</i>					
Interest receivables on non - performing loans	2g,2m	69,890,710	477,804,842	9,843.8	59,539.6
<i>Contingent Payables</i>					
Guarantees issued in the form of:					
Bank guarantees					
Payment bonds		104,506,394	104,966,702	14,719.2	13,080.0
Performance bonds		12,629,490	20,219,955	1,778.8	2,519.6
Advance payment bonds		5,334,376	9,109,733	751.3	1,135.2
Bid bonds		2,253,504	3,839,381	317.4	478.4
P4BM		1,970,155	2,626,707	277.5	327.3
Shipping guarantee		-	6,217,527	-	774.8
Standby letters of credit		142,318,370	642,000	20,044.8	80.0
Others		313,569,190	293,518,411	44,164.7	36,575.5
Total Contingent Payables		582,581,479	441,140,416	82,053.7	54,970.8
Net Contingencies		(512,690,769)	36,664,426	(72,209.9)	4,568.8
COMMITMENTS AND CONTINGENCIES - NET		(Rp 1,398,897,756)	(Rp 1,887,360,727)	(\$ 197,027.8)	(\$ 235,185.1)

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

consolidated statements of income

for the years ended december 31, 1999 and 1998 (in thousands, except per share data)

	Notes	Indonesian Rupiah		United States Dollars (Note 3)	
		1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
INCOME AND EXPENSES					
FROM OPERATIONS					
<i>Interest Income</i>					
Interest	2m,25	Rp 2,480,502,620	Rp 3,604,778,036	\$ 317,649.8	\$ 365,056.3
Fees and commissions	2n	14,050,438	25,125,873	1,799.3	2,544.5
Total Interest Income		2,494,553,058	3,629,903,909	319,449.1	367,600.8
<i>Interest expense</i>					
Interest and other financing fees	2m,26	3,588,915,223	4,873,441,912	459,591.7	493,534.1
Interest Expense - Net		(1,094,362,165)	(1,243,538,003)	(140,142.6)	(125,933.3)
<i>Other Operating Income (Loss)</i>					
Fees and commissions	2n,27	154,607,291	206,849,153	19,798.8	20,947.6
Gain (loss) on foreign exchange - net	2o	(33,706,258)	356,887,397	(4,316.4)	36,142.1
Other income - net		49,791,239	22,265,107	6,376.3	2,254.8
Other Operating Income - Net		170,692,272	586,001,657	21,858.7	59,344.5
<i>Other Operating Expenses</i>					
General and administrative	28	320,161,458	327,513,327	40,999.5	33,167.3
Salaries and employees' benefits	29	243,892,270	149,202,775	31,232.5	15,109.8
Provision for possible losses on:					
Loans	2d,2g,8	49,197,034	6,455,840,574	6,300.1	653,783.8
Securities	2d,2f,7	41,649,959	277,241,592	5,333.6	28,076.3
Placements with other banks and non-bank financial institutions	2d,2e,6	23,350,041	5,181,845	2,990.2	524.8
Investments in shares of stock	2d,2h,10	61,821	203,077	7.9	20.6
Lending-related commitments	2d	-	62,363,870	-	6,315.6
Others	30	231,941,021	388,239,474	29,702.1	39,317.0
Total Other Operating Expenses		910,253,604	7,665,786,534	116,565.9	776,315.2
Other Operating Expenses - Net		739,561,332	7,079,784,877	94,707.2	716,970.7
LOSS FROM OPERATIONS		(1,833,923,497)	(8,323,322,880)	(234,849.8)	(842,904.0)
NON-OPERATING INCOME (LOSS) - Net	31	6,663,909	(29,410,814)	853.4	(2,978.4)
LOSS BEFORE PROVISION FOR INCOME TAX		(1,827,259,588)	(8,352,733,694)	(233,996.4)	(845,882.4)
PROVISION FOR INCOME TAX					
Current	2p,17	862,997	1,959,031	110.5	198.4
Deferred		(188,298,387)	(652,466,259)	(24,113.2)	(66,075.3)
Provision for Income Tax - Net		(187,435,390)	(650,507,228)	(24,002.7)	(65,876.9)
NET LOSS		(Rp 1,639,824,198)	(Rp 7,702,226,466)	(\$ 209,993.7)	(\$ 780,005.5)
LOSS FROM OPERATIONS PER SHARE	2q	(Rp 89.91)	(Rp 9,712.39)	(\$ 0.01)	(\$ 0.98)
NET LOSS PER SHARE	2q	(Rp 80.40)	(Rp 8,987.64)	(\$ 0.01)	(\$ 0.91)

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

consolidated statements of changes in stockholders' equity (capital deficiency)
for the years ended december 31, 1999 and 1998 (in thousands)

	Notes	Indonesian Rupiah		United States Dollars (Note 3)	
		1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
CAPITAL STOCK					
	23				
Balance at beginning of year		Rp 465,135,479	Rp 428,490,000	\$ 57,960.8	\$ 92,148.4
Subscription of stock		346,358,025	36,645,479	48,782.8	4,566.4
Translation adjustments		-	-	7,551.2	(38,754.0)
Balance at end of year		811,493,504	465,135,479	114,294.8	57,960.8
CAPITAL PAID IN EXCESS OF PAR VALUE					
Balance at beginning of year		1,128,218,183	157,113,000	140,587.9	33,787.8
Subscription of stock		8,651,469,298	971,105,183	1,218,516.8	121,010.0
Translation adjustments		-	-	18,316.1	(14,209.9)
Balance at end of year		9,779,687,481	1,128,218,183	1,377,420.8	140,587.9
REVALUATION INCREMENT IN PREMISES AND EQUIPMENT					
	2i.11				
Balance at beginning of year		633,321,233	4,710	78,918.6	1.0
Adjustment in current year		(21,457)	633,316,523	(3.0)	78,917.9
Translation adjustments		-	-	10,281.5	(0.3)
Balance at end of year		633,299,776	633,321,233	89,197.1	78,918.6
TRANSLATION ADJUSTMENTS					
	2b				
Balance at beginning of year		27,298,820	7,957,674	3,401.7	1,711.3
Adjustment in current year		3,454,867	19,341,146	486.6	2,410.1
Translation adjustments		-	-	443.2	(719.7)
Balance at end of year		30,753,687	27,298,820	4,331.5	3,401.7
RETAINED EARNINGS (DEFICIT)					
<i>APPROPRIATED FOR GENERAL RESERVE</i>					
Balance at beginning of year		265,095,568	147,764,528	33,033.7	31,777.3
Appropriations during the year		-	117,331,040	-	14,620.7
Translation adjustments		-	-	4,303.7	(13,364.3)
Balance at end of year		265,095,568	265,095,568	37,337.4	33,033.7
<i>UNAPPROPRIATED</i>					
Balance at beginning of year		(7,567,065,436)	252,492,070	(942,936.5)	54,299.4
Net loss for the year		(1,639,824,198)	(7,702,226,466)	(209,993.7)	(780,005.5)
Appropriation to general reserve		-	(117,331,040)	-	(14,620.7)
Translation adjustments		-	-	(143,814.8)	(202,609.7)
Balance at end of year		(9,206,889,634)	(7,567,065,436)	(1,296,745.0)	(942,936.5)
STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY) - Net					
Balance at beginning of year		(5,047,996,153)	993,821,982	(629,033.8)	213,725.2
Net change in current year		7,361,436,535	(6,041,818,135)	1,036,822.1	(752,874.5)
Translation adjustments		-	-	(81,951.7)	(89,884.5)
Balance at end of year		Rp 2,313,440,382	(Rp 5,047,996,153)	\$ 325,836.6	(\$ 629,033.8)

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

consolidated statements of cash flows

for the years ended december 31, 1999 and 1998 (in thousands)

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(Rp 1,639,824,198)	(Rp 7,702,226,466)	(\$ 209,993.7)	(\$ 780,005.5)
Adjustments to reconcile net loss to net cash provided by operating activities				
Depreciation	131,794,158	85,686,832	16,877.4	8,677.5
Provision for possible losses on:				
Loans	49,197,034	6,455,840,574	6,300.1	653,783.8
Securities	41,649,959	277,241,592	5,333.6	28,076.3
Placements with other banks and non-bank financial institutions	23,350,041	5,181,845	2,990.2	524.8
Investments in shares of stock	61,821	203,077	7.9	20.6
Lending-related commitments	-	62,363,870	-	6,315.6
Gain on sale of premises and equipment	(167,992)	(1,039,838)	(21.5)	(105.3)
Loss on sale of investments in shares of stock	1,170,434	-	149.9	-
Equity in net earnings (losses) of investees	(8,774,693)	26,620,650	(1,123.7)	2,695.8
Deferred income tax	(188,298,387)	(652,466,259)	(24,113.2)	(66,075.3)
Translation adjustments	3,454,867	19,341,148	(19,841.7)	(31,157.1)
Loss from damage of premises and equipment	-	4,438,115	-	449.4
Changes in operating assets and liabilities				
Placements with other banks and non-bank financial institutions	(73,023,333)	126,988,683	(10,285.0)	15,824.1
Securities	(186,805,675)	(354,025,299)	(26,310.7)	(44,115.3)
Loans	1,449,899,711	(788,266,456)	204,211.2	(98,226.3)
Other assets	(389,882,138)	(2,506,361,485)	(54,913.0)	(312,319.2)
Deposits	(482,812,178)	7,349,014,886	(68,001.7)	915,765.1
Taxes payable	(61,868,998)	61,384,025	(8,713.9)	7,649.1
Payable to Indonesian Bank Restructuring Agency	1,673,836,760	-	235,751.7	-
Other current liabilities	363,895,896	286,260,278	51,252.9	35,671.1
Other liabilities	26,958,597	62,227,749	3,797.0	7,754.2
Net Cash Provided by Operating Activities	733,811,686	2,818,407,521	103,353.8	351,203.4
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of premises and equipment	49,472,532	7,105,156	6,967.9	885.4
Proceeds from sale of investments in shares of stock	32,115,384	-	4,523.3	-
Dividends from investee companies	19,214,650	576,667	2,460.6	58.4
Proceeds from sale of premises and equipment	420,331	5,092,866	59.2	634.6
Decrease (increase) in investments in shares of stock	24,854	(10,961,191)	3.5	(1,365.9)
Acquisition of premises and equipment	(136,575,609)	(132,794,855)	(19,236.0)	(16,547.7)
Translation adjustments	-	-	245.7	13.5
Net Cash Used in Investing Activities	(35,327,858)	(130,981,357)	(4,975.8)	(16,321.7)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock	8,997,827,323	1,007,750,662	1,267,299.6	125,576.4
Purchase of government bonds	(7,729,237,000)	-	(1,088,624.9)	-
Net increase (decrease) in fund borrowings	(177,955,747)	416,242,256	(25,064.2)	51,868.2
Payment of subordinated borrowings	(4,276,556)	(4,276,555)	(602.3)	(532.9)
Repayment of obligations under capital lease	-	(167,093)	-	(20.8)
Net Cash Provided by Financing Activities	1,086,358,020	1,419,549,270	153,008.2	176,890.9

consolidated statements of cash flows

for the years ended december 31, 1999 and 1998 (in thousands) (continued)

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
NET INCREASE IN CASH AND CASH EQUIVALENTS	Rp 1,784,841,848	Rp 4,106,975,434	\$ 251,386.2	\$ 511,772.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,910,813,270	1,803,837,836	736,549.9	387,922.1
TRANSLATION ADJUSTMENTS	-	-	95,959.0	(163,144.8)
CASH AND CASH EQUIVALENTS AT END OF YEAR	Rp 7,695,655,118	Rp 5,910,813,270	\$ 1,083,895.1	\$ 736,549.9
CASH AND CASH EQUIVALENTS COMPONENTS AT END OF YEAR				
Cash	Rp 842,482,559	Rp 434,656,887	\$ 118,659.5	\$ 54,162.9
Current accounts with Bank Indonesia	992,766,241	981,303,507	139,826.2	122,280.8
Current accounts with other banks	280,662,725	571,380,041	39,530.0	71,200.0
Placements with other banks and non - bank financial institutions	3,234,129,229	902,110,395	455,511.2	112,412.5
Securities	2,345,614,364	3,021,362,440	330,368.2	376,493.7
	Rp 7,695,655,118	Rp 5,910,813,270	\$ 1,083,895.1	\$ 736,549.9
ACTIVITY NOT AFFECTING CASH FLOWS				
Revaluation increment in premises and equipment	(Rp 21,457)	Rp 633,316,523	(\$ 3.0)	\$ 78,917.9

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange)

1. GENERAL

PT Bank Lippo Tbk (the Bank) was established on March 11, 1948 based on notarial deed No. 51 of Meester Karel Eduard Krijgsman. The deed of establishment was approved by the Ministry of Justice (MOJ) in its decision letter No. J.A. 5/11/24 dated April 3, 1948 and was published in the State Gazette No. 36, Supplement No. 96 dated May 4, 1948. The articles of association has been amended from time to time, most recently by notarial deed No. 5 dated June 3, 1999 of Misahardi Wilamarta, S.H., concerning among others, the changes in the composition of the Bank's authorized capital stock (see Note 23). The latest amendment was approved by the MOJ in its decision letter No. C-10544.HT.01.04.TH.99 dated June 4, 1999.

