

## **Investor Newsletter • May 2003**

## Performance in the First Quarter 2003

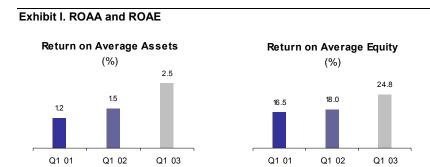
- Net Income increased to Rp 270 bn from Rp 192 bn
- Earnings per Share increased to Rp 54.99 from Rp 7.81
- Government Bonds reduced by Rp 1.5 tn to Rp 14.1 tn
- Loan grew by Rp 6.0 tn to Rp 24.2 tn
- Interim Dividend of Rp 19 per share

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#### FINANCIAL PERFORMANCE IN THE FIRST QUARTER 2003

Bank Danamon recorded a net income of Rp 270 billion in the first quarter of 2003, up 40.6% from the same period last year of Rp 192 billion. This increase was mainly a result of higher net interest income and increased other operating income derived primarily from gain on sale of marketable securities. Accordingly, Earnings per Share (EPS) for the first quarter of 2003 improved significantly to Rp 54.99 compared to Rp 7.81 in the same period last year. The Bank's improving profitability in the first three months of 2003 has resulted in an increase in both ROAA and ROAE to 2.5% and 24.8%, from 1.5% and 18.0%, respectively, in the prior period last year.



Bank Danamon managed to increase its net interest income in spite of declining interest rate environment. Net interest income rose by 36.0% to Rp 533 billion in the first quarter of 2003 against Rp 392 billion over the prior year period mainly as a result of significant reduction in interest expense as compared to reduction in interest income. In the first quarter of 2003, interest expense decreased by 29.8% to Rp 950 billion from Rp 1,353 billion in the first quarter of 2002, due to both better deposit mix and declining interest rates. Accordingly, cost of funds declined sharply to 9.8% in the first quarter of 2003 compared to 12.8% in the same period last year. Meanwhile, interest income down by 15.0% to Rp 1,483 billion from Rp 1,744 billion in the first quarter of 2002, primarily due to declining interest rates. Consequently, earning assets yield declined by 200 bp to 13.3% in the first quarter of 2003 against 15.0% last year. Taken together, net interest margin improved to 4.8% in first three months of 2003 from 3.5% in the same corresponding period last year.

Other operating income increased notably to Rp 430 billion in the first three months of 2003, compared to Rp 112 billion in the prior period last year, primarily attributable to gain on sale of marketable securities. Declining interest rates has benefited the Bank as the value of the marketable securities risen, resulting in a gain on sale of marketable securities of Rp 160 billion in the first quarter of 2003. Feebased income in the first quarter of 2003 amounted to Rp 270 billion, representing a 141.1% increase from Rp 112 billion in the first quarter of 2002. Major growth in the Bank's recurring fee-based income (credit-related and transactional-related fees) as well as non-recurring fee-based income from selling Prima Investa has contributed considerably to the increase of the Bank's total fee-based income. As a result, the ratio of fee-based income to total operating income improved to 28.0% in the first three months of 2003 compared to 22.3% last year.

Other operating expenses incurred during the first three months of 2003 amounted to Rp 691 billion, up 135.8% compared to Rp 293 billion in the previous year, mainly due to increase in allowance for possible losses on earning assets. In the first quarter of 2003, allowance for possible losses on earning assets amounted to Rp 361 billion, from Rp 33 billion in the first quarter of 2002. In the same period, general and administrative expenses rose 40.4% to Rp 132 billion from Rp 94 billion over the

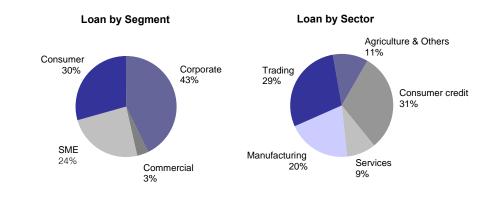
same period in 2002, mainly due to increase in depreciation expenses, resulting from the change in the depreciation method from double-declining to straight-line method in 2002. Salaries and employees' benefits increased by 38.1% to Rp 156 billion from Rp 113 billion last year in consequence of the Bank's effort to improve the quality of its personnel by offering competitive salaries and benefits as well as providing training programs and productive working environment. Despite the increase in operating expenses, Bank Danamon managed to contain its cost-to-income ratio of 37.2% in the first quarter of 2003, down 5.6% against 42.8% in the prior year's corresponding period.

