



**Sim Kee Boon**  
President Commissioner

Message from the President Commissioner

**Your bank**

President Commissioner,  
Sim Kee Boon looks back  
on a year in which Bank  
Danamon has been one of the  
most progressive and vibrant  
performers in the banking  
community.

Dear Shareholder,

In this, my second report as President Commissioner, I am pleased to record your bank has produced outstanding results for 2004. Net Income is up 57% to Rp 2.4 trillion and an Interim Dividend of Rp 178.7 per share has been paid to shareholders during the year.

This performance is an excellent reflection of the considerable change pursued by the management team over the last twelve months. It is also

a credit to the men and women in the bank who have adapted and thrived in a period of transition. Together they transformed the business model, from one focused on selling products, to one based on nurturing customer relationships. They have established and operated clear businesses within Bank Danamon that are run efficiently, focused on well-defined and researched target markets. And they have pursued growth sensibly with an eye on prudent management of costs, risks and productivity.

Today's Bank Danamon is more involved than ever before within the community in which it operates through the social responsibility programme known as Danamon Peduli ("Danamon Cares") as well as in its daily operations. The benefits of this are many; in cementing community relationships, in capturing new business by giving access and convenience, and in understanding the challenges inherent in doing business across the wide diversity of the Indonesian archipelago.

I believe it is also important to view this strong result not as another 'recovery' story. In fact Bank Danamon has been one of the more progressive and vibrant performers in the banking community during 2004. The bank's growth is evidence of the significant potential available in both volume and quality in our chosen markets. We all recognise the benefits of security for our savings and access to good financial advice, yet less than 30% of Indonesians surveyed in the major cities possess a bank account. And the ratio is even lower in rural Indonesia where the majority of the population resides.

A further point to consider is that your bank has grown significantly in an economy driven largely by domestic consumption. The level of investment has not been as robust as hoped and with the encouragement of sound policy making under a new Government, much needed local and foreign direct investment will help develop infrastructure and stimulate employment. As the momentum builds up, Bank Danamon is positioned to provide a complete range of banking services. Your bank has expertise in the corporate sector, in the SME and commercial sector, in Syariah banking and for the consumer, whether self-employed or a salary earner. The best is yet to come.

During 2004 there was significant work completed behind the scenes in terms of sustaining the bank's governance, risk management and compliance infrastructure. Elsewhere in this report is considerable detail on the work of internal committees and your Audit Committee, tasked with independently reviewing the accuracy, quality and integrity of the bank's activities.

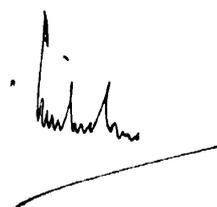
There were a number of changes to the Boards of Commissioners and Directors during 2004. Commissioner Mr. Jimmy Phoon Siew Heng resigned in 2004 and we thank him for the contribution he made to the bank during his tenure. We also thank Mr. Rajan Raju Kankipati for his participation during BOC meetings over the year. We welcome two new appointments to the BOC, Mr. Liew Cheng San Victor and Mr. Ng Kee Choe, both of whom bring substantial experience in the financial services industry. There were two changes to the Board of Directors; we thank Bp. Prasetio for his service to the bank as a Director since 2002 and welcome Mr. Tejpal Singh Hora who has considerable experience in international banking and particularly risk management.

An interim dividend of Rp 877 billion of Rp 178.7 per share representing 50% of the banks first nine months earnings in 2004 was distributed to shareholders in December 2004. Further dividend announcements will be made subject to shareholder approval at the Annual General Meeting of Shareholders to be held in May 2005.

My thanks go to management and staff for their efforts during the year and to our stakeholders, our customers and shareholders for their considerable support.

Finally on a sad note, on behalf of my fellow members of the Board of Commissioners, I wish to add our sympathies to the colleagues, to the families and to the communities of the Banda Aceh region affected by the Tsunami on December 26th, 2004. The bank is proud to have played a role in the immediate aftermath of this devastating disaster. We will continue as a long-term partner to these communities as they re-establish themselves and move forward. We will work to help make their lives better in honour of the memory of those who were lost. With this note of optimism, we look forward to building Bank Danamon through the year ahead as both a business and a pillar of care and support.