In October 1989, by virtue of the letter of the Chairman of the Capital Market Supervisory Agency (BAPEPAM) No. SI-059/SHM/MK.10-1989, the Bank offered 6,800,000 shares to the public. These shares were listed on the Indonesian Stock Exchanges on November 10, 1989. The listed shares have been increased several times, the latest of which was the listing on July 5, 1999 of 11,326,436,900 Class B shares at Rp 10 par value per share through fourth issuance of stock rights (see Note 23). All of the issued shares, except the Government's shares arising from the recapitalization program (see Notes 23 and 33), are listed on the stock exchanges in Indonesia.

The Bank is engaged in general banking activities. It also has a license to conduct foreign exchange activities. The Bank has a branch in Cook Islands as approved by the Ministry of Finance (MOF) by virtue of its letter No. S.1361/MK.13/1989 dated November 14, 1989, registered as a foreign company under the 1981-1982 International Companies Act of Cook Islands and has a Class "B" offshore banking license pursuant to the 1981 Offshore Banking Act of Cook Islands. After obtaining a license from the MOF by virtue of its letter No. KEP-295/KM.17/1993 dated December 24, 1993, the Bank opened an Offshore Banking Unit (OBU) in Manila, as approved by the Bangko Sentral ng Pilipinas (the Philippine Central Bank) on March 28, 1994. The Manila OBU commenced its commercial operations on September 9, 1994. Also, as approved by the MOF by virtue of its letter No. S-1058/MK-17/1996 dated September 26, 1996, and by the National Bank of Cambodia on October 16, 1996, the Bank opened a branch in Phnom Penh, Cambodia. The Cambodia Branch commenced its commercial operations on September 16, 1997.

In 1999, in connection with the Bank's plan to concentrate its activities within Indonesia, the Bank has submitted to the Bangko Sentral ng Pilipinas and to the National Bank of Cambodia letters of intent to liquidate/close the Manila OBU and the Cambodia (Phnom Penh) Branch, respectively. The Bank received acknowledgment from Bangko Sentral ng Pilipinas in its letter No. OFRD-L151-99 dated July 1, 1999, to close the Bank's OBU in Manila effective June 30, 1999. Also, the Bank received approval from the National Bank of Cambodia in its letter No. F799-70qt dated July 6, 1999, to close the Bank's branch in Phnom Penh. Subsequently, the Bank issued letters to Bank Indonesia informing the latter about the closing of its offshore branches in Manila and Phnom Penh.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Consolidated Financial Statements**

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and, where applicable, prevailing banking industry practices and accounting and reporting guidelines prescribed by the banking regulatory authority.

The consolidated financial statements have also been prepared on the historical cost basis of accounting, except for certain securities which are valued at market value, certain premises and equipment which were revalued in accordance with government regulations and certain investments in shares of stock which are accounted for under the equity method.

The consolidated statements of cash flows are prepared based on the indirect method. For presentation in the consolidated statements of cash flows, cash and cash equivalents consist of cash, current accounts with Bank Indonesia, current accounts with other banks, placements with other banks and non-bank financial institutions and securities with maturities of three months or less at the date of placement.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its wholly-owned (directly or indirectly) Subsidiaries, consisting of Lippo Bank Ltd., Cook Islands and Lippo Finance Australia Ltd. All significant intercompany transactions are eliminated.

In consolidating the accounts of foreign branches or subsidiaries into the Bank's financial statements, assets and liabilities are translated using the middle rates of exchange at balance sheet date; revenues, expenses, gains and losses are translated at the average exchange rate for the year. The resulting net translation adjustment is reported as a separate component of Stockholders' Equity (Capital Deficiency).

c. Transactions with Related Parties

The Bank and its Subsidiaries have transactions with certain parties which are related to them. In accordance with Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures," a related party relationship is defined as follows:

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

Starting January 1, 1999, certain parties which were not previously classified as related parties, are classified as related parties in accordance with Bank Indonesia Regulation No. 31/177/KEP/DIR dated December 31, 1998.

d. Allowance for Possible Losses on Earning Assets

Earning assets consist of placements with other banks and non-bank financial institutions, securities, loans, investments in shares of stock and lending-related commitments. Placements with other banks and non-bank financial institutions, securities, loans and investments are defined in Notes 2e, 2f, 2g and 2h, respectively.

Lending-related commitments consist of letters of credit, guarantees, acceptances/endorsements, negotiable papers sold under repurchase agreements and derivative transactions bearing credit risk. Allowance for possible losses on lending-related commitments is recorded under other liabilities.

Allowance for possible losses on earning assets is provided based on management's review of the quality of each asset at the end of the year, considering guidelines prescribed by the bank regulatory authority as minimum requirement.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

The outstanding balance of earning assets is written off against the respective allowance for possible losses when management believes that these assets are determined to be definitely uncollectible. Recoveries of earning assets previously written off are credited to the allowance for possible losses during the period of recovery.

The allowance for possible losses on earning assets is determined at the following rates, at the minimum:

1. General reserve of 1% of earning assets classified as current, excluding Bank Indonesia certificates and government debentures.
2. Special reserves based on the following credit risk classifications:

Classification	Rate
Special mention	5 % of earning assets
Substandard	15 % of earning assets, net of deductible collateral
Doubtful	50 % of earning assets, net of deductible collateral
Loss	100 % of earning assets, net of deductible collateral

Deductible collateral includes current accounts, savings and time deposits, and guarantee agreements, which have been blocked under authorizations to undertake clearing; Bank Indonesia certificates and government debentures; 50%, at the maximum, of the market value of negotiable papers; and certain percentages of the market value of land, buildings, houses, aircraft and ships.

In 1998, the allowance for possible losses on earning assets was based substantially on the level of allowance required under the due diligence review performed in connection with the recapitalization of the Bank.

e. Placements with Other Banks and Non-bank Financial Institutions

Placements with other banks and non-bank financial institutions represent placements in the form of call money, time deposits, certificates of deposits, loans and other placements.

f. Securities

Securities consist of certificates of Bank Indonesia, promissory notes, medium-term notes and floating rate notes traded in the money market and bonds listed on the stock exchanges.

In accordance with PSAK No. 50, "Accounting for Certain Securities", securities are stated based on the following classifications:

1. Trading securities are stated at fair value. Unrealized gains or losses from the increase or decline in the fair value are credited or charged to current operations.
2. Available for sale securities are stated at fair value. The unrealized gains or losses from the increase or decline in the fair value are presented as part of Stockholders' Equity.
3. Held-to-maturity securities for which the Bank has the positive intent and ability to hold to maturity are stated at cost, adjusted for the amortization of premiums and discounts.

Fair value is determined based on quoted market prices.

Reductions, other than temporary, for decline in the fair value of individual held-to-maturity securities below their cost are written down to their fair value. The related write-downs are included in current operations as losses.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

g. Loans

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

Loans are stated at their outstanding balances, reduced by allowance for loan losses. Non-performing loans are written off against the respective allowance for loan losses when management believes that the respective loans are determined to be definitely uncollectible. Loans are classified as non-performing when these are overdue and/or if management considers the collectibility of the principal or interest as doubtful. Recoveries of loans previously written off are credited to the allowance for loan losses during the period of recovery.

Restructured loans include interest and other charges converted into principal. The excess of loan balance over the fair value of the assets which have been received as loan settlement less cost to sell the assets is charged to current operations.

h. Investments in Shares of Stock

Investments in shares of stock represent investments in companies engaged in banking and financial services sectors.

Investments in shares of stock wherein the Bank has an ownership interest of 20% to 50% are accounted for under the equity method. Under this method, the investments are stated at cost, and adjusted for the Bank's proportionate share in the net earnings or losses of the investee companies after acquisition and dividends received. Equity in net earnings or losses is adjusted for the straight-line amortization over a 20-year period of the difference between the cost of such investment and the Bank's proportionate share in the underlying net assets of the investee at the date of acquisition. Investments wherein the Bank has an ownership interest of less than 20% are carried at cost.

i. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation, except for certain properties revalued in accordance with government regulations (see Note 11). Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	20 to 25
Building improvements and installations	5 to 8
Office machines	5 to 8
Office furniture and equipment	5 to 15
Vehicles	5 to 7

The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. When premises and equipment are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to current operations.

j. Other Real and Chattel Properties

Assets acquired in settlement of loans are recorded at the lower of the balance of total loan exposure or the assets' appraised value or mutually agreed price. Any excess of loan balance over appraised value, which is not recoverable from the borrower, is charged to operations.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

Holding costs subsequent to the foreclosure or acquisition of the properties are charged to operations as incurred. Gains or losses from sales of other real and chattel properties are credited or charged to current operations.

k. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

l. Deposits

Demand deposits represent depositors' funds which can be used as payment instruments, and which the depositors are entitled to withdraw at any time through checks, automated teller machines and others. Demand deposits are stated at the amount payable to depositors.

Savings deposits represent depositors' funds which the depositors are entitled to withdraw under certain conditions. Savings deposits are stated at the amount payable to depositors.

Time deposits represent depositors' funds which the depositors are entitled to withdraw at specific maturities. Time deposits are stated at nominal value.

Certificates of deposits represent time deposits covered by negotiable certificates, and which are stated at nominal value reduced by unamortized interest.

m. Interest Income and Expense

Interest income and expense are recognized using the accrual basis. The Bank and its Subsidiaries do not recognize interest income on loans which are classified as non-performing. Interest income on such non-performing loans is recognized only to the extent of cash collections received. Interest receivable on non-performing loans is reported in the consolidated statements of commitments and contingencies.

n. Fees and Commissions

Significant fees and commissions which are directly related to the granting of loans or for specified periods are deferred and amortized based on the straight-line method over the respective periods. The unamortized balance of fees and commissions relating to loans settled prior to maturity is recognized as income at settlement. Fees and commissions which are not directly related to the granting of loans or not for specified periods are recognized upon execution of the transactions.

o. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange at such date as published by Bank Indonesia. The resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 1999 and 1998, the exchange rates used were Rp 7,100 to US\$ 1 and Rp 8,025 to US\$ 1, respectively.

Gains or losses from forward foreign exchange transactions for funding purposes resulting from the difference between the spot rate at the inception of the contract and the prevailing exchange rate are credited or charged to current operations. Costs incurred in entering into forward and swap transactions for funding purposes are amortized over the periods covered by the contracts.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

p. Provision for Income Tax

Provision for income tax is determined on the basis of estimated taxable income for the year. Effective January 1, 1999, the Bank adopted PSAK No. 46 on Accounting for Income Taxes, which requires accounting for the tax effects of the recovery of assets and settlement of liabilities at their carrying amounts, and the recognition and measurement of deferred income tax assets and income tax liabilities for the expected future tax consequences of events recognized in the financial statements, including tax loss carryforward. Prior to January 1, 1999, no deferred tax was provided for the timing differences in the recognition of income and expense for financial reporting and income tax purposes.

