

Corporate Governance

Following the period of post-recovery stability, Indonesia's banking sector is entering a dynamic phase and as it does so there are a number of crucial issues on the horizon, including further consolidation within the industry, increased competition from foreign banks and increased costs and resources required to handle tougher regulation. We believe our ongoing commitment to set high standards in Corporate Governance is the means to differentiate Bank Danamon from the competition and the route to building shareholder value.

Bank Danamon's strong financial profile, low level of impaired assets and sound business strategy are evidence of governance at work and particularly, the value of effective risk management. The end of the Government's blanket guarantee to depositors, pending introduction of a new insurance scheme, may encourage a switch to quality banks and we expect to benefit. Our ratings (see table below) improved significantly in 2004 and this will support our continued effort to build our profile in international capital markets.

Bank Danamon credit ratings were upgraded in 2004 and early 2005, reflecting the improvement in business and financial profile

Rating Agencies	Rating/Outlook	
Pefindo March 2005	Corporate Rating	id A+ / Stable
	Bond Rating	id A+ / Stable
Fitch Ratings February 2005	Long-term & Short-term foreign currency	BB- / Positive / B
	National long-term	A- (idn) / Positive
Moodys February 2005	Long-term & Short-term Bank Deposit	B3 / Positive / Not Prime
	Bank Financial Strength	E+ / Positive
	Subordinated debt	B3 / Positive
Standard & Poor's December 2004	Long-term & Short-term Local Currency	BB- / Stable / B
	Long-term & Short-term Foreign Currency	B+ / Positive / B
	Subordinated debt	B / Stable

Our approach to governance is founded on four core principals:

- Fairness, as it relates to integrity and professionalism in protecting the rights and interests of shareholders.
- Transparency, in particular disclosure of information in a clear, accurate and timely manner.
- Accountability, in defining the roles, responsibilities and obligations between commissioners, directors and shareholders of the bank.
- Responsibility; the commitment as professionals to comply with all prevailing laws and regulations and to act as a good corporate citizen in the community at large.

The Board of Commissioners (BoC)

Comprising ten members including the President Commissioner and three Independent Commissioners. The members of BoC are nominated, elected and replaced through the General Meeting of Shareholders for a term ending at the close of the third Annual General Meeting of Shareholders from the date of appointment.

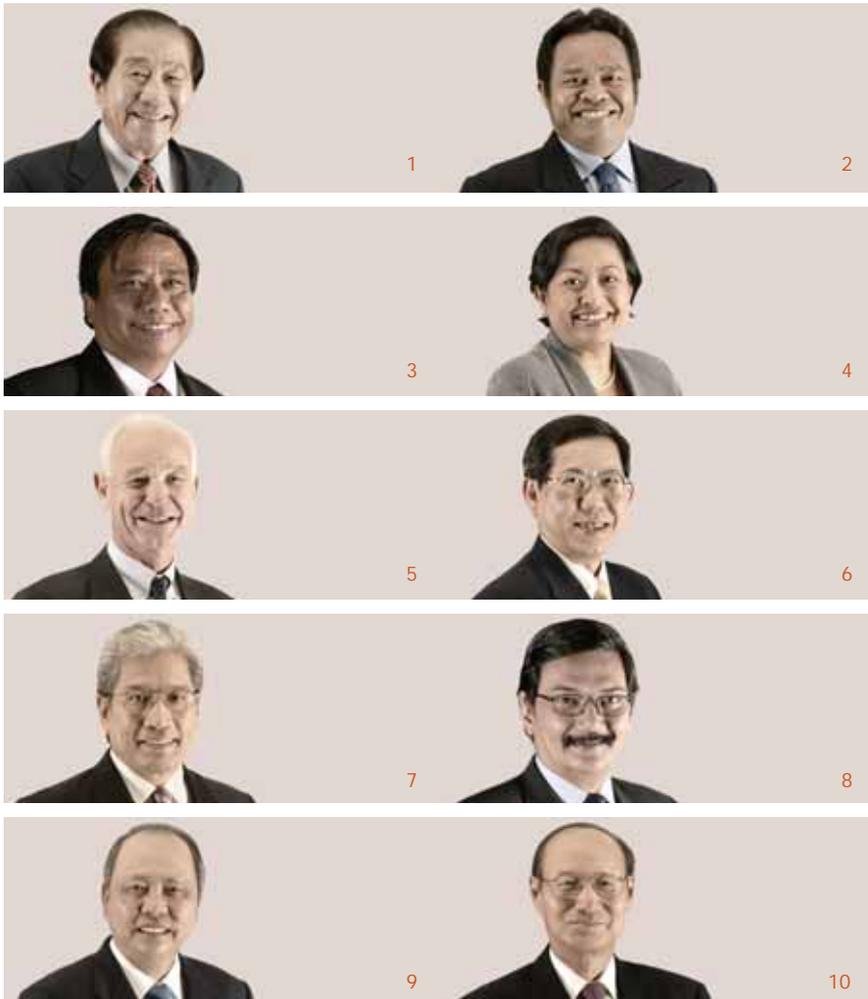
Each Commissioner is entitled to remuneration determined and approved at the AGM. Total gross annual remuneration for the BoC for the year ended December 31st, 2004 amounted to Rp 9,908 million (2003: Rp 7,110 million).

