

Investor Newsletter

August 2002

Bank Danamon

Performance in 1st Semester 2002

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Investor Relations

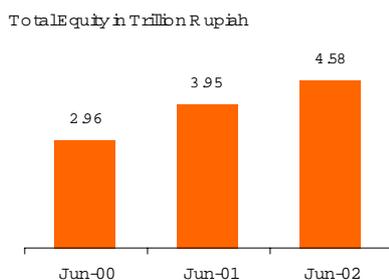
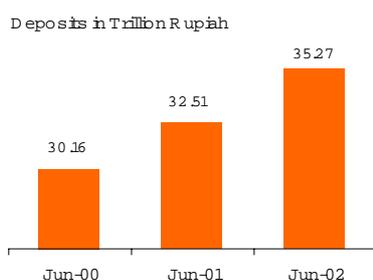
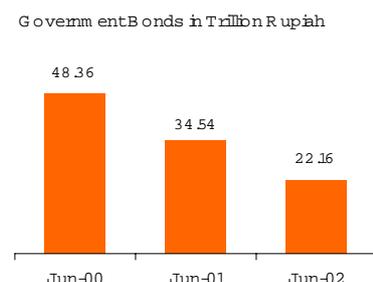
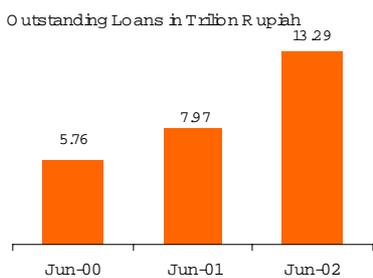
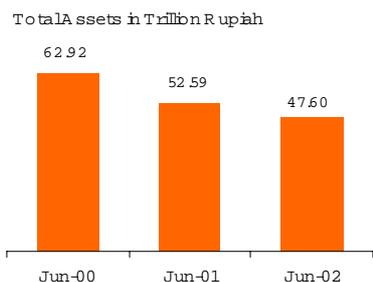
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Highlights:

- Net Income increased to Rp 411 bn from Rp 364 bn
- Earning per Share increased to Rp 16.76 from Rp 14.83
- Government bonds reduced by Rp 5.6 tn to Rp 22.2 tn
- Loan grew by Rp 2.8 tn to Rp 13.3 tn
- New Head Office and New Corporate Logo

FINANCIAL PERFORMANCE IN FIRST SEMESTER 2002



Bank Danamon posted Rp 411 billion in net income for first semester of fiscal year 2002, a growth of 12.9% compared with Rp 364 billion in the previous corresponding period. The increase resulted mainly from significant growth in fee income and reduction in losses arising from decline in fair value of marketable securities.

The Bank has been able to secure Rp 855 billion in net interest income in the first six months of 2002, a decrease of 18.6% from Rp 1,051 billion in the same period last year. This is mainly caused by lower capital gain resulting from the trading of the Bank's government bonds as well as its exchange offer portfolio. Consequently, interest income declined from Rp 3,699 billion in first semester last year to Rp 3,390 billion in the first semester this year. On the other hand, interest expense decreased by 4.2% from Rp 2,647 billion in the first half 2001 to Rp 2,535 billion in the first half 2002. As a result of the above, net interest margin declined slightly to 3.9% in first half 2002 from 4.1% in the same period last year.

