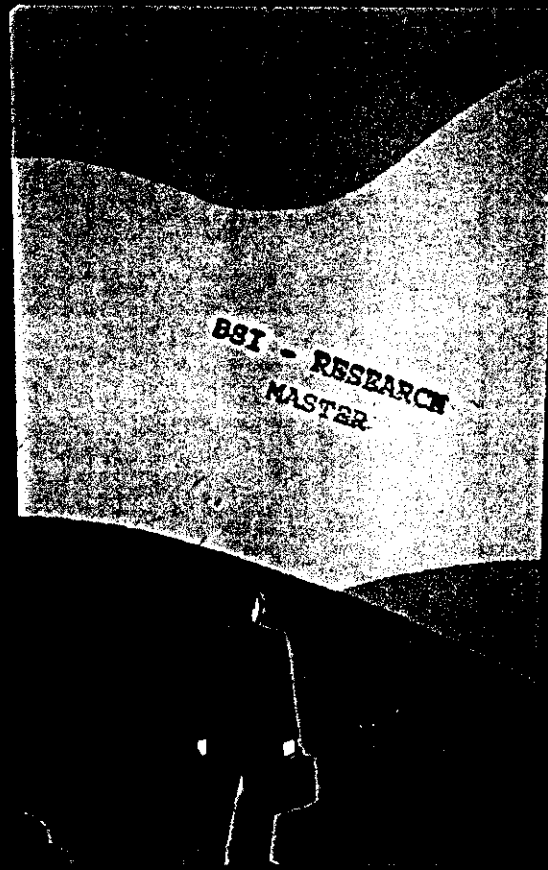


1998 ANNUAL REPORT

Solid foundation for brighter future



BANK NISP

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STOCK MARKET

The common stock of PT Bank NISP Tbk is listed on the Jakarta Stock Exchange (Bursa Efek Jakarta)

BOND MARKET

Bank NISP I Bond is listed on the Surabaya Stock Exchange (Bursa Efek Surabaya)

SECURITIES ADMINISTRATION BUREAU

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INDEPENDENT PUBLIC ACCOUNTANT

Drs. Robert Yogi

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FINANCIAL INSTITUTIONS & CORPORATE AFFAIRS

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Telex : 41467, 41287, 41572, 41463 NISPJK IA

EXECUTIVE SUMMARY

With a CAR of 20.62% at the end of December 1998, Bank NISP is one of only a few banks classified in "category A" (CAR>4%). The bank does not, therefore, have to take part in the government's recapitalization program.

Bank NISP succeeded in raising Rp 126.7 billion of fresh funds in its first rights issue. Including bonus shares and stock dividends, the bank's paid up capital increased from Rp 87.5 billion in 1997 to Rp 274.6 billion.

Most of the funds raised through the rights issue were supplied by The Regent Pacific Private Equity Limited of Hong Kong, which purchased "Zero-Coupon Mandatory Exchangeable Notes" worth Rp 122 billion from Bank NISP's majority shareholders, PT. Udayawira Utama and PT. Suryasono Sentosa. These notes must be converted into shares within a three years period. Regent Pacific Private Equity Limited's willingness to inject funds during the current economic crisis reflects the international community's faith in the bank.

While other banks are struggling to survive, Bank NISP is looking at how it can strengthen its presence, either through acquisitions, internal expansion and/or business diversification. Expansion would focus on the market-segment that the bank is already familiar with, i.e. small to medium scale customers.

Sound liquidity enabled Bank NISP to maintain a proper NIM, which grew from 4.93% in 1997 to 4.99% in 1998.

While most Indonesian banks suffered a huge loss in 1998, Bank NISP managed to book a net income of Rp 25.2 billion.

Net interest income almost doubled from Rp 72.8 billion to Rp 117.4 billion, as a result of the large amount of funds placed in SBIs, which offered high margins during the crisis.

The cost to income ratio continued to decline, from 52.29% in 1997 to 37.35%, showing the bank was operating more efficiently.

The ROAA and ROAE ratios were 1.59% and 14.31%, respectively.

Due to the increase in NPLs and the new Central Bank (Bank Indonesia) regulation on earning assets provisions, Bank NISP increased its earning assets provisions to Rp 80.1 billion from Rp 19.2 billion, resulting in a ratio of earning assets provisions to total loans of 8.24%.

MESSAGE FROM THE CHAIRMAN

*Prudence brings solid foundation
for a sound asset quality.*



The economic crisis is not over yet. The Indonesian economy is predicted to record -3% growth in 1999, after -13.7% growth in 1998, the worst performance among Asian countries hit by crisis. High inflation and the massive depreciation in the value of the Rupiah compounded the dreadful of negative economic growth. The Rupiah hit a low of Rp 17,000 per US dollar in the middle of 1998, although it has since been relatively stable at a level of between Rp 7,500 to Rp 9,000 per US dollar.

A high rate of inflation and unstable exchange rate have pushed up interest rates to their current high level. SBI rates increased gradually from the beginning of 1998, and peaked at 70% in July and August 1998. As a consequence, the banking industry has been severely hit by high interest expenses. However, it was not feasible for banks to increase loan interest rates as most of the companies operating in Indonesia were making lower profits due to the decrease in purchasing power. Hence, the Indonesian banking industry suffered from a painfully negative spread, which reduced net profits and ultimately undermined equity.

As a result of high interest rates, lack of liquidity and deteriorating asset quality, most banks are unable to perform properly their prime function as a financial intermediary. As a consequence, the real sector was rigorously affected. On July 27, 1998, in an attempt to revive the economy, the government appointed 21 banks, including Bank NISP, to provide assistance in distributing a loan facility to exporters and distributors. Bank NISP is also one of 28 banks (seven state banks and twenty one private banks) holding import L/C guaranteed by the Central Bank.

FINANCIAL HIGHLIGHTS

<i>(in million Rupiah)</i>	1998	1997	1996	1995	1994
Total assets	2,669,216	1,703,667	1,198,930	875,313	655,344
Loans (gross)	972,295	1,171,846	876,613	718,116	562,525
Loan loss provisions	(75,246)	(19,092)	(9,762)	(9,030)	(7,554)
Third party deposits	1,706,261	909,609	922,388	639,914	500,216
Demand deposits	245,472	113,808	76,455	72,890	65,293
Saving deposits	234,162	171,422	172,714	133,310	123,862
Time deposits	1,226,627	624,379	673,219	433,714	311,061
Total funding	2,289,378	1,438,076	1,020,091	736,567	534,890
Stockholder's equity	314,281	173,076	128,066	115,679	102,277
Net interest income	117,418	72,813	54,395	53,254	38,932
Fee based income	35,019	31,316	10,275	8,373	5,682
Income before tax	34,868	33,975	25,791	23,022	16,118
Net income	25,154	24,182	18,637	16,528	13,521
=====					
RATIOS (%)					
Return on Average Assets (ROAA)	1.59	2.34	2.49	3.01	2.88
Return on Average Equity (ROAE)	14.31	22.56	21.16	21.13	25.28
Net Interest Margin (NIM)	4.99	4.93	5.18	6.56	6.43
Loan to Deposit Ratio (LDR)	37.46	75.38	79.20	87.54	88.36
Capital Adequacy Ratio (CAR)	20.62	13.69	14.30	13.74	15.39
Cost to Income Ratio	37.35	52.29	59.99	61.75	55.74
Productivity (million Rp/person)	2,317.03	1,565.87	1,291.95	981.29	697.92
Net interbank liabilities to tier-1 capital	-29.55	29.23	-21.18	14.95	-6.85
Non-performing loans to total loans	14.80	2.00	2.55	2.81	2.78
Classified earning assets to total earning assets	4.97	1.34	1.68	1.85	2.05
Recorded earning assets provision to required earning assets provision	116.26	141.10	102.74	142.28	168.32

SHARE					
Number of shares (million)	549.2	175	62.5	62.5	62.5
Earning per share (Rp) *	85	82	63	56	46

* Earning per share is derived on the basis of the weighted-average number of shares in 1998 after the distribution of bonus shares, stock dividends, and first rights issue held on December 1998

Most significantly, the government has taken firm steps to reform the banking industry through its bank recapitalization program. Under this program, the government will provide 80% of the total funds needed by banks to raise their CAR to 4%. Banks are classified into three categories: "category A" for banks with a CAR of more than 4%, "category B" for banks with a CAR of between -25% to 4% and "category C" for banks with a CAR below -25%. Only banks in "category B" will be eligible for participation in the government's recapitalization program. There is no need for Bank NISP to take part in the program as the bank is classified in "category A", which is in no small way a tribute to the fact that we always conduct our business practices in a very prudent manner. The road ahead is still long and winding. As we believe that a strong capital structure is the key to survival, we held a rights issue in December 1998. The rights issue was a success and raised Rp 126.7 billion.

In relation to the rights issue, two major shareholders, PT Udayawira Utama and PT Suryasono Sentosa, issued "Zero-Coupon Mandatory Exchangeable Notes" worth Rp 122 billion with Regent Pacific Private Equity Limited, a Hong Kong based investment company as the arranger. The notes have a three-years duration and should be gradually converted into Bank NISP shares. Multiplied Book Value and Earning per Share will be used as the basis of conversion. Hence, the number of Bank NISP shares Regent Pacific will receive, will depend very much upon the performance of Bank NISP.

1999 is a year of challenges for Bank NISP. The slowdown in the economy and the issuance of new banking regulations will adversely affect the bank's performance. With the general election scheduled to take place in June 1999, political tensions are likely to increase. Further social unrest can not be ruled out. However, with the support of our customers, shareholders and other partners, we are confident to overcome this difficult year together, and hold on to Bank NISP's vision to become the best and sizeable financial institution in Indonesia, offering high-quality international-standard services.

Tragically, the economic crisis has greatly increased the number of people living below the poverty line. Bank NISP has therefore intensified its social activities to help the unfortunate. For example, we are involved in granting nine basic foodstuffs for the under-privileged living in neighboring areas as well as for our employees at low level. We also offer scholarships to students facing financial difficulties. Furthermore, we are also actively involved in setting up charity institutions, schools, hospitals and places of worship, as well as taking part in developing and improving sports through providing assistance and facilities to national athletes in the region of West Java. In short, we are committed to bring about a better future for the Indonesian people.

Finally, on behalf of The Board of Commissioners of Bank NISP, I would like to express my gratitude to our customers' loyalty that has enabled us to get through these difficult times. We strongly believe that we will be able to improve our performance this year and in the years to come.



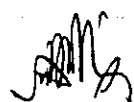
Karmaka Surjaudaja
Chairman



Peter Eko Sutioso
Deputy Chairman



Lelarati Lukman
Member



Anwary Surjaudaja
Member



dr. Pramana Surjaudaja
Member



Mariawati Halim
Member

REPORT FROM THE PRESIDENT DIRECTOR

*Awareness of the importance
to maintain high efficiency
at all levels of the organization
should enable us to be
more and more competitive.*

efficiency

1998 was a challenging year for the Indonesian banking industry. Massive provisions for loan losses due to high levels of non-performing loans, was one of many problems that the Indonesian banking sector faced.

Despite difficult times throughout 1998, we are pleased to say that Bank NISP still managed to book a profit. 1998's net profit, which reached Rp 25.2 billion, was mainly contributed by higher net interest income, which reached Rp 117.4 billion, compared with Rp 72.8 billion in 1997. The bank's funding structure, consisting of long-term borrowings with low fixed-interest rates, has enabled us to subsidize lending rates and hence minimize the level of non-performing loans. Moreover, the bank enjoyed excess liquidity as customers placed their funds in earning assets that offered higher margins. During 1998, funds placed in SBIs, which averaged approximately Rp 467.7 billion, enjoyed an averaged interest rate of 50%.

