

Corporate Governance, Material Disclosure & Compliance, Risk Management

Corporate Governance

The guiding principles behind governance at Bank Danamon

The Board of Commissioners and Board of Directors believe good corporate governance practices are intrinsic to Bank Danamon's philosophy. It serves as a foundation in developing the Bank's relationships with other stakeholders who have a legitimate interest in the operation of the bank including customers, suppliers, creditors, employees and the communities in which the bank operates.

Six core principles form the foundation for governance best practice in day to day operations.

Principles

- Integrity, relates to honesty which forms the fundamental basis of conduct required to ensure that decision making processes are free from conflicts of interest and places the interest of the company above personal ones.
- Fairness, as it relates to professionalism and integrity in decision making processes to ensure that fair and equal treatment are implemented to protect the rights of all shareholders.
- Transparency, in particular disclosure of information in a clear, accurate and timely manner.
- Accountability, in defining the roles, responsibilities and obligations between commissioners, directors and shareholders of the bank.
- Responsibility, the commitment as professionals to comply with all prevailing laws and regulations and to act as a good corporate citizen in the community at large.
- Independence, the ability of Board members to exercise objective judgement on all matters, where an independent business judgement is advisable to avoid potential conflicts of interest.

Board's Responsibilities

In implementing best practices in corporate governance, the Board of Commissioners and Board of Directors share joint responsibilities as follow:

Accountability

- A written set of rules relating to governance has been prepared and is adhered to in the course of normal business.
- The Bank's vision, mission and objectives are clearly stated and a supporting business plan is in place.
- The Bank maintains a full committee structure to ensure the key elements of governance are carried out. These include the establishment of a Risk and Audit Committee reporting to the Board of Commissioners on a timely and regular basis on internal controls, management controls (including risk management), review of financial reports both monthly and quarterly, review of legal compliance and assessment and recommendations on external auditors and their performance.

- During 2005 seven out of the total of nine Commissioners attended a risk management training course conducted by Bank Indonesia and completed risk management certification.
- The appointment of Independent Commissioners - as of December 31, 2005 a total of three Independent Commissioners had been appointed by shareholders in excess of the minimum requirement of 30% as defined by the Jakarta Stock Exchange regulation No. IA.
- The appointment of independent members in the Bank's committee structure, including the Risk and Audit Committee, the Risk Management Committee, the Asset and Liability Committee, the Nomination and Remuneration Committee and Committees relating to Syariah Banking Supervision and Credit.

Disclosure

- A transparent ownership structure is in place with a clear statement of any beneficial ownership of shares by Commissioners and Directors. Board members hold less than 5% of the Bank's shares while public shareholders' constitute 30.4% of the total ownership of Bank Danamon (please also refer to Note 27 the Consolidated Financial Statements as at December 31, 2005).
- Accurate, adequate and timely information is provided every quarter by public expose and from time to time through regular investor meetings and non-deal roadshows on the Bank's financial performance, business operation and competitive position and the extent of the Bank's approach to managing all risks in its normal operations. Details of the appointment of Board members, and Board remuneration is also provided.
- Proper multiple communication channels for shareholders and the public are in place, including among others, the annual report, company website, regular press and analyst briefings and the issuance of press releases and newsletters.

Shareholders Rights

- Shareholders are given the opportunity to approve the remuneration of all Board members and the right to appoint Board members at the Annual General Meeting of Shareholders (AGM).
- Prior shareholder approval is always sought with regard to any material changes which, in substance or effect, dilute the equity or erode the economic interests or share ownership rights of existing shareholders.
- Proper notice is given to shareholders in calling the AGM and includes the main agenda items for the meeting, namely the approval of financial statements, the appointment of Board members, the approval of the Board's remuneration, the approval of dividend payment and the appointment of external auditor.
- Shareholders have the right through their vote at the AGM to influence the composition of Boards. All proxy appointments for the purpose of voting are notarised.
- A formal share ownership programme is in place to offer performance incentives to employees and the Board of Directors and to align their interests with those of all shareholders of the Bank.

Aligning the interests of employees with shareholders

Employees/Management Share Option Plan (E/MSOP)

In line with our mission to be the employer of choice, Bank Danamon (“the Bank”) launched an Employees/ Management Share Option Plan (“E/MSOP”) in 2004 with the main objectives of retaining employees whose contributions are essential to the success and prosperity of the Bank, and giving recognition to outstanding members of the Board of Directors and Senior Employees who have contributed to the growth and profitability of the Bank.