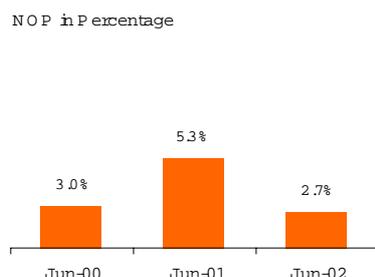
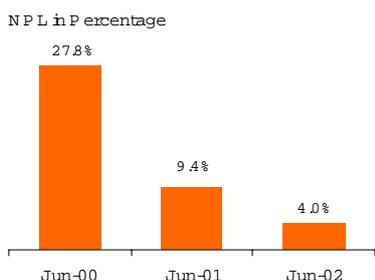
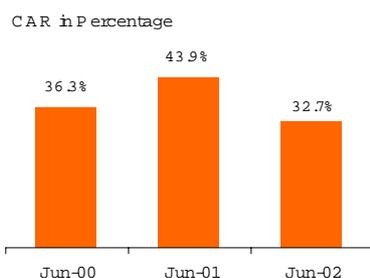
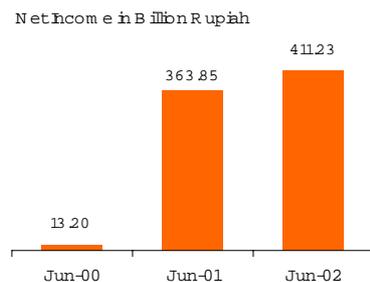
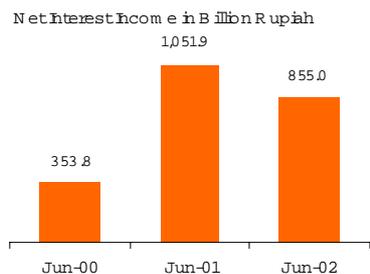
Other operating income in the first half 2002 increased by 62.2% to Rp 292 billion from Rp 180 billion in the same period last year. Aside from the increase in the fees arising from servicing its customers, the Bank also managed to significantly increase fees from its bancassurance unit with Prima Investa being the major contributor. As a result, the ratio of fee based income to total operating income improved to 25.5% in the first semester 2002 from 12.9% last year.

During the first six months of year 2002, the Bank incurred other operating expenses amounting to Rp 700 billion against Rp 875 billion in the same period last year. This reduction was mainly due to the sharp decrease in losses arising from decline in fair value of marketable securities which amounted to Rp 102 billion in the first semester of 2002 compared to Rp 451 billion in the same period last year. Salaries and employees' benefits increased by 53.5% to Rp 281 billion from Rp 183 billion last year as a result of the Bank's strategy to improve the quality of its human capital by offering competitive salaries and benefits to attract and retain talented employees. General and administrative expenses increased to Rp 221 billion from Rp 184 billion last year. As a result, cost to income ratio for second quarter 2002 stood at 52.2%, up 17.8%, compared to 34.4% in the corresponding period last year.

In the first semester 2002, loans grew by Rp 2,810 billion or 26.8% from Rp 10,477 billion in December 2001 to Rp 13,287 billion in June 2002. This loan growth was mainly a result of new loans (organic growth) as opposed to loan purchases. This led the Bank's loan-to-deposits ratio (LDR) to improve to 37.7% in June 2002 from 24.5% in June 2001.

As of June 2002, corporate loans accounted for 33% of the outstanding loans, down considerably from 49% in June 2001. The remaining are loans to small-and medium-sized enterprises (28%), consumer loans (30%), and commercial loans (9%). Going forward, the Bank plans to manage this loan proportion in which loans to consumer and SME will account for majority of the loan portfolio.

The Bank's non-performing loan (NPL) has been brought down to Rp 532 billion in June 2002 from Rp 748 billion a year earlier. The reduction in NPL coupled with loan growth has brought down NPL level to 4.0% in June 2002 from 9.4% a year earlier. Although loan loss allowances slightly decreased in first semester 2002, the NPL coverage, as measured by loan loss allowances to non-performing loans, still stood at 230.5% level in June 2002 compared to 152.7% in June 2001. The Bank



has placed remedial and loan workouts as key priorities in the effort to supplement its balance sheet with earning assets.

Government bonds have been gradually reduced from Rp 27,768 billion in December 2001 to Rp 22,157 billion in June 2002 as a result of the successful marketing of Prima Investa. In alliance with PT Meespiersson, Bank Danamon has successfully marketed Prima Investa (a mutual fund product based on fixed rate government recap bonds) to its retail customers. This product has contributed considerably to the Bank's fee income in the first six months of 2002. As a result of the successful marketing of Prima Investa, variable rate bonds held by the Bank have now outnumbered fixed rate bonds with the ratio being 76% : 24% as of June 2002, a significant improvement compared to the same period last year where the ratio of variable rate bonds to fixed rate bonds was 48% : 52%.

