

Investor Newsletter

July 2006

Share Price (Ticker: BDMN)



Source: Bloomberg

Shareholders

	1Q05	1Q06	△ YoY
Asia Financial (Indonesia)	65.8%	69.5%	3.7%
Ministry of Finance, Rep. Indonesia	10.5%	-	(10.5%)
Public	23.7%	30.5%	6.8%

Second Quarter 2006 Financial Results

- Loans grew by 6% QoQ to Rp. 38,625 billion
- Deposits grew by 7% QoQ to Rp. 51,727 billion
- Net profit after tax grew 23% QoQ to Rp. 307 billion

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Bank Danamon



First Half 2006 Financial Results

Bank Danamon posted a net profit after tax of Rp. 307 billion in the second quarter of 2006, up 23% from the first quarter 2006 net profit of Rp. 251 billion. Thus net profit after tax for the first half of 2006 amounted to Rp. 558 billion. This profit is lower by 57% compared to last year's first half net profit of Rp. 1,285 billion largely due the absence of non-recurring items. Excluding non-recurring items, normalized net profit after tax was 10% lower than last year. Hence, Basic Earning per Share (EPS) was Rp. 113.6 as compared to Rp. 261.9 in the same period 2005, while ROAA and ROAE stood at 1.6% and 12.7%, respectively, in the first half of 2006.

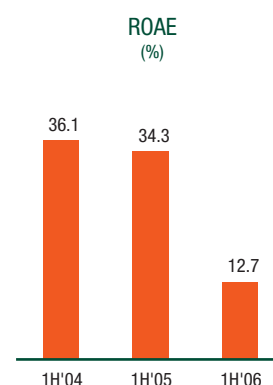
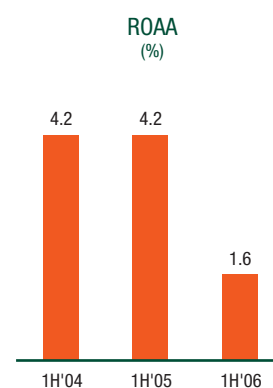
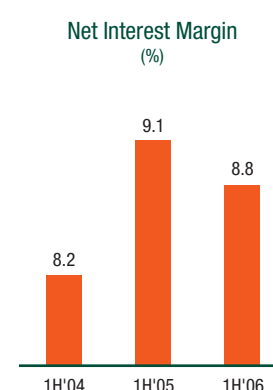
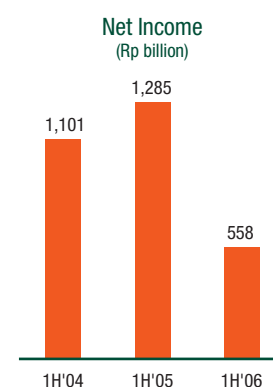
In billion Rupiah	1H05	1H06	△ YoY
Income Statement			
Net Interest Income	2,267	2,618	15.5%
Normalized Fee Income	558	651	16.7%
Normalized Operating Income	2,825	3,269	15.7%
Normalized Operating Expenses	(1,327)	(1,590)	19.8%
Pre Provision Operating Profit	1,498	1,679	12.1%
Cost of Credit	(364)	(726)	99.5%
Normalized NPAT	670	603	(10.0%)
Non-recurring Items (after tax)	615	(45)	(107.3)
Reported NPAT	1,285	558	(56.5%)
EPS (Rp)	261.86	113.64	(56.6%)
Diluted EPS (Rp)	257.85	112.27	(56.5%)
Balance Sheet			
Total Assets	65,021	74,531	14.6%
Total Loans	34,290	38,625	12.6%
Total Government Bonds	16,011	17,153	7.1%
Deposits	44,786	51,727	15.5%
Total Equity	8,232	8,102	(1.6%)
Key Financial Ratios (%)			
Net Interest Margin	9.1	8.8	(0.3)
Normalized Cost to Income	47.0	48.8	1.8
Normalized ROAA	2.2	1.7	(0.5)
Normalized ROAE	17.9	13.8	(4.1)
Reported ROAA	4.2	1.6	(2.6)
Reported ROAE	34.3	12.7	(21.6)
Loan / Deposits	77.4	75.6	(1.8)
Gross NPL / Total Loans	2.7	3.6	0.9
Loan Loss Allowances / NPL	132.2	131.2	(1.0)
Net Open Position	2.4	0.9	(1.5)
Capital Adequacy Ratio	23.5	22.9	(0.6)
Equity / Asset	12.7	10.9	(1.8)

Net interest income increased by 14% to Rp. 1,393 billion in the second quarter of 2006 from Rp. 1,225 billion in the previous quarter. As a result, net interest income totaled Rp. 2,618 billion in the first half of 2006, up by 15% from the same period last year due to higher interest income on the back of loan expansion.

Interest income grew by 28% to Rp. 5,195 billion in the first half of 2006 from Rp 3,718 billion in the same period last year on the back of 13% loan growth. Loans contributed to over 73% of total interest income in the first half 2006 while government bonds portfolio contributed to another 18% of interest income. Total interest expense rose by 78% to Rp 2,577 billion in the first half of 2006 from Rp. 1,451 billion in the same period last year due to higher cost of funds and growing funding base. High interest rates and tight monetary policy caused the cost of funds to shoot up to 8.7% as compared to 5.5% in the first half of 2005. Net interest margin slightly declined to 8.8% in the first half of 2006 from 9.1% in the first half 2005 as over 45% of loans are fixed rate and thus are not re-price-able. **However, net interest margin improved to 9.2% in the second quarter of 2006 from 8.4% in the first quarter of 2006.**

Normalized fee income in the second quarter of 2006 is Rp. 338 billion, up by 8% from Rp. 313 billion in the previous quarter, bringing a total fee income of Rp. 651 billion in the first half of 2006. This fee income rose by 17% as compared to Rp. 558 billion in the first half 2005 largely due to the increased in credit related fees that rose by 43% to Rp. 274 billion as well as the consolidation of Adira Insurance and Quantum.

