Financial Review

To provide a clearer picture of the Bank's performance on a normalised (like-for-like) basis, we have included in this analysis references to normalised NPAT, and selected ratios to reflect the bank's fundamental core business performance, net of one-off non recurring items.

Consolidated Key Financial Data

(Billion Rupiah, except for ratios and share data)	2005	2004	Change
Operating Results			
Normalised Net Interest Income	4,603	4,018	15%
Normalised Fee Income	1,080	691	56%
Operating Income	5,683	4,709	21%
Operating Expenses	2,909	1,963	48%
Pre-Provisions Operating Profit	2,774	2,746	1%
Cost of Credit	814	833	(2%)
Net Profit Before Tax	1,960	1,913	2%
Goodwill & Minority Interest	206	163	26%
Income Tax	559	637	(12%)
Normalised NPAT	1,195	1,113	7%
Non-Recurring Items (after Tax)	808	1,295	(38%)
Reported NPAT	2,003	2,408	(17%)
Balance Sheet			
Total Assets	67,803	58,812	15%
Total Loans	35,995	29,416	22%
Total Government Bonds	14,102	17,324	(19%)
Total Third Party Funds	47,022	40,765	15%
Total Equity	8,589	7,804	10%
Profitability Ratios			
Net Interest Margin	8.9%	8.6%	0.3%
Normalised Cost to Income	51.1%	41.6%	9.5%
Normalised ROAA	1.8%	2.1%	(0.3%)
Normalised ROAE	15.2%	17.9%	(2.7%)
Reported ROAA	3.1%	4.5%	(1.4%)
Reported ROAE	24.2%	35.1%	(10.9%)
Assets Quality Ratios			
Non-Performing Loans/Total Loans	2.6%	4.0%	(1.4%)
Loan Loss Allowance/Total Loans	2.8%	5.5%	(2.7%)
Loan Loss Allowance/Non-Performing Loans	109.9%	136.5%	(26.6%)
Liabilities Ratios			
Loan to Deposit Ratio [a)]	80.8%	72.5%	8.3%
Deposits to Total Liabilities	79.5%	79.9%	(0.4%)
Capital Ratios			
Capital Adequacy Ratio	23.5%	27.0%	(3.5%)
Tier 1 Capital	17.3%	19.1%	(1.8%)
Equity/Assets	12.7%	13.3%	(0.6%)

a) Deposits include deposits from other banks

Overview

Bank Danamon, as a universal bank, derives its earnings firstly, from providing a comprehensive range of financial services and products to all major segments in the market using a unique business model for each segment and secondly from trading and investing activities in financial markets as part of its day to day activities in managing the entire business portfolio. The Bank places emphasis on the development of high yield loan assets and the use of a combination of third party deposits and structured funding for effective management of the maturity profile of its balance sheet in accord with enterprise risk management parameters.

Net income

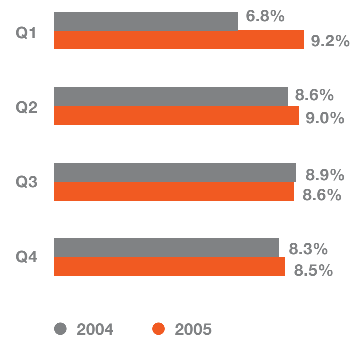
Net income for the year was Rp 2,003 billion or Rp 407.7 per share. This represents a variance of 17% compared with the result in 2004 due the decline in one off items from the gain on sales of government bonds, provision release and write backs and loan recoveries. The Bank's normalised (core) earnings, however, increased 7% to Rp 1,195 billion, reaffirming its strong fundamental business.

Rp Billion	2004	2005	Change
Core Net Income	1,113	1,195	7%
Non Recurring Items	1,295	808	(38%)
Reported Net Profit	2,408	2,003	(17%)

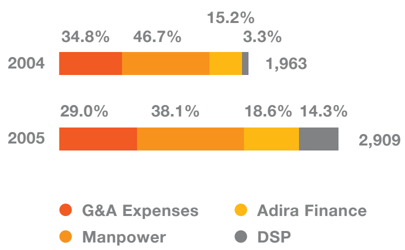
The non-recurring items (extraordinary gains on sales of government bonds, provision release and write backs and loan recoveries) declined Rp 487 billion or 38% to Rp 808 billion in 2005 as compared to Rp 1,295 billion in the previous year.