The BoC undertakes a supervisory role in the aspects of monitoring the bank's performance against stated strategy and goals, oversight of risk management, external and internal audit controls and findings, including the work of the Audit Committee, and the timely disclosure of information required in compliance with regulatory requirements and the Law. During the year the BoC held 4 meetings. A further 4 meetings were held with the BoD.

Independent Commissioners

An Independent Commissioner is not affiliated in any way with the bank other than designated as a Commissioner under the Articles of Association of the bank and in such capacity is responsible for upholding the interests of minority shareholders.

Board of Commissioners



1 Sim Kee Boon, President Commissioner Sim Kee Bon has been the bank's President Commissioner since 2003. He graduated in 1953 with a Bachelor of Arts (Honours) degree in economics from University of Malaya, Singapore. He started his career with the Civil Service of Singapore, holding various key positions until 1984. He was the Executive Chairman of Keppel Corporation Ltd from 1984 until 2000, after which he served as Senior Advisor to the Keppel Group until June 2003. He was Chairman of the Civil Aviation Authority of Singapore (CAAS) for fifteen years before stepping down in August 1999. In September 1999, he was appointed as Advisor to CAAS Board. He was also the Founding Chairman of M1, Keppel's joint venture with Singapore Press Holdings in the cellular phone business. He was sworn in as a member of the Council of Presidential Advisors in January 1997. He was appointed as Director of Temasek Holdings (Pte) Ltd in January 2000 and became Advisor to Lum Chang Group of Companies in late 2000.

2 I Nyoman Sender, Vice President Commissioner I Nyoman Sender has been a Commissioner since May 2002. He received his Masters degree from the Asian Institute of Management in the Philippines. He started his career in 1978 with Bank BNI, where he held various positions. In 2001 he was appointed as IBRA's Deputy Chairman of Credit Management Unit, and his last position was as Deputy Chairman of Bank Restructuring Unit at IBRA.

3 Sumarno Surono, Commissioner Sumarno Surono, Ph.D., has been a Commissioner since August 2002. Dr. Surono received his Ph.D. in Monetary Economics from the University of Hawaii. He started his career in 1975 as a member of the economics faculty at the University of Indonesia, where he still teaches. Dr. Surono was also a Director of PT Danareksa Fund Management from 1987 - 1993. Since November 2001, he has been working for the Ministry of State-owned Enterprises and since early 2004 has been appointed as the President Commissioner of Perusahaan Gas Negara.

4 Sri Adiningsih, Commissioner Sri Adiningsih, Ph.D, has been a Commissioner since August 2002. She received her Ph.D. in Economics from the University of Illinois. Dr. Adiningsih started her career as a research analyst and has been on the teaching staff of Gajah Mada University since 1985. She also was a member of the Expert Committee of the People's Consultative Assembly in 2001, a member of Ombudsman Committee of IBRA, and held various positions in government agencies.

5 Milan Robert Shuster, Commissioner Milan Robert Shuster, Ph.D., has been a Commissioner since 2000. Dr. Shuster received his Ph.D. in International Economics and Law from the University of Oxford. He joined the Asian Development Bank from 1970 - 1974, after which he joined ING Bank. Dr. Shuster later joined the National Bank of Canada from 1979 - 1991. Prior to his appointment as commissioner, he was the President Director of Bank PDFCI and President Director of Bank Danamon from 1999 - 2000.

6 Gan Chee Yen, Commissioner Gan Chee Yen has been a Commissioner elect since 2003. He graduated with a Bachelors degree in Accounting from National University of Singapore. He began his career as an auditor at PriceWaterhouseCoopers in May 1984. He joined Showa Leasing (S) Pte Ltd in September 1986. He became Senior Manager in Finance for Singapore Technologies Marine Ltd in mid 1988 for eight years after which he became

Director for Finance at Singapore Technologies Pte Ltd. His present position is Managing Director for Finance for Temasek Holdings (Pte) Ltd.