On the funding side, deposits increased by 8.5% to Rp 35,266 billion in June 2002 from Rp 32,514 billion at the end of first semester 2001. The improvement in the ratio of funds in savings and current account to that held in time deposits from 30% in first semester 2001 to 33% at the end of first semester 2002 is a result of the Bank's effort to reduce its cost of funds.

Bank Danamon's capital adequacy ratio (CAR) stood at 32.7% as of June 2002, leaving enough rooms for expansion in higher yielding assets in the future. There was a reduction in the Bank's CAR from June 2001 position of 43.9% and this reduction was attributable to both the quasi reorganization undertaken in June 2001 and changes in the composition of the Bank's earning assets.

The Bank's net open position was brought down to 2.7% in June 2002 from 5.3% in June 2001. This ratio has always been kept on the low side of the central bank's regulation of 20%.

NEW INITIATIVES HIGHLIGHTS

Bank Danamon has embarked on a number of key initiatives in 2001 and 2002, and the highlights are as follows:

- **Prima Investa**, a mutual fund that invests in government recap bonds held by Bank Danamon. Since its introduction in early December 2001, subscription has reached Rp 6.8 trillion as of June 2002. The fee income generated through this product is expected to significantly contribute to the Bank's fee-based income in 2002.

- **SME Center**, a branch that concentrates on financing and developing small to medium scale business enterprises (SMEs). Staffed by devoted and knowledgeable officers and supported by an information center, the centers will be able to serve the SME customers better. Currently, four SME Centers have been operating in Makassar, Padang, Jakarta and Denpasar.

- **Danamon Access Center**. This is a phone banking service which currently provides the Bank's customer with 24-hour access to the banking services such as funds transfer, account openings, balance inquiry, etc. DAC has recently introduced a service that enables the Bank's customers to obtain their phone banking personal identification number (PIN) through the Bank's ATM network. This will eliminate the inconvenience of delivering PIN through the mail. This new service

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PRODUCTS & SERVICES

Consumer Loans

Housing Loans
 Auto Loans

Checking Account

Primajiro Super9
 Giro Rupiah
 Giro Foreign Currency
 Primadollar

Saving Account

Tabungan Danamon

Time Deposit

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

Bancassurance

Primajaga
 Primainvesta
 Tabungan Pendidikan Danamon

Credit Card

Fix' N Fast
 Visa
 Mastercard

Other Services

Remittance
 24 Hour Phone Banking
 Collections
 Safe Deposit Box
 Foreign Exchange Trading
 Payroll

is expected to broaden the user base of DAC and hence reducing the high cost associated with in-branch services.

■ **Primagold Banking**, a priority banking service for individuals with high net worth. Primagold Banking Center will soon be launched in Jakarta, Medan and Balikpapan. The first Primagold Banking Center was opened in June 2002 at Menara Danamon (BDI's new headquarter).

■ **Credit Card**, a Travel Center was introduced in order to provide cardholders with travel related services such as ticketing and hotel reservations.

■ **ATM**. As part of the effort to improve its customer service, Bank Danamon continues to add and improve features and services to its ATM, such as an increase in withdrawal & transfer limits, cash withdrawal using Danamon's credit card, credit card payments, purchases of cellular phone prepaid credits, etc.

■ **Tabungan Pendidikan Danamon**, a savings product catering to individuals with needs to plan for their children educational fund by making a fixed monthly deposit. Since its introduction at the end of May 2002, the Bank has been able to sign up more than 9,000 accounts. 

LATEST NEWS

■ Bank Danamon has recently relocated its headquarter office to Menara Bank Danamon (Jl. Prof. Dr. Satrio Kav. E4-6, Komplek Mega Kuningan). Through this relocation, the Bank will benefit from savings in lower rental expenses and at the same time, improve its image through a brand new corporate office.

■ Bank Danamon will introduce a new corporate logo and signature in August 2002 as part of the Bank's commitment to revitalize its visual identity that enables the Bank to look forward to the future with greater confidence and focus. 