Exhibit II. Summary of Consolidated Statement of Income						
Rp billion (March, 31)	2003	2002	Change (%)			
Interest Income	1,483	1,744	-15.0			
Interest Expense	950	1,353	-29.8			
Net Interest Income	533	392	36.0			
Other Operating Income	430	112	283.9			
Other Operating Expense	691	293	135.8			
Net Income	270	192	40.6			

As at March 31, 2003, the Bank's total assets were Rp 47.2 trillion, down by 2.3% as compared to Rp 48.3 trillion a year earlier. This decline was mainly resulted from the reduction in the Bank's government bonds portfolio. Nevertheless, during the first quarter of 2003, the Bank's assets increased by 0.6% as compared to Rp 46.9 trillion in December 2002, primarily resulted from growth in loan outstanding.

Loans grew by 33.0% to Rp 24.2 trillion in March 2003 from Rp 18.2 trillion in December 2002. Over half of this growth was derived from IBRA's loan purchases. Meanwhile, the remaining loan growth was from organic growth, primarily in the consumer and SMEs sectors. This significant loan expansion has led the Bank's loan-to-deposits ratio (LDR) to improve to 70.3% in March 2003, more than doubled from last year's corresponding period of 33.0%.

## Exhibit III. Breakdown of Loan Portfolio (March 31, 2003)



Total Loan: Rp 24.2 trillion\*
\*) including assets purchased from IBRA amounting to Rp 4.6 trillion

As the Bank remains committed to realize its vision to be the nationwide bank of choice in the consumer and SMEs sectors, the majority of the loan portfolio was directed to consumer and SMEs sectors. These retail sectors accounted for 29.3% and 24.4% of the Bank's loan portfolio, respectively, as at end of March 2003. While the remaining comprised of corporate loans and commercial loans that made up 42.8%

and 3.4% of the loan portfolio, respectively. In comparison to last year's period, the loan portfolio to corporate sectors accounted for 39.4% of the Bank's loan portfolio, commercial sectors (8.7%), SME sectors (24.5%) and consumer sectors (27.4%). Going forward, Bank Danamon will maintain the composition, in which consumer and SMEs loans will make up the majority of the Bank's loan portfolio.

Non-performing loans (NPL) amounted to Rp 885 billion as of March 2003, against Rp 520 billion a year earlier. Of Rp 885 billion in NPLs as at end of March 2003, 2.2% were in the substandard category, 1.0% in doubtful category and 0.5% in loss category. NPL ratio decreased slightly to 3.7% as of March 31, 2003, compared to 4.4% as of March 31, 2002. However, loan loss allowances increased considerably from Rp 832 billion in March 2002 to Rp 1,446 billion in March 2003. This excludes allowances for assets purchased from IBRA that amounted to Rp 3.9 trillion. The ratio of loan loss allowances to total loans, in consequence, increased to 7.4% in March 2003 compared to 7.0% a year earlier. Accordingly NPL coverage, as measured by loan loss allowances to non-performing loans, still stood at 163.3% level in March 2003, up from previous year's level of 160.2%. Going forward, the Bank continues to prudently monitor its non-performing loans and build up reserves against the uncertain economic conditions.

Government bonds have been steadily reduced from Rp 15.6 trillion in December 2002 to Rp 14.1 trillion in March 2003, representing a 9.6% decrease, primarily a result of the sales of such bonds to the public in the form of mutual fund products, known as Prima Investa. The Bank has successfully marketed this product that has been able to raise over Rp 12.5 trillion in funds as of March 2003 and has also contributed significantly to the Bank's fee-based income. Correspondingly, variable rate bonds held by the Bank have now outnumbered fixed rate bonds with the ratio being 76%: 24% as of March 2003, improved from 71%: 29% a year earlier, thus reducing market risk. As a result of the above, the Bank's dependency on government bonds has decreased considerably. Government bonds were now only accounted for 29.8% of the Bank's assets, compared to 49.0% a year earlier and the contribution of government bonds to interest income has also declined to 32.4% as of March 2003, compared to 59.7% in the corresponding period last year.

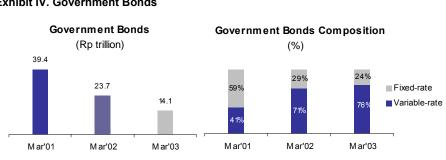


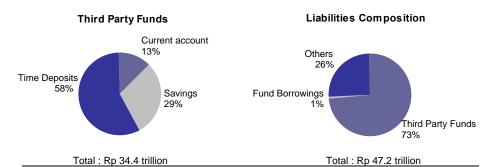
Exhibit IV. Government Bonds

Total liabilities as at March 31, 2003 amounted to Rp 42.3 trillion, representing a 3.6% decrease over the same period last year of Rp 43.9 trillion. This decrease was primarily a result of the Bank's effort to generate a better deposit mix by reducing high-cost time deposits with mutual fund products (Prima Investa). Bank Danamon also reduced its fund borrowings to Rp 659 billion as at March 2003, down by 18.8% from Rp 812 billion as at March 2002, resulting from the settlement to Bank Ekspor Impor amounting to Rp 68 billion.

