

Investor Newsletter

May 2002

www.danamon.co.id

BANK DANAMON

Performance in 1st Quarter 2002



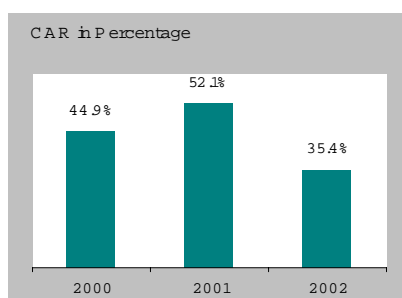
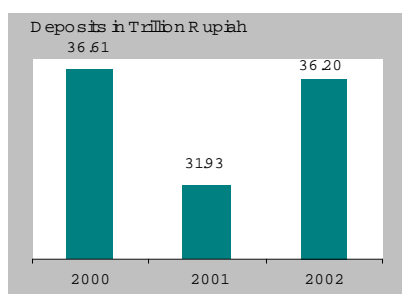
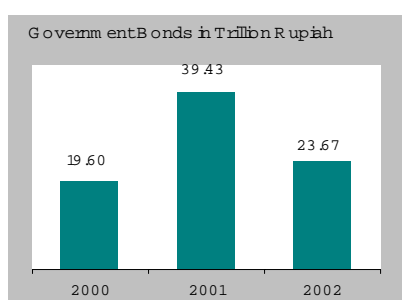
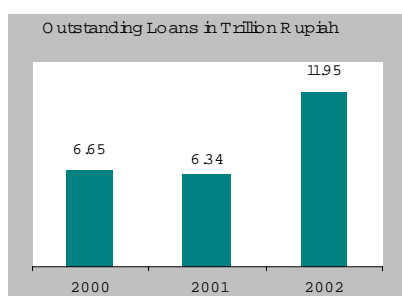
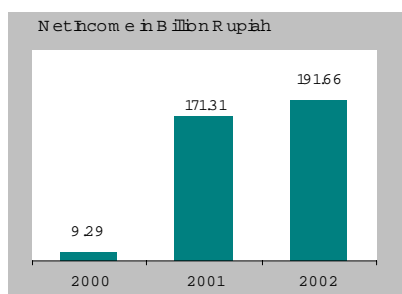
Highlight

- * Net Income increased to Rp 192 bn from Rp 171 bn
- * Earning per Share increased to Rp 7.81 from Rp 6.98
- * Government bonds reduced to Rp 23.7 tn from Rp 27.8 tn
- * Loan grew to Rp 11.9 tn from Rp 10.5 tn
- * Election of new Boards of Commissioners and Directors

Investor Relations

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FINANCIAL PERFORMANCE IN FIRST QUARTER 2002

Bank Danamon posted Rp 192 billion in net income for first quarter of fiscal year 2002 compared with Rp 171 billion in the previous corresponding period. The increase resulted mainly from significant reduction in loss provisions, which declined from Rp 120 billion in first quarter 2001 to Rp 33 billion in first quarter 2002.

The Bank has been able to secure Rp 392 billion in net interest income in the first quarter of 2002, a decrease of 10.7% from Rp 439 billion in the same period last year. The decrease in interest income is primarily due to the reduction in earning assets as the Bank had settled its liquidity credits (inc. interests) owed to IBRA with government bonds in 2001 (Rp 15.1 trillion). On the other hand, interest expense decreased by 5.3% from Rp 1,429 billion in Q1 2001 to Rp 1,353 billion in Q1 2002. As a result of all these, the Bank managed to improve its net interest margin, which rose from 3.3% in 2001 to 3.5% in 2002.

In the first quarter of 2002, other operating income decreased slightly to Rp 104 billion from Rp 115 billion compared with the same period last year. This is mainly caused by a loss on foreign exchange transactions of Rp 8 billion in the first quarter of 2002 as opposed to a gain of Rp 38 billion in the previous year.