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, which is well known as Bank Danamon. The Bank became the first Indonesian private foreign exchange bank after obtaining its foreign exchange license from the Central Bank (Bank Indonesia) in November 1988 and went public the following year.

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. It was

BANK DANAMON**Head Office**

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Muliadi Rahardja
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Gatot Mudiantoro Suwondo
Prasetio
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Anika Faisal

Head of Internal Audit
Godlip Pasaribu

Chief Information & Technology Officer
Boy Trianto

Chief National Operation Officer
Ali Yong

Chief Human Resources Officer
RKW Pratomo

EVP For Consumer Wealth Management
Carolina Dina Supriyanto

Corporate Affairs
Madi D. Lazuardi

Planning & Financial Control
Vera Eve Lim

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Communication**
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Card Center
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Randy Pangalila

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Finance**
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Agro Business Lending Division
D. Prayudha Moelyo

UKMK Centers Coordinator
Agus Suhendra

Treasury
Trisiladi Supriyanto

FI & International Banking
Oliver Mambu

placed under the care of the Indonesian Bank Restructuring Agency (IBRA) to be included in the bank recapitalization and merger program.

The Bank's statutory capital was increased to Rp 10 tn on May 17, 2000 following the recapitalization program through a third rights issue and the merging of Bank PDFCI (completed in December 30, 1999). On September 2000, Bank Danamon completed the merger with eight private Banks, namely Bank Jaya, Bank Tiara Asia, Bank Pos Nusantara, Bank Rama, Bank Tamara, Bank Nusa Nasional, Bank Duta, and Bank Risjad Salim Internasional. 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. 

FINANCIAL STATEMENTS

PT. BANK DANAMON INDONESIA TBK

BALANCE SHEETS

Per June 30, 2002 and 2001

In million Rupiah				In million Rupiah			
NO	ASSETS	2002	2001	NO	LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
		Unaudited	Audited			Unaudited	Audited
1	Cash	529,744	527,052	1	Demand Deposits		
					Rupiah	2,296,174	2,174,371
2	Current Accounts with Bank Indonesia	1,857,751	1,956,117		Foreign currencies	1,718,067	1,384,930
3	Current Accounts with Other Banks			2	Other Current Liabilities	1,119,532	3,591,762
	Rupiah	57,913	77,567	3	Saving Deposits	7,651,200	6,086,545
	Foreign currencies	302,500	914,834	4	Time Deposits		
4	Placements with Other Banks				Rupiah	20,365,380	21,021,373
	Rupiah	361,012	-		Foreign currencies	3,235,364	1,846,385
	Foreign currencies	1,407,140	1,836,367	5	Certificates of Deposits	-	-
	Allowance for possible losses	(28,703)	(35,582)	6	Interbank Taking	397,913	490,491
5	Trading Account Securities Held and Bills			7	Marketable Securities Sold under		
	Rupiah	2,507,788	134,685		Repurchase Agreement	500,000	529,000
	Foreign currencies	2,968,728	2,210,348	8	Liabilities on Derivative Transactions	3,646	3,258
	Allowance for possible losses	(30,389)	(150,362)	9	Acceptance Liabilities	172,388	273,372
6	Government Bonds	22,157,259	34,536,082	10	Marketable Securities Issued		
7	Derivative transactions receivable	8,931	12,562		Rupiah	51,495	51,495
	Allowance for possible losses	(8,742)	(11,451)		Foreign currencies	1,127,163	3,511,088
8	Loans			11	Fund Borrowings		
	Rupiah	11,590,993	5,627,619		Rupiah	620,550	3,674,288
	Foreign currencies	1,695,872	2,348,893		Foreign currencies	176,531	58,288
	Allowance for possible losses	(717,587)	(810,941)	12	Accrued Interest	228,957	100,389
9	Acceptance Receivables	172,388	138,642	13	Tax Payables	-	77,074
	Allowance for possible losses	(3,128)	(1,386)	14	Estimated Losses On Commitments and Contingencies	338,542	337,281
10	Investments in Share of Stock	52,635	52,246	15	Other Liabilities	2,271,913	2,529,475
	Allowance for possible losses	(13,584)	(18,440)	16	Subordinated Loans	586,641	741,951
11	Accrued Interests Receivables	759,532	1,302,510	17	Loan Capital	155,000	155,000
12	Prepaid Expenses	61,670	52,883	18	Minority Interest	1,987	2,298
13	Tax Advances	7,509	-	19	Stockholders' Equity		
14	Deferred Tax Assets	339,295	392,591		Paid up capital	3,562,261	3,562,261
15	Premises and Equipment	987,680	724,498		Capital paid in excess of par value	25,412	25,412
	Accumulated depreciation	(308,925)	(266,192)		Other paid up capital	189	189
16	Real and Chattel Properties	4,735	4,306		Difference arising from restructuring		
					transaction of entities under common control	-	-
17	Other Assets	880,228	1,039,549		Difference in foreign currency translation	(7)	3,176
					Retained earning	993,947	363,845
TOTAL		47,600,245	52,594,997	TOTAL		47,600,245	52,594,997