Operating expenses went up by 5% to Rp. 813 billion in the second quarter of 2006 compared to Rp. 777 billion in the first quarter of 2006. Hence, operating expenses totaled Rp. 1,590 billion in the first half of 2006, up by 20% from Rp. 1,327 billion in the first half of 2005. General and administrative expenses increased by 25% to Rp. 656 billion in the first half of 2006 as we added 70 DSP SEMM units and 24 Adira Finance outlets throughout the year. In the first half of 2006, salaries and employee benefits expenses rose by 17% to Rp. 910 billion due to an increase in employee benefits as well as head counts in relation to business expansion. As a result, cost-to-income ratio rose slightly to 48.8% in the first half of 2006 from 47.0% in same period last year. **However, cost to income ratio improved to 46.0% in the second quarter 2006 as compared to 50.3% in the previous quarter.**

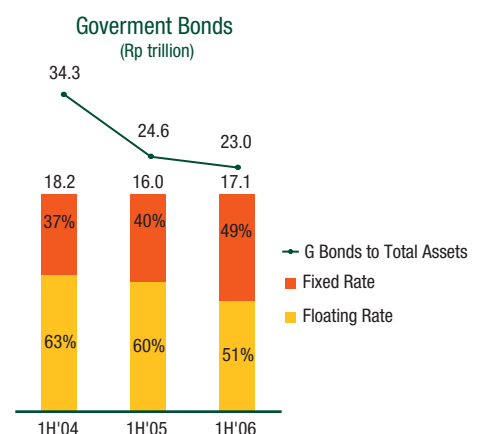
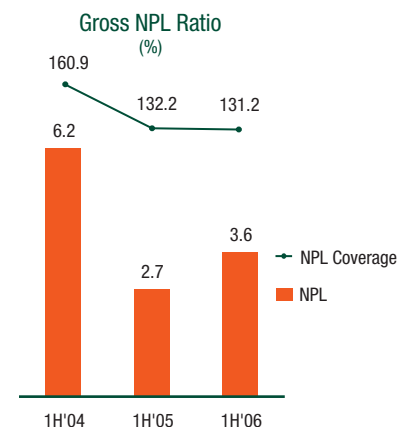
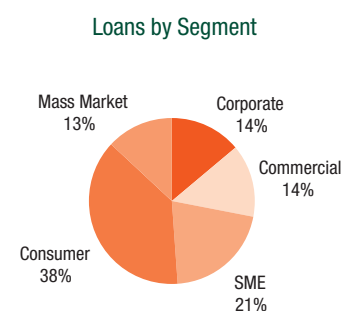
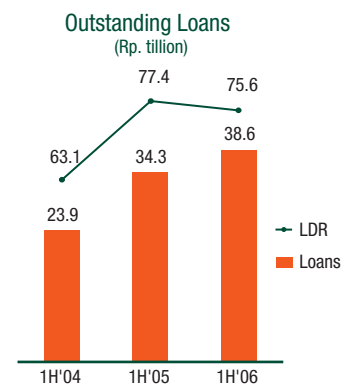


Cost of credit increased by 49% in the second quarter of 2006 to Rp. 435 billion from Rp. 291 billion in the first quarter of 2006 as unfavorable operating environment has adversely impacted the credit quality in several businesses. Hence cost of credit in the first half of 2006 nearly doubled to Rp. 726 billion from Rp. 364 billion in the first half last year. Cost of credit in mass market business increased in part due to the maturing portfolio, albeit this is still below the expected credit loss model. While the increase in the cost of credit in consumer auto financing business is largely due to higher losses on sale of repossessed assets as well as changes in accounting policy on loan write off and provision for loss on reposed assts in the middle of 2005.

Loans grew by 6% in the second quarter 2006 to Rp. 38,625 billion as of June 30, 2006, bringing a total loan growth of 13% over one year period. This growth was driven by mass market, SME and commercial segments. In line with the expansion of DSP network, loans to mass market more than double to Rp. 4,633 billion, accounting for 12% of the bank's loan portfolio. SME loans grew by 13% to Rp. 7,886 billion as of June 30, 2006 and accounted for 20% of the loan portfolio. Commercial loans increased by 12% to Rp.5,109 billion, representing 13% of total loan book as of June 30, 2006. Corporate loans are relatively stable at Rp. 5,502 billion as of June 30, 2006 and accounted for 14% of total loan book. Consumer loan grew by 2% to Rp. 15,495 billion representing the remaining 40% of the loan portfolio. Motorcycle loans made up for the decline in housing and car loans within the consumer portfolio. Consumer loans now account for 40% of total loan book as of June 30, 2006 from 44% a year earlier. Within the consumer loan portfolio, motorcycle loans made up 58%, car loans 23%, housing loans 14% and credit cards 5%.

LDR decreased to 76% as of June 30, 2006 from 77% a year earlier. Furthermore, the ratio of Loan to Total Funding stood at 62% as of June 30, 2006 as Bank Danamon and its subsidiaries also raised long-term funding (structured funding) to fund long-term assets in part to reduce maturity mismatch.

Non-performing loans (NPL) ratio rose to 3.6% in the second quarter of 2006 from 3.4% in the pervious quarter and 2.7% a year earlier on the back of unfavorable operating enviroments. High interest rates, high inflation rates and slower economic growth particularly since the second half of 2005 have unfavorably impacted the credit quality in several businesses. Having been



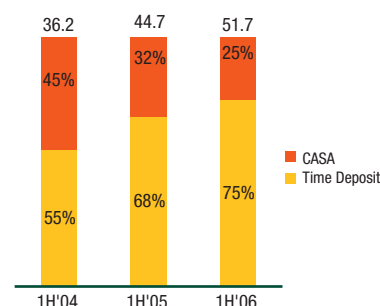
in the mass market business for two years, DSP loan portfolio is maturing and thus resulted in higher NPL. NPL in consumer auto-financing business rose slightly due to changes in the loan classification policy in June 2005. However, **Net NPL remained zero** as loan loss provision of Rp. 1,754 billion exceeded NPL (after taking into account the collateral value) with the coverage ratio reaching 131.2% as of June 30, 2006.

In the second quarter of 2006, government bonds increased another 4% from the previous quarter to Rp. 17,153 billion as of June 30, 2006. Fixed rate bonds made up 49% of the total portfolio while the remaining 51% are floating rate bonds with an average duration of 1.6 years. **Government bonds now accounted for 23% of the bank's assets**, down from 25% a year earlier, consequently their contribution to interest income went down slightly to 18% from 21% in the same period last year.

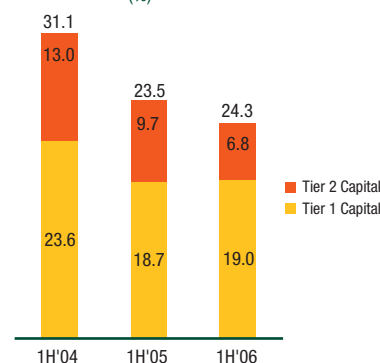
Despite competitive market condition, total interest-bearing funding increased by another 7% in the second quarter of 2006 to Rp 61,806 billion as of June 30, 2006, supported by deposit growth. **Total deposits grew by 7% in the second quarter of 2006 to Rp. 51,727 billion as of June 30, 2006, representing 84% of total interest bearing funding.** Total deposits grew by 15% compared to Rp. 44,786 billion in June last year. Current accounts and savings (CASA) accounted for 21% of total funding as of June 30, 2006. Long term funding consisting of senior bonds, subordinated debts, securities sold under repurchase agreements and other borrowings made up another 16% of funding.