Third party funds represent the main source of funding, which primarily use to meet the Bank's interbank transactions and treasury activities as well as to grow the core assets portfolio, including loan demand. Third party funds decreased slightly by 4.9%, totaling to Rp 34.4 trillion as of March 2003 from Rp 36.2 trillion as of March 2002. The decline in third party funds was primarily driven by a change in the deposit mix as the Bank replaced high-cost time deposits with Prima Investa, mutual fund product.

Exhibit V. Third Party Funds and Liabilities Composition

(March 31, 2003)



As a part of its effort to reduce cost of funds, Bank Danamon improves its deposit mix by increasing the portion of lower cost current accounts and saving deposits (CASA). Bank Danamon has been able to increase lower cost of funds as CASA accounted for 41.9% of third party funds in March 2003, up sharply compared to 28.5% a year earlier. Savings amounted to Rp 9,975 billion in March 2003, up 55.6% against Rp 6,408 billion in March 2002, representing the Bank's successful efforts in marketing its products by improving both product features and services. The Bank's current accounts also increased by 13.6% from Rp 3,922 billion as at March 2002 to Rp 4,455 billion as at March 2003, mainly reflecting the shifting of funds to the Bank's new current account product (Primagiro Super 9). On the other hand, time deposits decreased by 22.7% from Rp 25,870 billion as at March 2002 to Rp 19,994 billion as at March 2003, mainly resulting from the shifting of high-cost time deposits to mutual funds products.

The Bank's capitalization, as measured by equity to asset ratio, improved to 10.4% in March 2003 from 9.0% a year earlier as the Bank continues to record an improving earning results and retained part of its earning as retained profits. Thus, total equity up 12.9% from Rp 4,362 billion as of March 2002 to Rp 4,923 billion as of March 2003. Bank Danamon's capital adequacy ratio (CAR) as of March 2003 remained strong at 25.1%, more than three times the BIS minimum requirements of 8.0%. There was a reduction in the Bank's CAR from March 2002 position of 35.4% mainly due to loan expansion. As of March 2003, Tier 1 and Tier 2 capital ratio stood at 21.6% and 3.5%, respectively. Furthermore, calculated based on Bassel II Simulation Model which also accounted for market and credit risk, the Bank's CAR is estimated to stay at 16.3% level.

Exhibit VI. Summary of Consolidated Balance Sheet						
Rp billion (March, 31)	2003	2002	Change (%)			
Total Assets	47,246	48,267	-2.1			
Total Loans*	24,208	11,961	102.4			
Total Government Bonds	14,089	23,672	-40.5			
Total Liabilities	42,323	43,905	-3.6			
Third Party Funds	34,424	36,201	-4.9			
Total Equity	4,923	4,362	12.9			
*) loan for 2003 includes assets purchased from IBRA (Rp 4.6 trillion)						



The Bank's net open position increased slightly to 3.1% in March 2003 from 2.2% in March 2002. This ratio has been managed consistently below 5%, well below the Central Bank's regulation of 20%. So

Exhibit VII. Key Financial Ratios				
% (March, 31)	2003	2002		
Net Interest Margin	4.8	3.5		
Return on Average Assets	2.5	1.5		
Return on Average Equity	24.8	18.0		
Loan to Deposits Ratio*	70.3	33.0		
Non-Performing Loans / Total Loans*	3.7	4.4		
Loan Loss Allowance / Non-Performing Loans**	163.3	160.2		
Net Open Position	3.1	2.2		
Capital Adequacy Ratio	25.1	35.4		
*) loan for 2003 includes assets purchased from IBRA (Rp 4.6	trillion)			
$^{\star\star})$ allowances for 2003 excludes assets purchased from IBRA	(Rp 3.9 trillion)			

#### **PRODUCTS & SERVICES**

#### **Consumer Loans**

Housing Loans
Auto Loans

#### **Checking Account**

Primagiro Super9
Giro Rupiah
Giro Foreign Currency
Primadollar

#### **Saving Account**

Tabungan Danamor

#### **Time Deposit**

Primadeposito Rupiah
Primadeposito Foreign Currency
Primadeposito On Call Rupiah
Primadeposito On Call Foreign
Currency

#### **Bancassurance**

Primajaga
Prima Investa
Rekening Investa
Tabungan Pendidikan Danamon

#### Credit Card

fixnfast Visa MasterCard

#### **Other Services**

Remittance

24 Hour Phone Banking

Collections

Safe Deposit Box

Foreign Exchange Trading

Payroll

#### **NEW INITIATIVES HIGHLIGHTS**

Bank Danamon has embarked on a number of key initiatives in 2003, especially in providing more innovative products and services as well as better delivery channels, such as:

- Rekening Investa, an alternative investment-linked banking product to Prima Investa where customers are given the opportunity to maximize the value of their funds on a daily basis instead of certain periods. This particular fund is managed by an investment manager and allocated to money market instruments. Rekening Investa generates an attractive rate of return, which is within the range given by time deposits and Prima Investa. The product has been favorably received by the market as evidenced by total funds contributed which totaled to Rp 1,572 billion as of March 2003 with approximately 4,000 customers (NOA).
- Tabungan Pendidikan Danamon (TPD), an educational savings product aimed at accumulating a specified target fund level for a child's education. TPD offers higher interest rates than regular savings account with the benefit of life protection up to 200 times the monthly payment through the insurance coverage in the product. Since its introduction at the end of May 2002, the Bank has been able to generate total funds aggregating to Rp 85 billion with approximately 27,000 customers (NOA) as of March 2003.
- SME Center. As part of the Bank's effort to capture business potential in SME sectors, Bank Danamon established 40 branches for SME lending and 9 dedicated SME Centers. Staffed by 244 senior line staff and supported by an information center, the centers will be able to serve the SME customers better. As of March 2003, SME Centers have started operations in several large cities in Indonesia, namely Jakarta, Bandung, Semarang, Surabaya, Denpasar, Makassar, Balikpapan, Medan and Padang.
- Consumer Lending Center (CLC). This center is established to simplify and speed up the loan application process, hence improving service to customers and enhancing the Bank's competitive position in the market. CLC is also aimed to achieve better risk management control by centralizing control of acquisition, maintenance and collection process. CLC has been established in Jakarta, Medan and Surabaya.
- **Danamon Access Center (DAC).** Leveraging on the Bank's new IT platform, the Bank established DAC, a phone banking service which provides the Bank's customers with 24-hour access to the banking services such as funds transfer, account openings, balance inquiry, etc. This new service is expected to broaden the user base of DAC and hence reducing the high cost associated with in-branch services. DAC now operates in eight major cities in Indonesia, namely, Jakarta, Bandung, Surabaya, Semarang, Medan, Makassar, Denpasar and Balikpapan.
- PrimaGold Banking (PGB). Launched in August 2002, PrimaGold priority banking offers customized wealth management services to high net worth individuals. PGB offers not only priority banking product that are geared towards optimizing the customer's assets but also an exclusive membership facilities that suits the member's lifestyle with privilege services such as financial advisory, convenient and private dealing room, multi function meeting room, internet & facsimile and first class services for other banking transactions. As of March 2003, this service has managed to contribute third party funds totaling to Rp 3.3 trillion whilst providing

#### **Board of Directors**

Arwin Rasyid
Muliadi Rahardja
Krishna R. Suparto
Gatot M. Suwondo
Prasetio
Riswinandi
Anika Faisal

Chief Internal Audit Godlip Pasaribu

Chief Credit Officer
Susanto Onie

Chief Information & Technology Boy Trianto

Chief National Operations
Ali Yong

Chief Human Resources
RKW Pratomo

EVP For Consumer Wealth
Management
Carolina Dina Suprivanto

Head of Eastern Indonesia
Area
Dinno Indiano

Corporate Affairs Madi D. Lazuardi

Planning & Financial Control

Vera Eve Lim

Consumer Banking, Strategic
Planning & Marketing
Communication

Card Center
Doddy Virgianto

Liabilities, Bancasurrance & Investment
Randy Pangalila

**SME & Trade Finance**Gandhi G. Putra Ismail

**Agri Business Lending Center**D. Prayudha Moelyo

Treasury

Frisiladi Suprivanto

Financial Institutions
Oliver Mambu

loans amounted to Rp 142 billion. Currently, Bank Danamon operates seven PrimaGold Centers in Jakarta (Menara Bank Danamon and Kelapa Gading), Bandung, Surabaya, Makassar, Balikpapan and Medan, employing 60 well-trained officers including Center Heads, Personal Relationship Officers, Customer Assistants and Tellers.