- Members of the Board of Directors and Senior Employees are eligible for E/MSOP subject to individual performance conditions set out by the relevant Committees. In order to avoid any conflict of interest, members of the Board of Commissioners of the Bank will not participate in the E/MSOP as they are responsible for determining the compensation paid to management.
- The Bank will grant options to eligible persons to subscribe for the shares of the Bank up to a maximum of 5% of the total issued and fully paid up shares in the Bank as of 26 March 2004, or in aggregate, 245,346,100 shares Series B, each share having a par value of Rp 500. The actual grants in 2004 and 2005 were 164 million options and 61 million options respectively. The compensation costs associated with E/MSOP were Rp 37 billion in 2004 and Rp 109 billion in 2005 (please refer to Note 38 to the Consolidated Financial Statements December 31, 2005, for detailed information).
- Committee I (consisting of the members of the Board of Commissioners) will determine the allocation and distribution of options to eligible members of the Bank’s Board of Directors, and Committee II (consisting of the members of the Board of Directors) will perform the same task in the case of Senior Employees.
- The Vesting Period is structured such that the options will be vested in stages. The options will continue to be in force for a maximum period of five years commencing from the respective Grant Dates. The option price is reset for every allocation granted to ensure fairness and proper alignment of the interests of employees with all stakeholders.

Code of Conduct

Bank Danamon’s Code of Conduct applies to the Board of Commissioners, Board of Directors and employees without exception. The Code is intended to serve as basic guidelines for all employees to ensure that relationships among employees, customers and other stakeholders are carried out in the utmost ethical manner and free of conflict of interest. All employees must sign to the effect that they accept and understand the Code and will be guided accordingly on an annual basis. The Code is supported with appropriate awareness training and reviewed periodically and approved by the Boards.

A confidential hotline is offered to employees to report suspected breaches of the Code of Conduct, or cases of fraud or corruption, also known as a whistleblower programme. Awareness of the hotline is promoted through the internal website, posters and trainings. A Statement of Conduct is in all contracts signed with accredited suppliers to the Bank. A confidential hotline is provided to report breaches of conduct by suppliers.

Governance Structure

The Board of Commissioners

Currently comprising nine members, all competent professionals with relevant experience including the President Commissioner and three Independent Commissioners, the Board of Commissioners is nominated, and elected through the Annual General Meeting of Shareholders (AGM) up until 2008, a term of three years from the date of appointment. Shareholders have the right to suspend and/or change Board of Commissioners members through a vote at the AGM.

The aggregate remuneration in Rupiah (gross) of the Board of Commissioners is as follows:

	2005	2004
Salary	9,074,492,577	7,100,035,092
Allowance	2,991,334,067	2,807,540,910
Bonus	TBD*	10,500,000,000
Total	12,065,826,644	20,407,576,002

* to be determined at the AGM in May 2006

The Board of Commissioners undertakes a supervisory role in monitoring the bank's performance against stated strategy and goals, oversight of risk management, external and internal audit controls and findings (substantially through the work of the Risk and Audit Committee) and the timely disclosure of information required in compliance with regulatory requirements and the Law, together with meetings and correspondence and/or emails between Commissioners and Directors. During the year, the Board of Commissioners held 7 meetings with the Board of Directors and Board of Management (please refer to the relevant table of meetings on page 59).

Independent Commissioners

In accordance with the definitions stated in the prevailing regulations for Bapepam, the Indonesian Capital Market authority, Bank Indonesia regulation No. 8/4/PBI/2006 and the Jakarta Stock Exchange regulation No. IA, Bank Danamon has appointed three Independent Commissioners who serve the interests of minority shareholders.

Board of Commissioners

Sim Kee Boon, President Commissioner

Sim Kee Boon has been the Bank's President Commissioner since 2003. He graduated in 1953 with a Bachelor of Arts (Honours) degree in economics from University of Malaya, Singapore. He started his career with the Civil Service of Singapore, holding various key positions until 1984. He was the Executive Chairman of Keppel Corporation Ltd from 1984 until 2000, after which he served as Senior Advisor to the Keppel Group until June 2003. He was Chairman of the Civil Aviation Authority of Singapore (CAAS) for fifteen years before stepping down in August 1999. In September 1999, he was appointed as Advisor to CAAS. He was also the Founding Chairman of M1, Keppel's joint venture with Singapore Press Holdings in the cellular phone business. He was sworn in as a member of the Council of Presidential Advisors in January 1997. He was appointed as Director of Temasek Holdings (Pte) Ltd in January 2000. He was also invited to be a Member of the Temasek Advisory Panel in 2003 and appointed as Director of Asia Financial Holdings in 2004. He became Advisor to Lum Chang Group of Companies in late 2000.