Your bank, in your community.



**Sim Kee Boon**

President Commissioner

On behalf of the Board of Commissioners

# Audit Committee Report

Pursuant to Jakarta Stock Exchange (BEJ) regulation no Kep:339/BEJ/07-2001 dated 20 July 2001, and BAPEPAM Chairman's decree letter number 29/PM/2004 dated September 24, 2004 regarding "Formation and Implementation of the Audit Committee Activities", PT. Bank Danamon Indonesia Tbk has established an Audit Committee to assist the Board of Commissioners in performing its duties:

Members of the Audit Committee of PT. Bank Danamon Indonesia Tbk comprise:

Chairman / Member

**Milan R. Shuster**  
(Independent Commissioner)

Member

**Sri Adiningsih**  
(Independent Commissioner)

Member

**Setiawan Kriswanto**

Member

**Hadi Indraprasta**

The duty of the Audit Committee is to give an independent and professional opinion to the Board of Commissioners regarding risk, compliance, Internal Audit Unit (SKAI), External Audit, Financial Statements and others.

With regards to the 2004 annual report, the Audit Committee was involved in the selection and appointment of the public accountant firm with due considerations to the scope and adequacy of the audit work, fair and reasonable audit fee, and the independence and objectivity of the auditors. During the audit process, discussions have also been held to ensure that all essential risk factors have been considered.

The Audit Committee has evaluated the effectiveness of the internal function, among others through regular meetings with the Internal Audit Unit (SKAI) to discuss any significant audit finding, follow-up on the audit work, and the audit plan for the subsequent year.

The Audit Committee has held meetings with the Integrated Risk Director to ensure that significant risk factors have been properly anticipated.

The Audit Committee also has held meetings with the Compliance Director to ensure full compliance with all prevailing internal and external rules or regulations.

The Audit Committee also has held meetings with the Financial Planning and Control unit in order to review outgoing reports to be submitted by the Bank.

The Audit Committee has reviewed the implementation of the total compensation package for the Directors and Commissioners, and has concluded that the procedures are appropriate and in accordance with the prevailing regulations.

The Audit Committee has also performed several other tasks assigned to it by the Board of Commissioners.

Based on its review upon the above-mentioned items, the Audit Committee finds no significant issues that need to be reported in the 2004 Annual Report of PT. Bank Danamon Indonesia Tbk.

Audit Committee



**Milan R. Shuster**  
Chairman



**Francis Andrew Rozario**  
President Director

Message from the President Director

**Our mission is  
“We care and enable  
millions to prosper”**



“Bank Danamon has gone from strength to strength in serving the community as a citizen and as a business”

In addition to a very strong financial performance, we made considerable progress in each of our major business segments during 2004. The launch of a new Danamon Simpan Pinjam (DSP), micro SME and personal customer network, a diversification into consumer finance via Adira Finance, growth in our commercial brand, Danamon Sahabat, an emerging Syariah banking service and an expanded treasury and corporate team are all worthy of mention. In every case

we focused on better service and improved customer care. Sadly, the year closed in devastation for the people of Aceh but Danamon Peduli (“Danamon Cares”) moved quickly to offer support. I am pleased to record that Bank Danamon has gone from strength to strength in serving the community as a citizen and as a business.

We started the year by obtaining approval from our Board of Commissioners for our mission and strategic direction, developed

during the six months following the acquisition of Bank Danamon in June 2003.

Our strategic direction has the following key elements:

- To serve the majority of the population of Indonesia, either lower income consumers or self-employed individuals, representing 80% of households. Over the course of the year, we tested two separate models and after achieving high confidence we rolled out 207

units dedicated to serve self-employed individuals located near or in traditional wet markets, and 57 units for lower income consumers. This initiative was branded Danamon Simpan Pinjam (DSP) to send a clear message that we were proud to serve these two segments each with its own unique process and technology.