Capitalization, as measured by equity to asset ratio, stood at 10.9% as of June 30, 2006 as compared to 12.7% a year earlier due to asset expansion. The bank's **capital adequacy ratio (CAR) decreased to 22.9%** as of June 30, 2006 from 23.5% a year earlier. Tier-1 and Tier-2 capital ratio stood at 17.3% and 7.9% as of June 30, 2006, compared to 17.3% and 9.0%, respectively, by June 30, 2005.

Third Party Funds
(Rp trillion)



Capital Adequacy Ratio
(%)



UPDATES

■ Business Updates

• **Consumer auto financing business with Adira Finance**

In the first half of 2006, our consumer auto financing business posted Rp. 48 billion in net profit, down by 79% compared to the same corresponding period last year net profit of Rp 226 billion. The decrease was due to lower net interest income and higher operating expenses and cost of credit.

Rising interest rates has unfavorably impacted the margin of auto financing business where interest rate on loans is fixed on the inception of the loans. Thus Adira Finance was unable to fully pass the increase in the cost funds to customers, resulting in lower net interest margin. Net interest income dropped by 8% to Rp 693 billion despite the 28% increase in interest income in the first half of 2006 since interest expenses nearly doubled to Rp. 669 billion.

Operating expenses rose by 29% to Rp 319 billion due to higher salaries and benefits on the back of higher cost of living. In addition, Adira Finance opened additional 24 outlets and recruited 182 employees over one year period, resulting in higher general and administrative expenses.

Cost of credit increased by 28% to Rp 325 billion due higher losses on sale of repossessed assets as well as changes in the accounting policy on loan write off and provision for losses on repossessed assets in the middle of 2005. The average losses on sale of repossessed assets rose to 33% in the first half of 2006 as compared to 24% in the first half of 2005 on the back of a significant drop in secondary prices of motorcycles.

In the first half of 2006, new financing amounted to Rp. 3,531 billion, down by 20% compared to the same period last year on the back of weak auto sales. New cars and motorcycle sales for the industry dropped by 26% and 49%, respectively, in the first half of 2006.

• **Danamon Simpan Pinjam (DSP)**

Danamon opened another 43 DSP Self Employed Mass Market (SEMM) units in the first half of 2006, bringing total SEMM units to 661 at the end of June 2006. As of June 2006, SEMM extended Rp. 4,249 billion loans to micro business as compared to Rp. 1,886 billion a year earlier. While total loans extended by CMM was Rp. 384 billion as of June 30, 2006. The NPL ratio was 3.4% as of June 30, 2006, well below the expected credit loss model.

2006 Annual General Meeting of Shareholders

The Annual General Meeting of Shareholder on May 22, 2006 adopted, among others, the following agenda:

- The composition of members of the Board of Commissioners is as follows:

President Commissioner	: Ng Kee Choe
Vice President Commissioner	: J.B. Kristiadi P
Independent Commissioner	: Milan Robert Shuster
Independent Commissioner	: Harry Arief S. Sukadis
Independent Commissioner	: Manggi Taruna Habir
Commissioner	: Gan Chee Yen
Commissioner	: Liew Cheng San Victor
Commissioner	: Philip Ng ¹

- The composition of members of the Board of Director is as follows:

President Director	: Sebastian Paredes
Vice President Director	: Jerry Ng
Director	: Muliadi Rahardja
Director	: Anika Faisal
Director	: Hendarin Sukarmadji
Director	: Ali Yong
Director	: Sanjiv Malhotra ¹
Director	: Vera Eve Lim
Director	: Rene Eugene Burger ¹

¹Subject to Bank Indonesia approval (fit and proper test)

- The distribution of 50% of 2005 profits or Rp 1,003 billion as dividend, representing Rp 203.449 per share.

Credit Ratings

Bank Danamon		
Ratings and Outlook		
Standard & Poor's	Long Term / Short Term Local Currency	BB-/Stable/B
	Long Term / Short Term Foreign Currency	BB-/ Stable /B
	Subordinated Debt	Ba/Positive
Moody's	Long Term / Short Term Bank Deposit	B2 /Stable/Not Prime
	Bank Financial Strength	D-/Stable
	Subordinated Debt	Ba/Positive
PEFINDO (Indonesia)	Corporate Rating	^{id} A+/Stable
	Bond Rating	^{id} A+/Stable
Fitch Ratings	Long Term / Short Term Foreign Currency	BB-/Stable/B
	National (Long-Term)	AA- (idn)/Positive
Indonesia		
Ratings and Outlook		
Standard & Poor's	Long Term / Short Term Foreign Currency	B+ / Positive / B
Moody's	Long Term / Short Term Foreign Currency	Ba3 / Stable / NP
Fitch Ratings	Long Term / Short Term Foreign Currency	BB- / Stable / B

BALANCE SHEETS

AS AT 30 JUNE 2006 AND 2005

(In million Rupiah)