Rp Billion	FY2004	FY2005	Change
Gain on sales of Government Bonds	432	251	(42%)
Recovery of loans, provision release and write backs	1,233	803	(74%)
Others	42	75	79%
Total non-recurring items (before tax)	1,707	1129	(34%)
After Tax Non-Recurring Items	**1,295**	**808**	**(38%)**

Quarterly Net Interest Margin



Operating Expenses
(Rp billion)



Net Interest Income

Net interest rose 15% to Rp 4,603 billion and net interest margin improved from 8.6% to 8.9% despite rising cost of funds.

Interest income increased 27% to Rp 8,129 billion on loan asset growth of 22%. The contribution from government bonds declined from 28% of total interest income in the previous year to 19% as we continued to focus on building our higher yielding credit portfolio.

A sharp increase in interest rates, particularly in the second half of the year, as well as funding growth drove interest expenses 48% higher to Rp 3,526 billion. In the second half of 2005, Bank Indonesia has aggressively raised interest rates (SBI rates) to defend the Rupiah from depreciating in value and increased reserve requirements for banks in order to manage escalating inflation following the significant hike in fuel prices in October 2005. High interest rates and tight monetary policy drove the bank's cost of funds up from 4.6% in 2004 to 6.4% in 2005.

Fee income

Normalised fee income grew 56% to Rp 1,080 billion, a result of marking to market our securities portfolio plus growth in credit fees and improvements in Treasury fees earned from increased foreign exchange and money market activity.

Operating Expenses

In line with our continued business expansion, general and administrative expenses increased 31% and employee costs were up 50%. The growth of our DSP and Consumer Finance operations were the primary reason with an additional 475 DSP units and 31 extra Adira Finance offices opened during the year. In addition, we recruited more than 4,500 employees and costs relating to the Employee Share Option scheme of Rp 109 billion were incurred as compared to Rp 37 billion in 2004.

Cost of Credit

The overall net cost of credit (taking account of provision expenses, loan write-offs and losses incurred on sale of re-possessed assets) was Rp 814 billion compared to Rp 833 billion in 2004. Increases in the cost of credit in the consumer auto financing business were offset by lower credit costs in other operations in the Bank.

Net income

Taking account of the narrowing of loan-deposit rate spreads, costs associated with our ongoing business expansion and the absence of non-recurring income at the levels attained over the previous two years, net income for 2005 was 17% lower at Rp 2,003 billion or Rp 407.7 basic earnings per share.

Financial Position

The Bank's asset base grew 15% in 2005 and the mix of earning assets improved further as total loans expanded while the relative contribution from government bonds reduced further. Loan growth of 22% to Rp 35,995 billion was predominantly from higher yielding consumer auto financing and mass market loans. Despite strong competition, the Bank managed to grow its deposit base by 15% to Rp 47,022 billion. Bank Danamon remains well capitalized with CAR at 23.5% at the end of the year and shareholders' equity rose 10% to Rp 8,589 billion.

Loans

Loan growth of 22% to Rp 35,995 billion was primarily due to expansion in the higher yielding consumer auto financing and mass-market businesses.

Consumer loans now account for 42% of the total credit portfolio, the main driver being Adira Finance. Motorcycle loans contribute over half the consumer portfolio, car loans are a further 25% and housing loans represent 19% of the total.

Our mass market business, Danamon Simpan Pinjam (DSP), continued its rapid expansion, growing its loans five fold to Rp 3,651 billion. Accordingly its share of the bank's total credit portfolio rose to 10% at the end of 2005 from less than 2% a year earlier.

SME lending growth was satisfactory reaching a level of Rp 7,550 billion as compared to Rp 6,982 billion in 2004. Commercial loans were up 22% to Rp 4,691 billion. Our corporate business segment continued to build its fee base without further credit expansion.

The growth of consumer and mass market DSP lending, with smaller average transaction sizes and a broad customer base, represents a diversification of credit risk. The quality of the Bank's overall portfolio has improved as indicated by the NPLs (non-performing loans) ratio that declined to 2.6% from 4.0% a year earlier. The increase in special mention loans from 6.9% to 10.8% of total loans over the same period is in line with the growth of consumer and DSP business and reflects the characteristics of these businesses - a loan is defined as special mention if payments are just 1 day overdue. The bulk of special mention loans are settled within one month of the due date. The NPL coverage ratio: loan loss provisions as a percentage of NPLs now stands at 110% at the end of 2005.