The change in accounting for income tax was retroactively applied to the 1998 consolidated financial statements, the effects of which are as follows:

	As Restated		As Previously Reported	
Net Loss	Rp	7,702,226,466	Rp	8,354,692,725
Total Assets		15,080,150,067		14,436,908,803
Total Liabilities		20,128,146,220		20,128,146,220
Capital Deficiency	(	5,047,996,153)	(	5,691,237,417)

q. Loss from Operations and Net Loss Per Share

Loss from operations and net loss per share are computed by dividing loss from operations and net loss, by the weighted average number of shares outstanding during the year, which calculations are based on 20,396,270,684 shares and 856,980,000 shares in 1999 and 1998, respectively.

3. TRANSLATION OF INDONESIAN RUPIAH AMOUNTS INTO UNITED STATES DOLLAR AMOUNTS

The consolidated financial statements are stated in Indonesian Rupiah. The translations of Indonesian Rupiah amounts into United States dollar amounts are included solely for the convenience of foreign readers, using year-end exchange rates of Rp 7,100 to US\$ 1 and Rp 8,025 to US\$ 1 in 1999 and 1998, respectively, for balance sheet accounts and average rates during the period of Rp 7,809 to US\$ 1 and Rp 9,875 to US\$ 1 in 1999 and 1998, respectively, for profit and loss accounts. The resulting translation adjustment is shown under Stockholders' Equity (Capital Deficiency) in the consolidated balance sheets. The translation should not be construed as representation that the Indonesian Rupiah amounts have been, could have been, or could in the future be, converted into United States dollars at these or any other rate of exchange.

4. CURRENT ACCOUNTS WITH BANK INDONESIA

Current accounts with Bank Indonesia consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah	Rp 899,282,520	Rp 862,413,132	\$ 126,659.5	\$ 107,465.8
Foreign currency	93,483,721	118,890,375	13,166.7	14,815.0
Total	Rp 992,766,241	Rp 981,303,507	\$ 139,826.2	\$ 122,280.8

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

5. CURRENT ACCOUNTS WITH OTHER BANKS

Current accounts with other banks consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah	Rp 18,420,716	Rp 17,620,802	\$ 2,594.4	\$ 2,195.7
Foreign currency	262,242,009	553,759,239	36,935.6	69,004.3
Total	Rp 280,662,725	Rp 571,380,041	\$ 39,530.0	\$ 71,200.0

6. PLACEMENTS WITH OTHER BANKS AND NON-BANK FINANCIAL INSTITUTIONS

These consist of the following:

	Average Interest Rate (%)		Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah						
Call money						
Less than 1 Month	12.42	39.43	Rp 688,000,000	Rp 293,200,000	\$ 96,901.4	\$ 36,535.8
2 Months	13.50	-	200,000,000	-	28,169.0	-
Loans						
3 Months	13.62	-	925,002,458	-	130,282.0	-
Over 12 months	-	40.00	-	1,526,667	-	190.2
			1,813,002,458	294,726,667	255,352.4	36,726.0
Foreign currencies						
Call money						
Less than 1 Month	6.20	6.62	766,800,000	538,536,087	108,000.0	67,107.3
1 Month	6.30	-	569,080,667	-	80,152.2	-
3 Months	5.50	-	35,500,000	-	5,000.0	-
Time deposits						
1 Month	4.07	4.73	44,318,200	42,452,250	6,242.0	5,290.0
2 Months	-	8.00	-	22,086,999	-	2,752.3
Over 12 months	4.00	-	74,550,000	-	10,500.0	-
Loans						
3 Months	5.94	5.00	5,427,904	5,835,059	764.5	727.1
			1,495,676,771	608,910,395	210,658.7	75,876.7
Total			3,308,679,229	903,637,062	466,011.1	112,602.7
Less allowance for possible losses			32,341,292	8,991,251	4,555.1	1,120.4
Net			Rp 3,276,337,937	Rp 894,645,811	\$ 461,456.0	\$ 111,482.3

Rupiah call money includes call money placement in PT Bank Indonesia Raya Tbk (BIRA), one of the 38 liquidated banks as announced by Bank Indonesia on March 13, 1999. Subsequently, all administration of BIRA was taken over by the Indonesian Bank Restructuring Agency (IBRA). The Bank's placement in BIRA is guaranteed by the Government based on Presidential Decree No. 26 dated January 26, 1998 and the Decree of the Ministry of Finance No. 28/KMK.017/1998 dated January 28, 1998.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

As of December 31, 1999, certain placement amounting to US\$ 10,500 was made in accordance with ISDA Master Agreement dated April 15, 1997 between Lehman Brothers Special Financing Inc. and the Bank.

Management believes that the allowance for possible losses is adequate to cover possible losses on uncollectible accounts.

7. SECURITIES

As of December 31, 1999 and 1998, securities consist of trading and held to maturity, with details as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah				
Certificates of Bank Indonesia - net of unamortized interest of Rp 6,571,758 (US\$ 925.6) in 1999 and Rp 52,979,747 (US\$ 6,601.8) in 1998	Rp 2,203,978,242	Rp 2,930,420,254	\$ 310,419.5	\$ 365,161.4
Medium-term notes - net of unamortized interest of Rp 2,819,545 (US\$ 397.1) in 1999 and Rp 15,453,729 (US\$ 1,925.7) in 1998	142,180,455	129,546,270	20,025.4	16,142.8
Bonds	20,996,500	133,688,688	2,957.3	16,659.1
Sub-total	2,367,155,197	3,193,655,212	333,402.2	397,963.3
Foreign currency				
Promissory notes - net of unamortized interest of Rp 6,484,308 (US\$ 913.3) in 1999 and Rp 2,965,324 (US\$ 369.5) in 1998	215,496,200	79,588,493	30,351.6	9,917.6
Bonds	184,310,320	175,829,612	25,959.2	21,910.2
Medium-term notes - net of unamortized interest of Rp 22,940,136 (US\$ 3,231.0) in 1999	243,540,043	158,989,075	34,301.4	19,811.7
Floating rate notes - net of unamortized interest of Rp 6,831,546 (US\$ 962.2) in 1999	68,070,966	6,676,000	9,587.4	831.9
Sub-total	711,417,529	421,083,180	100,199.6	52,471.4
Total	3,078,572,726	3,614,738,392	433,601.8	450,434.7
Less allowance for possible losses	285,524,360	291,097,666	40,214.7	36,273.9
Net	Rp 2,793,048,366	Rp 3,323,640,726	\$ 393,387.1	\$ 414,160.8

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

The scheduled maturities of securities for trading and held-to-maturity securities are as follows:

Period	Trading			
	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Less than 1 year	Rp 27,454,990	Rp -	\$ 3,866.9	\$ -
1 - 5 years	297,475,658	90,942,188	41,898.0	11,332.4
Over 5 years - 10 years	154,379,418	-	21,743.6	-
Total	479,310,066	90,942,188	67,508.5	11,332.4
Allowance for possible losses	5,736,686	909,422	808.0	113.3
Net	Rp 473,573,380	Rp 90,032,766	\$ 66,700.5	\$ 11,219.1

Period	Held-to-Maturity Security			
	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Less than 1 year	Rp 2,573,266,160	Rp 2,930,420,254	\$ 362,431.8	\$ 365,161.4
1 - 5 years	25,996,500	384,994,588	3,661.5	47,974.4
Over 5 years - 10 years	-	208,381,362	-	25,966.5
Total	2,599,262,660	3,523,796,204	366,093.3	439,102.3
Allowance for possible losses	279,787,674	290,188,244	39,406.7	36,160.6
Net	Rp 2,319,474,986	Rp 3,233,607,960	\$ 326,686.6	\$ 402,941.7

The annual interest rates for the above securities are as follows:

	Rate	
	1999	1998 (As Restated, see Note 2p)
Rupiah		
Certificates of Bank Indonesia	10.25 - 37.50	12.50 - 70.00
Medium-term notes	15.50 - 24.80	15.50 - 16.50
Bonds	7.00 - 46.05	7.00 - 53.74
Foreign currency		
Promissory notes	9.33 - 13.25	10.00
Floating rate notes	5.89 - 6.19	8.59
Medium-term notes	6.57 - 8.56	LIBOR + 2.50%
Bonds	SIBOR + 1%, LIBOR + 1%	8.75

Management believes that the above allowance for possible losses is adequate.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

8. LOANS

Loans consist of the following:

(1) Type of loans

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah				
Fixed loans	Rp 1,327,987,634	Rp 3,719,913,614	\$ 187,040.5	\$ 463,540.6
Installment loans	1,012,810,433	1,689,770,279	142,649.4	210,563.3
Overdraft	403,693,977	923,461,152	56,858.3	115,073.0
Others	9,471,976	284,738,047	1,334.1	35,481.4
Sub-total	2,753,964,020	6,617,883,092	387,882.3	824,658.3
Foreign currencies				
Fixed loans	952,641,900	2,050,362,603	134,174.9	255,496.9
Installment loans	376,919,147	778,340,011	53,087.2	96,989.4
Others	2,540,008	514,000	357.7	64.1
Sub-total	1,332,101,055	2,829,216,614	187,619.8	352,550.4
Total	4,086,065,075	9,447,099,706	575,502.1	1,177,208.7
Less allowance for loan losses	1,068,230,117	4,930,168,003	150,454.9	614,351.2
Net	Rp 3,017,834,958	Rp 4,516,931,703	\$ 425,047.2	\$ 562,857.5

(2) Economic Sector

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah				
Trade	Rp 610,476,453	Rp 971,134,160	\$ 85,982.6	\$ 121,013.6
Property	446,133,869	2,088,193,346	62,835.8	260,211.0
Manufacturing	401,198,983	1,325,233,219	56,506.9	165,138.1
Construction	309,082,217	372,255,061	43,532.7	46,386.9
Business services	211,930,463	511,041,084	29,849.4	63,681.1
Social services	81,213,794	320,011,053	11,438.6	39,876.8
Transportation	28,103,929	97,831,016	3,958.3	12,190.8
Mining	14,106,964	25,117,004	1,986.9	3,129.8
Agriculture	5,058,987	110,554,018	712.5	13,776.2
Others	646,658,361	796,513,131	91,078.6	99,254.0
Sub-total	Rp 2,753,964,020	Rp 6,617,883,092	\$ 387,882.3	\$ 824,658.3

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998	1999	1998
		(As Restated, see Note 2p)		(As Restated, see Note 2p)
Foreign currencies				
Manufacturing	Rp 502,747,531	Rp 837,224,012	\$ 70,809.5	\$ 104,327.0
Trade	335,732,022	837,484,012	47,286.2	104,359.4
Property	246,506,750	704,850,010	34,719.3	87,831.8
Social services	187,703,571	34,208,754	26,437.1	4,262.8
Mining	47,592,145	7,063,993	6,703.1	880.2
Business services	11,066,034	88,566,001	1,558.6	11,036.3
Agriculture	753,002	113,935	106.0	14.2
Others	-	319,705,897	-	39,838.7
Sub-total	1,332,101,055	2,829,216,614	187,619.8	352,550.4
Total	4,086,065,075	9,447,099,706	575,502.1	1,177,208.7
Less allowance for loan losses	1,068,230,117	4,930,168,003	150,454.9	614,351.2
Net	Rp 3,017,834,958	Rp 4,516,931,703	\$ 425,047.2	\$ 562,857.5

(3) **Loan Periods**

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998	1999	1998
		(As Restated, see Note 2p)		(As Restated, see Note 2p)
Domestic				
Less than 1 year	Rp 714,180,764	Rp 2,830,067,858	\$ 100,588.8	\$ 352,656.4
1 - 2 years	1,401,867,956	4,967,146,652	197,446.2	618,959.1
Over 2 years - 5 years	995,696,348	1,084,027,110	140,238.9	135,081.3
Over 5 years	974,320,007	525,022,081	137,228.2	65,423.3
Sub-total	4,086,065,075	9,406,263,701	575,502.1	1,172,120.1
Overseas	-	40,836,005	-	5,088.6
Total	4,086,065,075	9,447,099,706	575,502.1	1,177,208.7
Less allowance for loan losses	1,068,230,117	4,930,168,003	150,454.9	614,351.2
Net	Rp 3,017,834,958	Rp 4,516,931,703	\$ 425,047.2	\$ 562,857.5