The bank's Capital Adequacy Ratio (CAR) reflects the bank's excellent health. Bank NISP is one of a few Indonesian listed banks classified under "category A". In this category Bank NISP ranks second in terms of total assets.

However, the performance of the bank's loans has deteriorated due to the high interest rates and the downturn in the economy, which have forced us to limit new loans. As only refinancing loans and cash-collateral loans to small and medium scale businesses are still provided by the bank, the level of loans in real terms dropped by 29%. Most of our loans are to small and medium scale clients, which is in line with the bank's strategy of focusing on the retail market.



The increase in NPL and the Central Bank's new regulation on earning assets provision has forced Bank NISP to raise the earning assets provisioning level from Rp 19.2 billion to Rp 80.1 billion, which in fact above the minimum level required by the Central Bank. Bank NISP always allocate provision higher than the Central Bank's statutory earning assets provision, as a reflection of the prudent principle. In a meantime, we perpetually improve the assets quality through tight monitoring on loans, early anticipation on the possibility of non-performing loans, or providing solutions for non-performing loans.

On December 31, 1998, the Central Bank released new regulation on the legal lending limit. Under this regulation, the proportion of loans to single or group non-affiliated parties may not exceed 30% of total equity as opposed to 20% previously. Loans to single or group affiliated parties may not exceed 10% of equity. In consideration of our principles of prudence, loans provided to affiliated parties are limited to 0.2% of the total equity.

Furthermore, we are pleased to say that our two affiliated banks, PT Daiwa Perdania Bank and PT Bank OCBC-NISP, have performed well. Daiwa Perdania Bank, which is 11.93% owned by Bank NISP, booked an income before tax of Rp 39.7 billion in 1998, while Bank OCBC-NISP, in which 15% of its total shares owned by Bank NISP, managed to book an income before tax of Rp 72.8 billion in 1998. Those two banks are classified into A category.

Nonetheless, we still have many more challenges to face in the future. The banking restructuring program will result in new regulations we have to anticipate. There will also be pressure to renovate our information technology system to enter new millennium. We started upgrading our computer systems two years ago, thus they satisfy "Year 2000 Compliance". It is important for us to continuously improve our technology so we can continue providing outstanding services to our customers. Every Bank NISP operational office has been supported by on-line services since March 1999.

In 1999 we plan to expand our business to grab every opportunity during the crisis. We will extend our network and services by opening more operational offices and increasing the number of Automatic Teller Machines (ATM) in order to improve the bank's market share. So far, our customers can take benefit from 428 ATM services through "ATM Bersama" networking. Our extended operations will not only be aimed at our main market, the West Java area, but also at Central and East Java, Bali and Sumatra. Wider operations are expected to boost third party funds, which are necessary to support future loan growth in 1999. Moreover, as we are in an era of globalization we need to contemplate opportunities to diversify into other financial services, such as insurance, in order to strengthen our non interest income and to offer broader services for our customers.

We know that it is impossible to make further strides without proper support from our people. Hence, we are continuously developing our training programs, covering both technical that will support the bank's operation and internalize corporate culture to support our strategy in the future. With our excellent human resources, we are confident of being able to grow and be successful in the years to come.

Finally, with God Willing, we are ready to face challenges in the future by operating our bank dynamically based on the principals of prudence. We also would like to express sincere gratitude and reward to our customers for their trustworthiness and support, and to every member of Bank NISP's big family for their excellent teamwork and outstanding commitment to the bank.



Pramukti Surjaudaja
President Director



Parwati Surjaudaja
Deputy President Director



Kamsidin Wiradikusumah
Managing Director

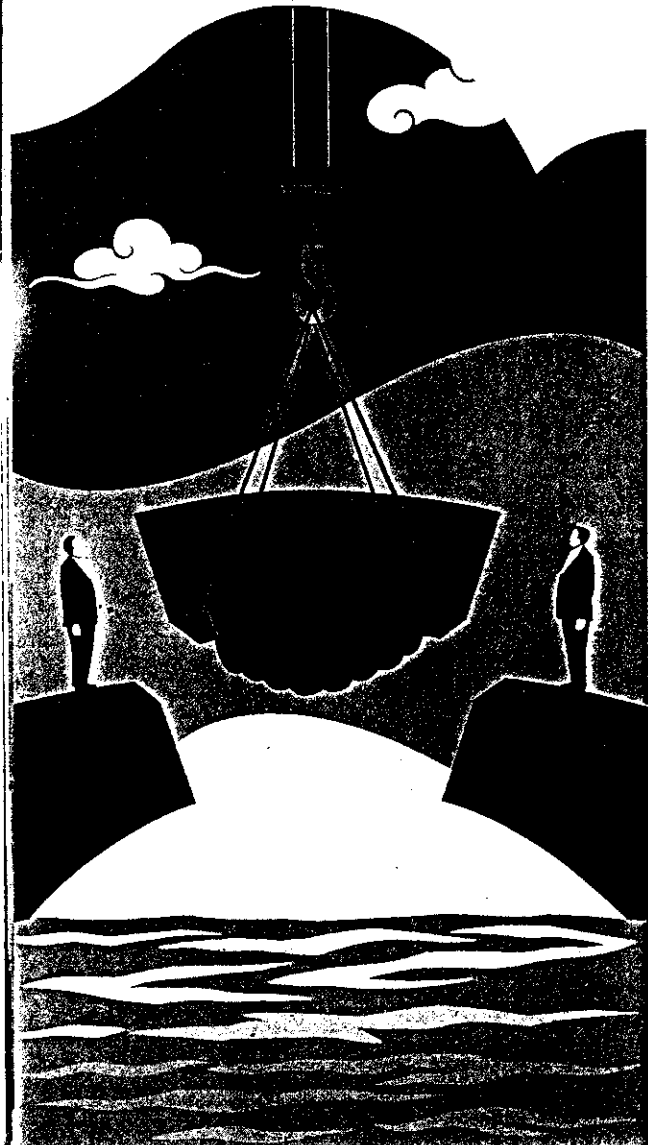


Ratna Dewiyanti
Managing Director



Hardi Juganda
Managing Director

*Spirit of preserving trust
guides our way of work.
The bank's outstanding
liquidity position is a reflection
of people's trustworthiness.*



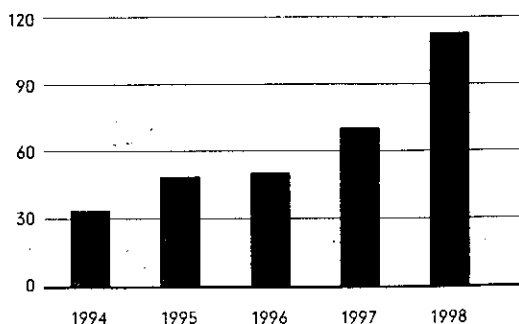
MANAGEMENT REVIEW

Financial Performance

NET INTEREST INCOME

A 61% increase in net interest income from Rp 72.8 billion to Rp 117.4 billion in 1998 was due to appropriate fund placements in higher margin instruments, particularly in the form of placements in other banks and trading accounts securities held. Unlike in 1997, when loans accounted for 79% of the total earning assets, about 50% of the total earning assets in 1998 were placed in marketable securities that had higher rates of return, such as SBLs, while loans took only 41% of the total earning assets. Marketable securities enormously increased from Rp 130.6 billion as end of December 1997 to Rp 1.2 trillion as end of December 1998. Bank NISP acknowledges the risk of lower net interest income in the future as a result of possible interest rate volatility in the market. The asset portfolio, consisting not only of assets and liabilities, but also off-balance sheet items, is relatively sensitive to the interest rates. As consequence, prudent fund management, such as matching of assets against liabilities is of the great concern to the bank in order to keep maturity of assets and the liabilities well-matched.

NET INTEREST INCOME (billion Rupiah)



NON-INTEREST INCOME

Non-interest income grew by 12%, primarily due to the increase in fees and commissions from SBI placement services, as well as fees on deposits and savings. Meanwhile, foreign exchange revenue declined from Rp 23.1 billion in 1997 to Rp 17.8 billion, of which 10-20% were from the foreign exchange trading, while the rest was from gains on foreign exchange translation.

OPERATING EXPENSES

A substantial increase in provision for loan losses pushed the operating expenses up. Administrative expenses increased by 29% due to high inflation and the costs of opening of 5 new offices (1 branch and 4 sub-branches). The increase in the number of offices meant that the number of employees rose to 1,152 in 1998 from 1,088 in 1997. Despite this, the bank's productivity improved from Rp 1,566 million/person in 1997 to Rp 2,317 million/person. Bank NISP intensified the implementation of working procedures based on ISO 9002 management system and Total Quality Management (TQM) through quality control group at every operating unit. Consequently, the bank's efficiency, as indicated by cost to income ratio improved from 52.29% in 1997 to 37.35%, a continuation of the last five consecutive years improvement.

ALLOWANCE FOR LOAN LOSSES

Severe economic crisis and the latest regulation on earning assets provisions forced Bank NISP to make substantial provisions, in anticipation of worsened asset quality. The bank made provisions of Rp 61 billion in 1998, compared with Rp 14.8 billion in 1997.

NET INCOME

Even though Bank NISP booked significant expenses as a result of its provisions, it still managed to book a net income of Rp 25.2 billion in 1998 compared with the net income of Rp 24.2 billion in 1997. As the increase in total assets was higher than the increase in net income, ROAA (before tax) dropped from 2.34% in 1997 to 1.59%.

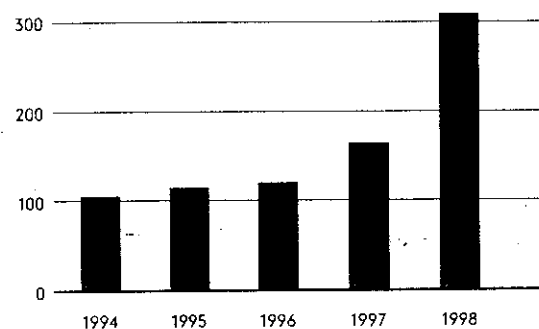
Financial Position

STOCKHOLDERS' EQUITY

On December 3, 1998, Bank NISP issued bonus shares in the ratio of a 33-for-100 and distributed stock dividends in the ratio of 9-for-25. Meanwhile, The bank paid a Rp 65.25/share cash dividend from net income in 1997. In December 1998, the bank conducted the first rights issue with ratio 1,200-for-1,183 which successfully raised Rp 126.7 billion.

Such activities boosted the paid up capital from Rp 87.5 billion to Rp 274.6 billion at the end of 1998. Retained earnings, however, fell from Rp 57.4 billion to Rp 25.4 billion due to the issuance of stock and cash dividends. Overall, total stockholder's equity rose to Rp 314.3 billion from Rp 173.1 billion in 1997. Tier-1 capital, based on the Central Bank's regulation, totaled Rp 301 billion, while tier-2 at Rp 19.5 billion. The bank's Capital Adequacy Ratio (CAR) was at 20.62%, much higher than the minimum level set by the Central Bank of 4%. Due to an increase in equity and the stagnant net income, ROAE (before tax) fell from 22.56% in 1997 to 14.31%.

STOCKHOLDERS' EQUITY (billion Rupiah)



TOTAL ASSETS

In 1998, Bank NISP's total assets leapt to Rp 2.7 trillion from Rp 1.7 trillion in 1997, partly as a result of the massive depreciation of the Rupiah against the US dollar. Approximately 21% of the total assets were denominated in foreign currencies. Regardless of the Rupiah's depreciation, the real growth in total assets was 43%.

EARNING ASSETS

The ratio of earning assets in 1998 was 88% of the total assets. 49.4% of the earning assets were trading accounts securities held and 41.3% were in the form of gross loans. There was a significant shift in the composition of earning assets in comparison with 1997, when gross loans made up 79.3% to the total earning assets.