During the first three months of year 2002, the Bank had incurred operating expenses amounting to Rp 252 billion against Rp 226 billion in the same period last year. As part of the Bank's effort to improve the quality of its human capital, competitive salaries and benefits were put in place to attract and retain talented employees, resulting in an increase in employee salaries and benefits to Rp 113 billion in the first of quarter 2002 from Rp 86 billion in the previous year. On the other hand, general and administrative expenses were reduced to Rp 94 billion from Rp 106 billion last year. Cost to income ratio for first quarter 2002 stood at 58.1%, down 4.4%, compared to 62.5% in the corresponding period last year.

In the first quarter of 2002, loans grew by Rp 1,476 billion or 14.09% from Rp 10,477 billion in December 2001 to Rp 11,953 billion in March 2002. This loan growth was mainly a result of new loans (organic growth) as opposed to loan purchases. As a result, the Bank's loan-to-deposits ratio (LDR) improved to 33.0% in March 2002 from 19.8% in March 2001.

Bank Danamon continues to exercise prudence with regards to credit growth and expansion by increasing vigilance in credit underwriting and credit risk management. The Bank has developed a comprehensive and integrated risk management unit as part of the effort to increase risk awareness, such as a credit rating system for credit quality and credit administration. As part of the risk management practices, the Bank diversifies its loan portfolio by both market segments and economic sectors to reduce concentration risk. As of March 2002, corporate loans accounted for only 39% of the outstanding loans, down considerably from 43% in March 2001. The remaining are loans to small-and medium-sized enterprises* (24%), consumer loans (28%), and commercial loans (9%).

The Bank's non-performing loan (NPL) level as of March 2002 declined considerably to 4.4% of outstanding loans from 7.9% a year earlier. Non-performing loans slightly increased to Rp 520 billion in March 2002 compared with Rp 498 billion a year earlier. Although loan loss allowances slightly decreased in

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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

first quarter 2002, the NPL coverage, as measured by loan loss allowances to non-performing loans, still stood at 160% level.

Government bonds have been gradually reduced from Rp 27,768 billion in December 2001 to Rp 23,672 billion in March 2002 as a result of the successful marketing of the mutual fund product, Primainvesta. In alliance with PT Meespiersson, Bank Danamon has successfully marketed Primainvesta (a mutual fund product based on government recap bonds) to its retail customers. In terms of government bonds still held by Bank Danamon, variable rate bonds have now outnumbered fixed rate bonds with the ratio being 71% : 29% as of first quarter 2002. This is a significant improvement compared to the same period last year where the ratio of variable rate bonds to fixed rate bonds was 41% : 59%.

On the funding side, deposits increased by 13.4% to Rp 36,201 billion in March 2002 from Rp 31,926 billion in first quarter 2001. Time deposits remain the major source of funding and contributed about 71% of total deposits in March 2002 with the rest being savings (18%) and demand deposits (11%).

Bank Danamon's capital adequacy ratio (CAR) stood at 35.4% as of March 2002, leaving enough rooms for expansion in higher yielding assets in the future. There was a reduction in the Bank's CAR from March 2001 position of 52.1% 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 2.2% in March 2002 from 2.9% in March 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:

- **Primainvesta**, a mutual fund that invests in government recap bonds held by Bank Danamon. Since its introduction in early December 2001, subscription has reached Rp 5.6 trillion as of March 2002, with more than Rp 4 trillion sold in the first quarter of 2002. The fee income generated through this product is expected to significantly contribute to the Bank's fee-based income in 2002.
- **Fix n Fast**, the first-of-its kind card product in Indonesia that allows cardholders to set a fixed monthly payment according to individual financial capacity. Responses are measured by incoming application for the card has showed healthy trends in the first quarter of 2002.
- **Danamon Access Center (DAC)**, a 24-hour phone banking system. DAC aims to improve customer access to the Bank's products and services such as interbranch transfer, account opening, bill payment, information on account balance and transaction, etc. DAC has been launched in several major cities such as Jakarta, Bandung, Surabaya, Medan, Denpasar and Makasar. Bank Danamon has plans to utilize this platform to push more products to its customers in the near future including but not limited to interbank funds transfer, foreign exchange, credits top up for mobile phone services and others.