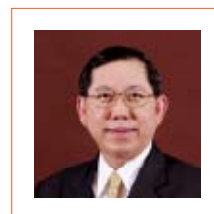
Johanes Berchmans Kristiadi, Vice President Commissioner

Johanes Berchmans Kristiadi has been the Bank's Vice President Commissioner since 2005. He obtained a PhD from Sorbone University, France in 1979. He served as Asset Maintenance Director and Budget Director of Ministry of Finance of the Republic of Indonesia and the Chairman of State Administration Institute of the Republic of Indonesia from 1990 to 1998. He served as Assistant V Coordinating Minister of Supervision, Development and State Owned Enterprises until 1999, Deputy IV Minister of State Owned Enterprises until 2001 and Secretary to the Minister of Communication and Information until 2002. He is currently the Secretary General in the Department of Finance Republic of Indonesia.



Gan Chee Yen, Commissioner

Gan Chee Yen has been a Commissioner since 2003. He graduated with a Bachelors degree in Accounting from National University of Singapore. He began his career as an auditor at PriceWaterhouseCoopers in May 1984. He joined Showa Leasing (S) Pte Ltd in September 1986. He became Senior Manager in Finance for Singapore Technologies Marine Ltd in mid 1988 for eight years after which he became Director for Finance at Singapore Technologies Pte Ltd. His present position is Senior Managing Director for Investments for Temasek Holdings (Pte) Ltd.



Victor Liew Cheng San, Commissioner

Victor Liew Cheng San has been a Commissioner since March 2004. He currently serves as Corporate Advisor of Temasek Holdings (Pte) Ltd. He joined Overseas Union Bank in 1980 and retired as Global Head of Markets in 2001. He was involved in the development of the Futures Exchange (SIMEX) since its inception in 1984 and was its Chairman from 1996 to 1999. He continued to serve as Director of the merged exchange (SGX) until 2004. He holds a Bachelor Degree in Social Sciences with Honours from the University of Singapore.





Ng Kee Choe, Commissioner

Ng Kee Choe has been a Commissioner since March 2004. He is Chairman of Singapore Power Limited and NTUC Income Insurance Cooperative. He also sits on the Boards of Singapore Exchange Limited and Singapore Airport Terminal Services Limited. Mr. Ng was Vice Chairman and Director of DBS Group Holdings Ltd until his retirement on 30 June 2003. He was awarded the Public Service Star Award in August 2001.

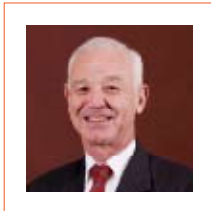


Philip Eng, Commissioner Candidate*)

Philip Eng graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy in 1969. He became an Associate Member of the Institute of Chartered Accountants in Australia in 1972. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director. Mr. Eng is currently Chairman of Accord Customer Care Solutions Limited and City Gas Pte Ltd and Deputy Chairman of MCL Land Limited. He is also Director of Singapore Computer Systems Ltd and Chinese Development Assistance Council.

*) subject to Bank Indonesia's approval (fit and proper test)

Independent Commissioners



Milan Robert Shuster, Independent Commissioner

Milan Robert Shuster, PhD, has been a Commissioner since 2000. Dr. Shuster received his PhD in International Economics and Law from the University of Oxford. He joined the Asian Development Bank from 1970 until 1974, after which he joined ING Bank. Dr. Shuster later joined the National Bank of Canada from 1979 until 1991. Prior to his appointment as Commissioner, he was the President Director of Bank PDFCI and President Director of Bank Danamon from 1999 until 2000.



Harry Arief Soepardi Sukadis, Independent Commissioner

Harry Arief Soepardi Sukadis has been a Commissioner since 2003. He earned his Bachelors degree in Accounting from University of Padjajaran, Bandung, Faculty of Economics, in 1982. He held a position as General Manager of Accounting Division for seven years at PT Indosat. Later, in 1993, he became Accounting and Control Division Manager for PT Semen Cibinong Tbk for seven years. He joined IBRA in 2000, holding various positions including Finance Director.



Manggi Taruna Habir, Independent Commissioner

Manggi Taruna Habir received a Masters degree in Business Administration from University of Michigan and a Master in Public Administration from Harvard University. Early in his career he was a business and economic correspondent at the Far Eastern Economic Review and held various key positions at Citibank N.A. Jakarta. Subsequently, he was a Research Director at PT Bahana Securities and President Director at PT Pefindo. His last position before joining Bank Danamon was Director at Standard & Poor's, Singapore.