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

As of December 31, 1999, the loan portfolio and the allowance for loan losses based on credit classification prescribed by the banking regulatory authority are as follows:

Credit Risk Classification	Loan Portfolio				Allowance for Loan Losses			
	%	Loan Amount		%	Amount			
		Indonesian Rupiah	United States Dollars (Note 3)		Indonesian Rupiah	United States Dollars (Note 3)		
Current	32.72	Rp 1,337,078,250	\$ 188,320.9	1	Rp 13,370,783	\$ 1,883.2		
Special mention	20.95	856,222,759	120,594.7	5	42,811,138	6,029.7		
Substandard	15.84	647,093,078	91,139.9	15	145,938,684	20,554.7		
Doubtful	28.07	1,146,883,372	161,532.9	50	767,321,896	108,073.5		
Loss	2.42	98,787,616	13,913.7	100	98,787,616	13,913.8		
Total	100.00	Rp 4,086,065,075	\$ 575,502.1		Rp 1,068,230,117	\$ 150,454.9		

Significant information related to the loans is as follows:

- a. The Rupiah loans earn annual interest rates ranging from 12% to 40% in 1999 and 16% to 55% in 1998, while loans in foreign currency earn annual interest rates ranging from 8% to 12% in 1999 and 7.68% to 15% in 1998.
- b. Certain loans are collateralized with deposits, registered mortgages or by powers of attorney to mortgage or sell or with other guarantees acceptable to the Bank.
- c. The balance of working capital and investment loans in Rupiah and foreign currency granted to customers for export purposes amounted to Rp 587,400 (US\$ 82.7) and Rp 445,500 (US\$ 62.7), respectively, in 1999 and Rp 1,446,860 (US\$ 180.3) and Rp 1,247,078 (US\$ 155.4), respectively, in 1998.
- d. The above loans include loans to customers under syndication agreements with other banks (syndicated loans). The Bank's share as lead manager in syndicated loans ranges from about 2.7% to 36.2% in 1999 and 29.09% to 55.87% in 1998 of the total syndicated loans. The Bank's total participation in syndicated loans ranges from 1.79% to 8.87% in 1999 and 2% to 54.28% in 1998 of total syndicated loans.
- e. Consumer loans consist of housing, car and personal loans.
- f. The loans to the Bank's directors and employees consist mainly of non-interest-bearing loans intended for acquisition of vehicles, houses and other personal properties, which loans will mature within 1 to 10 years. The loans which earn annual interest rates ranging from 6% to 12% in 1999 and 1998, are collected through monthly payroll deductions.
- g. Other Rupiah loans include small-scale investment loans (see also Note 20), investment loans, permanent working capital loans and working capital loans.
- h. The above loans include loans in the process of being restructured amounting to Rp 206,165,089 (US\$ 29,037.3) as of December 31, 1999 and Rp 875,001,230 (US\$ 109,034.4) as of December 31, 1998.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

i. A summary of the changes in the allowance for loan losses is as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Beginning balance				
Bank	Rp 4,930,168,003	Rp 248,590,435	\$ 614,351.2	\$ 53,460.3
Subsidiary	-	524,308	-	112.8
Provision during the year	49,197,034	6,455,840,574	6,300.1	653,783.8
Loans written off	(176,828,589)	(1,774,787,314)	(22,644.4)	(179,732.9)
Transferred to IBRA (see Note 33)	(3,737,675,497)	-	(526,433.2)	-
Loan recovery	3,369,166	-	474.5	-
Translation adjustment	-	-	78,406.7	86,727.2
Ending balance	Rp 1,068,230,117	Rp 4,930,168,003	\$ 150,454.9	\$ 614,351.2

Management believes that the allowance for loan losses is adequate to cover possible losses on uncollectible accounts.

9. GOVERNMENT BONDS

As of December 31, 1999, this account consists of bonds stated at cost resulting from the recapitalization of the Bank (see Notes 18 and 33), with details as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
Variable Rate Bonds	Rp	6,585,237,000	\$	927,498.2
Fixed Rate Bonds		1,144,000,000		161,126.7
Total	Rp	7,729,237,000	\$	1,088,624.9

Variable Rate Bonds earn annual interest at floating rates equal to the three-months Bank Indonesia Certificate rates, which are equivalent to rates ranging from 13% to 23% for the year ended December 31, 1999. These bonds have maturity dates ranging from July 25, 2002 up to July 25, 2009.

Fixed Rate Bonds earn annual interest at rates ranging from 12% to 14%. These bonds will mature on September 15, 2004 and June 15, 2009.

As of December 31, 1999, there is no market value available for the above bonds.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

In accordance with Bank Indonesia's Regulation No. 1/10/PBI/1999 dated December 3, 1999, effective February 1, 2000, the Government allowed the Bank to trade up to a maximum of 10% of the above-mentioned bonds. Traded Government bonds consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
Variable Rate Bonds				
Due on May 25, 2004	Rp	283,165,000	\$	39,882.4
Due on July 25, 2002		194,267,000		27,361.5
Fixed Rate Bonds				
Due on September 15, 2004		286,000,000		40,281.7
Total	Rp	763,432,000	\$	107,525.6

As of March 30, 2000, the market value of the traded bonds amounted to Rp 751,992,000 (US\$ 105,914.4).

On March 30, 2000, Government bonds amounting to Rp 1,673,836,000 (US\$ 235,751) were repurchased by IBRA.

10. INVESTMENTS IN SHARES OF STOCK

These consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Related Parties				
At Equity				
PT Lippo Investment Management (200 shares or 20%)				
Acquisition cost	Rp 200,000	Rp 200,000	\$ 28.2	\$ 24.9
Equity in net earnings	165,503	22,602	21.2	2.3
Translation adjustments	-	-	2.1	0.5
	365,503	222,602	51.5	27.7
PT Tokai Lippo Bank (47,942 shares or 35%)				
Acquisition cost	-	36,381,583	-	4,533.5
Equity in net earnings	-	35,814,662	-	3,627.0
Dividends received	-	(1,512,778)	-	(153.2)
Translation adjustments	-	-	-	800.6
	-	70,683,467	-	8,807.9
PT Bank BNP Lippo Indonesia (15,000 shares or 30%)				
Acquisition cost	17,316,680	17,316,680	2,439.0	2,157.8
Equity in net losses	(13,891,680)	(13,891,680)	(1,779.0)	(1,406.8)
Dividends received	(3,425,000)	(3,425,000)	(438.6)	(346.9)
Translation adjustments	-	-	(221.4)	(404.1)
	-	-	-	-
Sub-total	365,503	70,906,069	51.5	8,835.6

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
At Cost				
PT Tokai Lippo Bank (21,379 shares or 15.61%)	Rp 26,789,937	Rp -	\$ 3,773.2	\$ -
PT Lippo Pacific Tbk (2,162,040 shares or 7.01%)	300,000	300,000	42.2	37.4
Sub-total	27,089,937	300,000	3,815.4	37.4
Sub-total - Related Parties	27,455,440	71,206,069	3,866.9	8,873
Third Parties				
At Equity				
PT Bank Dagang dan Industri (16,750,852 shares or 24.55%)				
Acquisition cost	-	16,326,070	-	2,034.4
Equity in net losses	-	(16,326,070)	-	(1,653.4)
Translation adjustment	-	-	-	(381.0)
Sub-total	-	-	-	-
At Cost				
Others (cost of each investment is Rp 500,000 or below)	3,424,000	3,424,000	482.3	426.7
Sub-total	3,424,000	3,424,000	482.3	426.7
Sub-total - Third Parties	3,424,000	3,424,000	482.3	426.7
Total	30,879,440	74,630,069	4,349.2	9,299.7
Less allowance for possible losses	308,794	246,973	43.5	30.8
Net	Rp 30,570,646	Rp 74,383,096	\$ 4,305.7	\$ 9,268.9

Equity in net earnings (losses) was derived from the following (see Note 31):

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
PT Tokai Lippo Bank	Rp 8,606,937	Rp 18,878,543	\$ 1,102.2	\$ 1,911.8
PT Lippo Investment Management	167,756	(58,768)	21.5	(5.9)
PT Bank BNP Lippo Indonesia	-	(28,079,230)	-	(2,843.5)
PT Bank Dagang dan Industri	-	(17,361,195)	-	(1,758.2)
Total	Rp 8,774,693	(Rp 26,620,650)	\$ 1,123.7	(\$ 2,695.8)

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

On March 13, 1999, the Government of the Republic of Indonesia announced the liquidation of 38 banks, including PT Bank Dagang dan Industri (BDI), an associated company. As of December 31, 1999, the Bank's proportionate share in the net loss of BDI exceeded the carrying value of its investment. The Bank recognized the loss to the extent of the carrying value of its investment in accordance with PSAK No. 15 "Accounting for Investments in Associated Companies".

On July 30, 1999, the Bank agreed to sell its share ownership in PT Tokai Lippo Bank totalling 26,563 shares or equivalent to 19.39% ownership, to Tokai Bank Limited at Rp 1,209,027 (full amount) per share. This agreement is covered by notarial deed No. 44 dated July 30, 1999 of Abdullah Ashal, S.H. and shall be effective upon receipt of the approval from Bank Indonesia (BI).

Subsequently, PT Tokai Lippo Bank received the approval from BI for the aforementioned transaction through its letter No. 1/142/DPIP/Prz dated October 5, 1999. Accordingly, the remaining investment of the Bank in PT Tokai Lippo Bank (equivalent to 15.61% ownership) is now accounted for under the cost method.

On October 28, 1999, as covered by notarial deed of Me Claudine Savary of Paris, the Bank entered into a "Share Purchase Agreement" with Banque National De Paris covering its share ownership in PT Bank BNP Lippo Indonesia totalling 15,000 shares. The agreement is effective upon receipt of the approval from Bank Indonesia (BI) to PT Bank BNP Lippo Indonesia. The approval from BI was received through its letter No. 2/43/DPIP/Prz dated January 28, 2000.

Total cash dividends received from certain investments accounted for under the cost method amounted to Rp 307,153 (US\$ 39.3) in 1999 and Rp 175,416 (US\$ 17.8) in 1998. Stock dividends were also received from PT Tokai Lippo Bank (5,190 shares) in 1998.

Management believes that the allowance for possible losses is adequate.

11. PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

	1999						Total
	Land	Buildings	Building improvements and installations	Office machines	Office furniture and equipment	Vehicles	
Carrying Value							
Balance, January 1, 1999	Rp 181,769,429	Rp 294,604,475	Rp 117,125,341	Rp 440,261,385	Rp 64,708,840	Rp 7,088,555	Rp 1,105,558,025
Additions	6,862,827	15,971,263	65,023,611	41,764,056	6,480,852	473,000	136,575,609
Deductions	-	(448,260)	(55,920,594)	(387,958)	(2,038,327)	(243,168)	(59,038,307)
Reclassifications	-	56,762	1,796,543	4,084,344	253,644	(31,760)	6,159,533
Balance, December 31, 1999	188,632,256	310,184,240	128,024,901	485,721,827	69,405,009	7,286,627	1,189,254,860
Accumulated Depreciation							
Balance, January 1, 1999	-	10,391,275	53,204,750	52,428,983	41,294,329	4,348,892	161,668,229
Additions	-	15,857,963	15,291,310	89,640,733	9,938,089	1,066,063	131,794,158
Deductions	-	(53,853)	(606,654)	(121,656)	(1,057,721)	(117,429)	(1,957,313)
Reclassifications	-	(233,296)	275,454	(784,718)	(401,112)	(31,461)	(1,175,133)
Balance, December 31, 1999	-	25,962,089	68,164,860	141,163,342	49,773,585	5,266,065	290,329,941
Net book value,							
December 31, 1999	Rp 188,632,256	Rp 284,222,151	Rp 59,860,041	Rp 344,558,485	Rp 19,631,424	Rp 2,020,562	Rp 898,924,919
United States Dollars (Note 3)	\$ 26,567.9	\$ 40,031.2	\$ 8,431.0	\$ 48,529.4	\$ 2,765.0	\$ 284.6	\$ 126,609.1

notes to consolidated financial statements
(in thousands, except share data and rates of exchange) (continued)

1998 (As Restated, see Note 2p)							
	Land	Buildings	Building improvements and installations	Office machines	Office furniture and equipment	Vehicles	Total
Carrying Value							
Balance, January 1, 1998	Rp 30,385,908	Rp 130,702,149	Rp 105,555,499	Rp 142,859,702	Rp 56,754,565	Rp 6,987,165	Rp 473,244,988
Additions	7,844,763	5,423,812	17,969,987	84,957,658	15,522,011	1,076,624	132,794,855
Deductions	-	(5,698,877)	(6,932,629)	(9,504,084)	(7,361,209)	(828,359)	(30,325,158)
Reclassifications	-	(22,802,987)	532,484	(80,849,278)	(206,527)	(146,875)	(103,473,183)
Revaluation	143,538,758	186,980,378	-	302,797,387	-	-	633,316,523
Balance, December 31, 1998	181,769,429	294,604,475	117,125,341	440,261,385	64,708,840	7,088,555	1,105,558,025
Accumulated Depreciation							
Balance, January 1, 1998	-	24,529,244	43,668,035	86,056,545	36,374,308	3,555,307	194,183,439
Additions	-	10,722,756	14,277,108	52,364,623	7,203,967	1,118,378	85,686,832
Deductions	-	(2,076,072)	(4,958,335)	(5,660,723)	(2,147,215)	(271,576)	(15,113,921)
Reclassifications	-	(22,784,653)	217,942	(80,331,462)	(136,731)	(53,217)	(103,088,121)
Balance, December 31, 1998	-	10,391,275	53,204,750	52,428,983	41,294,329	4,348,892	161,668,229
Net book value,							
December 31, 1998	Rp 181,769,429	Rp 284,213,200	Rp 63,920,591	Rp 387,832,402	Rp 23,414,511	Rp 2,739,663	Rp 943,889,796
United States Dollars (Note 3)	\$ 22,650.4	\$ 35,416.0	\$ 7,965.2	\$ 48,328.0	\$ 2,917.7	\$ 341.4	\$ 117,618.7

Depreciation charged to operations amounted to Rp 131,794,158 (US\$ 16,877.4) in 1999 and Rp 85,686,832 (US\$ 8,677.5) in 1998.

Certain premises and equipment are used as collateral for loan facilities obtained from Bank Indonesia (see Note 20).

Certain Bank premises and equipment are covered by insurance which in management's opinion is adequate to cover possible losses.

Land, buildings and certain office machines were revalued as of December 31, 1998 in accordance with the Ministry of Finance Decree No. 384/KMK.04/1998 dated August 14, 1998, and has been approved by the tax authorities in their letter No. KEP-022/WPJ.06/KP.0404/1999 dated May 31, 1999, resulting in the revaluation increment totaling Rp 633,295,066.

Certain Bank premises and equipment were damaged during the May 1998 riots. The Bank had written off the net book value of the related assets amounting to Rp 4,438,115 (US\$ 553.0), which is presented as part of "Non-Operating Income (Loss)" in the accompanying 1998 consolidated statement of income (see Note 31).

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

12. OTHER REAL AND CHATTEL PROPERTIES

As a result of the adverse economic conditions as fully discussed in Note 36 to the consolidated financial statements, several loans granted by the Bank have had to be restructured or written off or have resulted in foreclosure of assets. Assets foreclosed in settlement of loans are recorded under "Other Real and Chattel Properties" account. The movements in this account are as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Balance at beginning of year	Rp 2,454,639,445	Rp 23,935,366	\$ 305,874.1	\$ 5,147.4
Additions (deductions):				
Properties	319,908,040	1,667,916,492	45,057.5	207,840.1
Securities	(15,199,601)	336,050,545	(2,140.8)	41,875.5
Others	(55,015,181)	426,737,042	(7,748.6)	53,175.9
Translation adjustments	-	-	39,849.7	(2,164.8)
Balance at end of year	Rp 2,704,332,703	Rp 2,454,639,445	\$ 380,891.9	\$ 305,874.1

As of December 31, 1999, Other Real and Chattel Properties principally consist of land and securities. Land foreclosed in settlement of loans consists of residential, commercial and industrial properties which are located mainly in Jakarta, Tangerang, Bekasi, Karawang, Ujung Pandang, Bogor and Serang. Securities include shares in PT Matahari Putra Prima Tbk, PT Bukit Sentul Tbk, PT Lippo Karawaci Tbk, PT Hotel Prapatan Tbk, PT Lippo Cikarang Tbk, PT Lippo Securities Tbk and PT Panin Insurance Tbk.

As indicated in Note 2j, assets acquired in settlement of loans are recorded at the lower of the balance of total loan exposure or the assets' appraised value or mutually agreed price. Any excess of loan balance over appraised value, which is not recoverable from the borrower, is charged to operations.

13. DEMAND DEPOSITS

Demand deposits consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Rupiah	Rp 2,927,702,262	Rp 2,216,306,248	\$ 412,352.4	\$ 276,175.2
Foreign currencies	1,621,248,707	1,325,534,057	228,344.9	165,175.6
Total	Rp 4,548,950,969	Rp 3,541,840,305	\$ 640,697.3	\$ 441,350.8

Annual interest rates on the above deposits range from 1% to 6% in 1999 and 2% to 16% in 1998 for Rupiah deposits and from 2% to 6% in 1999 and 2% to 11% in 1998 for foreign currency deposits.

Demand deposits amounting to Rp 44,432,965 (US\$ 6,258.2) in 1999 and Rp 20,293,804 (US\$ 2,528.8) in 1998 are placed on "hold" notice.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

14. SAVINGS DEPOSITS

These represent customers' savings accounts which bear annual interest rates ranging from 7% to 11.5% in 1999 and 15.5% to 33% in 1998. The details of this account are as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Tahapan	Rp 2,568,170,143	Rp 1,566,101,585	\$ 361,714.1	\$ 195,152.9
Super Savings	1,705,314,242	922,629,363	240,185.1	114,969.4
Star Savings	334,589,314	267,197,897	47,125.3	33,295.7
Lippo Junior	149,995,369	98,613,973	21,126.1	12,288.3
Tabanas	10,721	36,915	1.5	4.6
Total	Rp 4,758,079,789	Rp 2,854,579,733	\$ 670,152.1	\$ 355,710.9

15. TIME DEPOSITS

Time deposits consist of the following:

(1) Type of Time Deposits

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Related Parties:				
Rupiah	Rp 153,171,000	Rp 108,485,700	\$ 21,573.4	\$ 13,518.5
Foreign currencies	25,119,800	89,382,450	3,538.0	11,138.0
Sub-total	178,290,800	197,868,150	25,111.4	24,656.5
Third Parties:				
Rupiah	7,242,881,747	9,645,836,998	1,020,124.2	1,201,973.5
Foreign currencies	1,309,176,939	2,237,940,712	184,391.1	278,871.1
Sub-total	8,552,058,686	11,883,777,710	1,204,515.3	1,480,844.6
Total	Rp 8,730,349,486	Rp 12,081,645,860	\$ 1,229,626.7	\$ 1,505,501.1

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

(2) Time Deposit Maturities

	Average Interest Rate (%)		Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998	1999	1998	1999	1998
		(As Restated, see Note 2p)		(As Restated, see Note 2p)		(As Restated, see Note 2p)
Rupiah						
1 Month	12.25	39.74	Rp 6,700,643,310	Rp 9,013,138,128	\$ 943,752.6	\$ 1,123,132.5
3 Months	13.00	43.57	598,789,779	577,346,879	84,336.6	71,943.5
6 Months	18.00	31.40	61,753,615	76,663,735	8,697.7	9,553.1
12 Months	24.00	20.43	34,866,043	84,806,092	4,910.7	10,567.8
Over 12 Months	12.75	52.48	-	2,367,864	-	295.1
Sub-total			7,396,052,747	9,754,322,698	1,041,697.6	1,215,492
Foreign currencies						
1 Month	5.00	11.98	1,264,006,036	1,699,185,137	178,029.0	211,736.5
3 Months	4.50	11.79	46,240,515	69,451,555	6,512.7	8,654.4
6 Months	8.00	8.61	11,576,446	513,399,522	1,630.5	63,975.0
12 Months	14.00	11.95	12,473,742	45,268,354	1,756.9	5,640.9
Over 12 Months	10.00	7.25	-	18,594	-	2.3
Sub-total			1,334,296,739	2,327,323,162	187,929.1	290,009.1
Total			Rp 8,730,349,486	Rp 12,081,645,860	\$ 1,229,626.7	\$ 1,505,501.1

Time deposits amounting to Rp 406,329,373 (US\$ 57,229.5) as of December 31, 1999 and Rp 366,684,154 (US\$ 45,692.7) as of December 31, 1998 are pledged as collateral to credit facilities granted by the Bank to its customers.

16. CERTIFICATES OF DEPOSITS

These consist of the following:

	Average Interest Rate (%)		Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998	1999	1998	1999	1998
		(As Restated, see Note 2p)		(As Restated, see Note 2p)		(As Restated, see Note 2p)
Rupiah						
1 Month	11.00	44.95	Rp 4,967,000	Rp 40,759,600	\$ 699.6	\$ 5,079.1
3 Months	12.00	40.00	24,275,000	17,468,400	3,419.0	2,176.7
Sub-total			29,242,000	58,228,000	4,118.6	7,255.8
Foreign currency						
Over 12 Months	-	8.94	-	16,050,000	-	2,000.0
Total			29,242,000	74,278,000	4,118.6	9,255.8
Less unamortized interest			237,888	3,147,364	33.5	392.2
Net			Rp 29,004,112	Rp 71,130,636	\$ 4,085.1	\$ 8,863.6

Foreign currency certificates of deposits consisted of negotiable floating rate certificates of deposit (FRCD) issued by the Bank (through its Cook Islands Branch) amounting to US\$ 2,000 in 1998. These certificates bore interest at 0.8% over LIBOR per year in 1998.

Effective August 25, 1998, FRCD totalling to US\$ 78,000 was converted to loans. Accordingly, this is presented as fund borrowings in 1999 (see also Note 20).

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

17. TAXES PAYABLE

These consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Corporate income tax				
Subsidiary	Rp 625,977	Rp -	\$ 88.2	\$ -
Other taxes payable (consisting of income tax payable Articles 21, 23 and 25)	42,634,126	105,129,101	6,004.8	13,100.2
Total	Rp 43,260,103	Rp 105,129,101	\$ 6,093.0	\$ 13,100.2

No provision for income tax has been provided for the Bank for the years ended December 31, 1999 and 1998 because the Bank is in fiscal loss position. The provision for income tax as shown in the consolidated statements of income pertains to the income of the consolidated subsidiaries.

Estimated claims for income tax refund amounting to Rp 44,743,837 (US\$ 6,301.9) and Rp 44,854,897 (US\$ 5,589.4) as of December 31, 1999 and 1998 (presented under Other Assets), respectively, represent claims for corporate income tax Article 25 paid by the Bank.