Government Bonds

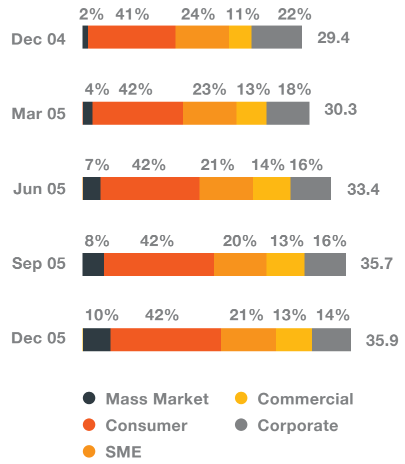
Government bonds as a proportion of assets reduced further in 2005 to 21% from 30% a year earlier and correspondingly reduced in contribution to interest earnings; down from 28% to 19% of interest income.

Funding

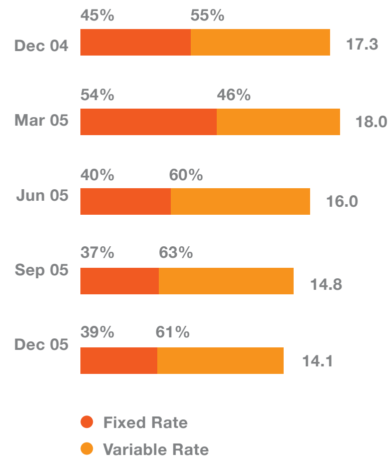
Despite a competitive market, third party deposits grew a credible 15% to Rp 47,022 billion with current accounts and savings accounts representing 28% of total deposits. The strongest growth was evident in time deposits.

The Bank also managed to raise Rp 1,875 billion long-term structured funding during 2005 that was used to fund long-term loans in consumer auto financing and mass market business to address the asset and liability maturity mismatch of the Bank.

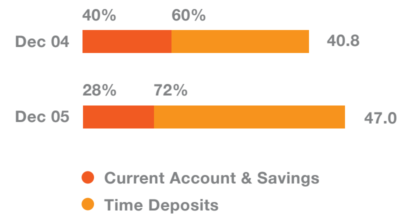
Outstanding Loans
(Rp Trillion)



Government Bonds
(Rp Trillion)



Customers Deposit
(Rp Trillion)



Capital and Dividend

Shareholders' equity increased by 10% to Rp 8,589 billion through retained earnings and the execution of employee stock options which resulted in an increase in fully paid up shares. A final dividend of Rp 327 billion from 2004 profit was paid in June 2005 and a further dividend is planned to be paid from 2005 profit, subject to the approval of shareholders at the upcoming Annual General Meeting.

The Bank's Capital Adequacy Ratio (CAR) was satisfactory at 23.5% at the end of 2005, slightly lower than 27.0% on the back of loan growth.

Regulatory Capital

(Billion Rupiah)	2005	2004	Change
Tier 1 Capital	**7,933**	6,400	24%
Paid-in Capital	3,569	3,563	(1%)
Disclosed Reserves			
Additional Paid-in Capital (premium)	199	62	221%
General Reserves	49	25	96%
Retained Earnings	3099	1,884	64%
Prior Year Losses (100%)	-	-	-
Profit During the Year Net of Taxes (50%)	1,014	863	17%
Difference in Foreign Currency Translation of	3	3	0%
Overseas Branch	-	-	-
Deferred Taxes	-	-	-
Difference from Restructuring Transaction of Entities under Common Control - Merger Banks	-	-	-
Tier 2 Capital	**3,976**	3,547	12%
Reserves from Revaluation of Fixed Assets	-	-	-
General Allowance for Productive Assets (max. 1.25% of RWA)	474	347	37%
Subordinated Loan (max. 50% of Tier 1 Capital)	3502	3,200	9%
Tier 1 + 2 Capital	**11,909**	9,947	20%
Long Term Investment	1,144	889	29%
Total Capital	**10,765**	9,058	19%
Risk Weighted-Based Assets (RWBA)	45,852	33,542	37%
Capital Adequacy Ratio	**23.5%**	27.0%	(3.5%)
Tier 1 Ratio to RWBA	**17.3%**	19.1%	(1.8%)

Responsibility for Financial Reporting

This Annual Report and the accompanying financial statements and related financial information, are the responsibility of the Management of Bank Danamon and have been approved by members of the Board of Directors and the Board of Commissioners whose signatures appear below:

Sim Kee Boon
President Commissioner

Johanes Berchmans Kristiadi
Vice President Commissioner

Milan Robert Shuster
Commissioner

Gan Chee Yen
Commissioner

Harry Arief Soepardi Sukadis
Commissioner

Victor Liew Cheng San
Commissioner

Ng Kee Choe
Commissioner

Manggi Taruna Habir
Commissioner

Sebastian Paredes
President Director

Jerry Ng
Vice President Director

Muliadi Rahardja
Director

Anika Faisal
Director

Hendarin Sukarmadji
Director

Tejpal Singh Hora
Director