The Board of Directors

The Board of Directors comprises of six Directors as of December 31, 2005 including the President Director and a Director serving in the capacity of Compliance Director. The Board of Directors is proposed and nominated by the Nomination and Remuneration Committee of the Bank, to be elected for a term that ends in 2008. Shareholders have the right to suspend and/or change Board of Directors members through a vote at the AGM.

The Board of Directors is responsible for the day-to-day management of the bank, including the formulation and execution of business plans, annual budgets and policies, the monitoring and managing of risks, the prudent management of the bank's assets, resources and reputation, the recruitment and conduct of bank personnel and the formation and operation of management committees in day-to-day governance of the Bank.

The aggregate remuneration in Rupiah (gross) of the Board of Management (Board of Directors and Senior Management) is as follows:

	2005	2004
Salary	27,976,596,343	21,111,314,004
Allowance	9,529,343,178	13,204,937,459
Bonus	TBD**	42,220,600,000
Stock Option*	66,135,000	55,803,000
Total	37,505,939,521	76,536,851,463

* number of shares, as of December 31, 2005

** to be determined at the AGM in May 2006

Compliance Director

In accordance with Bank Indonesia's regulations, a Compliance Director was appointed with the responsibility to ensure all laws, regulations and requirements of regulatory bodies including Bank Indonesia, the Capital Market Authority and the Stock Exchange are met in a timely and accurate manner. The Compliance Director is also responsible for ensuring all internal policies and procedures are adhered to at all times. The Compliance Director is not involved in the day to day operations of the bank but has the right of veto in the event that decisions or policies are taken which contravene regulations or laws.

Board of Directors



Sebastian Paredes, President Director

Sebastian Paredes was appointed as President Director in 2005. He received a Masters degree in International Business Administration from Instituto de Empresa, Madrid, Spain and Bachelor of Science from California State University, USA. His career in banking, primarily with Citigroup has spanned more than 20 years. He served as Country Head of Citigroup in Honduras for 2 years and Country Head of Citigroup in Ecuador for 3 years. Subsequently he was appointed as CEO of Citigroup in Turkey and Regional Head for Turkey & Israel. Prior to his current position he served as Managing Director and Chief Executive Officer of Citigroup South Africa and Regional Head responsible for Citigroup's businesses in South Africa and Sub-Sahara Africa.

Sebastian Paredes is responsible for all aspects of the financial performance of Bank Danamon and the interests of all shareholders. His role includes the development and oversight of the Bank's strategy as a whole in its business operations including coherent policy development and implementation with respect to governance, enterprise risk management, reputation management and the development of its human resources, information technology and corporate social responsibility.



Jerry Ng, Vice President Director

Jerry Ng was appointed as Vice President Director in 2005. He has been a member of the Board of Director since 2003. Prior to this, he was Deputy President Director of PT Bank Central Asia Tbk, Deputy Chairman and Advisor to the Chairman of IBRA. He served in several senior executive positions in the Financial Services Division of Astra International Group (1991-2000) namely Deputy President Director of PT Bank Universal, President Director of PT Federal International Finance, and Commissioner of PT Astra Colonial Mutual Group Life. He started his career at Citibank Indonesia, with his last position being Assistant Vice President in Consumer Banking. He received his Bachelor of Business Administration in Finance and Business Economics degree from the University of Washington, and attended various executive development programmes at both Stanford Business School and Harvard Business School. He is also a Fellow of the Eisenhower Fellowship Foundation.

Jerry Ng is responsible for the development of overall strategies in Consumer, SME & Commercial business and Mass Market business, ensuring smooth implementation of the strategies, and the achievement of business unit bottom line performance as well as the overall company performance.



Muliadi Rahardja, Director

Muliadi Rahardja has been a Director of the Bank since December 1999. He graduated from the Faculty of Economics, University of Indonesia and earned his MBA from the Massachusetts Institute of Technology in 1998. He started his career in a consulting company in 1983, and joined PT Sepatu Bata Indonesia Tbk in 1984. He joined Lippo Group in 1985 and was responsible for Insurance, Garment and Banking, after serving as Deputy Group Head of MIS. In 1989, he joined Bank Danamon as a Branch Manager in Tangerang. His most recent position was Head of the Corporate Planning and Strategy Division before he was appointed as Director of the Bank.

Muliadi Rahardja acts as Strategic Business Partner by aligning HR practices to business priorities. Responsible for identifying and continuously updating core competencies required by the Bank to achieve its business priorities and ensuring that management and employees possess these core competencies through skills development programs and training. In addition, to sustain a positive Industrial Relations climate by directing open and transparent communications with employees, and being actively involve in all dialogues.