7 Edwin Gerungan, Commissioner Edwin Gerungan has been a Commissioner since 2003. He graduated with a Bachelor of Arts degree from Principia College, Illinois, USA. He joined Citibank in 1972 and held various positions with his last position as Vice President. Later in 1997, he joined Atlantic Richfield Corporation as Senior Advisor until 1999 before serving as Executive Vice President of PT Bank Mandiri for one year. He was the Chairman of IBRA from 2000 to 2001 and been a Commissioner at PT Bank Central Asia Tbk from May 2002 to June 2003.

8 Harry Arief Soepardi Sukadis, Commissioner Harry Arief Soepardi Sukadis has been a Commissioner since 2003. He earned his Bachelors degree in Accounting from University of Indonesia, Faculty of Economics, in 1982. He held a position as General Manager of Accounting Division for seven years at PT Indosat, Indonesia's long distance and multimedia services provider. Later, in 1993, he became Accounting and Control Division Manager for PT Semen Cibinong Tbk for seven years. He joined IBRA in 2000, holding various positions in finance and accounting with his latest position as Finance Director of IBRA.

9 Liew Cheng San, Victor, Commissioner Liew Cheng San, Victor has been a Commissioner since March 2004 and concurrently serves as Corporate Advisor of Temasek Holdings (Private) Limited. He joined Overseas Union Bank in 1980 and retired as Global Head of Markets in 2001. As a core member of the Senior Management Committee, he was involved in all aspects of Commercial Banking operations. He holds a Degree of Bachelor of Social Sciences with Honours from the University of Singapore.

10 Ng Kee Choe, Commissioner Ng Kee Choe has been a Commissioner since March 2004. He is currently Senior Advisor to the Chief Executive Officer of DBS Group Holdings Limited. He was Vice Chairman and Director of DBS Group Holdings Ltd until his retirement on 30 June 2003. He is also Chairman of Singapore Power Limited and sits on the Boards of Singapore Exchange Limited, Singapore Airport Terminal Services Limited and NTUC Income Cooperative. He is also a Governor of Singapore International Foundation. Was awarded the Public Service Star Award in August 2001.

The Board of Directors (BoD)

The BoD comprises seven Directors including the President Director and a Director serving in the capacity of Compliance Director. The members of the BoD are proposed and nominated by the Nomination Committee of the bank, to be elected for a term that ends on the close of the third AGM from the date of appointment. The BoD is responsible for the day-to-day management of the bank, including the formulation and execution of business plans, annual budgets and policies, the monitoring and managing of risks, the prudent management of the bank's assets, resources and reputation, the recruitment and conduct of bank personnel and the formation and operation of management committees in day-to-day governance of the bank.

Total remuneration of the BoD as recommended by the Remuneration Committee, for approval at the AGM amounted to Rp 20,739 million (2003: Rp 20,065 million).

Compliance Director

In accordance with Bank Indonesia's regulations, a Compliance Director was appointed with the responsibility to ensure all laws, regulations and requirements of regulatory bodies including Bank Indonesia, the Capital Market Authority and the Stock Exchange are met in a timely and accurate manner. The Compliance Director is also responsible for ensuring all internal policies and procedures are adhered to at all times. The Compliance Director is not involved in the day to day operations of the bank but has the right of veto in the event that decisions or policies are taken which contravene regulations or laws.

Board Meetings

During the year the BoD held 39 meetings. In addition, the BoD and BoC met jointly 4 times during the year.

Board of Directors



1 Francis Andrew Rozario, President Director Francis Andrew Rozario has been the bank's President Director since July 2003. He graduated from Sydenham College, Bombay University, in 1974. He attended the Program for Management Development at Harvard University in 1987. He commenced his career as a Credit Analyst and within a few years was promoted to Corporate Bank Head at Citibank, Dubai. He has served as the Chief Executive for Citibank in Nigeria, Columbia and Ecuador before joining Citibank in New York as Division Head of the Global Relationship Bank for Latin America. He was appointed the Head of Corporate and Investment Bank at Citibank Taiwan in 1993. His last position at Citibank was as Global Head for Commercial and SME for Citigroup International, based in London.

2 Emirsyah Satar, Vice President Director Emirsyah Satar has been Vice President Director elect of the bank since 2003. He graduated from the Faculty of Economics, University of Indonesia, in 1985, majoring in accounting. He started his career as an auditor at PriceWaterhouseCoopers in Jakarta in 1983. Two years later, he was assigned as Assistant to Vice President of Corporate Banking Group at Citibank Jakarta for five years. Afterwards, he became General Manager, Corporate Finance Division with Jan Darmadi Group in Jakarta. Four years later, he joined PT Niaga Factoring Corporation Jakarta as President Director. A little over one year later, he was Managing Director of Niaga Finance Co. Ltd, Hong Kong, a post he held for two and a half years. His last position prior to joining the bank was Finance Director / CFO of PT Garuda Indonesia.