No.	ACCOUNTS	BANK DANAMON 2006	2005	CONSOLIDATED 2006	2005
ASSETS					
1.	Cash	698,639	687,332	718,071	703,661
2.	Placements with Bank Indonesia				
	a. Current accounts with Bank Indonesia	3,597,037	3,867,191	3,597,037	3,867,191
	b. Certificates of Bank Indonesia	2,088,563	909,875	2,088,563	909,875
	c. Wadiah Certificates of Bank Indonesia	-	2,500	-	2,500
	d. Others	634,736	-	634,736	-
3.	Current accounts with other banks				
	a. Rupiah	29,695	16,624	136,382	85,938
	b. Foreign currencies	328,996	433,372	329,635	433,372
	Allowance for possible losses on current accounts with others banks -/-	(3,587)	(4,500)	(3,587)	(4,500)
4.	Placements with other banks				
	a. Rupiah	325,000	405,000	620,228	507,010
	Allowance for possible losses on placements with other banks -/-	(3,250)	(4,050)	(3,250)	(4,050)
	b. Foreign currencies	1,721,020	2,761,672	1,684,983	2,761,672
	Allowance for possible losses on placements with other banks -/-	(17,210)	(27,617)	(17,210)	(27,617)
5.	Placements with other syariah banks	10,000	-	10,000	-
	Allowance for possible losses on placements with other syariah banks -/-	(100)	-	(100)	-
6.	Marketable securities				
	a. Rupiah				
	i. Trading	63,834	9,975	148,834	9,975
	ii. Available for sale	390,532	326,050	442,430	326,050
	iii. Held to maturity	486,016	327,645	486,016	327,645
	Allowance for possible losses on marketable securities -/-	(9,404)	(6,637)	(9,404)	(6,637)
	b. Foreign currencies				
	i. Trading	27,609	19,299	27,609	19,299
	ii. Available for sale	1,450,643	447,908	1,450,643	447,908
	iii. Held to maturity	2,402,711	674,670	2,402,711	674,670
	Allowance for marketable securities -/-	(34,317)	(11,418)	(34,317)	(11,418)
7.	Marketable securities - syariah bonds	167,577	125,113	167,577	125,113
	Allowance for possible losses on marketable securities - syariah bonds -/-	(1,676)	(1,251)	(1,676)	(1,251)
8.	Government Bonds				
	i. Trading	274,909	282,222	274,909	282,222
	ii. Available for sale	10,162,885	6,070,891	10,177,902	6,070,891
	iii. Held to maturity	6,700,130	9,658,276	6,700,130	9,658,276
9.	Securities purchased under resale agreements (Reverse Repo)				
	a. Rupiah	20,539	17,920	20,539	17,920
	Allowance for possible losses on securities purchased under resale agreements -/-	(205)	(179)	(205)	(179)
	b. Foreign currencies	24,903	-	24,903	-
	Allowance for possible losses on securities purchased under resale agreements -/-	(249)	-	(249)	-
10.	Derivative receivables	201,782	63,550	201,782	63,550
	Allowance for possible losses on derivative receivables -/-	(2,154)	(635)	(2,154)	(635)
11.a	Loans (excluding loans purchased from IBRA)				
	a. Rupiah				
	i. Related parties	64,936	228,030	64,936	228,030
	ii. Third parties	32,823,125	29,512,994	32,823,125	29,512,994
	Allowance for possible losses on loans (excluding loans purchased from IBRA) -/-	(1,036,965)	(863,063)	(1,036,965)	(863,063)
	b. Foreign currencies				
	i. Related parties	3,277	-	3,277	-
	ii. Third parties	3,935,445	3,294,175	3,935,445	3,294,175
	Allowance for possible losses on loans (excluding loans purchased from IBRA) -/-	(140,078)	(48,052)	(140,078)	(48,052)
	Deferred income -/-	(118)	-	(118)	-
11.b	Loans purchased from IBRA				
	a. Rupiah	61,268	67,655	61,268	67,655
	Allowance for possible losses on loans purchased from IBRA -/-	(56,999)	(62,786)	(56,999)	(62,786)
	Deferred income -/-	(4,269)	(4,869)	(4,269)	(4,869)
	b. Foreign currencies	5,867	184,182	5,867	184,182
	Allowance for possible losses on loans purchased from IBRA -/-	(5,867)	(183,808)	(5,867)	(183,808)
	Deferred income -/-	-	(374)	-	(374)
12.	Consumer financing receivables	-	-	1,576,778	856,703
	Allowance for possible losses on consumer financing receivables -/-	-	-	(38,071)	(21,611)
13.	Premium receivables	-	-	24,125	-
	Allowance for possible losses on premium receivables -/-	-	-	(594)	-
14.	Syariah financing				
	a. Murabahah receivables	122,176	124,794	122,176	124,794
	b. Istishna receivables	-	-	-	-
	c. Oardh receivables	172	2,445	172	2,445
	d. Mudharabah financing	32,125	18,771	32,125	18,771
	e. Musyarakah financing	20	655	20	655
	Allowance for possible losses on syariah financing -/-	(7,586)	(17,239)	(7,586)	(17,239)
15.	Acceptance receivables	619,930	678,798	619,930	678,798
	Allowance for possible losses on acceptance receivables -/-	(6,200)	(7,230)	(6,200)	(7,230)
16.	Investments	1,098,286	942,221	12,175	45,335
	Allowance for possible losses on investments -/-	(10,984)	(9,424)	(121)	(455)
17.	Goodwill - net	-	-	459,162	565,328
18.	Interest receivable	741,246	727,365	742,811	727,365
19.	Prepaid expenses	166,359	204,344	171,321	204,344
20.	Prepaid taxes	67,120	-	67,121	-
21.	Deferred tax assets	120,328	106,288	123,499	106,288
22.	Fixed assets	2,117,145	1,879,731	2,352,575	2,043,462
	Accumulated depreciation of fixed assets -/-	(778,209)	(612,263)	(853,772)	(650,044)
23.	Unutilised properties	30,035	35,831	30,035	35,831
24.	Leased assets	-	-	-	-
	Accumulated depreciation of leased assets -/-	-	-	-	-
25.	Foreclosed assets-net	147,935	156,821	158,233	156,821
26.	Other assets	740,647	515,147	1,021,721	788,173
TOTAL ASSETS		72,585,771	63,921,937	74,530,725	65,021,069

BALANCE SHEETS

AS AT 30 JUNE 2006 AND 2005

(In million Rupiah)