Anika Faisal, Director

Anika Faisal has been a Director of the Bank since 2002. A graduate of University of Indonesia Faculty of Law, she started her banking career with Bank Niaga in 1990, her last post being Legal Division Head. She subsequently joined a law firm in Jakarta before joining IBRA as Executive Assistant to the Chairman. She joined the bank in 2002 and was the Head of the Legal Division prior to being appointed as a Director of Bank Danamon.



Anika Faisal's main responsibility is the duty of complying with regulatory requirements as well as advising on all legal matters which affect the company, including national and overseas contracts, employment law and litigation. She is responsible for development of policies to ensure that the Bank's business is conducted in conformity with the relevant legislation, official requirements, regulatory guidelines and good business practices and prudential regulation based on Good Corporate Governance and the implementation of Know Your Customer (KYC) principles. Her tasks include maintenance of all documents related to policies and management correspondence.

Hendarin Sukarmadji, Director

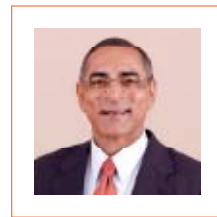
Hendarin Sukarmadji has been a Director of the Bank since May 2005. He graduated from the Faculty of Economics, University of Padjajaran Bandung. Prior to joining Bank Danamon, he served as Director of PT Bank Agroniaga Tbk since 2002. He started his banking career with PT Bank Expor Impor Indonesia (Persero) and in a career spanning 25 years with this bank he held senior management positions with the last position as Director. Later, he joined IBRA as Coordinator of Frozen Bank Management Team in 1999.



Hendarin Sukarmadji is responsible for the development and implementation of strategies for the Syariah business unit, and the achievement of business unit bottom line performance.

Tejpal Singh Hora, Director

Tejpal Singh Hora has been a Director of the Bank since March 2004. He received a Masters in Business Administration from the Indian Institute of Management Ahmedabad, India. Prior to joining Bank Danamon, he served as the Chief Regional Credit Officer for the Private Bank in Asia Pacific of Citibank Hong Kong since 2000 and Chief Regional Credit Officer for Corporate and Financial Institutions Relationships in South Asia of Citibank Singapore from 1994 until 2000. He has held senior management positions within the Citibank Group in various countries such as India, Fiji, Canada, UAE, and Saudi Arabia since 1968.



Tejpal Singh Hora is responsible for ensuring all Business Groups fully understand and prudently manage the risks in their business, approving the risk parameters and underwriting standards for each Business Group. His role includes constantly monitoring of the risks in all portfolios to ensure that any adverse trends are corrected. He serves as contact point for the Regulators and Board of Commissioners for all risk issues.

Tejpal Singh Hora resigned from Bank Danamon effective March 1, 2006.

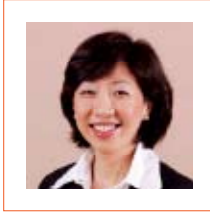
Francis Andrew Rozario, President Director (up to May 2005)

Francis Andrew Rozario served as President Director from May 2003 until assuming his new appointment with Temasek Holdings, Singapore in the role of CEO of Asia Financial Holdings in May 2005. He graduated from Sydenham College, Bombay University, in 1974. He attended the Program for Management Development at Harvard University in 1987. He commenced his career as a Credit Analyst and within a few years was promoted to Corporate Bank Head at Citibank, Dubai. He has served as Chief Executive for Citibank in Nigeria, Columbia and Ecuador before joining Citibank in New York as Division Head of the Global Relationship Bank for Latin America. He was appointed the Head of Corporate and Investment Bank at Citibank Taiwan in 1993. His last position at Citibank was as Global Head for Commercial and SME for Citigroup International, based in London.



Board of Management

The Board of Management is comprised of the Board of Directors plus Senior Management as follows. Board of Management is responsible for running key business areas of the Bank and reporting directly to the President Director.



Vera Eve Lim, Chief Financial Officer

Vera Eve Lim has served as a member of the Board of Management and Chief Financial Officer of the bank since October 2003. She graduated from the Faculty of Economics, Tarumanegara University. Prior to commencing employment with the bank she joined Sinar Mas Dipta Insurance in 1988. She started her career with the Bank in 1990 and served as Senior Vice President in charge of financial planning and control prior to her appointment as Chief Financial Officer.

Vera Eve Lim is responsible for overseeing and directing all financial aspects of the Bank, including the preparation of financial reports, financial planning and control. She plays a key role in the strategic planning of the Bank by identifying opportunities and threats that may impact the performance of the Bank. In addition, she is also in charge of Investor Relations activities.