EARNING ASSETS COMPOSITION (%)

	1997	1998
Inter-bank placement	9.07	7.52
Trading accounts securities held (including SBI)	8.83	49.41
Loans	79.29	41.31
Investment in shares of stock	2.80	1.76

ASSET QUALITY

The economic turmoil resulted in an increase in the percentage of the non-performing loans. Consequently the bank has taken various steps to deal with the worsening asset quality, such as through offering a tending rate subsidy to accelerate loan repayment. So far, restructured loans account for 10.3% of total gross loans. The accumulated earning assets provisions increased from Rp 19.2 billion to Rp 80.1 billion. Bank NISP has always maintained its provisioning in line with or above the Central Bank's requirements.

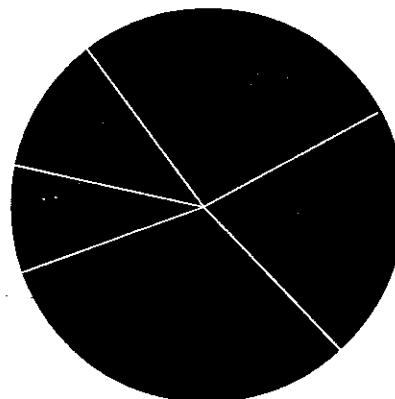
LOAN PORTFOLIO

The risk of loan defaults, due to the high interest rates, encouraged Bank NISP to limit the growth of new loans. Loans were eventually brought down to Rp 972.3 billion from Rp 1.2 trillion in 1997. In real term, regardless of the depreciation of the Rupiah, loans decreased by 29%.

Trading, manufacturing and services were the sectors where Bank NISP made most of its loans, while loans to the real-estate sector accounted for only 6.9% of total loans. In terms of the size of the loans, more than 65% of the loans were small in scale, which was in accordance with the bank's strategy of focusing its loans to small and medium sized businesses. In general, the average loan size provided by Bank NISP was Rp. 142 million/account.

Furthermore, 82% of the total gross loans were given in form of working capital loans, 12% were as investment loans and the rest were consumer loans. Consequently, 59% of the loans had a maturity of up to 1 year.

LOAN PORTFOLIO BY SECTOR (%)



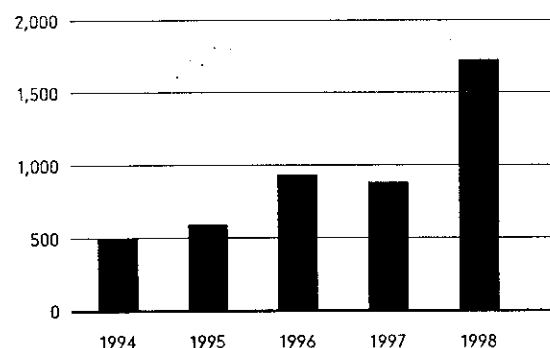
FUNDING

Bank NISP enjoyed a remarkable 88% growth in third party deposits, from Rp 909.6 billion in 1997 to Rp 1.7 trillion. In real terms, the growth was 74%. The increase was triggered by both improvement in the value of customers deposits, and the larger size of customers. Consequently, the proportion of third party deposits to total funding jumped from 63% in 1997 to 75%.

Despite the increase in third party deposits, Bank NISP's interest rates remained competitive. At the end of 1998, one-month time deposit rates in Bank NISP were 32% for the Rupiah and 9% for the US dollar, which was lower than the one-month time deposit rates ceiling of 43% for the Rupiah and 13% for the US dollar. The bank managed to maintain the deposit rates below the ceiling level due to customers' loyalty and trustworthiness. Moreover, the bank also has a relatively low-interest rate source of fund, such as Rp. 125 billion of Medium Term Notes (MTN), bearing a 15.5% fixed interest rate for three years, issued in 1997. Consequently, the bank managed to provide a lending rate subsidy to lower the risk of loan defaults.

Bank NISP did not take on any new borrowings throughout 1998. The increase in the value of borrowings was solely as a result of foreign exchange translation. In 1998, US dollar borrowings reached US\$ 30.2 million, while Rupiah borrowings reached Rp 190.6 billion. In implementing its small to medium scale financing policy, Bank NISP was supported by International Finance Corporation (IFC), the Export Import Bank of Japan and FMO (The Netherlands Development Bank). The bank also played a role in the USAID program in Indonesia and received GSM-102 facilities in Export Credit Guarantee program from the US Department of Agriculture.

THIRD PARTY DEPOSITS (billion Rupiah)



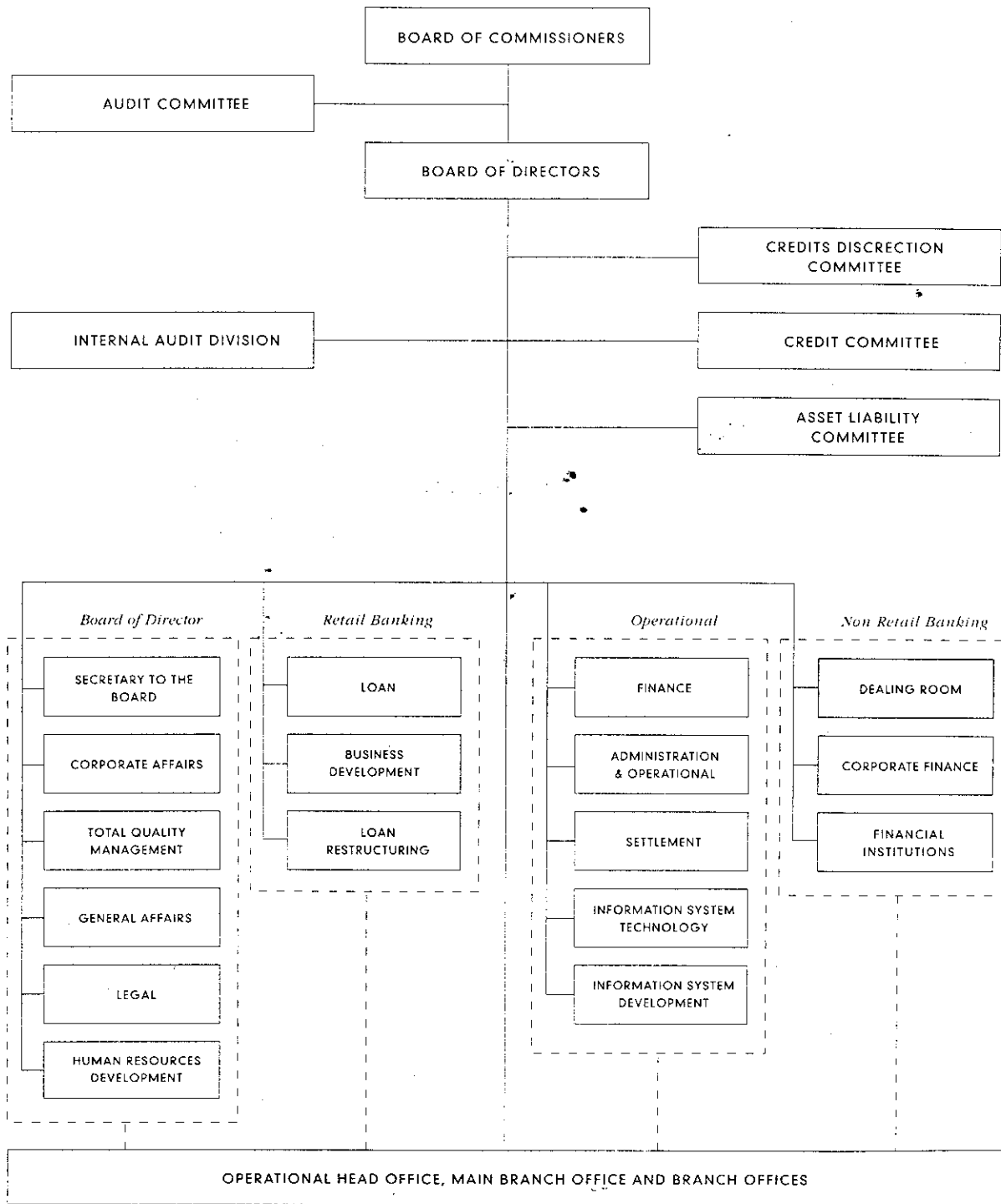
LIQUIDITY

As the bank is trusted by its customers, it has managed to maintain a sound level liquidity. In fact, the bank had excess liquidity of Rp 1.2 trillion at the end of December 1998, or 49% of the total earning assets. The excess liquidity made the bank a net lender in the inter-bank money market. Most of the excess liquidity was placed in SBIs. Meanwhile, the ratio of net interbank liabilities to tier-1 capital, which stood at -29.55%, implied that less loans were received from the inter-bank money market than from borrowings.

NET OPEN POSITION

Being a foreign exchange bank, some transactions are affected by the volatility of foreign currencies. The bank therefore realizes that assets and liabilities should be balanced. If there are imbalances, the net open position should be at a level which is in accordance with the Central Bank's regulation. The Net Open Position (NOP) of Bank NISP at the end of 1998 was relatively balanced, about 0.59%, with foreign exchange assets exceeding liabilities of Rp 1.9 billion. On December 31, 1998, the government issued a new regulation that limits the NOP to 20% of equity. Despite this, there will be no difficulties in Bank NISP meeting the new requirement, since the NOP has always been below 20% of equity.

ORGANIZATION



BOARD OF DIRECTORS

PRAMUKTI SURJAUDAJA *President Director*

President Director of Bank NISP since April 1997
 Managing Director of Bank NISP, 1989 - April 1997
 Member of the Board of Commissioners in Bank OCBC-NISP since 1997
 Member of the Board of Officials of Indonesian Banking Association
 (Perbanas) Headquarter, 1994 - 1999
 Executive Program at Stanford University and
 Massachusetts Institute of Technology-USA, 1993
 SESPIBI XVI (Bank Indonesia's Top Management Training Program), 1991
 Executive Training at Daiwa Bank (New York, London, Hong Kong, Tokyo), 1987 - 1989
 MBA (Banking and Finance) at Golden Gate University - USA, 1986
 Bachelor Degree in Science from San Francisco State University - USA, 1985

PARWATI SURJAUDAJA *Deputy President Director*

Deputy President Director of Bank NISP since June 1998
 Managing Director of Bank NISP, 1990 - June 1998
 SESPIBI XVII (Bank Indonesia's Top Management Training Program), 1992
 Senior Consultant at SGV Utomo/Arthur Andersen Consulting, 1987 - 1990
 MBA (Accounting) at San Francisco State University - USA, 1987

KAMSIDIN WIRADIKUSUMAH *Managing Director*

Managing Director of Bank NISP since April 1997
 Joined Bank NISP in 1968 with the latest position as
 Head of Jakarta Main Branch Office, 1994 - April 1997
 Vice President of BMPD Bogor, 1990 - 1994
 Faculty of Economics at Parahyangan University - Bandung, 1967 - 1968.