- Our successful SME business was repositioned to provide customers with a total relationship suite of products and services and to build long term commitment.
- A new Commercial bank model was introduced to provide the larger SME customers with the added sophistication of trade finance, cash management and treasury products and services. The business was branded Danamon Sahabat ("Reliable Partner") to clearly emphasise our long-term commitment to be a lead bank in helping our customers to grow and prosper.
- Our middle-income consumer business was refocused to provide customers with products appropriate to every stage in their life cycle. We are in the process of expanding our reach and channels to provide these customers with the leverage they need to meet their housing, transport and transactional needs in a manner that will build long term loyalty.
- The affluent segment customers will continue to enjoy the high quality of care and attention that they expect from Bank Danamon. We will add more investment opportunities to allow this group of individuals to invest their wealth productively in Indonesia, supported by expert advice for their needs. Moreover, we will endeavour to support those that are actively engaged in business, to enjoy the benefits of our long-term relationship focus and full product capability available through our SME and Commercial businesses.
- We resolved to create a high quality Corporate banking franchise to serve large corporates and financial institutions with the combined advantage of product capability on par with foreign banks and the reach of a local bank. We will maintain a diverse risk profile for long term consistency and stability in our business through industry diversification and focus on high quality obligors.
- Our Transaction services, Treasury and Capital Markets product franchises have been substantially upgraded to meet the demands of all our chosen segment businesses. Over time, we wish to gradually become the transaction bank of choice among our customers.
- We have also managed to establish an international standard in trade expertise to help our customers in all their trade transactions. We are honored to be awarded "Best Trade Finance Bank" by Global Finance in 2004.

During the year we completed the acquisition of Adira Finance, a leading finance company. This has gained for us a very valuable product platform to finance purchases of motorcycles, cars and industrial machinery, meeting the needs of all our customers. Adira Finance has continued to grow market share successfully in all its product lines.

This strategic direction has required considerable upgrading of our support infrastructure in risk management, operations, technology and human resources. We have ensured that the support infrastructure and controls have kept pace with rapid change across the various businesses. Best practices have been introduced and there is more to follow.

A lot of attention is being given to our human resource capabilities to ensure that we have the right leadership and the expertise, along with appropriate depth of management talent to meet the challenges of our mission and strategic direction.

We embarked on a comprehensive, nationwide exercise to define our mission and core values (care, honesty, passion to excel, teamwork and disciplined professionalism) of the company. We are now in the process of embedding the enhanced values across our organisation. We will continue to focus attention on this objective until it becomes a natural part of our culture.

We saw the best of Bank Danamon in responding to the crisis that Indonesia faced because of the Tsunami.

Through our Danamon Peduli effort, volunteers were at work in the Headquarters of the Indonesian Red Cross as well as on the ground in North Sumatra within 24 hours of the disaster. They organised a search for colleagues and family members and worked hand-in-hand with the survivors to reopen Bank Danamon in the most difficult conditions, within record time. They also provided support to help accelerate the processes of recovery and rebuilding. This is a perfect example of what we all stand for in Bank Danamon — namely “We Care.”