A reconciliation between loss before provision for income tax, as shown in the consolidated statements of income and estimated fiscal loss of the Bank for the years ended December 31, 1999 and 1998 is as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Loss before provision for income tax per consolidated statements of income	(Rp 1,827,259,588)	(Rp 8,352,733,694)	(\$ 233,996.4)	(\$ 845,882.4)
Loss of foreign branch	1,931,623	56,027,280	247.4	5,673.9
Loss before provision for income tax applicable to the Bank	(1,825,327,965)	(8,296,706,414)	(233,749.0)	(840,208.5)
Positive corrections:				
Equity in net losses of investee companies	-	26,620,650	-	2,695.8
Provision for possible losses on:				
Securities	41,649,959	277,241,592	5,333.6	28,076.3
Placements with other banks and non-bank financial institutions	23,350,041	5,181,846	2,990.2	524.8
Investments in shares of stock	61,821	203,077	7.9	20.6

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Loss from mark to market valuation of securities	Rp 19,484,263	Rp -	\$ 2,495.1	\$ -
Gain on sale of securities and investments	15,284,369	-	1,957.3	-
Rental expenses related to rental income already subject to final tax	9,787,409	7,952,662	1,253.4	805.4
Non-deductible expenses such as donations, employees' benefits in kind and others	9,008,181	16,886,442	1,153.6	1,710.1
Salary expense	7,142,857	-	914.7	-
Tax penalty	6,104,537	-	781.7	-
Loans written off	-	1,060,896,471	-	107,437.1
Others	59,145,998	-	7,574.2	-
Negative corrections:				
Depreciation	(16,117,521)	(67,683,502)	(2,064.0)	(6,854.3)
Equity in net earnings of investee companies	(8,774,693)	-	(1,123.7)	-
Income already subjected to final tax:				
Cash dividends	(307,153)	(175,416)	(39.3)	(17.8)
Rental	(2,380,373)	(9,939,223)	(304.8)	(1,006.6)
Income of consolidated subsidiaries	(315,337)	(152,521)	(40.4)	(15.4)
Provision for possible losses on loans	-	(392,605,408)	-	(39,759.2)
Estimated fiscal loss	(Rp 1,662,203,607)	(Rp 7,372,279,744)	(\$ 212,859.5)	(\$ 746,591.7)

The computation of estimated deferred income tax on temporary differences for the years ended December 31, 1999 and 1998, using the maximum tax rate of 30%, is as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Deductible temporary differences:				
Estimated recoverable fiscal loss carry forward (net of provision for estimated recoverable deferred tax assets)	(Rp 145,061,455)	(Rp 379,083,189)	(\$ 18,576.4)	(\$ 38,389.8)
Provision for possible losses on earnings assets	(28,518,546)	(285,275,274)	(3,652.0)	(28,889.8)

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Taxable temporary differences:				
Depreciation	Rp 4,835,256	Rp 20,305,051	\$ 619.2	\$ 2,056.3
Equity in net losses of investees	(6,980,195)	(8,412,847)	(893.9)	(852.0)
Loss from mark to market valuation of securities	(5,845,279)	-	(748.5)	-
Gain on sale of securities and investment	(4,585,311)	-	(587.2)	-
Salary expense	(2,142,857)	-	(274.4)	-
Estimated deferred income tax	(Rp 188,298,387)	(Rp 652,466,259)	(\$ 24,113.2)	(\$ 66,075.3)

The details of Deferred Tax Assets and Liabilities in the consolidated balance sheets are as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Deferred Tax Assets				
Fiscal loss for current year	Rp 498,661,082	Rp 2,211,683,923	\$ 70,234.0	\$ 275,599.2
Accumulated prior year deferred tax assets on loss carry forward	379,083,189	-	47,237.8	-
Provision for unrecoverable deferred tax assets	(353,599,627)	(1,832,600,734)	(49,802.8)	(228,361.4)
Translation adjustment	-	-	6,154.2	-
Estimated recoverable				
fiscal losses	524,144,644	379,083,189	73,823.2	47,237.8
Provision for possible losses on earning assets	315,997,868	287,479,322	44,506.7	35,823.0
Equity in net losses of investees	6,729,918	-	947.9	-
Loss from mark to market valuation of securities	5,845,279	-	823.3	-
Gain on sale of securities and investments	4,585,311	-	645.8	-
Salary expense	2,142,857	-	301.8	-
Total	859,445,877	666,562,511	121,048.7	83,060.8
Deferred Tax Liabilities				
Depreciation	27,906,226	23,070,970	3,930.4	2,874.9
Equity in net earnings of investees	-	250,277	-	31.2
Total	27,906,226	23,321,247	3,930.4	2,906.1
Net	Rp 831,539,651	Rp 643,241,264	\$ 117,118.3	\$ 80,154.7

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

18. PAYABLE TO INDONESIA BANK RESTRUCTURING AGENCY (IBRA)

Payable to IBRA represents the excess of the advances received by the Bank from IBRA for the latter's share in the recapitalization program discussed in Note 33. These advances have been fully used to purchase the government bonds. These bear interest at rates equal to those as specified in the investment, management and performance agreement (see also Notes 9, 23, 26 and 33). On March 23, 2000, the Bank fully settled its liability to IBRA including the accrued interest thereon.

19. OTHER CURRENT LIABILITIES

This account consists of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Interest payable (see also Note 18)	Rp 480,650,602	Rp 218,040,105	\$ 67,697.3	\$ 27,170.1
Funds for clearing	331,447,876	219,682,946	46,682.8	27,374.8
Accrued expenses	108,504,235	118,983,766	15,282.3	14,826.7
Total	Rp 920,602,713	Rp 556,706,817	\$ 129,662.4	\$ 69,371.6

20. FUND BORROWINGS

The details of fund borrowings are as follows:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Bank Indonesia				
<i>Direct</i>				
Rupiah				
Small-scale investment loans (KIK) (i)	Rp 231,053	Rp 1,187,592	\$ 32.5	\$ 148.0
<i>Two step loans</i>				
Rupiah				
Other investment loans (ii)	84,435,763	99,859,971	11,892.4	12,443.6
Foreign currencies				
Loan (iii)	470,730,000	625,950,000	66,300.0	78,000.0
Other investment loan (iv)	24,140,000	30,495,000	3,400.0	3,800.0
Sub-total	494,870,000	656,445,000	69,700.0	81,800.0
Total	Rp 579,536,816	Rp 757,492,563	\$ 81,624.9	\$ 94,391.6

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

- (i) The KIK loans represent credit facilities obtained from Bank Indonesia, the proceeds of which have been loaned to the Bank's local customers. The loans bear annual interest rates ranging from 3% to 5.22%. These credit facilities are collateralized by the Bank's premises and equipment with carrying values of Rp 210,977 (US\$ 29.7) in 1999 and Rp 234,291 (US\$ 29.2) in 1998 (see Note 11). The corresponding loans granted to the Bank's local customers are insured with PT ASKRINDO (Indonesian Credit Insurance Corporation).
- (ii) Other investment loans in Rupiah consist of credit facilities obtained from Bank Indonesia funded by the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund-Japan to finance private and government projects.

The facilities obtained from Export-Import Bank of Japan amounted to ¥ 3,640,000 in 1992 and ¥ 1,270,000 in 1995. The 1992 facility is repayable within 11 years in 18 semi-annual installments starting September 15, 1994 with a two-year grace period after the date of the first drawdown, while the 1995 facility is repayable within 15 years in 24 semi-annual installments starting December 15, 1997 with a three-year grace period after the date of the first drawdown.

The facility obtained from the Overseas Economic Cooperation Fund - Japan consists of ¥ 36,000 for SSI (Small Scale Industry) program and ¥ 1,334,000 for PAE (Pollution Abatement Equipment) program. These facilities are repayable within 20 years in 30 semi-annual installments starting August 15, 1998 with a five-year grace period after the date of the first drawdown. The loans bear a floating interest rate determined every six months based on the prevailing average interest rate equal to the rate of three-month certificates of Bank Indonesia during the last six months, but not more than the average interest rate of three-month time deposits of five government commercial banks during the same period.

- (iii) The foreign currency loan represents FRCDs that have been converted to new loans (see Note 16). Pursuant to the Exchange Offer Memorandum dated July 2, 1998 and the Master Loan Agreement dated August 18, 1998 executed by PT Bank Lippo Tbk, Cook Islands Branch (CI) as one of the obligors, Bank Indonesia as guarantor and several non-Indonesian banks and other financial institutions as Lenders (including among others, Tokyo-Mitsubishi International (HK) Limited as Syndicate Agent, ABN AMRO Bank N.V., as Calculation Agent and Deutsche Bank AG, as Exchange Agent), Bank Indonesia, on behalf of the obligors offered to exchange certain eligible debt of the obligors, including among others, FRCD, for new loans, to be guaranteed by Bank Indonesia. Each lender of CI has agreed to convert its FRCD totaling to US\$ 78,000 to new loans pursuant to the terms and conditions specified in the Exchange Offer Memorandum. The exchange was effective on August 25, 1998. Interest is payable semi-annually. Significant information pertinent to the new loan is as follows:

Tranche	Principal Repayment	Interest Rates
One-year	15%	LIBOR + 2.75
Two-years	30%	LIBOR + 3.00
Three-years	45%	LIBOR + 3.25
Four-years	10%	LIBOR + 3.50

On August 23, 1999, the first installment representing 15% of the outstanding balance amounting to US\$ 11,700 was settled by the Bank, and the remaining balance of US\$ 66,300 was subsequently settled in advance on January 11, 2000.

- (iv) Other investment loan in foreign currency represents credit facility obtained from Asian Development Bank (ADB) to finance private projects in Indonesia. The facility, which had a maximum amount of US\$ 22,222 in 1993 and was subsequently reduced to US\$ 10,000 in 1995, is repayable within 15 years in 22 semi-annual installments starting August 1, 1997 with a four-year grace period after the date of the first drawdown. The loan bears a floating interest rate determined every six months equal to the interest rate charged by ADB to the Government of Indonesia plus 0.5%. The first drawdown amounting to US\$ 4,000 was made in April 1998. Based on the Bank's letter No. 042/CCG-KPA/98 dated May 28, 1998 to Bank Indonesia, the Bank has decided not to use the remaining facility amounting to US\$ 6,000.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

21. OTHER LIABILITIES

These consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Allowance for possible losses on lending-related commitments (see Note 2d)	Rp 62,363,870	Rp 62,363,870	\$ 8,783.6	\$ 7,771.2
Deposits on letters of credit, bank guarantees and others	18,431,978	29,380,409	2,596.1	3,661.1
Unearned interest income	1,002,269	3,587,603	141.2	447.0
Travelers' cheques	375,590	3,001,117	52.9	374.0
Others	53,087,428	9,969,539	7,477.0	1,242.3
Total	Rp 135,261,135	Rp 108,302,538	\$ 19,050.8	\$ 13,495.6

22. SUBORDINATED BORROWINGS

Subordinated borrowings consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Bank Indonesia	Rp 9,031,000	Rp 9,852,000	\$ 1,272.0	\$ 1,227.6
Other banks	38,011,111	41,466,667	5,353.7	5,167.2
Total	Rp 47,042,111	Rp 51,318,667	\$ 6,625.7	\$ 6,394.8

The subordinated borrowing from Bank Indonesia (BI) represents PT Bank Umum Majapahit Jaya's (BUMJ) subordinated borrowing facility originally amounting to Rp 14,778,200 (US\$ 6,717.4) obtained from BI, which was transferred to the Bank based on BI's letter No. 27/82/UKK/KKc dated May 16, 1994. This borrowing is payable in equal annual payments of Rp 821,000 (US\$ 373.2) up to October 31, 2010 and bears interest at 6% per year.

