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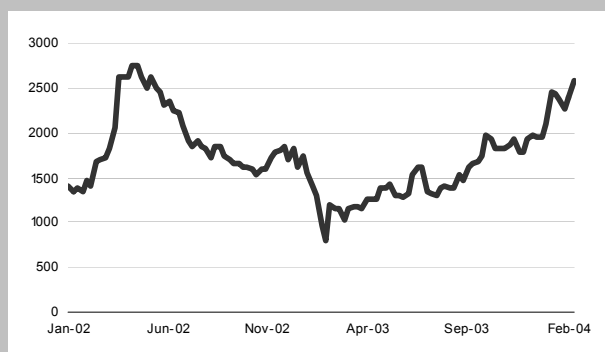
Investor Newsletter

February 2004

Full Year 2003 Results

- Net Profit increased to Rp. 1,529 billion from Rp. 948 billion in 2002
- Loans grew to Rp. 20.8 trillion in 2003 from Rp. 17.7 trillion a year earlier
- Government Bonds amounted to Rp. 21.2 trillion as compared with Rp 15.6 trillion a year earlier due to the discontinuance of Prima Investa, our guaranteed rate mutual fund product
- In addition to the interim dividend amounting to Rp. 417 billion, the Board has approved Rp. 195 billion to be paid as final dividend. As a result, the Bank will pay out a 40% dividend of its full year 2003 net profit.

Share Price (Ticker: BDMN)



Source: Bloomberg

<i>in billion Rupiah</i>	FY 2002	FY 2003	Chg (%)
Income Statement			
Net Interest Income	2,018	3,016	49.5
Other Operating Income	581	1,302	124.1
Provision for Possible Losses	279	1,326	375.3
Other Operating Expenses	1,318	1,650	25.2
Net Income	948	1,529	61.3
Earnings per Share (Rp) ¹	193.28	311.72	61.3
Balance Sheet			
Total Assets	46,911	52,682	12.3
Total Loans ²	17,695	20,849	17.8
Total Government Bonds	15,640	21,234	35.8
Total Liabilities	42,256	45,859	8.5
Third Party Funds	34,898	39,800	14.0
Total Equity	4,653	6,822	46.6
Key Financial Ratios (%)			
Net Interest Margin	4.1	5.7	1.6
Return on Average Assets	2.0	3.3	1.3
Return on Average Equity	22.3	31.4	9.1
Loan to Deposits Ratio ²	52.1	57.0	4.9
NPL / Total Loans ²	4.4	6.8	2.4
NPL / Total Loans ³	4.6	4.6	-
Loan Loss Allowances / NPL ⁴	132.8	159.7	26.9
Net Open Position	2.3	1.0	-1.3
Capital Adequacy Ratio	25.3	26.8	1.5
Tier 1 Capital	21.7	23.4	1.7

¹EPS for 2002 adjusted for reverse stock split in January 2003

²Include loans purchased from IBRA (net)

³Exclude loans purchased from IBRA

⁴Loan loss allowances excludes allowances for loans purchased from IBRA

Shareholders	Dec 2002	Dec 2003	Change
Asia Financial (Indonesia) Pte Ltd	-	61.9%	61.9%
IBRA	99.4%	28.4%	-71.0%
Public	0.6%	9.7%	9.1%

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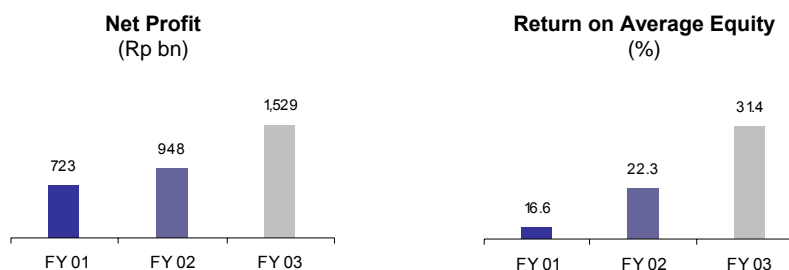
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FULL YEAR 2003 FINANCIAL RESULTS