Ali Yong, Head of Transaction and Services

Ali Yong has been working with the Bank since 1999 and his last position was Head of Transaction and Services. He graduated in Mechanical Engineering from Institute Technology Bandung in 1994 and attended executive development program at Harvard Business School in 2003. He started his career with Citibank Indonesia as Management Team Associate and moved to Bank Papan later on as Operation Head. He was Management Team at Bank Pos prior to joining Bank Danamon.

Ali Yong is responsible for the development of overall strategies of Operations, Transaction Services, Cash Management, Trade Finance, and Custodial services, and ensures smooth implementation of the strategies.



Lam Kun Kin, Head of Treasury and Capital Markets

Lam Kun Kin has served as a member of the Board of Management and Head of Treasury and Capital Markets since September 2003. He graduated with Bachelor of Accountancy with Honours from National University of Singapore in 1986. In 1990, he became a designated Chartered Financial Analyst. He started his career at Government of Singapore Investment Corporation with his last appointment as the Head of Short Term Assets. Afterwards, he joined Citibank N.A Singapore in 1995 as the Treasury Head, Regional Currencies & Derivatives Products. During his time with Citibank he held various senior positions. His last concurrent appointments at Citibank were as the Regional Head of Asia Pacific Financial Markets (Trading Products), Regional Head of Asia JV (FX), Singapore Market Manager, Chairman of Bonds in Singapore, Director of CISBL (Merchant Bank Vehicle).

Lam Kun Kin is responsible for direct overall performance, control, and management of all liquidity funding and trading of the bank within prudent risk parameters as defined by Asset & Liability Committee, and Risk Management as well as providing first class Treasury & Capital Markets products to customers.

Rene Burger, Head of Corporate Banking and Financial Institutions

Rene Burger has served as a member of the Board of Management and Head of Corporate Banking and Financial Institutions since October 2003. He earned his Bachelor degree in Economics and Management (Accounting Concentration) from Albion College, Michigan, USA in 1985. He began his career with Citigroup in Chicago, Illinois in 1985. During the 18 years at Citigroup he held various management positions in New York, Germany, Saudi Arabia, Taiwan and Philippines with his last position as Country Risk Manager and Senior Credit Officer of Citibank N.A. Jakarta, Indonesia.



Rene Burger is responsible for the development of overall strategies in the Corporate Banking and Financial Institutions business unit, ensuring smooth implementation of the strategies, and the achievement of business unit bottom line performance.

Kanchan Nijasure, Chief Technology Officer

Kanchan Nijasure has served as a member of the Board of Management and Chief Technology Officer since April 2004. Prior to this, he served as Global Technology Head for the Commercial and SME business of Citigroup International, based in London. He has held many senior positions in Citigroup in different countries since he joined them in 1987. Prior to that, he used to work with Unisys. He received his Bachelor of Technology degree in Electrical Engineering from the Indian Institute of Technology, Bombay in 1980.



His role is to align the Bank's technology vision with the business strategy by developing and implementing appropriate technology initiatives. In addition, he maintains and optimises the functionality of all existing systems to meet the needs of the Bank and its customers.

Sanjiv Malhotra, Head of Risk Management

Sanjiv Malhotra is a member of the Institute of Chartered Accountants of England and Wales and of Ontario, Canada. He has 33 years of International Financial experience, having worked in England, Canada, the Philippines, the Indian Sub continent, Thailand and the United Arab Emirates. He has worked with Citigroup for 21 years in multiple locations and multiple businesses. His last appointment was as the Chief Officer of the Citigroup Private Bank in India. His work experience includes, Regional Risk Head for Citigroup India, Srilanka, Bangladesh and Nepal, Chief Risk Officer for Citigroup Thailand and Regional Risk Manager for Commercial Credit in South Africa, India and Saudi Arabia.



Sanjiv Malhotra took over Tejpal Singh Hora's responsibility starting March 1, 2006.