The subordinated borrowings from other banks represent borrowings of BUMJ from 36 banks which were assumed by the Bank [originally amounting to Rp 63,200,000 (US\$ 30,553.5)]. These borrowings are payable in equal annual payments of Rp 3,511,111 (US\$ 1,664.0) for 18 years starting October 28, 1993 and bear interest at 6% per year.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

23. CAPITAL STOCK

Share ownership consists of the following:

Stockholders	1999					
	Number of Shares			Percentage of Ownership	Indonesian Rupiah	United States Dollars (Note 3)
	Class A Rp 500	Class B Rp 10	Class C Rp 10			
Indonesian Bank Restructuring Agency (IBRA) (see also Notes 33 and 36)	-	-	23,309,365,625	59.53	Rp 233,093,656	\$ 32,830.1
PT Asuransi Lippo Life Tbk	337,982,901	2,514,627,428	-	7.29	194,137,725	27,343.3
PT Lippo Asia	-	50,639,500	-	0.13	506,395	71.3
PT Ningz & Associates	2,561,500	11,011,000	-	0.03	1,390,860	195.9
PT Agustoha Corporation	5,392,496	5,512,986	-	0.03	2,751,378	387.5
Cooperatives	6,813,000	-	-	0.02	3,406,500	479.8
Public - Indonesian and Foreign	504,230,103	12,409,193,846	-	32.97	376,206,990	52,986.9
Total	856,980,000	14,990,984,760	23,309,365,625	100.00	Rp 811,493,504	\$ 114,294.8

Stockholders	1998 (As Restated, see Note 2p)					
	Number of Shares			Percentage of Ownership	Indonesian Rupiah	United States Dollars (Note 3)
	Class A Rp 500	Class B Rp 10	Class C Rp 10			
PT Asuransi Lippo Life Tbk	529,411,001	2,000,000,000	-	55.94	Rp 284,705,501	\$ 35,477.3
PT Lippo Asia	-	1,454,546,000	-	32.17	14,545,460	1,812.5
PT Ningz & Associates	3,255,914	7,000,000	-	0.23	1,697,957	211.6
Cooperatives	6,813,030	-	-	0.15	3,406,515	424.5
PT Agustoha Corporation	5,392,496	-	-	0.12	2,696,248	336.0
Public - Indonesian and Foreign	312,107,559	203,001,860	-	11.39	158,083,798	19,698.9
Total	856,980,000	3,664,547,860	23,309,365,625	100.00	Rp 465,135,479	\$ 57,960.8

Under Bank Indonesia Regulation No. 31/146/KEP/DIR dated November 12, 1998, the Bank is required to maintain a minimum capital adequacy ratio (CAR) of 4% of its risk weighted assets by December 31, 1998 or the date of completion of its recapitalization program if the recapitalization is completed after December 31, 1998.

In compliance with the Bank Recapitalization Program (see Note 33), the Bank held several stockholders' extraordinary general meetings (EGM) in 1999 and 1998, whereby, the stockholders approved and/or ratified, several resolutions concerning, among others, the following:

- o Amendments of the Bank's articles of association concerning the changes in the classes and structure of the Bank's shares of stock, including the rights of each class in dividends distribution, Bank's liquidation proceeds and voting rights.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

- o Approval of the issuance of new shares through limited public offering III and IV up to a maximum of 17,139,600,000 and 21,160,750,385 Class B shares, respectively. In limited public offering III, each holder of 1 (one) Class A shares as reflected in the official stockholders' record as of December 22, 1998, has the right to subscribe to 20 (twenty) Class B share at Rp 275 (full amount) per share, while in limited public offering IV, each holder of 10 (ten) Class A or Class B shares as reflected in the official stockholders' record as of June 29, 1999, has the right to subscribe to 36 (thirty six) Class B shares at Rp 259.784 (full amount) per share. The Board of Directors was also authorized to complete this process.
- o Implementation of the Government's Bank Recapitalization Program.

The Capital Market Supervisory Agency (BAPEPAM) declared effective, after approval by the Bank's stockholders, the Bank's Registration Statements to offer new issued shares through limited public offering III and IV in its letters No. S-2622/PM/1998 dated December 22, 1998 and S-1191/PM/1999 dated June 29, 1999, respectively. The Rights Issue IV was completed on July 14, 1999 (see Note 33).

At the Stockholders' Annual General Meeting held on June 9, 1998, as covered by notarial deed No. 4 of Mrs. Ayni Suwarni Henry, S.H., dated June 9, 1998, the stockholders approved, among others, the appropriation of the Bank's 1997 net income as general reserve and not to declare any cash dividends.

24. TRANSACTIONS IN FOREIGN CURRENCIES

Certain receivables and payables, presented in the consolidated statements of commitments and contingencies, resulted from transactions in foreign currencies, with details as follows:

		1999				
	Foreign Currency	Indonesian Rupiah	United States Dollars (Note 3)	Average Period (days)	Estimated Loss	
Receivables						
Forward foreign currencies bought						
	USD	Rp 40,441,600	\$ 5,696.0	52	-	
	SGD	35,624,254	5,017.5	91	-	
Total		Rp 76,065,854	\$ 10,713.5		-	
Payables						
Forward foreign currencies sold						
	AUD	Rp 36,978,800	\$ 5,208.3	92	-	
	USD	35,500,000	5,000.0	91	-	
Total		Rp 72,478,800	\$ 10,208.3		-	

		1998 (As Restated, see Note 2p)				
	Foreign Currency	Indonesian Rupiah	United States Dollars (Note 3)	Average Period (days)	Estimated Loss	
Payables						
Unrealized spot foreign currency sold						
	USD	Rp 28,087,500	\$ 3,500.0	6	-	
Forward foreign currencies sold						
	USD	Rp 8,025,000	\$ 1,000.0	365	-	

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

25. INTEREST INCOME

Interest income was derived from:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Securities	Rp 1,387,768,595	Rp 564,422,701	\$ 177,715.8	\$ 57,159.2
Loans	854,549,243	2,658,610,452	109,432.4	269,237.8
Placements with other banks and non-bank financial institutions	238,184,782	381,744,883	30,501.6	38,659.3
Total	Rp 2,480,502,620	Rp 3,604,778,036	\$ 317,649.8	\$ 365,056.3

26. INTEREST EXPENSE

Interest expense was incurred on:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Deposits				
Time	Rp 2,336,080,066	Rp 3,818,478,689	\$ 299,155.3	\$ 386,697.8
Savings	497,487,213	579,083,099	63,707.5	58,643.8
Demand	273,092,596	315,655,497	34,971.9	31,966.5
Fund borrowings and advances				
IBRA (see Note 18)	338,316,709	-	43,324.4	1,637.7
BI	23,572,595	16,171,289	3,018.7	-
Other banks and non-bank financial institutions	71,019,670	101,597,347	9,094.7	10,288.8
Others	49,346,374	42,455,991	6,319.2	4,299.5
Total	Rp 3,588,915,223	Rp 4,873,441,912	\$ 459,591.7	\$ 493,534.1

Others principally represent amount paid to the Indonesian Bank Restructuring Agency (IBRA) in connection with the Government's guarantee on certain obligations of the Bank pursuant to Decision Letter No. 26/KMK.17/1998 dated January 28, 1998.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

27. OTHER OPERATING INCOME - FEES AND COMMISSIONS

Fees and commissions consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Commissions	Rp 92,817,265	Rp 128,202,577	\$ 11,886.1	\$ 12,983.1
Administration fees	44,744,537	36,932,243	5,729.9	3,740.1
Others (mainly consisting of bank charges)	17,045,489	41,714,333	2,182.8	4,224.4
Total	Rp 154,607,291	Rp 206,849,153	\$ 19,798.8	\$ 20,947.6

28. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Depreciation (see Note 11)	Rp 131,794,158	Rp 85,686,832	\$ 16,877.4	\$ 8,677.5
Rent	55,082,570	65,606,812	7,053.8	6,644.0
Repairs and maintenance	32,295,894	24,119,574	4,135.8	2,442.6
Office stationery and supplies, postage and other related expenses	30,416,570	31,743,893	3,895.1	3,214.7
Telephone, telex and other related expenses	26,542,456	27,319,789	3,399.0	2,766.7
Advertising and representation	23,527,645	68,276,329	3,012.9	6,914.4
Travel and transportation	12,490,588	16,532,035	1,599.5	1,674.2
Light, water and other expenses for bank premises	8,011,577	8,228,063	1,026.0	833.2
Total	Rp 320,161,458	Rp 327,513,327	\$ 40,999.5	\$ 33,167.3

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

29. SALARIES AND EMPLOYEES' BENEFITS

These consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Salaries, wages and allowances	Rp 235,148,761	Rp 139,820,791	\$ 30,112.8	\$ 14,159.7
Other staff expenses	8,743,509	9,381,984	1,119.7	950.1
Total	Rp 243,892,270	Rp 149,202,775	\$ 31,232.5	\$ 15,109.8

30. OTHER OPERATING EXPENSES

These consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Stock issuance costs	Rp 54,454,535	Rp 94,199,794	\$ 6,973.4	\$ 9,539.6
Legal and professional fees	48,165,195	11,113,600	6,167.9	1,125.5
Taxes	39,973,553	4,992,858	5,119.0	505.6
Expenses for card centre	30,870,866	20,059,854	3,953.3	2,031.5
Clearing fees	15,555,628	139,520,744	1,992.0	14,129.3
Insurance	7,986,445	4,156,456	1,022.8	420.9
Provision for uncollectible receivables	-	72,570,845	-	7,349.2
Miscellaneous (mainly consisting of bank charges and expenses for representative offices in 1999 and write-off of travellers' cheques, bank charges and expenses for representative offices in 1998)	34,934,799	41,625,323	4,473.7	4,215.4
Total	Rp 231,941,021	Rp 388,239,474	\$ 29,702.1	\$ 39,317.0

In 1999, legal and professional fees mainly consist of fees accrued by the Bank for professional services incurred in connection with the Bank's limited public offering III and IV.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

31. NON-OPERATING INCOME (LOSS) - NET

These consist of the following:

	Indonesian Rupiah		United States Dollars (Note 3)	
	1999	1998 (As Restated, see Note 2p)	1999	1998 (As Restated, see Note 2p)
Equity in net earnings (losses) of investee companies - net	Rp 8,774,693	(Rp 26,620,650)	\$ 1,123.7	(\$ 2,695.8)
Rental income	2,380,373	9,939,223	304.8	1,006.5
Gain on sale of premises and equipment	167,992	1,039,838	21.5	105.3
Penalties	(348,409)	(7,478,793)	(44.6)	(757.4)
Donations	(1,703,122)	(6,959,836)	(218.1)	(704.8)
Others (see Note 11)	(2,607,618)	669,404	(333.9)	67.8
Net	Rp 6,663,909	(Rp 29,410,814)	\$ 853.4	(\$ 2,978.4)

32. TRANSACTIONS WITH RELATED PARTIES

The Bank and its Subsidiaries have business transactions with companies having the same shareholders and/or management as the Bank and its Subsidiaries. These transactions primarily relate to lending and borrowing of funds in the normal course of their businesses and are substantially made on an arm's length basis (see also Notes 8, 13, 14, and 15). Other significant transactions with related parties are as follows:

- a. Investments in shares of stock of PT Tokai Lippo Bank, PT Lippo Pacific Tbk and PT Lippo Investment Management (see Note 10).
- b. Insurance of certain Bank premises and equipment with PT Lippo General Insurance Tbk (see Note 11).

33. BANK RECAPITALIZATION PROGRAM

On February 9, 1999, Bank Indonesia issued Circular Letter No. 31/21/UPPB regarding Joint Decrees between 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, regarding the implementation of banks' recapitalization program. The Joint Decrees stipulate, among others, the following:

1. Commercial banks which are eligible to participate in the recapitalization program are banks under B category, which have Capital Adequacy Ratio (CAR) of lower than 4% but not lower than negative 25%. These banks are obligated to prepare a business plan that should be submitted to Bank Indonesia, and their controlling shareholders, commissioners and directors should pass the "Fit and Proper" test.
2. Publicly listed banks which participated in the recapitalization program can offer new shares through a limited public offering (rights issue) or without the conduct of rights issue. Their controlling shareholders are obligated to make cash payment of at least 20% of the newly issued shares in order to fulfill the 4% CAR. In case the commercial banks conduct the rights issue and the controlling shareholders cannot fulfill their obligations, these obligations can be fulfilled by other strategic investors. The new shares that are not subscribed by the shareholders or public will be subscribed by the Government acting as the standby buyer.

This decree was effective on December 9, 1998.

Based on the due diligence review conducted by international auditors, the Bank was classified under B category by Bank Indonesia. Consequently, the Bank was required to increase its paid-up capital to meet the minimum CAR required by Bank Indonesia. In this connection, the Bank participated in the recapitalization program as described above.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

In connection with the Bank's participation in the recapitalization program, the Bank entered into several agreements with the Indonesian Bank Restructuring Agency (IBRA), as follows:

1. On May 28, 1999, the Bank, IBRA, as the representative of the Government of Indonesia, and the Bank's Controlling Shareholders entered into an Investment, Management and Performance Agreement (IMPA). The agreement provides, among others, the recapitalization amount to be provided to the Bank, including IBRA's participation, and the manner of disbursement and to where the recapitalization amount will be invested or used.