RATNA DEWIYANTI *Managing Director*

Managing Director of Bank NISP since April 1997
 Joined Bank NISP in 1981 with the latest position as
 Head of Bandung Head Office Operational, 1991 - April 1997
 Vice President of Indonesian Banking Association (Perbanas) - West Java, 1997 - 2000
 SESPIBANK (School of Banking Leadership - LPPI), 1992
 Bachelor Degree in Management and Accounting at Parahyangan University - Bandung, 1979

HARDI JUGANDA *Managing Director*

Managing Director of Bank NISP since April 1997
 Joined Bank NISP in 1985 with the latest position as
 Head of Asia Afrika Branch in Bandung, 1991 - April 1997
 SESPIBANK (School of Banking Leadership - LPPI), 1989
 Bachelor Degree in Law at Parahyangan University - Bandung, 1985

BOARD OF COMMISSIONERS

KARMAKA SURJAUDAJA *Chairman*

Chairman of Bank NISP since April 1997
 President Director of Bank NISP, 1963 - April 1997
 Deputy Chairman of Bank OCBC-NISP since 1997
 Member of the Board of Commissioners in Daiwa Perdania Bank since 1992
 Indonesian Institute of Bankers : "Fadil Honoris" (The Highest Degree)

PETER EKO SUTIOSO *Deputy Chairman*

Deputy Chairman of Bank NISP since June 1998
 Member of the Board of Commissioners of Bank NISP, April 1997 - June 1998
 Managing Director of Bank NISP, 1972 - April 1997
 Joined Bank NISP in 1965
 Vice President of the Advisory Counsel at Indonesian Banking Association
 (Perbanas) in West Java, 1994 - 1997
 Second Vice President of BMPD West Java, 1980 - 1988.
 Bachelor Degree in Law from Padjajaran University - Bandung, 1965

LELARATI LUKMAN *Member*

Member of the Board of Commissioners of Bank NISP since 1982
 President Director of PT Udayawira Utama since 1994
 Chairman of Bio-Test Medical Laboratories Agency in Bandung and Surabaya

ANWARY SURJAUDAJA *Member*

Member of the Board of Commissioners of Bank NISP since 1991
 Managing Director of Bank NISP, 1985 - 1991
 Holding various positions in Bank NISP from 1971 - 1985
 President Director of Hastin International Bank
 Member of the Board of Commissioners in Bank Century Invest Corporation
 Vice President of Inter-Regional Division of Indonesian Banking Association
 (Perbanas) Headquarter
 SESPIBI XI (Bank Indonesia's Top Management Training Program), 1984
 Diploma in Economics, Jakarta

dr. PRAMANA SURJAUDAJA *Member*

Member of the Board of Commissioners of Bank NISP since 1983
 President Director of PT Suryasono Sentosa since 1994
 MBA at IPPM - Jakarta, 1990
 Medical Doctor from Padjajaran University - Bandung, 1985

MARIAWATI HALIM *Member*

Member of the Board of Commissioners of Bank NISP since April 1997
 Vice President of Bank of America, July 1995 - April 1997
 Holding various positions and divisions in Bank of America - Jakarta since 1968
 President Director of PT First Indo-American Leasing Co., 1991 - 1995
 Bachelor Degree in Economics from Universitas Kristen Indonesia, 1967

ASSISTANT TO BOARD OF DIRECTORS

Magda T. Eghbel
Yogadharma Ratnapalasari

HEAD OF DIVISIONS

Andrijati Trisnadjadja	: Secretary to the Board	Lie Ying Hong	: Administration & Operational
Darmawati	: Settlement	Marsinta Alimuddin	: Internal Audit
Daniel Prama Santoso	: Loan	Mustika Atmanari	: Human Resources Development
Djunyanto Thriyana	: Loan Restructuring	Ogi Sugiat	: General Affairs
Edward Tambunan	: Dealing Room	Wahyu Dewanti	: Corporate Affairs
Filipus H. Suwarno	: Information System Technology	Wati Tatang Chim	: Corporate Finance & Financial Institutions
Hannar Yogias	: Information System Development	Yoewanty Dirgantoro	: Total Quality Management
Hendi Koncara Gurnita	: Business Development		

BRANCHES

Head Office Operational	: Komala Sari Iskak	Main Branch Office	: Jap Chin Ping
Asia Afrika	: Jelianah Tansur	Tangerang	: Modesta Tuti Suprapti
Andir	: Hermawan Suwirya	Bekasi	: Agus Buntoro
Cimahi	: Sugiarto	Surabaya	: Widjajanti Siswana
Bogor	: T. Andyani Pusparini	Ngagel	: F.Y. Ruddy Prihananto
Sukabumi	: Hasan Ichsan	Semarang	: Th. Maria Susanti
Cirebon	: Agatha Nirbanawati	Surakarta	: A. Wahyu Gunawan
Batam	: Sutrisno Tedjo		

SUB-BRANCHES

Setiabudi	: Sri Haryaningsih	Suryakencana	: Surono
Terusan Jakarta	: Arman Sidharta	Jatinegara	: Dian Nastiti Ambarsari
Sumpersari	: Hindra Janitra	Kelapa Gading	: Lily Johan
Kopo	: Irinawati Wangsa	Mangga Dua	: Martha Thung
Buah Batu	: Kadarnas S. Kusuma	Roxy Mas	: Ignatius Pudjiarto Sutigno
Ujung Berung	: MT. Ismunanik	Kemang	: Sri Roosyana
Kepatihan	: Susanti Budiman	Kwitang	: Nustedjawati
Kebonjati	: Leliani Iskandar	Tendean	: Nita Silfianthi
Padalarang	: Enny Djulaeha	Karawaci	: Dian Hadidjah Yusuf
Cibinong	: R. Titi Enang Purwanti	Soeprapto	: Indah Setyabudi Astuti
Cicurug	: Terrence Josephine	Siliwangi	: B. Rosariani
Sukasari	: Irawati	Ungaran	: Christina Aquilina IS
Kedung Badak	: Yudi Setiadi	Lingkungan Industri Kecil (LIK)	: Tanti Iriani

PAYMENT OFFICES

Borromeous	: Agnes Dewi Maharsi	Pasteur	: Rudi Rahmat
Advent	: Dede Rifiyanti	Sekolah Kesatuan	: Setyati Satrya
Unpar	: Rudy Syafrudin	Cileungsi	: Guntoro
Moh. Toha	: Sitta Parulian Tampubolon	Semplak	: Dedi Setiadi
Pasar Baru	: F.X. Sari Indrajani L	Pramuka	: Lilik Sudihardjo
Aloysius	: Afung Semiaty	Kartini	: G.M. Yvonne Susilawati
Kakep	: Rudy Kwaria	Pasar Turi	: Sri Ratnasari Sutisna
Cijerah	: Hendra Darmawan		

BOARD OF AUDITORS

The board holds meeting at least once in a month. The members of the Board of Auditors are:

dr. PRAMANA SURJAUDAJA *Chairman*

Member of the Board of Commissioners of Bank NISP since 1983
 President Director of PT Suryasono Sentosa since 1994
 MBA at IPPM - Jakarta, 1990
 Medical Doctor from Padjajaran University - Bandung, 1985

MARIAWATI HALIM *Member*

Member of the Board of Commissioners of Bank NISP since April 1997
 Vice President of Bank of America, July 1995 - April 1997
 Holding various positions and divisions in Bank of America - Jakarta since 1968
 President Director of PT First Indo-American Leasing Co., 1991 - 1995
 Bachelor Degree in Economics from Universitas Kristen Indonesia, 1967

JUSUF HALIM *Member*

Member of Consultative Assembly of Financial Accounting Standard -
 Indonesian Accountant Association, 1998 - 2002
 Managing Partner of Accountant Office of Drs. Jusuf Halim & Partners, 1990 - present
 Chairman of Financial Accounting Standard Committee,
 Indonesian Accountant Association, 1994 - 1998
 Senior Audit Manager - Arthur Andersen & Co., Jakarta, 1982 - 1990
 Bachelor Degree in Accounting at Universitas Indonesia, 1982

INDEPENDENT AUDITOR'S REPORT

No. : NISP/36/PS/98

To the Stockholders and Board of Directors
PT. BANK NISP Tbk.

We have audited the accompanying balance sheets of PT. BANK NISP Tbk, as of December 31, 1998 and 1997 and the related statements of commitments and contingencies, statements of income, statements of changes in stockholder's equity and statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards established by Indonesia 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, commitments and contingencies of PT. NISP Tbk, as of December 31, 1998 and 1997 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 36, the economic downturn in Indonesia, which has been characterized by high interest rates, highly volatile foreign currency and exchange rates, lack of liquidity, declining prices in shares listed in the stock exchange and lack of confidence in the banking system, has significantly affected the Bank's operations. This economic condition has caused uncertainty on the ability of the Bank's customers to fulfill their obligations when they mature, increasing the credit risk inherent in receivable from customers and has adversely affected the Bank's cost of funds and the success of her future operations. The accompanying financial statements include the effects of the adverse economic condition to the extent they can be determined and estimated. Resolution of the economic condition is dependent on the monetary and fiscal measures that will be taken by the government to achieve economic recovery, actions which are beyond the Bank's control. It is not possible to determine the future effect a continuations of the adverse economic condition may have on the Bank's operations and realization of its earning assets, including the effect flowing through the Bank's customers and investors.



Drs. Robert Yogi

Registered Public Accountant D - 220
Lisence No. : 98.1.0419

Jakarta, March 5, 1999

PT. BANK NISP TBK. BALANCE SHEETS

December 31, 1998 and 1997

<i>Assets</i>	Notes	1 9 9 8	1 9 9 7
		Rp.	Rp.
CASH		16,766,893,373	16,686,374,658
CURRENT ACCOUNTS WITH BANK INDONESIA		113,651,895,866	65,098,623,630
CURRENT ACCOUNTS WITH OTHER BANKS		35,943,259,459	14,294,601,162
PLACEMENTS WITH OTHER BANKS	2c, 3		
Net of allowance for possible losses			
1998 : Rp. 437,098,695			
1997 : Rp. 2,963,000		140,459,119,928	119,750,285,100
MARKETABLE SECURITIES	2d, 4		
Net of allowance for decline in value			
1998 : Rp. 4,416,591,000			
1997 : Rp. 92,500,000		1,158,586,464,628	130,466,963,295
LOANS :	2e, 5		
Third parties		971,617,706,115	1,151,631,801,856
Related parties		677,437,720	20,214,959,000
less allowance for possible loan losses		(75,246,407,419)	(19,092,399,831)
Loans - net of allowance for loan losses		897,048,736,416	1,152,754,361,025
INVESTMENTS IN SHARES OF STOCK	2g, 6	41,416,317,160	41,416,317,160
FIXED ASSETS :			
Directly owned - net of accumulated depreciation	2h, 7		
1998 : Rp. 14,004,913,700			
1997 : Rp. 12,842,794,910		89,550,208,194	81,571,047,181
Leased Assets - net of accumulated depreciation			
1998 Rp. 2,400,000,000			
1997 Rp. 2,100,000,000		3,600,000,000	3,900,000,000
Fixed Assets - net of accumulated depreciation		93,150,208,194	85,471,047,181
OTHER ASSETS :	2j, k, l, m		
Chattal properties		91,925,318,035	15,563,830,362
Income receivable		65,769,511,743	23,645,852,584
Prepaid expenses & deferred charges		6,919,107,524	7,620,193,540
Others		7,579,384,461	30,898,952,524
Total other assets		172,193,321,763	77,728,829,010
TOTAL ASSETS		2,669,216,216,787	1,703,667,402,221