*...Net profit up
61%...*

Danamon recorded a net profit of Rp. 1,529 billion in 2003, increased by 61.3% over Rp. 948 billion in 2002, mainly contributed by higher net interest income as well as fees and commissions income. Accordingly, earnings per share were Rp. 311.72 in 2003, compared with Rp. 193.28 in 2002. The Bank's improving profitability resulted in an increase in both its ROAA and ROAE to 3.3% and 31.4%, as compared to 2.0% and 22.3%, respectively, in 2002.

Exhibit I. Profitability



*...Net interest
margin improved to
5.7%...*

Net interest income for 2003 increased by 49.5% to Rp. 3,016 billion. The increase was due primarily to lower interest expense as a result of new management's initiative to decrease funding costs by cutting interest rates on deposits in July 2003. Net interest margin was 5.7% for 2003, an improvement of 160 basis points over the same period last year reflecting the benefit of lower funding costs which declined to 5.6% against 11.5% in the previous year.

*...Cost-to-Income
ratio maintained at
45% level...*

Other operating income increased by 124.1% to Rp. 1,302 billion mainly due to a significant gain on sales of marketable securities as well as an increase in fee-based income. Benefiting from declining interest rates, the Bank recorded Rp. 796 billion gain on its portfolio of marketable securities. Fee-based income rose 22.7% mainly derived from its mutual fund product, Prima Investa as well as recurring fee-based income (credit-related and transactional-related fees). Taken all together, fee-based income contributed 39.5% of operating income in 2003.

In 2003, other operating expenses (excluding provision for possible losses) increased to Rp. 1,650 billion. General and administrative expenses increased by 40.4% to Rp. 861 billion. While salaries and employee benefits increased by 45.7% to Rp. 734 billion as a result of the Bank's effort to improve the quality of its personnel by offering competitive salaries and benefits. The increase in salaries and employee benefits was also due to the recruitment of new senior management personnel as part of new management's initiative to acquire competent skills and expertise. Overall, cost-to-income ratio was maintained at 45.2% level.

In addition, the Bank has set aside Rp. 1,324 billion in provision for possible losses on earning assets as a reflection of the Bank's conservatism in managing credit risk. A self-evaluation initiative that was completed in September 2003 has prompted the Bank to downgrade the collectibility of some loans after taking into account the business risk of the debtors. Aside from this self-evaluation initiative, the increase was also a result of higher provision for loans purchased from IBRA of Rp. 710 billion.

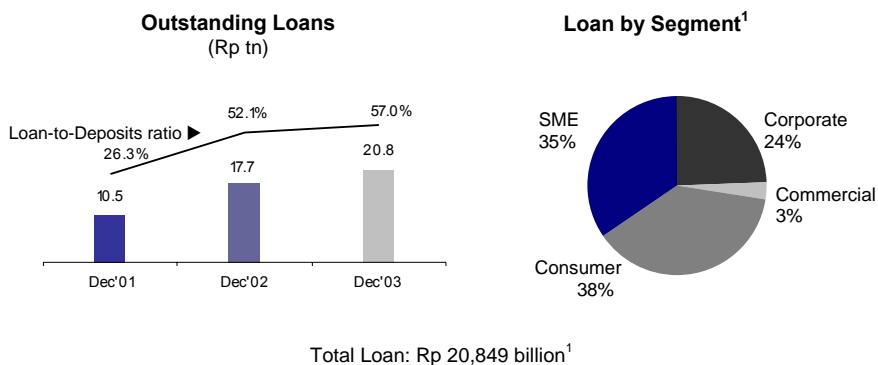
*...Loan-to-Deposits
ratio reached
57%...*

At December 31, 2003, the Bank's outstanding loans grew by 17.8% to Rp. 20,849 billion. This growth was sourced from both organic growth, mainly in consumer and SMEs loans as well as from loans purchased from IBRA with a purchase price of Rp. 837 billion. This loan expansion has led the Bank's loan-to-deposits ratio (LDR) to improve to 57.0%.