Membership and attendance of key Governance Meetings

Name	Board of Commissioners' Meetings (7 meetings)	Board of Directors' Meetings (42 meetings)	Risk & Audit Committee Meetings (20 meetings)	Nomination & Remuneration Committee Meetings (2 meetings)
Board of Commissioners				
Sim Kee Boon [△]	6	-	-	2
Johanes Berchmans Kristiadi [*]	2	-	-	-
Harry Arief Soepardi Sukadis ^{△+}	5	-	6	2
Milan Robert Shuster ^{△+}	7	-	20	2
Gan Chee Yen	5	-	-	1
Ng Kee Choe [△]	6	-	-	1
Victor Liew Cheng San ⁺	6	-	7	1
Manggi Taruna Habir ^{***}	2	-	13	-
Philip Eng ^{***}	2	-	-	-
Sri Adiningsih ^{+△}	4	-	6	1
Edwin Gerungan [△]	5	-	-	1
Sumarno Surono [△]	4	-	-	1
I Nyoman Sender [△]	4	-	-	1
RAC				
Setiawan Kriswanto	-	-	20	-
Hadi Indraprasta	-	-	18	-
Board of Directors				
Francis Andrew Rozario ¹	-	8	-	-
Sebastian Paredes ²	-	25	-	-
Jerry Ng	-	37	-	-
Muliadi Rahardja	-	39	-	-
Anika Faisal	-	36	-	-
Tejpal Singh Hora	-	31	-	-
Hendarin Sukarmadji ³	-	23	-	-
Senior Management				
Kanchan Nijasure	-	33	-	-
Vera Eve Lim	-	32	-	-
Ali Yong	-	39	-	-
Lam Kun Kin	-	37	-	-
Rene Burger	-	35	-	-
Emirsyah Satar [△]	-	8	-	-
Gatot Mudiantoro Suwondo ¹	-	7	-	-

* JB Kristiadi - effective as of December 5, 2005

** Manggi Taruna Habir - effective as of July 22, 2005

*** Philip Eng - subject to Bank Indonesia's approval (fit and proper test)

△ Nomination and Remuneration Committee

+ Risk and Audit Committee

^ Resigned on March 17, 2005

¹ Served up to May 9, 2005

² Effective as of May 9, 2005

³ Effective as of July 4, 2005

The minutes of each meeting are drawn up and signed by the Board of Commissioners and Board of Directors and are distributed to all Board of Commissioners and Board of Directors members, as well as distributed to the meeting attendants and the members who were absent during the meetings. Dissenting opinions are also noted.

Resolutions and policy decisions emanating from Board of Commissioners/ Board of Directors meetings:

During the course of more than 70 Board and Committee meetings, key resolutions and policy decisions were made relating, inter alia, to the introduction and development of performance reviews and performance related remuneration, the management of all of the Bank's specific business areas, the work of internal and external audit including significant audit findings, unsatisfactory findings and corrective action and the monitoring of corrective action. All regulatory changes were examined to ensure the Bank's policies remained appropriate and revisions to manuals on governance, risk and the Code of Conduct were vetted as part of a regular process of review and improvement.

Performance of the Board of Commissioners and Board of Directors

The Board of Commissioners review the performance of the Board of Directors as a whole and for individual performances in terms of pre-agreed key performance indicators, the performance of specific business areas and in terms of the overall financial performance of the Bank.

In addition to the evaluation of individual and group performance as undertaken by the Nomination and Remuneration Committee, shareholders have the opportunity at the AGM to review the performance of both Boards based upon the annual financial report.

Governance: Committee Operations in 2005

The following committees met regularly during the year.

The Risk and Audit Committee (RAC)

To improve the scope and effectiveness of oversight and to ensure an holistic approach to the management of audit, control and risk information, the Board of Commissioners and Board of Directors obtained Board of Commissioners' approval in 2005 to combine the Audit Committee and the Risk Management Committee. Reporting directly to the Board of Commissioners as the supervisory body, RAC's responsibilities relate to the review of financial accounting practices, risk management, compliance, internal control systems, external reporting, the external audit function, and the Bank's processes for monitoring compliance with laws and regulations. The Committee may retain outside counsel, accountants or others to advise or assist in the conduct of an investigation, seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests.

Separate full reports on Risk and Audit matters are prepared monthly and a report of the principle areas of work covered and their findings during 2005 is included in this annual report.

The composition of the Risk and Audit Committee includes all three Independent Commissioners, serving in the capacity of Chairman and two members until the closing of the Annual General Meeting of Shareholders to be convened in the year 2008 membership is as follows:

Milan Robert Shuster, Chairman (see Board of Commissioners)

Manggi Taruna Habir, Member (see Board of Commissioners)

Harry Arief Soepardi Sukadis, Member (see Board of Commissioners)

Liew Cheng San Victor, Member (see Board of Commissioners)



Setiawan Kriswanto, Member

Setiawan Kriswanto has been a member of the Committee since 2002. Formerly he was Chairman of the Temporary Management Team Banks at IBRA from 1999. Prior to this he served in senior audit positions at Bank Dagang dan Industri (BDI), the Financial and Development Supervisory Board (BPKP) and in the Ministry of Finance, the Republic of Indonesia (DJKPN). He holds degrees from the Sekolah Tinggi Akuntansi Negara (STAN) Jakarta and Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya and an MM from Krisnadwipayana University (UNKRIS).