- Syariah Banking. Aiming to capitalize on growing opportunities in Islamic banking, Bank Danamon offers various innovative deposits and financing products to this hugely potential market segment. The business strategy employed is to focus on middle-to-upper class individual customers for its funding products while providing SME and consumer financing products to the middle-to-lower income customers. As of March 2003, Syariah banking has been able to generate approximately Rp 25.8 billion in third-party funds, while financing out a total of Rp 51.8 billion. Bank Danamon currently maintains five Syariah branch offices in Jakarta, Sidoarjo, Martapura, Banda Aceh and Bukit Tinggi.
- Card Center. Bank Danamon has developed several specialized programs and services, including a 24-hour customer care center, a phone banking travel service, free travel insurance, free airport lounge facility, SMS notification on due amount and payment received, lost card replacement and supplementary accounts. As of March 2003, the Bank's total outstanding receivables were Rp 554 billion with about 190,000 cardholders. One of the primary products in the credit card sector is fix n' fast electronic card which enables the cardholders to determine their respective monthly installment payments. This successful product has been able to generate a balance of Rp 368 billion, or 66.4% of total credit card portfolio, with more than 80,000 cardholders. Besides fixnfast, the Bank also offers Visa and MasterCard Classic and Gold credit cards as well as debit cards and pre-paid cards. In addition, the Bank offers cobrand/affinity cards such as "Kartu Kredit HA-IPB" to several large institutions such as banks, university alumni associations and golf clubs. Approximately 10% of the Bank's credit cards are affinity cards. The Bank's Card Center is also supported by five regional card centers in Bandung, Surabaya, Yogya, Medan and Makassar.
- ATM. In order to enhance quality services such as convenience access and ease of transactions to customers, Bank continues to add and improve features and services to its ATM. Among facilities provided by Bank Danamon's ATM are cash withdrawal, account balance information, PIN change, inter-account transfer, payment of credit cards issued by Bank Danamon, Citibank, HSBC, ANZ, GE Ekstra MasterCard, credit installment payment of GE Sumber Kredit, vehicle credit payment of Astra Credit Company, payment of monthly postpaid cellular services for Excelcomindo, Komselindo, Halo Telkomsel, Matrix Satelindo, purchase of prepaid cellular credits of Pro-XL and cash withdrawal from Bank Danamon's credit card and other credit cards bearing the logo of MasterCard. In addition, the Bank's customers are provided with easy access to the Bank's ATMs in 2,400 locations through the networking of "Jaringan ATM Bersama" and 2,800 ATM bearing the ALTO logo.

### HEAD OFFICE

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#### **LATEST NEWS**

- Reverse Stock Split. The Extraordinary Shareholders Meeting on January 9, 2003 had decided on a 5-to-1 reverse stock split, by combining every five shares from each series into one share of the same series. As a result, the Bank's authorized capital of Rp 10,000 billion now consists of 22,400,000 A series shares with par value of Rp 50,000 per shares and 17,760,000,000 B series shares with a par value of Rp 500 per share. This reverse stock split became effective on January 22, 2003, resulting in new shares outstanding of 4,906,922,000 against 24,534,610,000. This reverse stock split does not change the total paid in capital and fully paid capital and was undertaken to improve the price level of the stock and increase trading liquidity, thereby making the Bank's shares more attractive to potential investors.
- Banking Service Excellence. Based on the survey from Marketing Research Indonesia (MRI), published in InfoBank March 2003 edition, Bank Danamon was in second position in overall service category among 21 private, national and foreign banks operating in Indonesia. This is a significant improvement from last year's position of 12<sup>th</sup> place. MRI conducted a random survey at 9 branch offices in Jakarta and Surabaya by using "mystery shopper" mechanism. Overall achievement is selected based on 8 different service categories to customers, such as security guard, customer service, teller, telephone operator, banking hall equipment, room comfort, toilet and ATM.
- Progress on IBRA's Divestment Plan. According to IBRA's press release on March 21, 2003, IBRA had received preliminary non-binding bid from six potential investors in the divestment program of IBRA's share in Bank Danamon. Along with the help from the divestment consultant, IBRA has selected three strategic investors to be the short-listed bidders, namely: Asia Financial Indonesia Consortium, Bank Artha Graha Consortium and Bhakti Capital Indonesia Consortium. These short-listed bidders will conduct the due diligence process for approximately 30 days in Bank Danamon. Afterwards, short-listed bidders will submit final binding bids together will all required documents.

On Monday, May 5, 2003, IBRA announced that the consortium of Temasek Holdings Pte. Ltd. and Deutsche Bank, called Asia Financial Indonesia (AFI) had won the auction for a 51 percent stake at Bank Danamon. AFI made a price offer of Rp 1,202 per share, compared to the IBRA's floor price of Rp 1,160 per share. AFI would have to undergo a two-week fit and proper test by the Central Bank before it officially becomes the new owner of Bank Danamon. Based on the offered price, IBRA estimates that the 51 percent stake could generate about Rp 3 trillion in proceeds (US\$ 500 million). IBRA planned to immediately sell another 20 percent of its shareholding through market placement. The proceed of selling Bank Danamon would go into the government's coffers to be used partly to cover this year's state budget deficit. In addition, selling Bank Danamon to credible foreign investors should also fit in perfectly with the government's efforts to restructure the country's troubled banking sector.