The Bank remains committed to realize its vision to be the nationwide bank of choice in the consumer and SMEs sectors as reflected by loans to consumer and SMEs sectors that accounted for 37.7% and 34.6% of the Bank's loan portfolio, respectively, as at December 31, 2003.

Exhibit II. Breakdown of Loan Portfolio

(As of December 31)



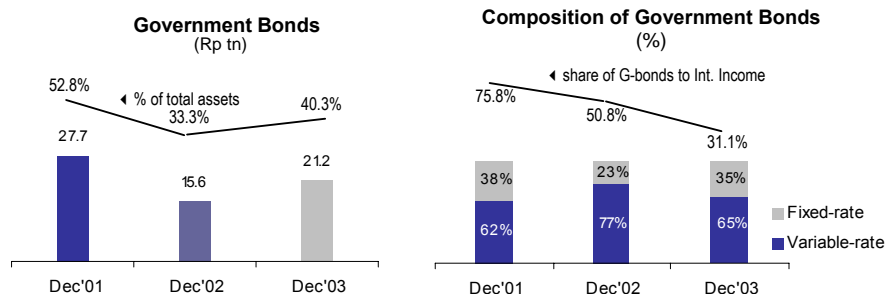
...Over 63% of the loans ex. IBRA has been worked out....

Up to December 2003, Danamon has worked out over 63% of Rp 7,829 billion loans purchased from IBRA with a purchase price of Rp 1,337 billion through settlements, restructuring and write offs. In 2003, the Bank received a settlement of Rp. 351 billion on loans principal balances of Rp. 1,473 billion with a purchase price of Rp 319 billion. As a result, loans purchased from IBRA have been reduced to Rp. 2,705 billion with a purchase price of Rp. 837 billion.

...Net NPL remained zero.....

Non-performing loans (NPLs) amounted to Rp. 1,623 billion as of December 31, 2003 as compared to NPLs of Rp. 805 billion a year earlier. This increase was primarily due to loans purchased from IBRA as well as a consequence of the Bank's decision to reclassify downwards the collectibility rating of some loans in September 2003. Consequently, NPL ratio increased to 6.8%. However, loan loss allowances were also increased considerably to Rp. 4,324 billion. As such, NPL coverage stood at 159.7% level, up from 132.8% a year earlier and net NPL remained zero.

Exhibit III. Government Bonds



...Government bonds now account for 40% assets...

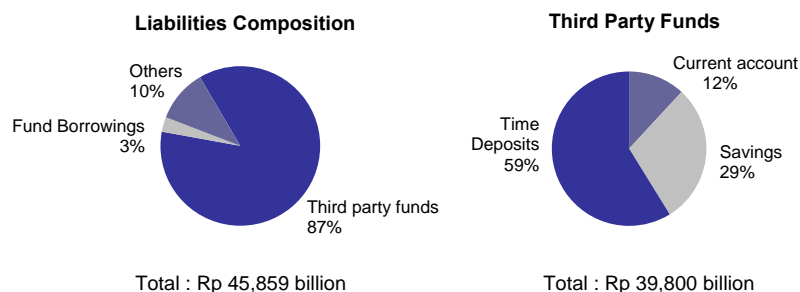
Government bonds increased to Rp. 21,234 billion at year-end 2003, as compared to Rp. 15,640 billion a year earlier. This was primarily due to the purchase of fixed-rate government bonds from Mees Pierson in relation to the termination of the mutual fund product (Prima Investa) as well as to benefit from the declining SBI rates. The termination of Prima Investa reflects the management's initiative to address key challenges in eliminating market and liquidity risk of the product that

could potentially impact the Bank in the years to come. In time of issuance, Prima Investa offers guaranteed returns to the customer which may have been relevant to the conditions which prevailed at the time, however, Danamon felt that the circumstances have since changed and believe that such a guarantee may pose a considerable risk to the Bank. As a result, government bonds increased by 35.8% to Rp 21,234 billion, accounting for 40.3% of the Bank's assets. However, their contribution to interest income were only 31.1% in 2003, down from 50.8% in the previous year.