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Board of Director

Arwin Rasyid
 Mulyadi Rahardja
 Krishna R. Suparto
 Gatot Mudiantoro Suwondo
 Prasetyo*
 Riswinandi*
 Anika Faisal*

Notes: * subject to approval by BI

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

Sonny Wahyubrata

Planning & Financial Control

Vera Eve Lim

**Liability Products & Marketing
 Communication**

John Kosasih

Card Center

Doddy Virgianto

Bancassurance & Investment

Randy Pangalila

**Business Development UKM & Trade
 Finance**

Gandhi G. Putra Ismail

Agro Business Lending Division

D. Prayudha Moelyo

UKMK Centers Coordinator

Agus Suhendra

Treasury

Trisiladi Supriyanto

FI & International Banking

Oliver Mambu

- **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 set up in Makassar, Padang, Jakarta and Denpasar.
- **Unit Usaha Syariah (UUS)**, a special branch that operates based on *syariah* principles. As part of the strategy to fulfill its vision, Bank Danamon has opened one *syariah* branch (Jakarta-Kramat Jati) in May 2002. Going forward, Bank Danamon has plans to open 4 new branches within the year.
- **Primagold Banking**, a priority banking service for individuals with high net worth. Primagold Banking will soon be launched in Jakarta, Medan and Balikpapan.
- **Tabungan Pendidikan**, a savings product catering to individuals with needs to plan for their children educational fund. The product will be launched at the end of May 2002 and is expected to generate fee-based income through the related insurance premiums paid by depositors. ❁

LATEST NEWS

Bank Danamon held its annual shareholders meeting on May 16th, 2002. Among the agenda was the election of the Board of Commissioners and Directors for a new term of three years expiring in 2005. The shareholder meeting decided on the election of the following officers:

Board of Commissioners

President Commissioner : Darmin Nasution*
 Commissioner : Milan R. Shuster
 I Nyoman Sender
 Sumarno Surono*
 Sri Adiningsih*

Board of Directors

President Director : Arwin Rasyid
 Director : Mulyadi Rahardja
 Krishna R. Suparto
 Gatot M. Suwondo
 Prasetyo*
 Riswinandi*
 Anika Faisal*

Note: * denotes that BI's approval has yet to be obtained ❁

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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 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 right issue and the merging of Bank PDFCI. On June 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 March 31, 2002 and 2001

In million Rupiah				In million Rupiah			
NO	ASSETS	2002	2001	NO	LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
		Unaudited	Unaudited			Unaudited	Unaudited
1	Cash	592,794	497,481	1	Demand Deposits		
2	Current Accounts with Bank Indonesia	1,948,557	2,028,247		Rupiah	2,292,367	1,884,752
3	Current Accounts with Other Banks				Foreign currencies	1,630,021	1,040,761
	Rupiah	70,832	72,764	2	Other Current Liabilities	1,079,239	3,315,425
	Foreign currencies	1,177,902	293,871	3	Saving Deposits	6,408,146	6,097,840
4	Placements with Other Banks			4	Time Deposits		
	Rupiah	117,012	191,094		Rupiah	22,130,706	21,209,765
	Foreign currencies	1,750,691	1,029,757		Foreign currencies	3,730,984	1,693,232
	Allowance for possible losses	(67,926)	(22,374)	5	Certificates of Deposits	8,291	-
5	Trading Account Securities Held and Bills			6	Interbank Taking	109,563	459,730
	Rupiah	2,376,270	609,679	7	Marketable Securities Sold under Repurchase Agreement	500,000	529,000
	Foreign currencies	2,857,059	2,857,929	8	Liabilities on Derivative Transactions	6,545	57,708
	Allowance for possible losses	(99,991)	(130,320)	9	Acceptance Liabilities	133,874	37,176
6	Government Bonds	23,671,636	39,434,745	10	Marketable Securities Issued		
7	Derivative transactions receivable	10,131	10,486		Rupiah	51,495	51,495
	Allowance for possible losses	(9,855)	(6,199)		Foreign currencies	1,552,910	3,083,219
8	Loans			11	Fund Borrowings		
	Rupiah	10,232,739	4,099,890		Rupiah	613,208	8,161,780
	Foreign currencies	1,728,207	2,241,013		Foreign currencies	198,358	430,953
	Allowance for possible losses	(832,170)	(1,003,167)	12	Estimated Losses on Commitments and Contingencies	555,607	705,542
9	Acceptance Receivables	133,874	37,176	13	Accrued Interest	256,489	260,316
	Allowance for possible losses	(2,084)	-	14	Tax Payables	-	-
10	Investments in Share of Stock	52,636	73,250	15	Other Liabilities	1,901,439	1,619,951
	Allowance for possible losses	(18,250)	(12,903)	16	Subordinated Loans	589,431	796,700
11	Accrued Interests Receivables	778,583	1,231,775	17	Loan Capital	155,000	155,000
12	Prepaid Expenses	104,647	92,404	18	Minority Interest	1,390	2,687
13	Tax Advances	7,501	570	19	Stockholders' Equity		
11	Deferred Tax Assets	368,929	401,647		Paid up capital	3,562,261	3,562,261
12	Premises and Equipment	789,333	776,687		Capital paid in excess of par value	25,412	25,412
	Accumulated depreciation	(313,837)	(309,843)		Other paid up capital	189	189
13	Real and Chattel Properties	5,057	4,215		Difference arising from restructuring transac. of entities under common control	-	-
14	Other Assets	837,032	852,332		Difference in foreign currency translation	2,940	-
					Retained earning	771,443	171,312
	TOTAL	48,267,308	55,352,206		TOTAL	48,267,308	55,352,206