Ratings Upgrade by Standard & Poor's. On May 12, 2003, Standard & Poor's (S&P) raised the counterparty credit ratings of Bank Danamon to "B/Stable/B' from 'B-/Stable/C' along with several leading Indonesian banks. The upgrades recognize the improvement in the Indonesia's economy and the asset quality of the Indonesia's banks since the financial crisis in 1997. Indonesia's banking industry is expected to

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remain highly challenging, although major banks, including Bank Danamon will perform better than their smaller competitors mainly due to their large distribution networks which will positioned themselves to benefit from strengthening economic activity, particularly in the financing export-related and small and midsize enterprises sectors. The Indonesian government's privatizations have also resulted in a positive development, including Bank Danamon's privatization through the acquisition of 51% of the government's stakes in Bank Danamon's shares from Temasek Holdings Pte. Ltd., a Singapore government investment vehicle, and Deutsche Bank consortium as a preferred bidder. **50** 

#### **BACKGROUND**

The Bank was established in July 1956 under the name of PT. Bank Kopra Indonesia. In 1976, the Bank's name was changed into its current name PT. Bank Danamon Indonesia. The Bank continued to expand and at November 5<sup>th</sup>, 2002, became the first Indonesian private foreign exchange bank after obtaining its foreign exchange license from the Central Bank (Bank Indonesia). To sustained growth by increasing its capital, the Bank's 12,000,000 shares with Rp 1,000 par value per share was offered to the public through Initial Public Offering (IPO) on December 1989. Since then, the Bank had offered three Limited Offerings (Rights Issue) in 1994, 1996 and 1999.

Bank Danamon was taken over by the Government of Indonesia in April 1998 as it ran into liquidity insolvency as a result of the Asian financial crisis in 1997. The Bank was placed under the care of the Indonesian Bank Restructuring Agency (IBRA) to be included in the bank recapitalization and merger program. The Government first recapitalization was done through an injection amounting to Rp 32 trillion into the Bank's capital and merger with Bank PDFCI (after being recapitalized), which reached completion in December 30, 1999.

In June 2000, Bank Danamon completed yet another merger with 8 Bank Take Over (BTOs), namely Bank Jaya, Bank Tiara Asia, Bank Pos Nusantara, Bank Rama, Bank Tamara, Bank Nusa Nasional, Bank Duta, and Bank Risjad Salim Internasional. Prior to the merger, the Bank received second recapitalization from the Government through capital injection of Rp 28 trillion in order to fulfill the requirements of BI regarding the minimum Capital Adequacy Ratio after the transfer into the Bank of all the assets and liabilities of the BTOs banks which have capital deficiency. As a result, Bank Danamon re-emerged as one of Indonesia's biggest Banks along with Bank Central Asia in the private sector, and with Bank Mandiri, Bank BNI and Bank BRI in the public sector.

After the recapitalization and merger, the Bank continues to strengthen its position in the Indonesian banking sector by focusing on consumer and SMEs sectors which is in line with the Bank's vision and mission. In order to achieve this, the Bank focus its attention on three critical areas, which are financial strategy, network & distribution strategy and human resources & managerial strategy.

Going forward, the focus of the Bank remains on the development of its retail banking, fulfilling the financial needs of its consumer and individual customers. With a new and dynamic corporate logo and signature, the Bank embarks on a new chapter that revitalizes the Bank's visual identity therefore enables the Bank to look forward to the future with greater confidence and focus.