PT. BANK NISP TBK. BALANCE SHEETS

December 31, 1998 and 1997

<i>Liabilities and Stockholders' equity</i>	Notes	1 9 9 8 Rp.	1 9 9 7 Rp.
DEMAND DEPOSITS	8	245,471,739,912	113,808,182,627
SAVING DEPOSITS	9	234,162,348,723	171,421,594,145
TIME DEPOSITS :	10		
Third parties		1,198,028,123,522	607,412,015,048
Related parties		15,741,366,481	13,181,000,000
Total time deposits		1,213,769,490,003	620,593,015,048
CERTIFICATES OF DEPOSITS	11		
net of unearned interest			
1998 : Rp. 80,387,459		12,857,612,541	3,785,846,723
1997 : Rp. 102,153,277			
Total deposits		1,706,261,191,179	909,608,638,543
OTHER IMMEDIATE LIABILITIES		21,372,292,876	17,155,209,001
TAXES PAYABLE	2p	6,987,409,951	7,937,977,181
DEBENTURES	12	150,000,000,000	150,000,000,000
BORROWINGS :	13		
Third parties		433,116,303,720	373,466,831,115
Related parties		-	5,000,000,000
Total borrowings		433,116,303,720	378,466,831,115
OBLIGATIONS UNDER CAPITAL LEASES		9,166,403,133	6,816,078,252
OTHER LIABILITIES		28,031,809,954	17,826,434,660
SUBORDINATED TERM LOAN		-	42,780,000,000
Total liabilities		2,354,935,410,813	1,530,591,168,752
STOCKHOLDER'S EQUITY			
Capital Stock - Rp. 500 par value	14		
- Authorized 1,000,000,000 shares	15		
Issued and fully paid 549,221,865 shares in 1998		274,610,932,500	-
- Authorized 700,000,000 shares			
Issued and fully paid 175,000,000 shares in 1997		-	87,500,000,000
Capital paid in excess of par value	16	14,236,212,260	1,250,000,000
Revaluation reserves		-	26,952,979,580
Retained earnings		25,433,661,214	57,373,253,889
Total stockholder's equity		314,280,805,974	173,076,233,469
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		2,669,216,216,787	1,703,667,402,221

PT. BANK NISP TBK. STATEMENTS OF COMMITMENTS AND CONTINGENCIES

December 31, 1998 and 1997

	1 9 9 8	1 9 9 7
	Rp.	Rp.
<i>Commitments</i>		
COMMITTED RECEIVABLES		
Unused borrowings facilities	-	455,000,000
Foreign currencies forward buying	-	4,066,924,430
Unsettled spot buying of foreign exchange	4,012,500,000	9,330,000,000
	-----	-----
Total committed receivables	4,012,500,000	13,851,924,430
	-----	-----
COMMITTED LIABILITIES		
Unused credit facilities	170,558,293,347	133,457,072,807
Irrevocable letters of credit outstanding	6,957,623,916	3,546,672,917
Foreign currencies forward sales	-	3,456,770,296
Unsettled spot sales of foreign exchange	-	10,250,000,000
Acceptance of drafts on the basis of import usage letters of credit	6,245,263,681	3,957,005,831
Irrevocable local letters of credit outstanding	-	2,330,554,907
	-----	-----
Total committed liabilities	183,761,180,944	157,997,076,758
	-----	-----
TOTAL COMMITMENTS - NET	(179,748,680,944)	(19,145,152,328)
	-----	-----
<i>Contingencies</i>		
CONTINGENT RECEIVABLES		
Interest income in process of remedial action	33,008,903,859	-
	-----	-----
Total contingent receivables	33,008,903,859	-
	-----	-----
CONTINGENT LIABILITIES		
Guarantees issued :		
a. Bank guarantees	15,076,656,611	-
b. Endorsement of commercial papers	-	-
c. Others	-	-
	-----	-----
Total contingent liabilities	15,076,656,611	-
	-----	-----
TOTAL CONTINGENCIES - NET	17,932,247,248	-
	=====	=====

PT. BANK NISP TBK. STATEMENTS OF INCOME

For the years ended December 31, 1998 and 1997

	Notes	1998 Rp.	1997 Rp.
<i>Operating Income and Expenses</i>			
INTEREST INCOME			
Interest received	2n, 18	691,296,481,709	238,664,663,019
Fees & commissions	2o	6,810,161,405	8,351,618,691
		<u>698,106,643,114</u>	<u>247,016,281,710</u>
INTEREST EXPENSE			
Interest expense	2n, 19	(578,729,525,201)	(172,969,777,907)
Fees & commissions		(1,958,543,781)	(1,233,271,955)
		<u>(580,688,068,982)</u>	<u>(174,203,049,862)</u>
INTEREST INCOME - NET		<u>117,418,574,132</u>	<u>72,813,231,848</u>
OTHER OPERATING INCOME (EXPENSES)			
Other fees and commissions received other than from loans		13,170,709,503	4,833,005,110
Other operating income		21,847,796,064	26,482,606,253
Other operating expenses		(2,548,387,678)	(9,113,305,882)
OVERHEAD EXPENSES			
General & administrative expenses		(30,072,590,903)	(23,286,195,724)
Allowance for loan losses	2e, f, 5	(60,968,789,630)	(14,757,648,911)
Personnel expenses	20	(22,794,088,231)	(20,888,759,291)
Other operating expenses		(1,522,556,240)	(1,155,833,573)
Total overhead expenses		<u>(115,358,025,004)</u>	<u>(60,088,437,499)</u>
OTHER OPERATING EXPENSES - NET		<u>(82,887,907,115)</u>	<u>(37,886,132,018)</u>
OPERATING INCOME		<u>34,530,667,017</u>	<u>34,927,099,830</u>
NON OPERATING INCOME			
		1,174,630,498	290,483,213
NON OPERATING EXPENSES			
		(836,642,390)	(1,242,376,473)
NON OPERATING INCOME - NET		<u>337,988,108</u>	<u>(951,893,260)</u>
INCOME BEFORE INCOME TAX		<u>34,868,655,125</u>	<u>33,975,206,570</u>
INCOME TAX	2p	(9,714,497,800)	(9,793,288,000)
NET INCOME		<u>25,154,157,325</u>	<u>24,181,918,570</u>
OPERATING INCOME PER SHARE	2q	<u>116</u>	<u>118</u>
EARNINGS PER SHARE	2q	<u>85</u>	<u>82</u>

PT. BANK NISP TBK. STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

For the years ended December 31, 1998 and 1997

	Capital Stock Rp.	Capital Paid In Excess of Par Value Rp.	Revaluation Reserve Rp.	Retained Earnings Rp.	Total Equity Rp.
Balance at December 31, 1996	62,500,000,000	26,250,000,000	-	39,316,335,319	128,066,335,319
Changes of stockholder's equity 1997:					
Capitalization of capital paid in excess					
of par value	25,000,000,000	(25,000,000,000)	-	-	-
Cash dividend	-	-	-	(6,125,000,000)	(6,125,000,000)
Revaluation reserves	-	-	26,952,979,580	-	26,952,979,580
Net Income	-	-	-	24,181,918,570	24,181,918,570
Balance at December 31, 1997	87,500,000,000	1,250,000,000	26,952,979,580	57,373,253,889	173,076,233,469
Changes of stockholder's equity 1998:					
Capitalization of capital paid in excess					
of par value	1,188,787,740	(1,188,787,740)	-	-	-
Share dividend	31,500,000,000	14,175,000,000	-	(45,675,000,000)	-
Revaluation reserves adjustments	-	-	733,232,680	-	733,232,680
Revaluation reserves	27,686,212,260	-	(27,686,212,260)	-	-
Right issue	126,735,932,500	-	-	-	126,735,932,500
Cash dividend	-	-	-	(11,418,750,000)	(11,418,750,000)
Net income	-	-	-	25,154,157,325	25,154,157,325
Balance at December 31, 1998	274,610,932,500	14,236,212,260	-	25,433,661,214	314,280,805,974

PT. BANK NISP TBK. STATEMENTS OF CASH FLOWS

For the years ended December 31, 1998 and 1997

INDIRECT METHOD

	1 9 9 8	1 9 9 7
	Rp.	Rp.
<i>Cash flows from operating activities:</i>		
Net income	25,154,157,325	24,181,918,570
Adjustments to reconcile net income to net cash used by operating activities :		
Provision for credit losses	56,210,562,935	14,757,648,911
Provision for other earning assets losses	4,758,226,695	-
Recoveries of written off loans	446,555,168	107,369,835
Depreciation and amortization	5,036,842,691	4,800,541,961
Loans written off	(503,110,515)	(5,534,896,981)
Gain on sales of fixed assets	(228,574,449)	(254,010,990)
Foreign exchange conversion rates difference	22,411,534,510	70,818,223,114
Decrease in placements with other banks	-	1,969,175,268
Increase in marketable securities	2,128,027,646	(77,292,369,447)
Increase in loans	199,551,617,021	(295,233,577,167)
Increase in other assets	(95,577,872,442)	(46,761,729,304)
Increase in other immediate liabilities	4,217,083,875	9,778,877,116
Increase (decrease) in other liabilities	10,205,375,294	7,914,853,781
Increase (decrease) in taxes payable	(950,567,230)	3,064,547,348
Net cash used for operating activities	232,859,858,524	(287,683,427,985)
<i>Cash flows from investing activities:</i>		
Increase in investment in shares of stock	-	(1,551,100,000)
Purchases of fixed assets	(11,056,863,088)	(4,833,422,007)
Proceed of sale of fixed assets	497,516,500	1,079,461,000
Net cash used for investing activities	(10,559,346,588)	(5,305,061,007)

PT. BANK NISP TBK. STATEMENTS OF CASH FLOWS

For the year ended December 31, 1998 and 1997

INDIRECT METHOD

	1998	1997
	Rp.	Rp.
<i>Cash flows from financing activities:</i>		
Increase (decrease) in deposits :		
Demand deposits	131,663,557,285	37,353,368,827
Saving deposits	62,740,754,578	(1,292,513,802)
Time deposits	593,176,474,955	(49,083,387,631)
Certificate of deposits	9,071,765,818	242,340,408
Increase in borrowings	117,236,972,605	264,705,914,000
Proceed of bonds issue	-	150,000,000,000
Repayments of borrowings	(116,250,000,000)	(29,055,602,887)
Decrease in obligations under capital leases	(3,523,709,629)	(1,014,775,437)
Subordinated loan	(42,780,000,000)	(6,698,750,000)
Payment of cash dividend	(11,418,750,000)	(6,125,000,000)
Additional income tax paid on revaluation increments	(81,470,298)	-
Paid-up capital	126,735,932,500	-
Net cash provided by financing activities	866,571,527,814	359,031,593,478
Increase in cash and cash equivalents	1,088,872,039,750	66,043,104,486
Cash and cash equivalents at January 1,	215,832,847,550	149,789,743,064
Cash and cash equivalents at December 31,	1,304,704,887,300	215,832,847,550
Cash and cash equivalents consists of :		
Cash	16,766,893,373	16,686,374,658
Current accounts with Bank Indonesia	113,651,895,866	65,098,623,630
Current accounts with other banks	35,943,259,459	14,294,601,162
Placements with other banks	140,896,218,623	119,753,248,100
Bank Indonesia certificates	997,446,619,979	-
	1,304,704,887,300	215,832,847,550

SUPPLEMENTAL DISCLOSURES ON CASH FLOWS INFORMATION

Cash paid for interest and income taxes during the year :

Interest	608,555,891,089	166,770,425,932
Income taxes	15,871,020,639	6,995,352,900

Supplemental schedule of non cash investing and financing activities :

Increase in investment in shares of stock, transferred from advances	-	22,500,000,000
Increase in subordinated term loans resulting from exchange rate differences	-	22,074,250,000
Increase in borrowings due to exchange rate differences	53,662,500,000	45,113,300,000
Increase in value of securities held	37,125,000,000	-
Increase in lease obligations due to exchange rate differences	5,874,034,510	3,630,673,114
Increase in fixed assets due to assets revaluation	814,702,978	29,947,755,089
Capitalization of capital paid in excess or par value	-	25,000,000,000
Decrease in revaluation increment due to tax deducted on revaluation amount	81,470,298	2,994,775,509
Share dividend	45,675,000,000	-
Revaluation reserves capitalized	27,686,212,260	-
Share dividend	31,500,000,000	-

PT. BANK NISP TBK. NOTES TO FINANCIAL STATEMENTS

December 31, 1998 and 1997

1. GENERAL

The company is domiciled in Bandung and incorporated based on the notarial deed of Theodoor Johan Indewey Gerling No. 6 dated April 4, 1941, under the name NV. Nederlandsch Indische Spaar En Deposito Bank. Based on the notarial deed of Noezar, No. 65 dated December 12, 1957, the name of the company was changed to PT Bank Tabungan NISP and was published in the Government Gazette No. 83 dated October 17, 1958.