FINANCIAL STATEMENTS

PT. BANK DANAMON INDONESIA TBK

STATEMENTS OF INCOME			
From January 1 to March 31			
In million Rupiah			
NO	ACCOUNTS	2002 Unaudited	2001 Unaudited
	OPERATING INCOME AND EXPENSES		
1	Interest Income		
	Interest	1,744,410	1,867,902
	Fees and commissions	11,799	13,139
	Total interest income	1,756,209	1,881,041
2	Interest Expenses		
	Interest	1,352,640	1,429,269
	Fees and commissions	-	266
	Total interest expenses	1,352,640	1,429,535
	Interest Income - Net	403,569	451,506
3	Other Operating Income		
	Gain in foreign exchange	-	37,639
	Other fees and commissions	53,029	25,062
	Others	47,550	39,798
	Total other operating income	100,579	102,499
4	Other Operating Expenses		
	General and administrative expenses	94,437	106,331
	Salaries and employees' benefits	112,621	86,168
	Loss in foreign exchange	7,955	-
	Provisions for losses and decline in value of earning assets and others	33,267	120,041
	Others	44,747	33,582
	Total other operating expenses	293,027	346,122
	Operating Income (Expenses) - Net	211,122	207,883
5	NON OPERATING INCOME (EXPENSES) - NET	(19,113)	(36,571)
6	INCOME BEFORE TAX	192,009	171,312
7	ESTIMATED INCOME (PROVISION) FOR DEFERRED TAX	1,150	-
8	INCOME (LOSS) BEFORE MINORITY INTEREST	190,859	171,312
9	MINORITY INTEREST IN NET INCOME (LOSSES) OF SUBSIDIARIES	801	-
10	NET INCOME	191,660	171,312
11	DIVIDEND		
12	NUMBER OF SHARES (in million)	24,535	24,535
13	EARNING PER SHARE (in Rupiah)	7.81	6.98

COMMITMENTS AND CONTINGENCIES			
Per March 31, 2002 and 2001			
In million Rupiah			
NO	ACCOUNTS	2002 Unaudited	2001 Unaudited
	COMMITMENTS		
1	Commitment Receivables		
	Unused borrowing facility	20,335	31,605
	Others	-	1,405
	Total commitment receivables	20,335	33,010
2	Commitment Payables		
	Unused loan facilities	2,047,549	1,504,873
	Outstanding irrevocable import L/C	212,649	256,012
	Obligations to repurchase assets sold under repurchase agreements	-	-
	Others	5,819,615	4,422
	Total Commitment Payables	8,079,813	1,765,307
	Commitment Payables - Net	(8,059,478)	(1,732,297)
	CONTINGENCIES		
3	Contingent Receivables		
	Interest receivables on non performing loans	110,857	58,351
	Others	-	-
	Total Contingent Receivables	110,857	58,351
4	Contingent Payables		
	Guarantees issued	244,786	200,896
	Others	53,333	-
	Total Contingent Payables	298,119	200,896
	Contingent Payables - Net	(187,262)	(142,545)