## Consolidated Financial Statements\*) PT Bank Danamon Indonesia Tbk and Subsidiary

ASSETS	2003 Unaudited	2002 Unaudited	LIABILITIES & EQUITY	2003	2002
Rp million (as of March, 31)	Unaudited	Unaudited	Rp million (as of March, 31)	Unaudited	Unaudited
Cash	765,670	592,794	Current Accounts Rupiah	2,402,047	2,292,367
Current Accounts with Bank Ind.	1,719,295	1,948,557	Foreign currencies	2,053,344	1,630,021
Current Accounts with Other Banks	50.740	70.000	Obligations due immediately	409,767	1,079,239
Rupiah	50,712	70,832	Soving Donosita	0.075.261	6 409 146
Foreign currencies	295,507	1,177,902	Saving Deposits	9,975,261	6,408,146
Placements with Other Banks			Time Deposits Rupiah	16,714,861	22,130,706
Rupiah	1,300,532	117,012	Foreign currencies	3,278,964	3,730,984
Foreign currencies	832,719	1,750,691	ŭ		
Allowance for possible losses	(24,704)	(67,926)	Certificates of Deposits	-	8,291
Marketable Securities			Deposits from Other Banks	868,019	109,563
Rupiah	3,295,660	2,376,270			
Foreign currencies	2,891,627	2,857,059	Marketable Securities Sold under		
Allowance for possible losses	(30,982)	(99,991)	Repurchase Agreement	1,500,000	1,500,000
Government Bonds	14,089,203	23,671,636	Derivative Payables	1	6,545
Securities under resale	-	-	Acceptance Liabilities	379,278	133,874
Allowance for possible leader				,	,-
Allowance for possible losses	-	-	Markatahla Caguritian laguad		
Derivative receivables	10	10,131	Marketable Securities Issued Rupiah	51,323	51,495
Allowance for possible losses	10	(9,855)	Foreign currencies	797,172	1,552,910
Allowance for possible losses		(9,000)	1 oreign currencies	797,172	1,332,910
Loans**			Borrowings		
Rupiah	20,713,416	10,232,739	Rupiah	571,119	613,208
Foreign currencies	3,494,399	1,728,207	Foreign currencies	87,810	198,358
Allowance for possible losses	(5,378,292)	(832,170)	3	•	•
			Accrued Expenses	137,923	256,489
Acceptance Receivables	379,278	133,874			
Allowance for possible losses	(4,441)	(2,084)	Tax Payables	-	-
Investments in Share of Stock	43,531	52,636	Allowance for Possible Losses on		
	·		Off Balance Sheet Transactions	366,636	555,607
Allowance for possible losses	(4,092)	(18,250)			
Accrued Interests Receivables	452,696	778,583	Other Liabilities	1,869,540	1,752,119
Prepaid Expenses	106,677	104,647	Subordinated Loans	703,469	738,751
Prepaid Taxes	2,889	7,501	Loan Capital	155,000	155,000
Deferred Tax Assets	302,193	368,929	Minority Interest	1,755	1,390
Fixed Asset	915,785	789,333	Fauity		
Accumulated depreciation	(382,221)	(313,837)	Equity Paid up capital	3,562,261	2 502 204
Accumulated depreciation	(302,221)	(313,037)	·		3,562,261
Deal and Obertal D	4 400	- 0	Additional paid up capital	25,412	25,412
Real and Chattel Properties	1,480	5,057	Other paid up capital	189	189
Other Assets	1,417,364	837,031	Diff. in foreign currency translation	2,904	2,940
			Retained earnings	1,331,856	771,443
TOTAL	47,245,911	48,267,308	TOTAL	47,245,911	48,267,308

 $<sup>^{9}</sup>$  Exchange Rate Rp 8,902 to US\$ (as of March 31, 2003) and Rp 9,853 to US\$ (as of March 31, 2002). \*\*) Loan for 2003 includes assets purchased from IBRA (Rp 4.6 trillion).

# Consolidated Financial Statements\*) PT Bank Danamon Indonesia Tbk and Subsidiary

OPERATING INCOME AND EXPENSES		Unaudited	Unaudited
	COMMITMENTS		
Interest Income	Commitment Receivables		
Interest 1,483,175 1,744,4	Unused borrowing facilities	9,072	20,335
Fees and commissions 39,610 11,75	Others	63	-
Total interest income 1,522,785 1,756,20	Total Commitment Receivables	9,135	20,335
Interest Expenses	Commitment Payables		
Interest 949,813 1,352,64	Unused loan facilities	3,115,525	2,047,549
Fees and commissions 126	Outstanding irrevocable L/C	292,184	212,649
Total interest expenses 949,939 1,352,64	Obligations to repurchase assets		
Net Interest Income 572,846 403,56	sold under repurchase agreements		
Other Operating Income	Others	31,128	5,819,615
Foreign exchange gain -	Total Commitment Payables	3,438,837	8,079,813
Other fees and commissions 135,505 53,02	Commitment Payables - Net	(3,429,702)	(8,059,478)
Gain on sale of marketable	CONTINGENCIES		
securities 160,158	- Contingent Receivables		
Others 94,812 47,55	Interest receivable on non-		
Total other operating income 390,475 100,5	performing assets	37,521	110,857
Other Operating Expenses	Others	-	- 110,001
General & administrative expenses 132,208 94,43	Total Contingent Receivables	37,521	110,857
Salaries and employee benefits 156,163 112,62	Contingent Payables		
Loss in foreign exchange 1,243 7,99	Guarantees issued	408,711	298,119
Loss from decline in fair value of	Channeling loans	-	-
marketable securities -	- Others	-	-
Allowance for possible losses on	Total Contingent Payables	408,711	298,119
earning assets & off bs trans. 363,127 33,26	Contingent Payables - Net	(371,190)	(187,262)
Others 38,632 44,74	6		
Total other operating 691,373 293,02 expenses	CAPITAL RATIO	2003	2002
Net Operating Income 271,948 211,12	(as of March , 31)		
	Bank Indonesia		
NON OPERATING INCOME	Tier 1	21.62%	30.40%
(EXPENSES) – NET 24,481 (19,11 INCOME BEFORE TAX 296,429 192,00		3.49% <b>25.11%</b>	5.40% <b>35.38%</b>
INCOME TAX 26,637 1,15		16.31%	n.a.
INCOME AFTER TAX 269,792 190,88		- 3.0 . 70	
MINORITY INTEREST IN NET LOSS	,		
OF SUBSIDIARY 37 86	·		
NET INCOME 269,829 191,60	SHAREHOLDERS	2003	2002
DIVIDEND -	(as of March , 31)		
NUMBER OF SHARES 4,907 24,55	The Government of Indonesia (IBRA)	99.35%	99.35%
BASIC EARNINGS PER SHARE Rp 54.99 Rp 7.8	PT Danamon International	0.00%	0.10%
	Public	0.65%	0.55%