FINANCIAL STATEMENTS

PT. BANK DANAMON INDONESIA TBK

STATEMENTS OF INCOME					COMMITMENTS AND CONTINGENCIES				
From January 1 to June 30					Per June 30, 2002 and 2001				
In million Rupiah					In million Rupiah				
NO	ACCOUNTS	2002 Unaudited	2001 Audited		NO	ACCOUNTS	2002 Unaudited	2001 Audited	
	OPERATING INCOME AND EXPENSES					COMMITMENTS			
1	Interest Income				1	Commitment Receivables			
	Interest	3,390,337	3,698,992			Unused fund borrowings facility	18,522	27,988	
	Fees and commissions	31,286	30,118			Others	-	1,243	
	Total interest income	3,421,623	3,729,110			Total Commitment Receivables	18,522	29,231	
2	Interest Expenses				2	Commitment Payables			
	Interest	2,535,319	2,647,060			Unused loan facilities granted	2,168,220	1,534,471	
	Fees and commissions	104	436			Outstanding irrevocable import L/C	175,948	165,335	
	Total interest expenses	2,535,423	2,647,496			Obligations to repurchase assets sold under repurchase agreements	-	-	
	Interest Income - Net	886,200	1,081,614			Others	4,422	6,878	
						Total Commitment Payables	2,348,590	1,706,684	
3	Other Operating Income					Commitment Payables - Net	(2,330,068)	(1,677,453)	
	Gain in foreign exchange	-	20,199			CONTINGENCIES			
	Other fees and commissions	158,361	28,599		3	Contingent Receivables			
	Gain on investment in securities	221	-			Interest receivables on non performing loans	108,840	73,413	
	Others	102,409	101,072			Others	-	-	
	Total other operating income	260,991	149,870			Total Contingent Receivables	108,840	73,413	
4	Other Operating Expenses				4	Contingent Payables			
	General and administrative expenses	221,186	183,608			Guarantees issued	317,462	579,354	
	Salaries and employees' benefits	281,027	183,282			Others	6,873,195	183	
	Loss in foreign exchange	9,451	-			Total Contingent Payables	7,190,657	579,537	
	Provisions for losses and decline in value of earning assets and others	101,808	451,335			Contingent Payables - Net	(7,081,817)	(506,124)	
	Others	87,134	56,985						
	Total other operating expenses	700,606	875,210						
	Operating Income (Expenses) - Net	446,585	356,274						
5	NON OPERATING INCOME (EXPENSES) - NET	(4,779)	16,215						
6	INCOME BEFORE TAX	441,806	372,489						
7	ESTIMATED INCOME (PROVISION) FOR DEFERRED TAX	30,784	9,056						
8	INCOME (LOSS) BEFORE MINORITY INTEREST	411,022	363,433						
9	MINORITY INTEREST IN NET INCOME (LOSSES) OF SUBSIDIARIES	204	412						
10	NET INCOME	411,226	363,845						
11	DIVIDEND	-	-						
12	NUMBER OF SHARES (in million)	24,535	24,535						
13	EARNING PER SHARE (in Rupiah)	16.76	14.83						