No.	ACCOUNTS	BANK DANAMON 2006	2005	CONSOLIDATED 2006	2005
LIABILITIES AND EQUITY					
1.	Current accounts				
	a. Rupiah	3,050,618	2,765,168	2,615,133	2,714,504
	b. Foreign currencies	2,032,495	1,916,058	2,031,688	1,916,058
2.	Wadiah current accounts	16,438	8,102	16,438	8,102
3.	Other current liabilities	285,342	198,540	285,342	198,540
4.	Savings	8,244,504	9,663,608	8,244,504	9,663,608
5.	Syariah savings				
	a. Wadiah savings	1,115	1,000	1,115	1,000
	b. Mudharabah savings	39,920	30,594	39,920	30,594
6.	Time deposits				
	a. Rupiah				
	i. Related parties	3,442	6,022	3,442	6,022
	ii. Third parties	27,289,443	24,638,374	27,226,683	24,638,374
	b. Foreign currencies				
	i. Related parties	2,581	135	2,581	135
	ii. Third parties	8,112,381	3,985,080	8,076,344	3,985,080
7.	Mudharabah time deposits	77,077	83,893	77,077	83,893
8.	Certificates of deposits				
	a. Rupiah	-	-	-	-
	b. Foreign currencies	-	-	-	-
9.	Wadiah current accounts from other banks	318	19	318	19
10.	Mudharabah Investment Certificates from other banks	14,000	35,000	14,000	35,000
11.	Mudharabah time deposits from other banks	30,840	105,430	30,840	105,430
12.	Deposits from other banks	4,053,147	2,164,794	4,053,147	2,164,794
13.	Securities sold under repurchase agreement (Repo)	4,000,000	2,875,000	4,000,000	2,875,000
14.	Deferred premium income	-	-	203,049	-
15.	Unearned premium reserve	-	-	126,067	-
16.	Derivative payables	230,885	34,398	230,885	34,398
17.	Acceptance payables	619,930	678,798	619,930	678,798
18.	Marketable securities issued				
	a. Rupiah	32,765	292,905	1,274,682	787,335
	b. Foreign currencies	328	111	328	111
19.	Borrowings				
	a. Short term funding facilities from Bank Indonesia	-	-	-	-
	b. Others				
	i. Rupiah				
	- Related parties	-	-	-	-
	- Third parties	337,309	542,355	541,437	617,355
	ii. Foreign currencies				
	- Related parties	-	-	-	-
	- Third parties	95,601	503,228	95,601	503,228
20.	Estimated allowance for possible losses on commitments and contingencies	22,796	13,711	22,796	13,711
21.	Lease payables	-	-	-	-
22.	Accruals	360,656	296,022	387,039	432,147
23.	Estimated tax payable	-	127,520	-	127,520
24.	Deferred tax liabilities	-	-	99,856	102,323
25.	Other liabilities	1,920,743	961,505	2,321,278	1,192,904
26.	Subordinated loans				
	a. Related parties	-	-	-	-
	b. Third parties	3,453,837	3,607,263	3,453,837	3,607,263
27.	Loan capital				
	a. Related parties	-	-	-	-
	b. Third parties	155,000	155,000	155,000	155,000
28.	Minority interests	-	-	178,108	110,519
29.	Equity				
	a. Paid up capital	3,571,144	3,562,261	3,571,144	3,562,261
	b. General and legal reserve	68,986	24,873	68,986	24,873
	c. Additional paid up capital	265,679	109,280	265,679	109,280
	d. Capital donation	-	-	-	-
	e. Difference in foreign currencies translation	3,299	2,940	3,299	2,940
	f. Unrealised (loss)/gain from available for sales marketable securities and Government Bonds	(235,758)	275,379	(235,758)	275,379
	g. Other comprehensive income	-	-	-	-
	h. Retained earnings*)	4,428,910	4,257,571	4,428,910	4,257,571
	TOTAL LIABILITIES AND EQUITY	72,585,771	63,921,937	74,530,725	65,021,069

*) After eliminated with deficit of Rp 32,968,831 through quasi- reorganisation on 1 January 2001.

**STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2006 AND 2005**
(In million Rupiah, except earning per share)

No.	ACCOUNTS	BANK DANAMON 2006	2005	CONSOLIDATED 2006	2005
INCOME AND EXPENSES FROM OPERATIONS					
1.	Interest income, fees and commissions				
1.1.	Interest income				
a.	Rupiah	4,055,033	2,836,982	4,760,147	3,456,307
b.	Foreign currencies	412,466	242,150	412,466	242,150
1.2.	Fees and commissions income				
a.	Rupiah	104,017	88,167	315,371	130,577
b.	Foreign currencies	21,291	9,107	21,291	9,107
	Total interest income, fees and commissions	4,592,807	3,176,406	5,509,275	3,838,141
2.	Interest expense, fees and commissions				
2.1.	Interest expense				
a.	Rupiah	2,242,486	1,208,807	2,281,592	1,253,034
b.	Foreign currencies	241,674	140,560	241,674	140,560
2.2.	Fees and commissions expense	-	242	212,015	7,364
	Total interest expense, fees and commissions	2,484,160	1,349,609	2,735,281	1,400,958
3.	Underwriting Income				
3.1.	Premium income	-	-	144,050	-
3.2.	Underwriting expense	-	-	86,302	-
	Underwriting income	-	-	57,748	-
	Net interest income and underwriting income	2,108,647	1,826,797	2,831,742	2,437,183
4.	Syariah income				
4.1.	Murabahah margin	9,557	9,613	9,557	9,613
4.2.	Mudharabah profit sharing	12,351	9,809	12,351	9,809
4.3.	Wadiah bonus income	-	4	-	4
	Total syariah income	21,908	19,426	21,908	19,426
5.	Syariah expenses				
5.1.	Mudharabah loss sharing	5,908	5,865	5,908	5,865
5.2.	Wadiah bonus expenses	-	-	-	-
	Total syariah expenses	5,908	5,865	5,908	5,865
	Net interest income - syariah	16,000	13,561	16,000	13,561
6.	Other operating income				
6.1.	Fees and commissions	202,130	114,677	202,130	114,677
6.2.	Gain on foreign exchange transactions	-	19,914	-	19,914
6.3.	Gain from increase in fair value of marketable securities and Government Bonds	-	-	-	-
6.4.	Other income	331,758	477,742	334,702	477,742
	Total other operating income	533,888	612,333	536,832	612,333
7.	Income from investment in subsidiaries	187,859	174,838	-	-
8.	Allowance for possible losses in assets	533,249	(409,861)	562,843	(382,962)
9.	Allowance for possible losses on commitments and contingencies	5,141	(129)	5,141	(129)
10.	Other operating expenses				
10.1.	General and administrative expenses	494,191	419,663	615,732	502,563
10.2.	Salaries and employee benefits	681,841	629,306	910,172	758,572
10.3.	Losses from decline in fair value of marketable securities and Government Bonds	6,694	2,065	5,854	2,065
10.4.	Losses on foreign exchange transactions	25,946	-	25,946	-
10.5.	Third party premium expenses	47,668	51,575	47,668	51,575
10.6.	Promotion expenses	37,105	21,403	40,632	22,206
10.7.	Others expenses	66,602	10,865	66,602	10,865
	Total other operating expenses	1,360,047	1,134,877	1,712,606	1,347,846
11.	Amortisation of goodwill	34,763	43,487	34,763	43,487
	NET OPERATING INCOME	913,194	1,859,155	1,069,221	2,054,835
NON-OPERATING INCOME AND EXPENSES					
12.	Non - operating income	46,575	32,025	46,575	38,275
13.	Non - operating expenses	230,975	110,206	240,873	142,183
	NON OPERATING EXPENSES/(INCOME) - NET	(184,400)	(78,181)	(194,298)	(103,908)
14.	Extraordinary income/(expenses)	-	-	-	-
	INCOME BEFORE TAX	728,794	1,780,974	874,923	1,950,927
15.	Income tax-/-				
-	Deferred	33,406	72,203	19,504	97,680
-	Current year	137,255	423,844	242,529	510,041
16.	INCOME AFTER TAX	558,133	1,284,927	612,890	1,343,206
17.	Minority interest -/-	-	-	(54,757)	(58,279)
18.	CURRENT YEAR INCOME	558,133	1,284,927	558,133	1,284,927
19.	Retained earnings balance at the beginning of period	4,951,761	3,352,425	4,951,761	3,352,425
20.	Dividend -/-	(1,001,922)	(327,060)	(1,001,922)	(327,060)
21.	Others -/-	(79,062)	(52,721)	(79,062)	(52,721)
22.	Retained earnings	4,428,910	4,257,572	4,428,910	4,257,571
23.	Basic earnings per share	113.64	261.86	113.64	261.86
24.	Diluted earnings per share *)	112.27*)	257.85 *)	112.27*)	257.85 *)