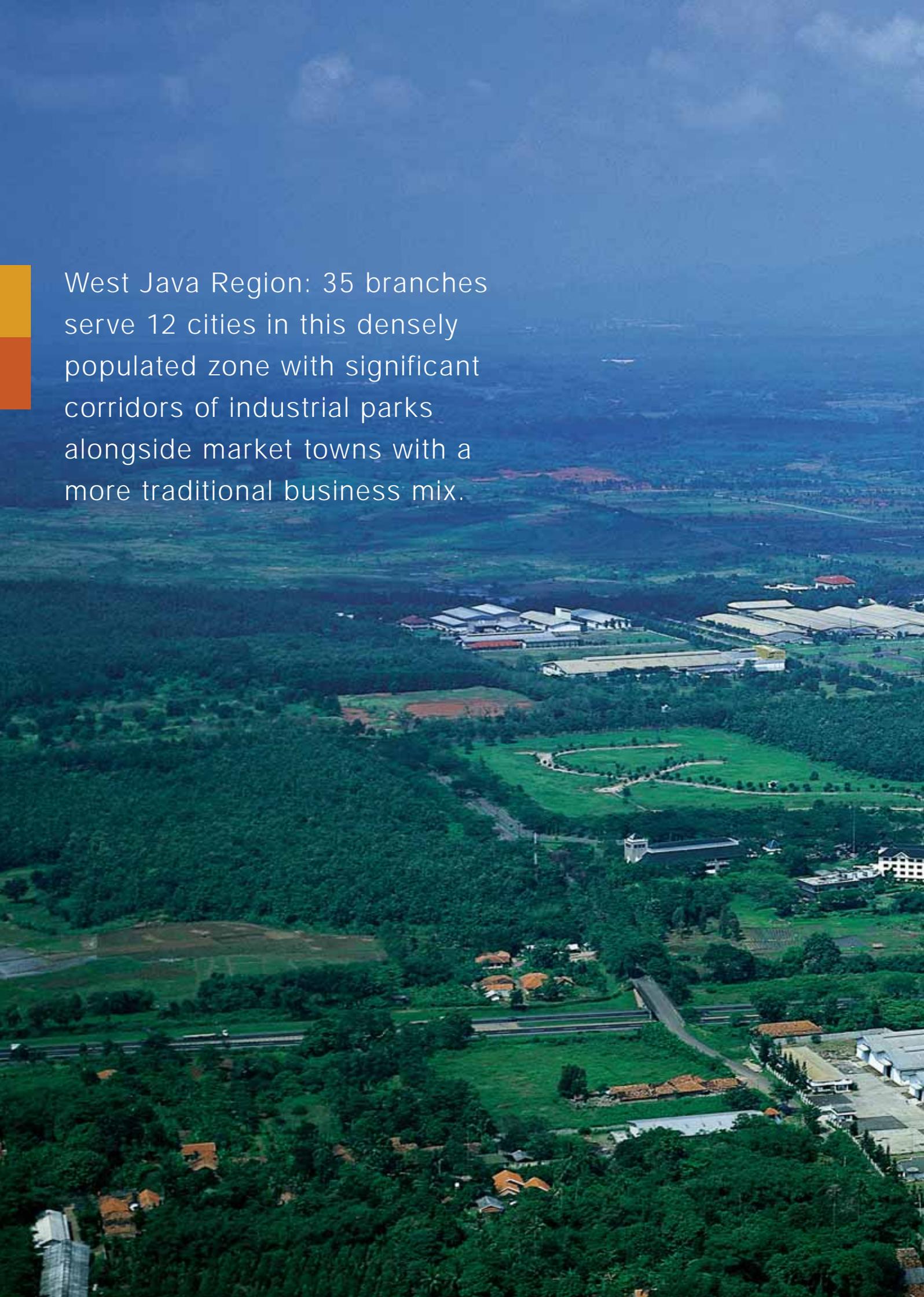
We care for “our customers”, “our employees” and “our community.”

It is with mixed feelings that I must inform all our stakeholders that I will be handing over responsibility to my successor sometime in the second quarter of 2005 and will be returning to Singapore to assume responsibility for Asia Financial Holding Pte Ltd.

I wish to thank all our customers, employees, members of our Board of Commissioners, regulators, the Government of Indonesia and the public at large, for making my stay at Bank Danamon truly memorable, something I will always cherish.



**Francis A. Rozario**  
President Director

An aerial photograph of a West Java region landscape. The scene is dominated by lush green vegetation, including dense forests and large green fields. In the middle ground, there are several large industrial buildings with white roofs, arranged in clusters. A road or highway runs through the lower part of the image, with some smaller buildings and houses nearby. The background shows a hazy, distant horizon under a blue sky with light clouds. The overall impression is of a densely populated area with a mix of industrial and traditional elements.

West Java Region: 35 branches serve 12 cities in this densely populated zone with significant corridors of industrial parks alongside market towns with a more traditional business mix.



Cikampek toll area, West Java