Also, IBRA will not be involved in the Bank's management (including daily operations) as long as certain conditions as specified in the agreement are met.

2. On May 28, 1999, the Bank entered into an Asset Transfer Agreement with IBRA. Under the agreement, the Bank agreed to transfer to IBRA its category 5 loan assets for nil consideration.
3. On the same date, the Bank and IBRA entered into several specific agreements relating to the transfer of the assets mentioned in 2 above, namely, Fixed Assets Transfer Agreement, Moveable Assets Agreement and Shares Transfer Agreement. The Bank also committed to help IBRA manage the above-mentioned assets transferred, for a certain period as specified in the agreement.

The Bank's recapitalization was completed in accordance with the terms and conditions of IMPA on July 14, 1999 (see Notes 23 and 36).

34. OTHER SIGNIFICANT COMMITMENTS AND AGREEMENTS

- a. On September 15, 1989, the Bank entered into a lease agreement with PT Permata Birama Sakti covering the building located at Jl. Jenderal Sudirman Kav. 25 for six years commencing on January 17, 1991. On February 17, 1997, the Bank renewed the lease agreement for another six years commencing on January 17, 1997. In accordance with the terms of the lease agreement, the Bank placed a non-interest bearing security deposit (recorded under Other Assets) with the lessor in the amount of US\$ 288. The Bank has sub-leased certain portions of the building.

Future minimum rental commitments under the above lease agreement amount to US\$ 1,518 per year, subject to review every three years from the commencement date. Minimum rentals to be earned from the subleases amount to US\$ 828 per year.

Total rental expense pertaining to this agreement amounted to Rp 6,754,267 (US\$ 864.9) in 1999 and Rp 8,180,971 (US\$ 828.5) in 1998 [net of sublease rental of Rp 5,046,732 (US\$ 646.3) in 1999 and Rp 4,231,648 (US\$ 428.5) in 1998].

- b. Technical Assistance Agreement

On June 28, 1999, the Controlling Stockholders of the Bank and ING Baring Institutional and Government Advisory Services B.V. (ING Barings) entered into an agreement whereby ING Barings agreed to provide technical assistance to the Bank for 36 months effective on the signing date of the agreement. Under the agreement, ING Barings will work with the Bank to impart to the Bank their know-how, processes, techniques, formulae, experiences, ideas, solutions and other services which are intended to enhance the performance and increase the value of the Bank and to help the Bank compete effectively with international and local banks operating in Indonesia. In consideration for the assistance provided to the Bank, ING Barings will receive remunerations consisting of annual fees of US\$ 500 for public association of the ING Group and ING Barings principally with the Bank in connection with the agreement, monthly professional retainer fees of US\$ 150 and performance fees for the added value generated by the assignment for 36 months. As stated further in the agreement, the Bank will reimburse ING Barings for actual and reasonable expenses incurred by ING Barings' professionals who work in Indonesia.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

35. NET OPEN POSITION

The Bank's net open position as of December 31, 1999 and 1998 is as follows:

Currency	1999			
	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Indonesian Rupiah	United States Dollars (Note 3)
United States Dollars	Rp 3,374,673,737	Rp 3,062,648,917	Rp 312,024,820	\$ 43,947.2
Euro	47,294,613	681,930	46,612,683	6,565.2
Australian Dollars	54,173,207	42,375,985	11,797,222	1,661.6
Pounds Sterling	8,704,548	174,681	8,529,867	1,201.4
Deutsche Marks	2,986,340	521,781	2,464,559	347.1
Hong Kong Dollars	2,795,112	363,115	2,431,997	342.5
Italian Lira	2,441,901	57,564	2,384,337	335.8
Swiss Francs	2,053,988	2,256	2,051,732	289.0
Netherlands Guilders	2,393,155	359,300	2,033,855	286.5
French Francs	3,446,607	1,755,482	1,691,125	238.2
Belgian Francs	1,431,135	1,772	1,429,363	201.3
Canadian Dollars	734,842	102,628	632,214	89.0
Malaysian Ringgit	438,738	183,723	255,015	35.9
Japanese Yen	5,415,735	10,781,915	(5,366,180)	(755.8)
Singapore Dollars	43,776,754	104,468,617	(60,691,863)	(8,548.2)
Net	Rp 3,552,760,412	Rp 3,224,479,666	Rp 328,280,746	\$ 46,236.7

1998 (As Restated, see Note 2p)

Currency	1998 (As Restated, see Note 2p)			
	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Indonesian Rupiah	United States Dollars (Note 3)
Australian Dollars	Rp 53,817,952	Rp 7,752,884	Rp 46,065,068	\$ 5,740.2
Pounds Sterling	15,979,097	1,620,841	14,358,256	1,789.2
Hong Kong Dollars	6,914,217	933,147	5,981,070	745.3
Netherlands Guilders	5,746,360	715,550	5,030,810	626.9
Italian Lira	4,925,576	283,807	4,641,769	578.4
French Francs	3,774,129	542,064	3,232,065	402.7
Canadian Dollars	2,109,299	1,096,995	1,012,304	126.1
Belgian Francs	979,379	181,260	798,119	99.5
Swiss Francs	633,019	7,310	625,709	78.0
Malaysian Ringgit	525,751	215,000	310,751	38.7
Deutsche Marks	2,966,831	6,048,668	(3,081,837)	(384.0)
Japanese Yen	15,414,727	20,994,461	(5,579,734)	(695.3)
Singapore Dollars	13,448,946	100,675,743	(87,226,797)	(10,869.4)
United States Dollars	3,822,516,843	4,256,050,882	(433,534,039)	(54,022.9)
Net	Rp 3,949,752,126	Rp 4,397,118,612	(Rp 447,366,486)	(\$ 55,746.6)

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

36. ADVERSE ECONOMIC CONDITIONS

Indonesia has experienced adverse economic conditions characterized by highly volatile foreign currency exchange rates, high interest rates, tight liquidity of funds, unstable stock markets, reduced economic activity and lack of public confidence which have significantly affected and will continue to affect all sectors of the economy, particularly the banking sector. The adverse economic conditions have brought about pressure on the country's banking sector resulting in, among others, impairment of the capital adequacy ratio, increase in non-performing loans, significant net open position, violation of legal lending limit, and negative interest spread.

In 1998, the Bank incurred a negative capital adequacy ratio (CAR) and was classified under B category by Bank Indonesia. Consequently, the Bank was required to increase its paid-up capital to meet the CAR required by Bank Indonesia. In December 1998, the Bank participated in the Bank Recapitalization Program which was introduced by the Government of the Republic of Indonesia pursuant to the Joint Decree of the Minister of Finance and the Governor of Bank Indonesia No. 53/KMK.17/1999 and No. 31/12/KEP/GBI/1999 dated February 8, 1999 (see also Note 33). This program, which became effective on December 9, 1998, is designed to increase banks' paid-up capital to meet the CAR in accordance with the prevailing banking regulations. In connection with the Bank's participation in this program, the Bank had its rights issue III which was declared effective by BAPEPAM in its letter No. S-2622/PM/1998 dated December 22, 1998. The additional capital raised from the rights issue was sufficient to meet the 20% of the minimum capital requirement. The Government also complied with its commitment to contribute its 80% share in the Bank's recapitalization program in accordance with Government Regulation No. 4/1999 dated January 18, 1999.

Subsequently on April 23, 1999, Bank Indonesia announced that the subsequent due diligence reviews conducted for banks in connection with the bank recapitalization program, disclosed that higher capital injection is required to meet the 4% CAR of each bank. In response to this, on June 2, 1999, the Bank submitted its registration statement to BAPEPAM regarding its plan of Limited Public Offering IV to stockholders within the framework of Rights Issue. The Rights Issue was declared effective on June 30, 1999 and was completed on July 14, 1999. Accordingly, the Bank's recapitalization was also completed in accordance with the terms and conditions of IMPA (see also Notes 23 and 33). As of December 31, 1999, the Bank's CAR as computed by management was about 16.33%.

The adverse economic conditions, particularly the effects of highly volatile exchange and high interest rates have severely affected the Bank's customers, and significantly increased credit risks inherent in the Bank's lending portfolio. In view of the foregoing, starting the second semester of 1998, the Bank had significantly foreclosed several customers' assets as settlement of loans to minimize possible additional losses (see Note 12). Also in the second semester of 1998, the Bank substantially increased its provision for possible losses to cover probable loan losses from non-collection and in 1999, the Bank made additional provision for possible losses amounting to Rp 49,197,034 (US\$ 6,300.1) and wrote-off Rp 176,828,589 (US\$ 22,644.4) of loans (see also Note 8). However, as the adverse economic conditions may continue to affect the ability of the Bank's customers to fulfill their obligations when they mature, it might be necessary to increase in future periods the allowance for loan losses already taken up in the accounts to be recognized when such losses become probable and can be estimated.

The relatively high interest rates have also affected the Bank's cost of funds, as well as the potential success of its future operations. For the year ended December 31, 1999, the Bank incurred a negative interest spread of Rp 1,094,362,165 (US\$ 140,142.6) which contributed to the consolidated net loss of Rp 1,639,824,198 (US\$ 209,993.7).

In response to these adverse economic conditions, the Bank continued to institute measures/initiatives to further strengthen its risk management practices and business operations in the following areas: impaired assets management, credit management, liquidity management, foreign exchange and interest risk management, training and staff development, policies and procedures, management information system, internal control, credit audit and internal audit, compliance, organizational structure, and performance measurement. The initiatives also include, among others, the transfer of Category 5 loan assets to IBRA for nil consideration (see also Note 33) which allowed the Bank to improve its loan portfolio as of December 31, 1999, and entering into a technical assistance agreement with ING Baring Institutional and Government Advisory Services B.V. to enhance the performance and increase the value of the Bank by helping it compete effectively with international and local banks operating in Indonesia (see also Note 34b).

The consolidated financial statements include the effects of the adverse economic conditions to the extent that they can be determined and estimated. Resolution of the adverse economic conditions is dependent on the monetary, fiscal and other measures that are being taken or will be undertaken by the Government to achieve economic recovery, actions which are beyond the Bank's control. It is not possible to determine the future effects a continuation of the adverse economic conditions may have on the Bank's earnings and realization of its assets, including the effects flowing through from the Bank's customers, creditors and stockholders.

notes to consolidated financial statements

(in thousands, except share data and rates of exchange) (continued)

37. SUBSEQUENT EVENT

The Bank's net open position as of March 30, 2000 (unaudited) is as follows:

Currency	2000			
	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Indonesian Rupiah	United States Dollars (Note 3)
Pounds Sterling	Rp 9,669,861	Rp 431,755	Rp 9,238,106	\$ 1,301
Australian Dollars	58,443,565	50,168,970	8,274,595	1,165
Deutsche Marks	7,644,912	2,904,450	4,740,462	668
Euro	4,257,298	2,016,887	2,240,411	316
Netherlands Guilders	2,195,413	226,205	1,969,208	277
Hong Kong Dollars	2,409,077	850,525	1,558,552	220
French Francs	1,542,410	3,651	1,538,759	216
Italian Lira	1,584,152	341,869	1,242,283	175
Swiss Francs	1,156,204	2,303	1,153,901	162
Belgian Francs	1,591,357	440,140	1,151,217	162
Canadian Dollars	1,146,435	170,247	976,188	137
Malaysian Ringgit	458,812	196,532	262,280	37
Singapore Dollars	122,425,297	122,753,085 (	327,788) (	46)
Japanese Yen	5,239,022	8,979,610 (	3,740,588) (	527)
United States Dollars	3,067,648,181	3,080,255,964 (	12,607,783) (	1,776)
Net	Rp 3,287,411,996	Rp 3,269,742,193	Rp 17,669,803	\$ 2,487

38. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 1998 consolidated financial statements have been reclassified to conform with the presentation of accounts in the 1999 consolidated financial statements.