*) After considering the effect of stock options granted to qualified employees of Bank Danamon.

STATEMENTS OF COMMITMENTS AND CONTINGENCIES
AS AT 30 JUNE 2006 AND 2005
(In million Rupiah)

No.	ACCOUNTS	BANK DANAMON		CONSOLIDATED	
		2006	2005	2006	2005
	COMMITMENTS				
	<u>Commitment receivables</u>				
1.	Unused borrowing facilities				
	a. Rupiah	-	-	-	-
	b. Foreign currencies	-	-	-	-
2.	Others	-	-	-	-
	Total commitment receivables	-	-	-	-
	<u>Commitment payables</u>				
1.	Unused loans facilities				
	a. Rupiah	6,944,762	6,359,907	6,944,762	6,359,907
	b. Foreign currencies	1,871,942	1,649,607	1,871,942	1,649,607
2.	Outstanding irrevocable letters of credit	1,240,237	596,949	1,240,237	596,949
3.	Others	-	445	-	445
	Total commitment payables	10,056,941	8,606,908	10,056,941	8,606,908
	COMMITMENT PAYABLES, NET	(10,056,941)	(8,606,908)	(10,056,941)	(8,606,908)
	CONTINGENCIES				
	<u>Contingent receivables</u>				
1.	Guarantees received				
	a. Rupiah	-	-	-	-
	b. Foreign currencies	46,823	-	46,823	-
2.	Interest receivables on non performing assets				
	a. Rupiah	150,654	73,232	150,654	73,232
	b. Foreign currencies	2,381	5,928	2,381	5,928
3.	Others	-	-	-	-
	Total contingent receivables	199,858	79,160	199,858	79,160
	<u>Contingent payables</u>				
1.	Guarantees issued in the form of :				
	a. Bank guarantees				
	- Rupiah	765,319	593,545	765,319	593,545
	- Foreign currencies	237,472	181,328	237,472	181,328
	b. Others	-	-	-	-
2.	Standby letters of credit	-	-	-	-
3.	Others	-	-	-	-
	Total contingent payables	1,002,791	774,873	1,002,791	774,873
	CONTINGENT PAYABLES, NET	(802,933)	(695,713)	(802,933)	(695,713)

ASSET QUALITY AND OTHER INFORMATION

AS AT 30 JUNE 2006 AND 2005

(In million Rupiah)

No.	ACCOUNTS	30 JUNE 2006					BANK DANAMON					30 JUNE 2005				
		Current	Special Mention	Substandard	Doubtful	Loss	Total	Current	Special Mention	Substandard	Doubtful	Loss	Total			
I.	Related Parties															
A.	Productive asset															
	1. Placement with other banks	257,879	-	-	-	-	257,879	-	-	-	-	-	-	-	-	-
	2. Marketable Securities and Government Bonds issued by third parties or Bank Indonesia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3. Loans to third parties															
	a. Small business credit (KUK)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Property loans															
	i. Restructured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ii. Unrestructured	57,175	-	-	-	-	57,175	-	-	-	-	-	-	-	-	-
	c. Other restructured loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	d. Others	11,038	-	-	-	-	11,038	228,030	-	-	-	-	-	-	-	228,030
	4. Investment in third parties															
	a. Non-bank financial institution	1,086,207	-	-	-	-	1,086,207	896,887	-	-	-	-	-	-	-	896,887
	b. For loans restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5. Other receivables from third parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6. Commitments and contingencies to third parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.	Non productive asset															
	1. Unutilised properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2. Foreclosed assets - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3. Interbank and suspense account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Third parties															
A.	Productive asset															
	1. Placement with other banks	5,336,854	22	-	-	-	5,336,876	4,638,979	-	103	-	-	-	4,639,082		
	2. Marketable securities and Government Bonds issued by third parties or Bank Indonesia	21,950,752	-	-	-	-	21,950,752	17,964,268	-	-	-	-	-	17,964,268		
	3a. Loans to third parties (excluding Loans Purchased from IBRA)															
	a. Small business credit (KUK)	4,299,626	788,497	63,028	66,344	62,611	5,280,106	3,528,182	257,251	23,830	26,013	31,482	3,866,758			
	b. Property loans															
	i. Restructured	55,350	10,993	2,555	421	29,047	98,366	66,225	16,949	3,423	-	24,052	110,649			
	ii. Unrestructured	1,744,401	82,169	1,261	2,907	4,407	1,835,145	2,096,148	38,835	9,289	6,125	372	2,150,769			
	c. Other restructured loan	325,143	111,346	66,838	25,131	244,694	773,152	467,913	83,019	172,217	22,251	67,098	812,498			
	d. Others	25,294,840	2,826,279	159,367	216,358	331,188	28,828,032	23,183,691	2,483,333	2,360	152,515	127,253	25,949,152			
	3b. Loans purchased from IBRA	5,962	-	-	-	61,173	67,135	10,087	-	161,323	-	80,428	251,838			
	4. Investment in third parties															
	a. Non-bank financial institution	-	-	-	-	-	-	-	-	-	-	-	-			
	b. For loans restructuring purposes	-	-	-	-	-	-	-	-	-	-	-	-			
	c. Others	2,354	25	-	-	-	2,379	22,259	25	-	-	-	22,284			
	5. Other receivables from third parties	728,686	-	-	-	-	728,686	739,067	28,158	6	-	1,171	768,402			
	6. Commitments and contingencies to third parties	2,236,919	5,809	-	300	-	2,243,028	1,370,440	1,382	-	-	-	1,371,822			
B.	Non productive asset															
	1. Unutilized properties	30,035	-	-	-	-	30,035	35,831	-	-	-	-	35,831			
	2. Foreclosed assets - net	147,935	-	-	-	-	147,935	156,821	-	-	-	-	156,821			
	3. Interbank and suspense account	20,992	-	-	-	-	20,992	57,930	-	-	-	-	57,930			
	TOTAL	63,592,148	3,825,140	293,049	311,461	733,120	68,754,918	55,462,758	2,908,952	372,551	206,904	331,856	59,283,021			
	7. Minimum required allowance for possible losses on earning assets	426,759	173,448	34,666	152,418	475,673	1,262,964	382,884	145,448	55,883	103,452	331,856	1,019,522			
	8. Allowance for possible losses on earning assets (excluding loans purchased from IBRA)*															
	Allowance for possible losses on loans purchased from IBRA						62,866						246,595			
	9. Collateralised assets															
	a. To Bank Indonesia						21,603						28,797			
	b. To other banks						-						-			
	10. Percentage of small business credit to total loans						15.10%						12.51%			
	11. Percentage of small business credit debtor to total debtors						10.81%						9.04%			