BIS CAPITAL RATIO		
	30-Jun-02	30-Jun-01
Tier 1	28.17%	32.91%
Tier 2	4.92%	10.98%
Total	32.72%	43.89%

EXCHANGE RATE		
	30-Jun-02	30-Jun-01
Rupiah to US Dollar	8,740	11,440

SHAREHOLDERS		
	30-Jun-02	30-Jun-01
The Government of Indonesia (IBRA)	99.35%	99.35%
PT Danamon International	0.00%	0.10%
Public	0.65%	0.55%

FINANCIAL HIGHLIGHTS

PT. BANK DANAMON INDONESIA TBK

LOAN COLLECTIBILITY	30-Jun-02		30-Jun-01	
	Rp million	%	Rp million	%
Current	11,773,823	88.6	6,489,518	81.4
Special mention	980,927	7.4	739,453	9.3
Substandard	275,214	2.1	54,032	0.7
Doubtful	123,432	0.9	95,340	1.2
Bad debts	133,469	1.0	598,169	7.5
Total	13,286,865	100.0	7,976,512	100.0

LOAN BY ECONOMIC SECTOR	30-Jun-02		30-Jun-01	
	Rp million	%	Rp million	%
Manufacturing	2,789,074	21.0	1,939,367	24.3
Trade, restaurant & hotel	2,576,521	19.4	1,930,368	24.2
Agriculture	1,055,666	7.9	1,365,681	17.1
Construction	293,595	2.2	97,028	1.2
Transportation	288,090	2.2	144,018	1.8
Mining	56,006	0.4	58,917	0.7
Electricity, gas & water	234,388	1.8	304,334	3.8
Others	5,993,525	45.1	2,136,799	26.8
Total	13,286,865	100.0	7,976,512	100.0

LOAN BY SEGMENT	30-Jun-02		30-Jun-01	
	Rp million	%	Rp million	%
Corporate	4,362,620	32.8	3,910,872	49.0
Commercial	1,220,980	9.2	908,179	11.4
Small and Medium Enterprises	3,696,265	27.8	2,118,220	26.6
Consumers	4,007,000	30.2	1,039,241	13.0
Total	13,286,865	100.0	7,976,512	100.0



KEY FINANCIAL RATIOS	30-Jun-02	30-Jun-01
Loans to Deposits	37.65%	24.50%
Return on Average Assets (ROAA)	1.78%	1.31%
Return on Average Equity (ROAE)	20.21%	18.26%
Net Interest Margin (NIM)	3.91%	4.13%
Earning Assets Yield	15.50%	14.51%
Cost of Fund	12.60%	11.69%
Income Gov Bonds/Interest Income	58.21%	79.10%
Fee Income to Total Operating Income	25.45%	12.94%
Cost to Income	52.20%	34.42%
Non Performing Assets to Total Earning Assets	1.29%	1.86%
Loan Loss Allowance to Total Earning Assets	2.62%	3.06%
Loan Loss Allowance to NPA	203.44%	164.70%
Non Performing Loans to Total Loans (NPL)	4.01%	9.39%
Loan Loss Allowance to Total Loans	5.40%	10.17%
NPL Coverage	230.47%	152.71%
Net Open Position (NOP)	2.71%	5.30%
Capital Adequacy Ratio (CAR)	32.72%	43.89%
Earning per Share (EPS)	Rp 16.76	Rp 14.83

NETWORK & EMPLOYEES	30-Jun-02	30-Jun-01
Branch offices	461	490
ATM	700	703
No. Employees	13,060	13,099

CREDIT RATINGS		
PEFINDO (May 2002)	Company Rating	idBBB+
Moody's * (January 2002)	LT Bank Deposits Financial Strength	Caa1 E+
FITCH IBCA * (September 2001)	ST Credit Ratings LT Credit Ratings Shadow Individual Support	- - D/E (s) 5T
Capital Intelligence * (March 2001)	Foreign Currency Domestic Strength Support Outlook	C BB 3 Stable

Note: *Public Information Rating

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