Since 1967, the company status was upgraded from savings bank to commercial bank and had gained approval from the Minister of Finance in his letter No.D.15.6.2.27 dated July 20, 1967 under the name PT. Bank NISP. The amended Article of Association was published in Government Gazette No. 31 dated April 18, 1958 and Supplementary Gazette No. 297.

Since August 1, 1990, the company is operating as Foreign Exchange Bank in compliance with Bank Indonesia approval letter No. Kep 23/9/Kep dated May 19, 1990.

On September 16, 1994 the company obtained a letter from the Capital Market Executive Agency No. S-1601/PM/1994 indicating that the registration statement in connection with the Initial Public Offering becomes effective for the issuance of 12.500.000 shares with nominal value of Rp. 1.000,00 per share through the Jakarta Stock Exchange.

Pursuant to article 13 Paragraph 3 of the Law No. 1, year 1995 on Limited Liabilities Company, the word "Tbk" had been added to the Company's name and further, the Articles of Association was amended, all of which was covered by the notarial deed of Ny. Poerbaningsih Adi Warsito SH. No. 138 dated September 25, 1996 and was later approved by the Minister of Justice, whose approval was stated in his letter No. C2-10675.HT.01.04.Th.96 of November 29, 1996.

The articles of association have been amended, most recently by the notarial deed of Ny. Indah Fatmawati SH., as substitute of Ny. Poerbaningsih Adi Warsito SH., dated June 29, 1998. The changes were approved by the Minister of Justice in its decision letter No. C2-10358.HT.01.04.TH.98 dated August 2, 1998 and registered in the companies register under No. 10111800142 dated August 20, 1998 and published through the Government Gazette No. 85 and No. 5932 dated October 23, 1998.

To date, the Company has several branches, located in Bandung, Jakarta, Bogor, Surabaya, Semarang, Cimahi, Batam Island, Tangerang, Bekasi, Ngagel, Solo, Sukabumi and Cirebon.

2. ACCOUNTING POLICIES

a. Basis of financial statements

The financial statements have been prepared on the historical cost basis of accounting, and presented in compliance with the Financial Accounting Standard, Statement No. 31, and adopts the statement of Cash Flows (Financial Accounting Standard, Statement No. 2). The Statements of Cash Flows are prepared using the indirect method. To meet the definition of cash and cash equivalents, the company do not consider any of their assets other than cash, current accounts with Bank Indonesia and Other Banks, placements with other banks (call money, time deposits, certificates of deposits) with original maturities of less than 3 months. The financial statements represent the combined financial statements of the head office with all the branches.

b. Transactions with related parties

The company has transactions with related parties. According to the Financial Accounting Standard Statement No. 7, related parties are defined as follows:

- i. 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); or
- ii. Associated enterprises; or
- iii. Individuals owning, directly or indirectly, an interest in the voting power of reporting enterprise that gives them significant influence over the enterprise, and close members of the family of the such individual (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); or
- iv. 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 enterprises and close members of the families of such as individual; or.
 - v. Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major stockholders of the reporting enterprises that have a member of key management in common with the reporting enterprise. The relationship with the related parties are reflected in the accounts loans and time deposits.

c. Placements with other banks

The placements are stated at the outstanding balances less the allowance for doubtful accounts.

d. Marketable securities

Marketable securities consists of Bonds, Commercial Papers and Certificates of Bank Indonesia traded in the money market are denominated in rupiah and stated at cost adjusted for unamortized discount.

e. Loans

Loans are stated at their balances less the allowances for possible loan losses. The company provide an allowance to absorb probable losses based upon reviews of individual credits at year end. Loans are classified as non performing at the time if and when in the opinion of the management, the borrowers are unable to meet payments as they become due. Interest on loans which are doubtful are recognized as income when they are collected.

Loans deemed uncollectible are charged to the allowance. Allowance for loan losses and recoveries on loans previously charged off are added to the allowance.

f. Allowance for losses on earning assets

The Bank provides allowance for losses of its earning assets which consists of placements with other banks, marketable securities, loans, investments in shares of stock based on the review of collectibility of these assets at the end of the year. This allowance is provided in compliance with the Decree of Bank Indonesia No. 26/22/KEP/DIR/ of May 29, 1993 and No. 26/167/ KEP Dir of March 29, 1994.

The method to determine the adequacy of the allowance is based on the followings :

LOAN RATING	%	OF ALLOWANCE
Current	0,5	
Substandard loans	10	net of collateral value
Doubtful loans	50	net of collateral value
Bad debts	100	net of collateral value

The maximum value of the collateral the bank can deduct from the loan outstanding is as follows:

100% of the value of liquid collaterals.

75% of the value of non liquid collaterals.

Since December 31, 1998, a new method to determine the adequacy of the allowance for losses on earning assets has been imposed, based on the Decree of Bank Indonesia No. 31/148/KEP/Dir dated November 12, 1998, which the bank has to comply with the followings.

General reserve of not less than 1% of total earning asset. The minimum allowance for losses according to loan ratings:

LOAN RATING	%	OF ALLOWANCE
Special attention	5	
Substandard loans	15	net of collateral value
Doubtful loans	50	net of collateral value
Bad debts	100	net of collateral value

The maximum value of the collateral the Bank can deduct from the loan outstanding is as follows.

- a. 100% of the value of liquid collaterals, consisting of current account, time deposits, savings, blocked Rupiah or foreign exchange guarantee deposits backed by proxy to cash the deposits.
- b. 100% of the value of Bank Indonesia Certificates and notes issued by the government.
- c. 50% of the value of commercial papers.
- d. Maximum value of collaterals in the form of land, buildings, aeroplanes and ships.
 1. 70% of the appraised value, valuation date does not exceed 6 months.
 2. 50% of the appraised value, value within the time bracket of 6 months to 18 months.
 3. 30% of the appraised value, valued within the time bracket of 18 months to 30 months.
 4. 0% of the appraised value, exceed valuation date by 30 months.

Earning assets are written off against the respective allowances for losses when management believes that these are determined to be definitely uncollectible. The recovery of earning assets previously written off is recorded as an addition to the respective allowances for losses during the year.

g. Investments in shares of stock

Investments in other companies less than 20 % ownership of voting stocks are stated at cost.

b. Fixed assets

DIRECTLY OWNED

Fixed assets, except landright, fixed assets grouped as group I and assets under capital lease used in operations and acquired up to 1992 were revalued at December 31, 1997 by virtue of the Finance Minister decree No. 507/KMK.04/1996 dated August 13, 1996, assets acquired after 1992 are not revalued and stated at cost. The resultant revaluation amount is Rp. 30.762.458.067.

fixed assets are depreciated using a straight line method based on the useful lives of the assets as follows :

Buildings	20	years
Office equipment	4 - 8	years
Motor vehicles	4	years

Fixed assets are first depreciated in the year of purchase. The cost of maintenance and repair are charged to expense as incurred, significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected as non - operating income/expense for the year.

Building Under Construction, fixed assets under constructions are stated at the accumulated construction costs. The total costs accumulated during the construction period is transferred to respective fixed assets account when the fixed assets are ready for use.

LEASES

Under Financial Accounting Standard, Statement No. 30, lease transactions are accounted for under the capital lease method if the following criteria are met :

- The lessee has an option to purchase the leased assets at the end of the lease period at a price mutually agreed upon during the inception of the lease agreement.
- Total periodic payments plus residual value fully covers the acquisition cost of leased capital assets plus interest there on which is the lessor's profit (full payout lease).
- Lease period covers a minimum of two (2) years.

Leases that do not meet all of the criteria are accounted for under the operating lease method.

Assets and obligations under capital leases are recorded at their present value of the lease payments and the residual value at the end of the lease period. The assets are depreciated over their estimated useful lives by the Straight Line Method.

The company entered into a sale-leaseback arrangement. Under the arrangement, the company sold a building in 1991 and eased it back. The leaseback has been accounted for as a capital lease, the loss realized on this transaction has been deferred and amortized over the useful live of the assets using the Straight Line Method.

i. Foreign currency transactions and balances

The accounting records are kept in Rupiah. Transactions involving foreign exchange are recorded at the rates of exchange prevailing at the time the transactions are made. At the balance sheet date, assets and liabilities denominated in foreign exchange, are stated at the middle rate fixed by Bank Indonesia. The resulting gains or losses credited or charged to operations of the current period.

Forward foreign exchange contract is contractual commitment between a customer and the bank where by each agree to deliver at a specified future date a certain amount in one currency in exchange for a certain amount in another currency at an agreed rate of exchange. The differences between contracted forward rate and the spot rate is recognized as gain or loss of foreign exchange transactions at the end of the contract period in the case of forward foreign transactions for trading purposes.

j. Chattel properties

Chattel properties acquired in settlement of loans are recorded at the lower of the market value and the agreed-upon price, which are included under "Other Assets" in the balance sheets. Any excess of the loan balance over the agreed-upon price which is not recoverable from the borrower is written off against the allowance for losses. Holding costs incurred subsequent to the foreclosure of the properties are charged to operations as incurred. The resulting gains or losses on the disposal of the chattel properties are reflected in income or expense for the year, while expenses incurred for possessing foreclosed assets are charged to the value of the assets.

k. Prepaid expenses

Prepaid expenses are amortized over their beneficial periods by using the Straight Line Method.

l. Deferred charges

Expenses incurred in connection with the offering of the Bank's shares to the public (Initial Public Offering), are deferred and amortized using the Straight Line Method over 5 years.

m. Bonds offering expenses

Expenses incurred in connection with the offering of bonds to the public (presented in the account other assets) are deferred and amortized using the Straight Line Method.

n. Interest income and expenses

The company recognizes interest income and expenses on an accrual basis. Interest income on loans which are classified as non performing is not recognized in the accounts, except to the extent of cash collections received. The accrual of interest on non performing assets is reported in the statements of commitments and contingencies, commencing on the fourth month after the borrower is unable to meet payments in areas.

Earnings assets are considered as non performing when there are arrears in the payment of the principal and interest and no outstanding overdraft.

o. Fees and commissions

Fees and commissions which are directly related to the granting of loans are deferred and amortized based on the Straight Line Method over the respective periods. Fees and commissions which are indirectly related to the granting of loan are recognized at transaction date. Fees and commissions which are indirectly related to the granting of loans but related to a specified periods are deferred and amortized over the respective period.

p. Income tax

Income tax as shown in the statements of income is determined on the basis of taxable income for the current year. No deferred tax is provided by the Company for the timing differences in the recognition of revenues and expenses for financial reporting and tax purposes.

q. Operating profit and earnings per share

Operating profit and earnings per share are computed based on the weighted average of the outstanding shares after retroactive recognition to the distribution of bonus shares and share dividend that took place in 1998. As denominator used in the computation of the operating profit and earnings per share in the years 1998 and 1997 is 297.138.887 shares and 295.750.000 shares respectively.

5 PLACEMENTS WITH OTHER BANKS

	1998 Rp.	1997 Rp.
Rupiah		
Call money	87,000,000,000	78,000,000,000
Less unearned interest	(73,776,600)	(96,751,900)
Time deposits	30,000,000,000	-
Certificates of deposit	10,000,000,000	-
Less unearned interest	(73,754,777)	-
	126,852,468,623	77,903,248,100
Foreign currencies		
Call money	14,043,750,000	41,850,000,000
	14,043,750,000	41,850,000,000
	140,896,218,623	119,753,248,100
Less allowance for possible losses	(437,098,695)	(2,963,000)
TOTAL	140,459,119,928	119,750,285,100
CHANGES IN ALLOWANCE FOR LOSSES ON PLACEMENTS WITH OTHER BANKS :		
Beginning balance	2,963,000	2,963,000
Allowance for losses	434,135,695	-
Ending balance	437,098,695	2,963,000

Rupiah call money for 5 to 7 days in 1998 and 3 days in 1997 earned average interest of 52.33% and 31.73% respectively.
 Time deposits in rupiah for 31 days to 92 days in 1998, earned average interest of 54.31%.
 Call money in foreign exchange for 5 days in 1998 and 7 to 14 days in 1997 earned average interest of 27.06% and 14.92% respectively.
 The management considers the existing allowance for possible losses in placements with other banks as adequate to cover the potential losses arising from bad placements in other banks.