3 Muliadi Rahardja, Director Muliadi Rahardja has been a Director of the bank since December 1999. He graduated from the Faculty of Economics, University of Indonesia and earned his MBA from the Massachusetts Institute of Technology in 1998. Started his career in a consulting company in 1998, and joined PT Sepatu Bata Indonesia Tbk in 1984. He joined Lippo Group in 1985 and was responsible for Insurance, Garment and Banking, after serving as Deputy Group Head of MIS. In 1989, he joined Bank Danamon as Branch Manager in Tangerang. His most recent position was Head of the Corporate Planning and Strategy Division before he was appointed as Director of the bank.

4 Gatot Mudiantoro Suwondo, Director Gatot Mudiantoro Suwondo has been a Director of the bank since 2000. He earned an MBA degree from International University, Philippines, in 1982. He started his career as a Marketing Officer with PT Chemco Graha Leasing in 1983 and joined PT First Indo-American Leasing for five years, before entering into a banking career in 1988 with Bank Duta where he worked for 12 years. His last position was as Group Head of Credit Restructuring and Settlement.

5 Anika Faisal, Director Anika Faisal has been a Director of the bank since 2002. She started her banking career with Bank Niaga in 1990, her last post being Legal Division Head. She subsequently joined a law firm in Jakarta before joining IBRA as Executive Assistant to the Chairman. She joined the bank in 2002 and was the Head of the Legal Division prior to being appointed as a Director of Bank Danamon.

6 Jerry Ng, Director Jerry Ng has served as a member of the Board of Directors since 2003. Prior to this he served as Deputy President Director of PT Bank Central Asia Tbk, Deputy Chairman and advisor to the Chairman of IBRA. He served in several senior executive positions in the Financial Services Division of Astra International Group (1991-2000) namely Deputy President Director of PT Bank Universal, President Director of PT Federal International Finance, and Commissioner of PT Astra Colonial Mutual Group Life. He started his career at Citibank Indonesia his last position being Assistant Vice President in Consumer Banking services. He is also a Fellow of the Eisenhower Fellowship Foundation. He received his Bachelor of Business Administration in Finance and Business Economics degree from the University of Washington, and attended various executive development programmes at both Stanford Business School and Harvard Business School.

7 Tejpal Singh Hora, Director Tejpal Singh Hora has been a Director of the bank since March 2004. He received a Masters in Business Administration from the Indian Institute of Management Ahmedabad, India. Prior to joining Bank Danamon, he served as the Chief Regional Credit Officer for the Private Bank in Asia Pacific of Citibank Hong Kong since 2000 and Chief Regional Credit Officer for Corporate and FI Relationships in South Asia of Citibank Singapore from 1994 until 2000. He has held senior management positions within the Citibank Group in various countries such as India, Fiji, Canada, UAE, and Saudi Arabia since 1968.

The Board of Management (BoM) consists of all members of the Board of Directors and the following senior executives:



1 Vera Eve Lim, Chief Financial Officer Vera Eve Lim has served as a member of the Board of Management and Chief Financial Officer of the bank since October 2003. She graduated from the Faculty of Economics, Tarumanegara University. Prior to commencing employment with the bank she joined Sinar Mas Dipta Insurance in 1988. She started her career with the bank in 1990 and served as Senior Vice President in charge of financial planning and control prior to her appointment as Chief Financial Officer.

2 Ali Yong, Head of Transaction and Services Ali Yong has served as Head of Transaction and Services and as a member of the Board of Management since February 2004. He is a graduate of the Institut Teknologi Bandung. He started his career at Citibank Jakarta in 1994. Later, he joined PT Bank Papan Sejahtera as the Assistant Vice President from 1997 to 1999. His last job before joining the bank was with IBRA in January 1999 where he acted as the IBRA Management Team in Bank Pos.

3 Lam Kun Kin, Head of Treasury and Capital Markets Lam Kun Kin has served as a member of the Board of Management and Head of Treasury and Capital Markets since September 2003. He graduated with Bachelor of Accountancy with Honours from National University of Singapore in 1986. In 1990, he became a designated Chartered Financial Analyst. He started his career at Government of Singapore Investment Corporation with his

last appointment as the Head of Short Term Assets. Afterwards, he joined Citibank N.A Singapore in 1995 as the Treasury Head, Regional Currencies & Derivatives Products. During his time with Citibank he held various positions. From 2002 until 2003 he was assigned as the Regional Head of Asia Pacific Financial Markets (Trading Products), Regional Head of Asia JV (FX), Singapore Market Manager, Chairman of Bonds in Singapore, Director of CISBL (Merchant Bank Vehicle).