*) Starting years 2005, allowance for possible losses on loans is calculated based on loan balance deducted by the allowance collateral value

STATEMENTS OF FOREIGN EXCHANGE AND DERIVATIVE TRANSACTIONS

AS AT 30 JUNE 2006

(In million Rupiah)

NO.	TRANSACTION	Market Value		30 June 2006		Net Market Value
		Hedging	Others	Derivative Receivable and Payables Receivables	Payables	
A.	Related to exchange rate					
	1. Spot	-	1,914,099	7,399	(4,073)	-
	2. Forward	-	440,215	1,968	(13,999)	-
	3. Option					
	a. Purchased	-	558,647	6,699	(1,969)	-
	b. Written	-	-	-	-	-
	4. Future	-	481,676	518	-	-
	5. Swap	-	11,164,085	177,750	(135,126)	-
	6. Other	-	793,469	7,135	(73,965)	-
B.	Related to interest rate					
	1. Forwards	-	-	-	-	-
	2. Options					
	a. Purchased	-	313,089	313	(1,753)	-
	b. Written	-	-	-	-	-
	3. Futures	-	-	-	-	-
	4. Swaps	-	-	-	-	-
	5. Others	-	-	-	-	-
C.	Others	-	-	-	-	-
	TOTAL			201,782	(230,885)	

CAPITAL ADEQUACY RATIO CALCULATION
AS AT 30 JUNE 2006 AND 2005
(In million Rupiah)

No.	DESCRIPTION	2006	2005
I.	COMPONENTS		
A.	CORE CAPITAL	8,250,751	7,500,903
1.	Paid up capital	3,571,144	3,562,261
2.	Disclosed reserves		
a.	Additional paid up capital	265,679	109,280
b.	Discount on nominal value of shares (-/-)	-	-
c.	Capital donation	-	-
d.	General and specific reserves	68,986	24,873
e.	Prior years' profit after tax	4,045,873	3,122,983
f.	Prior years' losses	-	-
g.	Current year profit net of taxes (50%)	295,770	678,566
h.	Current year loss -/-	-	-
i.	Difference in foreign currency translation of overseas branch		
1) Positive adjustment		3,299	2,940
2) Negative adjustment -/-		-	-
j.	Paid up capital fund	-	-
k.	Decline in fair value of available for sale securities	-	-
3.	Goodwill (-/-)	-	-
4.	Differences arising from the revaluation of the assets and liabilities due to the quasi reorganisation	-	-
B.	SUPPLEMENTARY CAPITAL (Max. 100%)	3,758,059	3,887,556
1.	Reserve from revaluation of fixed assets	-	-
2.	Differences arising from the revaluation of the assets and liabilities due to the quasi reorganisation	-	-
3.	General allowance for possible losses on earning assets (max 1.25% of weighted risk-based assets)	431,542	405,863
4.	Loan capital	-	-
5.	Subordinated loan (max 50% of core capital)	3,326,517	3,481,693
6.	Increase in fair value of available for sale securities (45%)	-	-
C.	TOTAL SUPPLEMENTARY CAPITAL WHICH FULFILL THE REQUIREMENTS	-	-
D.	ADDITIONAL SUPPLEMENTARY CAPITAL ALLOCATED TO ANTICIPATE MARKET RISK	-	-
II.	TOTAL CORE AND SUPPLEMENTARY CAPITAL (A+B)	12,008,810	11,388,459
III.	TOTAL CORE, SUPPLEMENTARY CAPITAL AND ADDITIONAL SUPPLEMENTARY CAPITAL ALLOCATED TO ANTICIPATE MARKET RISK (A+B+D)	12,008,810	11,388,459
IV.	INVESTMENTS (-/-)	1,108,745	1,214,093
V.	TOTAL CAPITAL FOR CREDIT RISK (II-IV)	10,900,065	10,174,366
VI.	TOTAL CAPITAL FOR CREDIT RISK AND MARKET RISK (III-IV)	10,900,065	10,174,366
VII.	RISK WEIGHTED ASSETS - CREDIT RISK	44,280,485	40,005,049
VIII.	RISK WEIGHTED ASSETS - MARKET RISK	3,373,891	3,330,757
IX.	CAPITAL ADEQUACY RATIO WITH CREDIT RISK CHARGE (V : VII)	24.62%	25.43%
X.	CAPITAL ADEQUACY RATIO WITH CREDIT RISK AND MARKET RISK CHARGE (VI : (VII +VIII))	22.87%*)	23.48%*)
XI.	EXCESS OF ADDITIONAL SUPPLEMENTARY CAPITAL RATIO ((C-D) : (VII + VIII))	-	-
XII.	MINIMUM REQUIRED CAPITAL ADEQUACY RATIO	8%	8%

*) Capital Adequacy Ratio (CAR) with market risk charge is presented as an additional information and calculated based on Bank Indonesia Regulation No. 5/12/PBI/2003 dated 17 July 2003 regarding "Capital Adequacy Ratio for Commercial Bank by Considering Market Risk".