In 2003, total liabilities increased to Rp. 45,859 billion, compared with Rp. 42,256 billion in 2002. This was mainly due to the increase in third party funds as the termination of Prima Investa has prompted the customers to redeposit their money back to time deposits. As a result, the Bank's total third party funds rose to Rp. 39,800 billion, against last year's period of Rp. 34,898 billion. Current account and savings (CASA) accounted for 41.4% of third party funds in December 2003.

Exhibit IV. Liabilities Composition and Third Party Funds

(December 31, 2003)



...CAR remained strong at 27%...

Danamon's capitalization, as measured by equity to asset ratio, improved to 12.9% as the Bank continues to record improving earning results and retained part of its earnings. The Bank's capital adequacy ratio (CAR) remained strong at 26.8%, more than three times the BIS minimum requirements of 8.0%. As at December 31, 2003, Tier 1 and Tier 2 capital ratio stood at 23.4% and 3.6%, respectively. Furthermore, calculated based on the Bassel II Simulation Model which also accounted for market and operating risk, the Bank's CAR is estimated to stay at a 25.1% level. 

UPDATES

■ Corporate Actions & Initiatives

- **Dividend.** In October 2003, Danamon declared an interim dividend of Rp. 417 billion from the Bank's net profit for the nine months ending September 30, 2003. In addition, the Board has approved to pay Rp. 195 billion as final dividend, resulting in a 40% dividend payout of the Bank's full year net profit of 2003. The Bank will seek the approval for this final dividend from its shareholders in the upcoming Annual General Meeting of Shareholders.
- **180-day Plan.** During the second half of 2003, the Bank conducted a Self Evaluation Initiative to identify any potential issues that might have immediate financial impact on the bank. A Strategy Evaluation project was also conducted to redefine and sharpen the Bank's business strategy as well as the business and financial model of each business segment the Bank chooses.
- **Acquisition of Adira Finance.** On January 26, 2004, Danamon signed a Conditional Sales and Purchase Agreement (CSPA) to acquire majority shareholding of PT Adira Dinamika Multifinance ("Adira Finance"), one of Indonesia's leading finance companies. The acquisition awaits final approval from the Bank's shareholders, scheduled to meet in the upcoming Extraordinary General Meeting of Shareholders and Bank Indonesia. This strategic action reflects one of the Bank's efforts to become a leading player in the consumer segment.
- **Sub-ordinate Debt Issuance.** Danamon intends to issue a Sub-ordinate Debt amounting to Rp. 2.4 trillion (US\$300 million) to increase its Tier-2 Capital to meet Bank Indonesia's investment limit of 10% of capital in relation to the Bank's plan to acquire Adira Finance.

■ Credit Ratings

- **PEFINDO** upgraded the Bank's company ratings to _{id}A- from _{id}BBB+ in September 2003.
- **Fitch Ratings** raised Danamon's long-term national rating to "BBB+" from "BBB" and support rating from "5" to "4" in October 2003.
- **Standard & Poor's** raised the Bank's long-term local currency counterparty credit rating to "B+" from "B" in November 2003.

■ Awards and Accolades

- **Market Research Indonesia:** 2nd Best in Banking Service Excellence.
- **Bisnis Indonesia** and **Infobank:** The Best National Bank in 2003.
- **MasterCard International:** The Best MasterCard Electronic in AsiaPacific.
- **Asia Money:** The Most Improved in Corporate Governance and The Most Improved in Investor Relations in Indonesia. As for the overall ranking for Best Managed Companies category, Danamon was ranked #8, along with Bank NISP and Panin Bank.