4 **Rene Burger, Head of Corporate Banking and Financial Institutions**

Rene Burger has served as a member of the Board of Management and Head of Corporate Banking and Financial Institutions since October 2003. He earned his Bachelor degree in Economics and Management (Accounting Concentration) from Albion College, Michigan, USA in 1985. He began his career with Citigroup in Chicago, Illinois in 1985. During 18 years at Citigroup he held various management positions in New York, Germany, Saudi Arabia, Taiwan and Philippines with his last position as Country Risk Manager and Senior Credit Officer of Citibank N.A. Jakarta, Indonesia.

5 **Kanchan Nijasure, Chief Technology Officer** Kanchan Nijasure has served as a member of the Board of Management and Chief Technology Officer since April 2004. Prior to this, he served as Global Technology Head for the Commercial and SME business of Citigroup International, based in London. He has held many senior positions in Citigroup in different countries since he joined them in 1987. Prior to that, he used to work with Unisys. He received his Bachelor of Technology degree in Electrical Engineering from the Indian Institute of Technology, Bombay in 1980.

The Audit Committee

Appointed by and reporting to the BoC, the Audit Committee has the responsibility of providing an independent and professional opinion on aspects of control, risk management, internal and external audit and compliance. A full report from the Audit Committee on such matters is prepared monthly and a report of the principle areas of work covered and their findings during 2004 is included in this annual report.

Audit Committee



1 **Milan Robert Shuster, Chairman** (see Board of Commissioners)

2 **Sri Adiningsih, Member** (see Board of Commissioners)

3 Setiawan Kriswanto, Member Setiawan Kriswanto has been a member of the Audit Committee of Bank Danamon since 2002. Formerly he was Chairman of the Temporary Management Team Banks at IBRA from 1999. Prior to this he served in senior audit positions at Bank Dagang dan Industri (BDI), the Financial and Development Supervisory Board (BPKP) and in the Ministry of Finance, the Republic of Indonesia (DJKPN). He holds degrees from the Sekolah Tinggi Akuntansi Negara (STAN) Jakarta and Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya and an MM from Krisnadwipayana University (UNKRIS).

4 Hadi Indraprasta, Member Hadi Indraprasta has been a member of the Audit Committee of Bank Danamon since May 2004. Prior to this he held a number of senior positions at IBRA from 2000 to 2004. He has held audit and management positions PT Bank Duta and PT Bank Central Asia and commenced his banking career with American Express. He holds a degree from the University of Padjadjaran, Bandung, Faculty of Economics in 1987.

Syariah Supervisory Board

Changes to the Articles of Association of PT Bank Danamon Indonesia Tbk as stated in the revised notarial deed No. 52 dated May 27th, 2004 enables Bank Danamon to undertake banking activities on the basis of Islamic Syariah principles and in accordance with the regulations of Bank Indonesia.

The Syariah Banking activities are supervised by the Syariah Supervisory Board whose members serve as advisors and counselors to the Board of Directors, the Head of the Syariah Banking Unit and the General Manager of the Syariah Branch Office in all matters pertaining to Syariah banking products and services fully comply with Syariah precepts. This is an independent Board, formed by and responsible to the National Syariah Board (NSB) which operates under the Indonesian Council of Ulemas, and seconded to banks which provide banking services on the basis of Syariah principles with certain rules and regulations provided by the NSB.

The Syariah Supervisory Board of Bank Danamon was formed on February 1st, 2002, comprising :

- Prof. Dr. H.M. Din Syamsuddin (Chairman)
- Drs. Hasanudin, M. Ag (Member)
- Ir. H. Adiwarmanto A. Karim, SE, MBA (Member)

Structurally, the Syariah Supervisory Board lies outside of Bank Danamon's organisational structure and therefore is not responsible to the General Meeting of Shareholders.

Management Committees

The following committees were active in the management of the bank's operations during 2004:

- **The Risk Management Committee (RMC)** is charged with the responsibility to determine the overall risk management policies, risk strategy and risk tolerance level of the bank, credit policies, the credit strategy and the credit limits that the bank imposes on certain borrowers, industries and market segments. It is also responsible for monitoring the implementation of the risk management policy on a bankwide basis in order to ensure that potential losses can be identified in advance and adequately mitigated.

Members of the Committee are the Integrated Risk Head who serves as Chairman of the Committee, the President Director and all the Business Heads many of whom are Directors, as well as the Compliance Director.