KEY FINANCIAL RATIOS
AS AT 30 JUNE 2006 AND 2005
(In million Rupiah)

No.	Ratio (%)	2006	2005
CONSOLIDATED RATIOS :			
I. Earning assets			
1.	Non-performing productive assets	1.91%	1.52%
2.	NPL gross	3.61%	2.71%
3.	NPL net after minimum BI provision of possible losses	1.81%	0.91%
4.	NPL net after the Bank's total provision on possible losses	0.23%	0.00%
5.	Allowance for possible losses to productive assets	1.91%	2.14%
II. Rentability			
1.	ROA after tax	1.57%	4.16%
2.	ROA before tax	2.47%	5.77%
3.	Return on average core capital	12.71%	34.33%
4.	Return on average equity	12.95%	31.49%
5.	NIM including third party premium expenses	8.84%	9.11%
6.	Cost to income	48.80%	42.70%
III. Liquidity			
	Loan to Deposit Ratio (LDR)	75.61%	77.43%
BANK RATIOS:			
I. CAPITAL			
1.	Capital Adequacy Ratio (CAR)	24.62%	25.43%
2.	Capital Adequacy Ratio (CAR) with market risk charge	22.87%	23.48%
3.	Fixed assets to total capital	17.63%	18.48%
II. Earning assets			
1.	Non-performing productive assets	1.95%	1.54%
2.	NPL gross	3.61%	2.71%
3.	NPL net after minimum BI provision of possible losses	1.81%	0.91%
4.	NPL after the Bank's total provision on possible losses	0.23%	0.00%
5.	Allowance for possible losses on productive assets	1.89%	2.14%
6.	Fulfillment of allowance for possible losses	102.85%	124.04%
III. Rentability			
1.	ROA after tax	1.59%	4.25%
2.	ROA before tax	2.07%	5.89%
3.	Return on average core capital	12.71%	34.33%
4.	Return on average equity	12.95%	31.49%
5.	NIM excluding third party premium expenses	6.96%	7.11%
7.	NIM including third party premium expenses	6.80%	6.91%
8.	Operating expenses to operating revenues	82.24%	53.32%
9.	Cost to income	48.77%	45.12%
IV. Liquidity			
	Loan to Deposit Ratio (LDR)	75.61%	77.43%
V. Compliance			
1.	a. Percentage violation on legal lending limit		
	a.1. Related parties	0.00%	0.42%
	a.2. Third parties	0.00%	0.00%
	b. Percentage lending in excess of the legal lending limit		
	b.1. Related parties	1.66%	2.16%
	b.2. Third parties	0.00%	0.00%
2.	Statutory reserve requirements (Rupiah)	8.11%	9.34%
3.	Net open position*)	0.89%	2.40%
4.	Net open position on balance sheet**)	9.53%	7.59%

*) Net open position calculation includes balance sheets and off balance sheets accounts.

**) Net open position calculation includes balance sheets accounts in accordance with Bank Indonesia Regulation No. 6/20/PBI/2004 dated 15 July 2004 regarding "Amendment of Bank Indonesia Regulation No. 5/13/PBI/2003 concerning the Net Open Position for Commercial Banks".

STATEMENTS OF LOANS PURCHASED FROM INDONESIAN BANK RESTRUCTURING AGENCY (IBRA)

(In accordance with Bank Indonesia Regulation No. 4/7/PBI/2002 regarding "Prudential principles for Credits Purchased by Banks from IBRA)

AS AT 30 JUNE 2006

(In million Rupiah)

DESCRIPTION	BALANCE
A. Summary of loans purchased from IBRA	
Loan principal (sustainable loan)	7,829,245
Purchase price	(1,337,135)
Allowance for possible losses/ deferred income	6,492,110
B. Summary movement of loans principal balance	
Beginning, 1 January 2006	68,280
Foreign exchange translation adjustment	(423)
Loan purchased from IBRA during the period	-
Loan repayments during the period	(722)
Write-offs during the period	-
Ending balance, 30 June 2006	67,135
C. Summary of allowance for possible losses (including differences between loans principal and purchase price)	
Beginning, 1 January 2006	64,011
Foreign exchange translation adjustment	(423)
Loan purchased from IBRA during the period	-
Loan repayments during the period	-
Write-offs during the period	(722)
Increase in allowance for possible losses during the period	-
Ending balance, 30 June 2006	62,866
D. Summary of deferred income	
Beginning, 1 January 2006	4,269
Foreign exchange translation adjustment	-
Difference between loan purchased prices and restructured loans value during the period	-
Write-offs during the period	-
Loan repayments during the period	-
Adjusted deferred income	-
Ending balance, 30 June 2006	4,269
E. Interest income and other income recognised on loans purchased from IBRA	-
F. Restructured loans	-
G. Additional loan facilities for debtors of loans purchased from IBRA	-
H. No intermediaries entity was used in purchasing loans from IBRA	-

MANAGEMENT OF THE BANK (As of 30 June 2006)		SHAREHOLDERS (As of 30 June 2006)	
Board Of Commissioners		Board Of Directors	
1. President Commissioner	: Ng Kee Choe	1. President Director	: Sebastian Paredes
2. Vice President Commissioner	: J.B. Kristiadi	2. Vice President Director	: Jerry Ng
3. Independent Commissioner	: Milan Robert Shuster	3. Director	: Muliadi Rahardja
4. Independent Commissioner	: Harry Arief Soepardi Sukadis	4. Director	: Anika Faisal
5. Independent Commissioner	: Manggi Taruna Habir	5. Director	: Hendarin Sukarmadji
6. Commissioner	: Gan Chee Yen	6. Director	: Ali Yong
7. Commissioner	: Victor Liew Cheng San	7. Director	: Vera Eve Lim
8. Commissioner	: Philip Eng ¹⁾	8. Director	: Sanjiv Malhotra ¹⁾
		9. Director	: Rene Eugene Burger ¹⁾
		TOTAL	100 %

¹⁾ will be effective upon Bank Indonesia approval (Fit & Proper Test).

Notes :

- The Consolidated financial statements are published in order to comply with Regulation of Bank Indonesia No. 3/22/PBI dated 13 December 2001 regarding the "Transparency of Bank's Financial Condition" and Circular Letter of Bank Indonesia No. 7/10/DPNP dated 31 March 2005 regarding The Amendment of Circular Letter of Bank Indonesia No. 3/30/DPNP dated 14 December 2001 regarding "Quarterly and monthly published financial statements of Commercial Banks and certain report submitted to Bank Indonesia.
- For comparatives purposes, certain account in the consolidated financial statement as of 30 June 2005 have been reclassified to conform with consolidated financial statement in year 2006.
- The ultimate shareholder of Asia Financial (Indonesia) Pte.Ltd. is Temasek Holding Pte.Ltd., an investment holding company based in Singapore which is wholly owned by the Government of Singapore.
- Exchange rate as at 30 June 2006 : USD 1 = Rp. 9,263 Exchange rate as at 30 June 2005 : USD 1 = Rp. 9,752.5

Publication: 25 July 2006
Board of Directors



Sebastian Paredes
President Director



Jerry Ng
Vice President Director

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