4. MARKETABLE SECURITIES

	1998 Rp.	1997 Rp.
Rupiah		
	1,025,946,619,979	5,535,332,952
Foreign currencies		
	137,056,435,649	125,024,130,343
	1,163,003,055,628	130,559,463,295
Less allowance for decline in value	(4,416,591,000)	(92,500,000)
TOTAL	1,158,586,464,628	130,466,963,295
CHANGES IN ALLOWANCE FOR DECLINE IN VALUE		
Beginning balance	92,500,000	92,500,000
Allowance for decline in value	4,324,091,000	-
	4,416,591,000	92,500,000

Marketable securities in rupiah consists of bonds and Bank Indonesia Certificates, earned average interest of 50.02% in 1998 and 22.80% in 1997 while marketable securities denominated in foreign exchange consists of promissory notes, export bills, travellers cheques, US Dollar Money Market Portfolio earned average interest of 8.14% in 1998 and 9.5% in 1997.

The management considers the allowance for the decline in value as adequate to cover the potential losses.

5. LOANS

The components of loans are as follows:	1 9 9 8	1 9 9 7
	Rp.	Rp.
<i>5.1. Type of loans</i>		
Rupiah		
General credit		
(consists of demand loans, fixed loans and installments loans).	635,661,410,245	894,193,877,498
Government programs		
(consists of small investment loans, permanent working capital loans, investment loans and teachers loans)	68,760,518	105,290,130
Loans to officer, employees & other affiliated	677,437,720	20,214,959,000
	-----	-----
	636,407,608,483	914,514,126,628
Foreign Currencies		
General Credit		
(consists of demand loans, fixed loans and installments loans).	335,887,535,352	285,007,634,228
Less allowance for loans losses	(75,246,407,419)	(19,092,399,831)
Sale for customer's promissory notes	-	(27,675,000,000)
	-----	-----
TOTAL	897,048,736,416	1,152,754,361,025
	=====	=====

Informations regarding the loans are as follows:

- a. The average interest rate for loans in Rupiah is 35.59% and 23.86% per year in 1998 and 1997 respectively, except for employees. The average interest rate for loans in United State Dollars is 9.45% and 10.00% in 1998 and 1997 respectively.
- b. The general credit in foreign exchange consists of overdrafts, acceptance loans, syndicated loans and commercials papers, amountings to USD 41,855,144.59 or equivalent Rp. 335,887,535,352 and USD 61,291,964.35 or equivalent to Rp. 285,007,634,228 in 1998 and 1997 respectively.
- c. The repayment of loans to employees is collected through monthly deduction from their salary. The loan bear interest at 30% per year.
- d. The interest rate and method of repayment of loans as applied to third parties is also applicable to related parties.
- e. The loans are secured by first mortgage or any other acceptable forms of collaterals.

5.2 Loans by economic sectors

	1 9 9 8	1 9 9 7
	Rp. million	Rp. million
Agriculture and mining	7,129	8,580
Industry	273,668	265,704
Constructions	59,730	72,057
Trading	340,061	362,945
Services	225,309	354,912
Others	66,398	107,648
	-----	-----
Allowance for loan losses	972,295 (75,246)	1,171,846 (19,092)
	-----	-----
TOTAL	897,049	1,152,754
	=====	=====

5.3 Maturity

	1 9 9 8	1 9 9 7
	Rp. million	Rp. million
Up to 12 months	569,372	792,718
12 to 24 months	75,051	138,867
24 months and over	327,872	240,261
	-----	-----
Allowance for loan losses	972,295 (75,246)	1,171,846 (19,092)
	-----	-----
TOTAL	897,049	1,152,754
	=====	=====

5.4 Collectibility

	1 9 9 8	1 9 9 7
	Rp. million	Rp. million
Current	790,144	1,148,356
Special attention	38,265	-
Substandard	51,885	3,816
Doubtful	34,025	9,407
Bad debts	57,976	10,267
	-----	-----
Allowance for loan losses	972,295 (75,246)	1,171,846 (19,092)
	-----	-----
TOTAL	897,049	1,152,754
	=====	=====

CHANGES IN ALLOWANCE FOR LOAN LOSSES

	1 9 9 8	1 9 9 7
	Rp.	Rp.
Begining balance	19,092,399,831	9,762,278,066
Allowance during the year	56,210,562,935	14,757,648,911
Loans written-off	(503,110,515)	(5,534,896,981)
Recoveries of written off loans	446,555,168	107,369,835
	-----	-----
Ending balance	75,246,407,419	19,092,399,831
	=====	=====

The management consider the amount of allowance for loan losses as adequate to cover the potential loss arising from bad loans.

6. INVESTMENT SECURITIES

	1998 and 1997			
	Number of Shares	Par Value	% Ownership	Rp.
PT. Sarana Bersama Pembiayaan Indonesia	31	1,000,000	0.46	31,000,000
PT. Daiwa Perdania Bank (formerly PT. Bank Perdania) (related party)	149,149	100,000	11.93	18,885,317,160
PT. Bank OCBC-NISP (related party)	22,500	1,000,000	15.00	22,500,000,000
TOTAL				41,416,317,160

Cash dividend received from PT Daiwa Perdania Bank amounting to Rp. 2,565,362,800 and Rp. 2,276,000,705 in 1998 and 1997 respectively, and Rp. 337,500,000 received from PT Bank OCBC-NISP in 1998.

7. FIXED ASSETS

The resultant revaluation amounts are as follows:

	Book Value Rp.	Fair Value December 31, 1997 Rp.	Resultant Revaluation Amounts Rp.
Land	1,947,025,000	27,821,800,000	25,874,775,000
Buildings	5,073,597,149	9,939,340,000	4,865,742,851
Office equipments, group 2	610,618,784	632,559,000	21,940,216
TOTAL	7,631,240,933	38,393,699,000	30,762,458,067

This final income tax tariff applied on the resultant revaluation amount is 10%, amounting to Rp. 3,076,245,807, which is paid on March 25, 1998 and April 27, 1998. Revalued land and building transferred or sold in anyone year within 5 years since the revaluation date, additional 15% final income tax will be assessed. The resultant revaluation amounts can be capitalized as equally capital.

8. DEMAND DEPOSITS

	1998 Rp.	1997 Rp.
Rupiah	161,860,483,291	84,765,959,890
Foreign currencies	83,611,256,621	29,042,222,737
TOTAL	245,471,739,912	113,808,182,627

Total demand deposits in rupiah and foreign currencies Rp. 245,471,739,912 in 1998 and Rp. 113,808,182,627 in 1997. The average interest rate on demand deposits in rupiah is 14.56% and 5.54% in 1998 and 1997 respectively. Average interest rate on demand deposit in foreign currencies is 5.19% and 4.95% in 1998 and 1997 respectively.

9. SAVINGS DEPOSITS

The saving amounted to Rp. 234,162,348,723 in 1998 and Rp. 171,421,594,145 in 1997. Savings by related parties in the amount of Rp. 3,523,877,323 in 1998. The average interest rate on savings is 23.39% and 15.38% a year in 1998 and 1997 respectively.

10. TIME DEPOSITS

	1 9 9 8	1 9 9 7
	Rp.	Rp.
Rupiah		
1 month	875,288,100,710	244,343,718,771
3 months	88,150,833,094	71,865,145,752
6 months	5,240,375,978	41,122,599,920
12 months	14,535,770,681	57,180,956,996
24 months	1,673,117,528	9,126,685,468
Time deposits place by other bank	1,500,000,000	18,000,000,000
	-----	-----
Time deposits in portfolio	986,388,197,991	441,639,106,907
Due	16,621,213,617	712,415,750
	-----	-----
Total	1,003,009,411,608	442,351,522,657
	=====	=====
Foreign currencies		
1 month	170,285,794,796	60,224,989,899
3 months	21,885,665,003	74,080,641,432
6 months	9,517,064,416	24,176,214,471
12 months	5,580,679,180	15,651,900,853
24 months	3,450,750,000	4,037,995,736
Time deposits place by other bank	-	-
	-----	-----
Time deposits in portfolio	210,719,953,395	178,171,742,391
Due	40,125,000	69,750,000
	-----	-----
Total	210,760,078,395	178,241,492,391
	-----	-----
TOTAL	1,213,769,490,003	620,593,015,048
	=====	=====

The average interest rate of time deposits in Rupiah is 43.05% and 17.81% a year in 1998 and 1997 respectively.

The average interest rate of time deposits in foreign exchange is 9.74% and 7.47% a year in 1998 and 1997 respectively.

Time deposits pledged by debtors as collateral for loans provided by PT BANK NISP is Rp. 32,496,883,044 and Rp. 24,846,443,125 in 1998 and 1997 respectively.

11. CERTIFICATE OF DEPOSIT

	1998	1997
	Rp.	Rp.
Certificate of deposit	12,913,000,000	3,888,000,000
Due	25,000,000	-
	-----	-----
	12,938,000,000	3,888,000,000
Unearned interest	(80,387,459)	(102,153,277)
	-----	-----
TOTAL	12,857,612,541	3,785,846,723
	=====	=====

The average interest rate of certificate of deposit is 36.48% and 21.90% a year in 1998 and 1997 respectively.

12. DEBENTURES

On May 29, 1997 the Bank offered debentures (bonds) through public offering worth Rp. 150,000,000,000 maturing on June 16, 2002, with the following breakdowns:

Denominator	Quantity	Total
Rp.		Rp.
50,000,000	100	5,000,000,000
100,000,000	100	10,000,000,000
500,000,000	100	50,000,000,000
1,000,000,000	85	85,000,000,000
	-----	-----
		150,000,000,000
		=====

The coupon rate is 15.50% for the first year, while the coupon rate for the subsequent years is floated based on the semi annual average interest rate of six banks: PT Bank Bali, PT Bank Niaga Tbk, PT Bank Lippo Tbk, PT Bank Ekspor Impor (Persero), PT Bank Negara Indonesia (Persero) Tbk, and PT Bank Rakyat Indonesia (Persero), plus fixed premium of 1.25% per year. The payments of coupons are on quarterly basis.

13. BORROWINGS

	1998	1997
	Rp.	Rp.
Bank Indonesia (liquidity)	422,817,270	788,805,615
Bank Indonesia (two-step loan)	57,409,329,000	46,597,178,000
Other borrowings	7,728,532,500	10,895,847,500
Medium Term Note I 1997	125,000,000,000	125,000,000,000
Call money PT Bank OCBC - NISP (Related Party)	-	5,000,000,000
	-----	-----
	190,560,678,770	188,281,831,115
Borrowed funds in foreign exchange	242,555,625,000	190,185,000,000
	-----	-----
TOTAL	433,116,303,770	378,466,831,115
	=====	=====

Liquidity borrowings are borrowings obtained from Bank Indonesia and Export Import Bank of Japan through Bank Indonesia (two step loans) within the loan relocation program in the form of the permanent working capital loans, small investment loans, investment loans for small scale businesses. The average interest rate on permanent working capital loans and small investment loans is 5.2% per year in 1998 and 1997, the average interest rate on investment loans is 3% a year in 1998 and 1997 and the average interest rate on two step loans is 24.79% and 14.42% a year in 1998 and 1997 respectively. The credit facilities have a term of 1 to 20 years.