- **The Asset and Liability Management Committee (ALCO)** is responsible for setting out the policy and strategy for the management of the bank's risk as relating to interest rates and liquidity. The committee also anticipates the possibility of asset-liability mismatches. Members of ALCO are the President Director who serves as Chairman of the Committee and other senior members of the Board of Management, many of whom are Directors.
- **The Syariah Financing Policy Committee (SFPC)** is responsible for the formulation of the policy, strategy and administrative procedure for the financing activities and risk management of Bank Danamon's Syariah Banking Unit, and ensuring that standard operating policies and procedures are adequately enforced and carried out. Members of the SFPC are the President Director who serves as the Chairman of the Committee, a Director serving as Vice Chairman, 2 other Directors and all members of the bank's Syariah Supervisory Board.
- **The Know Your Customer Committee (KYCC)** KYCC is responsible for overseeing the "know-your-customer" programme undertaken by Bank Danamon as part of its risk management and increased vigilance over money laundering and other illegal banking practices. Members of the Committee are the Compliance Director, Integrated Risk Director, Consumer Business Head, SME & Commercial Business Head and Corporate & FI Business Head.
- **The Credit Policy Committee and various Credit Committees (CPC)** is responsible for determining credit policy, credit strategy and credit limits that the bank imposes on certain borrowers, industries and market segments. Members of the committee are the President Director who serves as Chairman of the Committee, and other members of the Board of Management, many of whom are Directors.
- **The Human Resource Committee** oversees human resource policies, the bank's code of ethics and its implementation. Members of the Committee are the President Director who serves as Chairman of the Committee, the Business Heads of Operations, Credit and Compliance, the Board of Directors, as well as Chief and Division Heads of Human Resources.
- **The Nomination Committee** nominates candidates to the BoD in accordance with prevailing requirements and regulations. It also submits the candidate's nomination to Bank Indonesia. Members of the Committee are the President Commissioner and an Independent Commissioner.
- **The Remuneration Committee** reviews the remuneration packages for the Directors for a given fiscal year based on performance and target achievements. It also evaluates and approves remuneration packages for senior management as proposed by the BoD. Members of the Committee are one member of the Board of Commissioners and an Independent Commissioner.

The Corporate Secretary

The Corporate Secretary carries the responsibility for dissemination and disclosure of all information relating to the performance of the bank in a timely, accurate and transparent manner, in compliance with standing regulations applicable to the bank and as a publicly listed company.

Material Disclosure

In this section we provide information on corporate actions, material events and compliance with regulations.

Public Expose

On February 24th, 2004, a public expose was held to communicate to the press and public at large the key elements of the bank's financial condition and performance in the year 2003. As part of a commitment to transparency and regular open dialogue, the bank holds press briefings and issues press releases during the year to ensure information on matters of interest is disseminated to public.

AGMs and EGMs

An Annual General Meeting of Shareholders (AGM) was held March 26th, 2004 with the following resolutions passed:

- To approve the report of the Board of Directors for the fiscal year ending December 31st, 2003
- To approve the Balance sheet and Profit/Loss Account of the company for the fiscal year ending December 31st, 2003 as audited by Drs. Hadi Sutanto & Rekan (PwC)
- To approve the appropriation of the bank's net income for the year ending December 31st, 2003 including a cash distribution of interim dividend of

Rp 417.2 billion or Rp 85 earnings per share and Rp 194 billion or Rp 39.50 earnings per share as the remaining dividend for the fiscal year 2003 and bonuses to Commissioners and Directors

- To approve changes to the composition of the Board of Commissioners and Board of Directors
- To approve the recommendations of the Remuneration Committee and the authority of the President Commissioner to determine the amount of remuneration and benefits of the Board of Commissioners and Board of Directors
- To approve - the structure of and membership of the Audit Committee

On March 26th, 2004 an Extraordinary Meeting of Shareholders resolved:

- To approve the acquisition of PT Adira Dinamika Multifinance Tbk.
- To authorise additions to the subscribed and paid up capital of the bank in the amount of Rp 122.67 billion by issuing new shares each with a nominal value of Rp 500
- To approve the implementation of the E/M SOP (Employee/Management Share Option Plan).

Government Divestment

On behalf of the Ministry of Finance a further investment holding of 10% held by PT Asset Management Company (Persero) known as PPA was sold on November 4th, 2004 to local and overseas institutional investors through a private placement.

Acquisition of Adira Finance

On April 8th, 2004 the Board of Directors entered into an agreement to acquire 75% of the shares of Adira Finance as approved at an EGM. The conditional sales and purchase agreement was signed on January 28th, 2004.

US\$ 300 million Subordinated Debt Issuance

On March 24th, 2004 the bank completed its maiden subordinated debt issue, the largest Indonesian issue of its type to date and the first sub-debt issue by an Indonesian private sector bank. The offer attracted over US\$ 550 million in orders with participation by 105 investors.

Outstanding Litigation

There were no material outstanding cases at December 31st, 2004.

Top 25 Debtors

As at December 31st, 2004 loans to the bank's 25 largest debtors amounted to 17.2% of its total loan portfolio, the 5 largest debtors represented 6.5% and the largest debtor accounted for 1.8% of the total portfolio.