BIS CAPITAL RATIO	31-Mar-02	31-Mar-01
Tier 1	30.40%	39.14%
Tier 2	5.40%	12.97%
Total	35.38%	52.11%

SHAREHOLDERS	31-Mar-02	31-Mar-01
The Government of Indonesia (IBRA)	99.4%	99.4%
Public	0.6%	0.6%

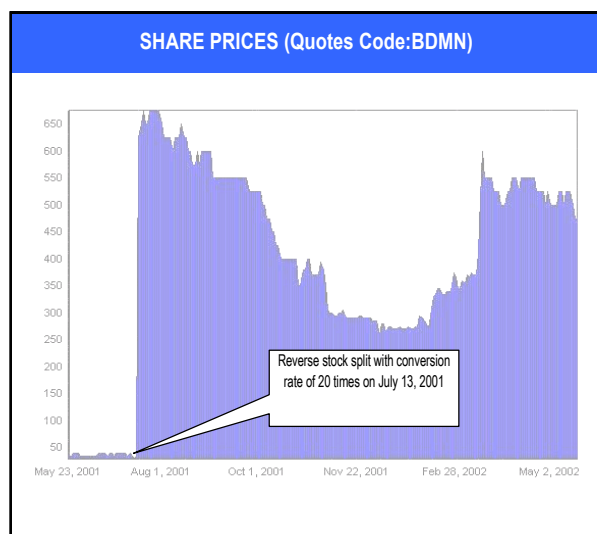
FINANCIAL HIGHLIGHTS

PT. BANK DANAMON INDONESIA TBK

LOAN COLLECTIBILITY (in Million Rupiah)	31-Mar-02	31-Mar-01
Current	10,305,831	4,929,996
Special mention	1,128,003	904,394
Substandard	253,993	139,043
Doubtful	25,247	21,658
Bad debts	240,326	337,784
Total	11,953,400	6,332,875

LOAN BY ECONOMIC SECTOR (in Million Rupiah)	31-Mar-02	% of Loans
Manufacturing	2,879,667	24.1%
Trade, restaurant & hotel	2,180,804	18.2%
Agriculture	1,115,945	9.3%
Electricity, gas & water	263,182	2.2%
Others	5,513,802	46.1%
Total	11,953,400	100.0%

LOAN BY SEGMENT (in Million Rupiah)	31-Mar-02	% of Loans
Corporate	4,710,400	39.4%
Commercial	1,046,000	8.8%
Small and Medium Enterprises	2,922,000	24.4%
Consumers	3,275,000	27.4%
Total	11,953,400	100.0%



Source : Indoexchange

KEY FINANCIAL RATIOS	31-Mar-02	31-Mar-01
Loans to Deposits (LDR)	33.03%	19.83%
Return on Average Assets (ROAA)	1.52%	1.17%
Return on Average Equity (ROAE)	18.00%	16.54%
Net Interest Margin (NIM)	3.54%	3.30%
Fee Income to Total Operating Income	22.29%	14.03%
Cost to Income	58.12%	62.48%
Non Performing Assets to Total Earning Assets (NPA)	1.46%	1.01%
Loan Loss Allowance to Total Earning Assets	2.31%	3.53%
Loan Loss Allowance to NPA	158.07%	348.08%
Non Performing Loans to Total Loans (NPL)	4.35%	7.88%
Loan Loss Allowance to Total Loans	6.96%	15.82%
NPL Coverage	160.17%	201.24%
Net Open Position (NOP)	2.15%	2.93%
Capital Adequacy Ratio (CAR)	35.38%	52.11%
Earning per Share (EPS)	Rp7.81	Rp6.98

NETWORK & EMPLOYEES	31-Mar-02	31-Mar-01
Branch offices	464	490
ATM	694	699
No. Employees	13,077	13,023

EXCHANGE RATE	31-Mar-02	31-Mar-01
Rupiah to US Dollar	9,853	10,400

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

Note: * Public Information Rating