Other borrowings obtained from Nederlandsche Financiering Maatschappij Voor Ontwikkelingslanden NV amounting to Rp. 7,728,532,500 and Rp. 10,895,847,500 in 1998 and 1997, bear interest at 37.38% and 17% average in 1998 and 1997 respectively.

On April 8, 1997, the bank issued Medium Term Notes I of 1997, where PT Mesana Investama Utama was arranger, agent of placement and underwriter. The Medium Term Notes have a term of 3 years at 15.5% for tranche I and on agreed interest rate for tranche II. Interest is paid on a quarterly basis. All the Medium Term Notes I of 1997 have been acquired by PT Bank Bali. The Medium Term Notes are issued without any specific collaterals.

A 63 days Call Money borrowed from PT Bank OCBC - NISP, amounting to Rp. 5,000,000,000,- is due on January 26, 1998 and bear 21.5% interest a year.

Borrowing in foreign exchange is obtained from :

	1 9 9 8	1 9 9 7
	USD	USD
The Daiwa Bank Limited	900,000	900,000
Medium Term Notes	-	19,000,000
M.M. Warburg Kommandit Gesellschaft und Aktien, Hamburg	-	1,000,000
Dresdner (South East Asia) Ltd	-	5,000,000
International Finance Corporation	10,000,000	10,000,000
Bank Brussels Lambert	3,000,000	5,000,000
Fuji Bank Limited	2,000,000	-
NV. De Indonesische Overzeese Bank	4,000,000	-
Ing Bank NV Singapore Branch	1,125,000	-
Overseas Chinese Banking Corporation Ltd.	9,200,000	-
	-----	-----
TOTAL	30,225,000	40,900,000
	=====	=====

- The validity of the loan agreements inconnection with the borrowings from the Daiwa Bank Limited, Bank Brussels Lambert, NV. De Indonesische Overzee Bank and Ing Bank NV Singapore Branch have been extended for four year and will be due in 2002, bear interest at 2.75% above LIBOR for tranche I, 3% above LIBOR for tranche II, 3.25% above LIBOR for tranche III and 3.5% above LIBOR for tranche IV.

- Borrowings based on Notes Purchase Agreement between the Company and PT Bank Niaga as the agent and with the following investors:

	1 9 9 7
	U S D
NV. De Indonesische Overzeese Bank	6,000,000
NV. Internationale Nederlanden Bank	6,000,000
American Express Bank Ltd.	5,000,000
Pan Indonesia Bank	2,000,000

TOTAL	19,000,000
	=====

The Medium Term Notes was issued on April 6, 1995 and due on April 6, 1998, without collaterals and transferable, at 6.50% average in 1997.

- On January 28, 1997 the Bank obtained USD 1,000,000 borrowing for general funding purposes from M.M Warburg Kommandit Gesellschaft Und Aktien, Hamburg, bear interest as fixed by the creditor, maturing within one year since the date of drawdown.
- Loan obtained from Dresdner (South East Asia) Limited, amounting to USD 5,000,000 at 6.3% interest a year, maturing on January 1999. The loan was repaid in January 1998.
- On October 16, 1997 the bank entered into USD 10,000,000 credit agreement with International Finance Corporation, at 7.67% interest a year end maturing on October 15, 2002.
- On August 1, 1997, the bank obtained a 24 months term loan facility form Bank Brussels Lambert, consisting of USD 2,000,000 at SIBOR and USD 3,000,000 at 0.8% above SIBOR.
- Based on the Promissory Note Agreement with Indover Bank on May 6, 1998, the Bank obtained USD 4,000,000 loan at 10% interest per year. The loan is due on June 8, 1998.
- On September 22, 1998 the validity of the agreement has been extended for 4 years.
- Based on the Promissory Note Agreement with Ing Bank NV. Singapore Branch on May 6, 1998, the bank borrowed USD 1,125,000 at 10% interest. The loan is due on June 8, 1998. On September 22, 1998, the validity of the agreement has been extended for 4 years.
- On July 17, 1998 the Bank borrowed USD 9,200,000 from Overseas Chinese Banking Corporation Limited for 9 months with 1% above SIBOR.

14. DIVIDENDS

In compliance with the resolution of the stockholders annual general meeting held on June 29, 1998 as covered by Notarial deed No. 68 of Ny. Poerbaningsih Adi Warsito SH., the stockholders approved the distribution of dividend amounting to Rp. 11,418,750,000 or Rp.65,25 per share and is payable to stockholders of record as at November 16, 1998.

In compliance with the resolution of the stockholders annual general meeting held on April 15, 1997 as covered by Notarial deed No. 68 of Ny. Poerbaningsih Adi Warsito SH., the stockholders approved the distribution of the dividend amounting to Rp. 6,125,000,000 or Rp. 35 per share and is payable to stockholders of record as at May 16, 1997 and pays annual bonus to the Commissioners and Directors amounting of Rp. 561,000,000.

15. CAPITAL STOCK

Changes in authorized and paid-up capital for the years ended December 31, 1998 and 1997 is as follows:

	Authorized Capital Rp.	Paid-up Capital Rp.
Balance, January 1, 1997	200,000,000,000	62,500,000,000
Changes in 1997:		
Increase in authorized capital	150,000,000,000	-
	-----	-----
Balance December 31, 1997	350,000,000,000	62,500,000,000
Capital paid in excess of par value capitalized	-	25,000,000,000
	-----	-----
Balance December 31, 1997	350,000,000,000	87,500,000,000
Changes in 1998:		
Increase in authorized capital	150,000,000,000	-
Increase in paid up capital:		
Capital paid in excess of par value capitalized	-	1,188,787,740
Share dividend	-	31,500,000,000
Revaluation reserve capitalized	-	27,686,212,260
Right issue	-	126,735,932,500
	-----	-----
Balance December 31, 1998	500,000,000,000	274,610,932,500
	=====	=====

The composition of the stockholders is as follows:

SHAREHOLDERS	December 31, 1998		
	Number of Shares	Total Rp.	% Ownership
Karmaka Surjaudaja	476,600	238,300,000	0.08
PT. Suryasono Sentosa	211,484,677	105,742,338,500	38.51
PT. Udayawira Utama	211,484,677	105,742,338,500	38.51
Public	125,775,911	62,887,955,500	22.90
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TOTAL	549,221,865	274,610,932,500	100,00
	=====	=====	=====

December 31, 1997

SHAREHOLDERS	Number of	Total	%
	Shares	Rp.	Ownership
Karmaka Surjaudaja	140,000	70,000,000	0.08
PT. Suryasono Sentosa	58,555,000	29,277,500,000	33.46
PT. Udayawira Utama	58,555,000	29,277,500,000	33.46
Public	57,750,000	28,875,000,000	33.00
TOTAL	175,000,000	87,500,000,000	100.00

Based on the notarial deed No. 95 of Ny. Indah Fatmawati SH as substitute of Ny Poerbaningsih Adi Warsito SH., dated June 29, 1998, the authorized capital has been increased to Rp. 500,000,000,000 divided into 1,000,000,000 shares of stock at Rp. 500 par value each. The increase in authorized capital had been approved by the Minister of Justice on its letter No. C2-10358.HT.01.04.TH.98 dated August 5, 1998.

On June 29, 1998, the shareholders resolved to distribute bonus shares amounting to Rp. 28,875,000,000 by capitalizing the capital paid in excess of par value and the revaluation reserve. The distribution ratio is 33 bonus shares for 100 shares outstanding.

The dividend shares amounting to Rp. 45,675,000,000 or 63,000,000 shares is distributed according to the ration of 9 dividend shares for 25 shares outstanding and valued according to the closing price of Rp. 725 per share that prevails on June 29, 1998 at 12.00 o'clock. The par value of the dividend shares is Rp. 31,500,000,000 resulting a capital paid in excess of par value of Rp. 14,175,000,000.

On December 30, 1998, the Bank offered 253,471,865 rights at Rp. 500 as exercise price.

The resolution of the extra ordinary general shreholders meeting as stated in the notarial deed No. 138 of Ny. Poerbaningsih Adi Warsito SH., dated September 25, 1996, that is connected with the stock split and issuance of bonus shares with the ratio of 2 new shares for each 5 outsatandings, has been approved by the Minister of Justice of the Republic of Indonesia as indicated in his letter No. C2-10675.HT.01.04.TH.96 of November 29,1996, and is further registered in the Company Register under No. 10111800142, dated December 26, 1996 and published in Government Gazette No. 24 on March 25, 1997.

The capital structure after such amendment is as follows:

- The authorized capital is Rp. 350,000,000,000 divided into 700,000,000 shares with Rp. 500 per value.
- The issued and paid up capital is Rp. 87,500,000,000 divided into 175,000,000 shares.
- The stock split and the issuance of bonus shares took place on February 3, 1997 and February 27, 1997, respectively.

Since October 20, 1994 the Bank is publicly listed and listing in the Jakarta Stock Exchange.

16. CAPITAL PAID IN EXCESS OF PAR VALUE

This account represents the difference between the par value of the common stock and the IPO price of 12,500,000 shares x (Rp. 3,100 - Rp. 1,000) = Rp. 26, 250,000,000.

	1998	1997
	Rp.	Rp.
Beginning balance	1,250,000,000	26,250,000,000
Capitalization of	(1,188,787,740)	(25,000,000,000)
Additions	14,175,000,000	
Balance at end of year	14,236,212,260	1,250,000,000

17. FORWARD FOREIGN EXCHANGE TRANSACTION

The outstanding balances of forward transactions as at December 31, are as follows:

	1998	1997
Forward buying :		
USD	-	112,475
DEM	-	400,000
JPY	-	70,000,000
Spot:		
USD	500,000	2,000,000

The term of contract is up to 183 days. The estimated loss on this outstanding forward buying contract is Rp. 699,924,775.

	1998	1997
Forward Selling :		
USD	-	1,056,525.87
DEM	-	400,000.00
JPY	-	70,000,000.00
Spot:		
NFL	-	411,992.00

18. INTEREST INCOME

	1998	1997
	Rp.	Rp.
Bank Indonesia certificate	299,244,236,636	208,306,308
Other banks	79,864,327,707	18,899,664,338
Non banks	247,947,746,880	192,780,156,081
Foreign exchange	64,240,170,486	26,776,536,242
TOTAL	691,296,481,709	238,664,663,019

19. INTEREST CHARGES

	1998	1997
	Rp.	Rp.
Bank Indonesia	12,848,141	6,517,860
Exim Bank of Japan	9,597,848,870	3,375,156,955
Other banks	58,542,766,662	22,926,420,411
Money market commercial papers	2,001,385,345	1,480,410,718
Borrowed funds	27,023,800,275	1,152,828,966
Demand deposits	20,940,668,969	4,868,469,370
Time deposits	344,187,858,986	93,720,651,723
Certificates of deposit	22,490,334,664	2,335,380,204
Savings	49,840,250,700	25,869,792,443
Interest on lease obligations	1,230,550,811	414,576,520
Interest on subordinated term loan	40,198,816,375	15,151,393,748
Other interest charges	2,662,395,403	1,668,178,989
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TOTAL	578,729,525,201	172,969,777,907
	=====	=====

20. PERSONNEL EXPENSES

	1998	1997
	Rp.	Rp.
Salary	13,272,832,522	11,455,498,808
Bonus	2,896,532,230	2,650,064,160
Honorarium	1,763,260,407	1,872,469,862
Executive bonus	-	561,000,000
Benefits in kind	1,498,702,967	1,218,308,766
Others	3,362,760,105	3,131,417,695
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TOTAL	22,794,088,231	20,888,759,291
	=====	=====

21. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 1997 financial statements have been reclassified to conform with the 1998 financial statements presentation.