<sup>\*)</sup> Exchange Rate Rp 8,902 to US\$ (as of March 31, 2003) and Rp 9,853 to US\$ (as of March 31, 2002).

## **Financial Highlights**

## PT Bank Danamon Indonesia Tbk and Subsidiary

Loan Collectibility	20	03	200	2
(as of March, 31)	Rp bn	%	Rp bn	%
Current	22,358	92.4	10,313	86.2
Special Mention	964	4.0	1,128	9.4
Substandard	537	2.2	254	2.1
Doubtful	233	1.0	25	0.2
Bad Debts	116	0.5	241	2.0
Total*	24,208	100.0	11,961	100.0

Loan by Sector	20	03	200	2
(as of March,31)	Rp bn	%	Rp bn	%
Manufacturing	4,804	19.8	2,879	24.1
Trade, restaurant & hotel	6,905	28.5	2,181	18.2
Agriculture	624	2.6	1,116	9.3
Construction	811	3.4	104	0.9
Transportation	550	2.3	248	2.1
Mining	527	2.2	48	0.4
Electricity, gas & water	235	1.0	262	2.2
Business services	1,770	7.3	1,154	9.6
Social services	601	2.5	395	3.3
Others	7,381	30.5	3,574	29.9
Total*	24,208	100.0	11,961	100.0

Loan by segment	2003		2002	
(as of March, 31)	Rp bn	%	Rp bn	%
Corporate*	10,366	42.8	4,714	39.4
Commercial	829	3.4	1,047	8.7
Small & medium enterprise	5,858	24.2	2,926	24.5
Consumer	7,104	29.3	3,275	27.4
Syariah	52	0.2	-	-
Total*	24,208	100.0	11,961	100.0

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**Share Price (Quote: BDMN)** 

Key Financial Ratios	2003	2002
% (as of March, 31)		
Loan to Deposits Ratio (LDR)*	70.3	33.0
Return on Average Assets (ROAA)	2.5	1.5
Return on Average Equity (ROAE)	24.8	18.0
Net Interest Margin (NIM)	4.8	3.54
Yield of Earning Assets	13.3	15.0
Cost of Fund	9.8	12.8
Income Gov Bonds/Interest Income	32.4	59.7
Fee Income to Total Operating Income	28.0	22.3
Cost to Income	37.2	42.8
Non Performing Assets/Total Earning Assets	2.1	1.5
Allowance for Possible Losses/Total Earning Assets**	3.9	2.3
Allowance for Possible Losses/NPA**	190.9	158.1
Non Performing Loans/Total Loans (NPL)*	3.7	4.4
Loan Loss Allowance to Total Loans**	7.4	7.0
NPL Coverage**	163.3	160.2
Net Open Position (NOP)	3.1	2.2
Capital Adequacy Ratio (CAR)	25.1	35.4
Earnings per Share (EPS)	Rp 54.99	Rp 7.81
*) loan for 2003 includes assets purchased from IBR	A (Rp 4.6 trillio	on)

\*\*) allowances for 2003 excludes assets purchased from IBRA (Rp 3.9 trillion)

Network & Employees	2003	2002
(as of March, 31)		
Branch offices	472	463
ATM	769	694
Number of employees	13,366	13,077

Credit Ratings			
Fitch IBCA	Short Term Credit Ratings	В	
(November 2002)	Long Term Credit Ratings	В	
Standard & Poor's	Short Term Credit Ratings	В	
(May 2003)	Long Term Credit Ratings	В	
	Outlook	Stable	
PEFINDO	Company Rating	idBBB+	
(May 2002)	Outlook	Stable	
Moodys*	Long Term Bank Deposits	Caa1	
(January 2002)	Financial Strength	E+	
Capital Intelligence*	Foreign Currency	С	
(January 2003)	Financial Strength	BB+	
	Support	3	
Note: * Public Information Rating			

<sup>\*)</sup> loan for 2003 includes assets purchased from IBRA (Rp 4.6 trillion)

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