No	Business Type	Amount (in Rp million)	% of total loans
1	Electronic Appliances	525,000	1.8%
2	Wire Rod Manufacture	433,866	1.5%
3	Coal Mining	363,972	1.2%
4	Electricity	307,396	1.0%
5	Cigarettes Industry	300,000	1.0%
6	Polyester, PET Resin, Spun Yarn Producers	299,707	1.0%
7	Consumer Electronic Manufacturer	278,550	0.9%
8	Food & Consumer Goods Industry	263,105	0.9%
9	Cigarette Manufacture	250,000	0.8%
10	Reinforcing Steel Bar	233,450	0.8%
11	Coal Mining	186,892	0.6%
12	General Trading and Distribution	179,123	0.6%
13	Telecommunication	158,275	0.5%
14	Multi Finance	153,832	0.5%
15	Coal Mining Contractor	139,163	0.5%
16	Food Industry	116,063	0.4%
17	Feed Mill Manufacture	115,000	0.4%
18	Shipping Company for Coal Transportation	110,757	0.4%
19	Information Technology	104,108	0.4%
20	Car Rental	101,598	0.3%
21	Retailer	100,000	0.3%
22	Motor Cycle Components, Healthcare, Supermarket Equipments and Metal Finishing	98,876	0.3%
23	Coal Mining Contractor	85,805	0.3%
24	Industrial Gas Manufacturer	84,841	0.3%
25	Sugar Refinery Industry	84,735	0.3%
	Total	5,074,114	17.2%

Regulatory Compliance

Capital Adequacy Ratio (CAR) - without market risk charge

The bank's CAR was 27%, above the minimum requirement by Bank Indonesia of 8% as of December 31st, 2004.

Non Performing Loans (NPL)

The gross NPL ratio as of December 31st, 2004 was 4% compared with the limit of 5% set by Bank Indonesia.

Net Open Position (NOP)

The bank's NOP as of December 31st, 2004 was 1.03% compared with the regulation of Bank Indonesia which stipulates a maximum of 20% of equity.

Legal Lending Limit (LLL)

As of December 31st, 2004 there were no loans to any individual debtors or group of debtors that did not comply with the LLL requirements of Bank Indonesia.

Report of the Integrated Risk Management Division

Risk Management

Bank Danamon believes in Enterprise Risk Management as an approach to manage all risks. This requires a proactive, systematic risk management and disciplined process covering all the risks in all activities - Credit Risk, Market Risk, Liquidity Risk and Operational Risk: Legal, Compliance and Reputation Risk are managed as part of Operational Risk.

To provide the risk management framework and independent control, Bank Danamon has established an Integrated Risk Management Group; however, we work on the principle that Risk Management is the responsibility of all businesses and employees and not only a central function.

We also believe that Risk Management requires strong internal controls, a close cooperation with the Internal Audit function and - above all - the right skilled people, who are supported by the right technology.

Integrated Risk Management or Enterprise Risk Management ensures that:

- Bank Danamon takes an holistic approach to all risks
- Risk Management framework and policies at a bank-wide level and on a business level is in place
- All risks are accurately measured and documented
- Losses are always within pre established boundaries
- Risk Management in the businesses is structured properly

- Risk Management Policies and Processes at business level are appropriate and consistent
- Adequate systems and technology is employed
- Skilled and experienced human resources are deployed

Credit Risk Management Principles

Bank Danamon manages credit risk by establishing policies and procedures covering Origination, Underwriting, Maintenance and Collection of all credit risk undertaken to ensure that the risk profile is within an acceptable range.

Portfolio limits are set for the bank wide portfolio as well as for each line of business, taking into consideration business plans, portfolio quality, industry or other concentrations, product profitability and expected net credit losses.

Reserves are maintained to cover expected credit losses (specific reserves) and to cover unexpected credit losses (general reserves) at all times.

A credit risk management function is in place for each line of business, ensuring a proper segregation of duties and under the supervision of the Integrated Risk Head. Credit Authorities are delegated based on experience and track record of the respective individual and on business requirements.

All processes and procedures are subject to regular reviews by the Integrated Risk Group as well as Internal Audit, which also carries out an independent credit risk review.

Market Risk Management Principles

Similar to the other risk functions, market risk is managed based on international best practices. Value at Risk limits are used in managing the overall risk exposure and to track trading profits on a real-time basis.

Market risk factors such as Foreign Exchange, Interest Rate and Optionality risks are monitored and measured based on established pricing models used in the interbank markets. Trading and investment positions are marked to market every day (even though this is not required for the Investment Book). This conservative approach ensures that all positions are within the risk appetite and risk tolerance limits of the bank.

Our market risk policy manual caters to Bank Indonesia and conforms with Basel II requirements and is reviewed on a monthly basis. Updates are done when necessary.

Liquidity Risk Management Principles

We are also cognizant of the liquidity risk that arises from non-trading positions such as corporate and consumer loans and deposits. In

respect thereof, we have implemented a liquidity framework which clearly distinguishes between the liquidity requirements of our trading activities and traditional banking activities. Our concept rests on the belief that prudent liquidity management requires that the bank must be adequately funded under all and any circumstances. We follow international best practices and are fully compliant with Bank Indonesia regulations on efficient and effective liquidity risk management.

Our liquidity framework is an example of the robust and reliable policies and procedures that we have institutionalised which we will continue to enhance as we strive to maintain Bank Danamon's competitive advantage through good risk management techniques.

Operational Risk Management Principles

A systematic operational risk management framework is in place to ensure operational risks are properly identified and controlled in a timely manner. This encompasses a variety of controls including formal policies and documented procedures. In addition, a comprehensive self assessment process has been established, covering key areas bankwide.

We are also developing operational risk management tools which are in-line with Basel II requirements and Central Bank regulations to measure operational risk that arises in risk taking units/operation units, building up a risk event data base.

All process controls, policies, procedures and tools are subject to frequent independent reviews and regular and ongoing improvements.

Risk Monitoring

Bank Danamon carefully reviews all its risk positions in a timely manner, with relevant risk positions being monitored on a daily basis. In addition, monthly comprehensive reviews are conducted, covering bankwide risks as well as specific risk issues that may arise. Risk parameters and external factors such as market and business conditions are reviewed on an ongoing basis.

The main task of risk monitoring falls with the management committees that primarily deal with risk management issues. They comprise the Risk Management Committee, the various business Credit Committees, Asset & Liability Committee, Operational Risk Committee, Syariah Financing Policy Committee and Know-Your-Customer Committee.

Risk Management Committee (RMC)

RMC is charged with the responsibility to determine the overall risk management policies, risk strategy and risk tolerance level of the bank, credit policies, the credit strategy and the credit limits that the bank imposes on certain borrowers, industries and market segments. It is also responsible for monitoring the implementation of the risk management policy on a bankwide basis in order to ensure that potential losses can be identified in advance and adequately mitigated. Members of the Committee are the Integrated Risk Head who serves as Chairman of the Committee, the President Director and all the Business Heads many of whom are Directors, as well as the Compliance Director.

Business Credit Committees (BCC)

The Business Credit Committees are tasked with the approval of credit proposals and are responsible for credit quality of the underwriting standards within the business. Limits are established for the various members of the Credit Committee based on their skill and experience. All credit must be approved by at least 2 members of the BCC, one of whom must have a limit to approve the credit.

Asset and Liability Committee (ALCO)

ALCO is responsible for setting out the policy and strategy for the management of the bank's risk as relating to interest rates and liquidity. The committee also anticipates the possibility of asset-liability mismatches. Members of ALCO are the President Director who serves as Chairman of the Committee and other senior members of the Board of Management, many of whom are Directors.

Operational Risk Committee (ORC)

ORC is responsible for regular reviews of operational issues arising in branches or other operational units. It also initiates corrective action where warranted and disseminates operational issues throughout the bank. The committee is chaired by the Head of Operational Risk Management.

Syariah Financing Policy Committee (SFPC)

SFPC is responsible for the formulation of policy, strategy and administrative procedures for the financing activities and risk management of Bank Danamon's Syariah Banking Unit, and ensuring that standard operating policies and procedures are adequate enforced and carried out. Members of the SFPC are President Director who serves as the Chairman of the Committee, a Director serving as Vice Chairman, 2 other Directors and all members of the bank's Syariah Supervisory Board.

Know Your Customer Committee (KYCC)

KYCC is responsible for overseeing the "know-your-customer" programme undertaken by Bank Danamon as part of its risk management and increased vigilance over money laundering and other illegal banking practices. Members of the Committee are the Compliance Director, Integrated Risk Director, Consumer Business Head, SME & Commercial Business Head and Corporate & FI Business Head.

Key developments in 2004

In 2004, Bank Danamon continued to systematically improve its risk management, benchmarking itself against international best practice and Basel II requirements. In particular, Bank Danamon mandated an independent consultant to review key operational procedures. Key positions have been filled with experienced senior staff and MIS has been upgraded significantly. Taking a conservative approach, an automated write-off policy and system for mass businesses has been implemented. All relevant policies and risk acceptance criteria have been reviewed and updated as necessary. Bank Danamon has also continued to improve existing risk scoring and other tools with the goal of fulfilling Basel II requirements in line with Bank Indonesia regulations.