Hadi Indraprasta, Member

Hadi Indraprasta has been a member of the Committee since May 2004. Prior to this he held a number of senior positions at IBRA from 2000 to 2004. He has held audit and management positions PT Bank Duta and PT Bank Central Asia and commenced his banking career with American Express. He holds a degree from the University of Padjadjaran, Bandung, Faculty of Economics in 1987.

Major resolution and policy decision emanating from Risk and Audit Committee meetings:

Date	Discussion Topics
Feb 14	Resolution concerning Adira Finance notes to Bank Danamon financial Statements as at December 31, 2004
Mar 29	Approval of Satuan Kerja Audit Intern (SKAI) Internal Audit Charter and work program for 2005
May 26	Recommendation to Bank Danamon's Board of Commissioners that PricewaterhouseCoopers be appointed as the Bank's Public Accountant for 2005
Jul 21	Recommendation to Board of Commissioners that the currently two separate Committees, i.e: Audit Committee and Risk Management Committee, be merged into one Committee, i.e: Risk and Audit Committee
Oct 25	Quarterly review and report to Board of Commissioners concerning Board of Directors implementation of Risk Management policies
Feb 14, Apr 28, Jul 2, Oct 25	Quarterly approval of Bank Danamon financial statements

Engagement of the external auditor

The Risk and Audit Committee requires the external auditor to confirm that they have maintained their independence. The Company's external auditor gives assurance to the Risk and Audit Committee that they have complied with the independence standards, promulgated by local and overseas regulators and professional bodies.

The auditors, KAP "Haryanto Sahari & Rekan" member of PricewaterhouseCoopers as public accountant have indicated their willingness to continue in office for the 5th year. A resolution delegating the authority to appoint the Bank's auditor will be proposed at the forthcoming Annual General Meeting of Shareholders. The 2005 annual financial statements were audited with total cost of Rp 4,675 billion (including VAT).

Internal Audit

Internal Audit is an independent function that reports directly to the President Director and to the Board of Commissioners (through the Risk & Audit Committee). The mission of the Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the bank operations. It helps the bank to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit covers all lines of business, product groups and support functions in Head Office and branches. To facilitate better supervision and improve the coordination with business, Internal Audit has presence in all regional offices. All regional audit heads report to the Head Office - Internal Audit. In performing its duties, Internal Audit is authorized to have unrestricted access to all functions, records, property and personnel of the Bank and its subsidiaries (as per the approved Internal Audit Charter by the President Director and Board of Commissioners). Internal Audit has been in compliance with the BI standard for implementation of Internal Audit Functions (SPFAIB) as per BI Regulation No. 1/6/PBI/1999 dated September 20, 1999.

The annual audit plan has been developed using risk-based auditing that examines all audit entities. Audits are more focused towards higher risk entities. The annual audit plan has been communicated and approved by the President Director and Board of Commissioners. In performing the audit, risk-based auditing has also been applied in each individual audit so that audit reviews are more focused towards the critical activities in the unit.

Audit results will be communicated and distributed through an audit report to relevant parties including the President Director, Integrated Risk Head and Compliance Director. Also, on a monthly basis, a summary of all audit issues are presented to the Board of Management for constructive interaction and discussion. Also, on a separate basis, Internal Audit has a monthly meeting with the Risk & Audit Committee.

To meet the expectation of the stakeholders, Internal Audit should have qualified internal auditors in engaging audit activities. The professional competence of auditors is achieved through continuing professional development program, such as regular updating auditors' knowledge of banking products and services, regulation as well as auditing techniques. Internal Audit has upgraded the quality of works by implementing audit automation tools to improve effectiveness and efficiency. Hence, auditors are able to perform automatic data extraction for audit sampling, generate exception reports and verifying calculations.

In performing its duties, Internal Audit works closely with various units in the Bank such as Compliance, Risk Management, Financial Control and others. Also, Internal Audit works with External Auditor to discuss matters of mutual interest and coordinate audit efforts.

• Audit activities

During 2005, we have completed 1,029 audit reviews.

Internal Audit Activities	2005 Audit Plan	2005 Audit Realization			% of Plan
		Jan-Jun	Jun-Dec	Total	
Routine Audit					
- Conventional Branches	324	210	120	330	102%
- Danamon Simpan Pinjam	400	160	271	431	108%
- Head Office	103	38	66	104	101%
Sub Total	827	408	457	865	105%
Facilitated Audit	-	50	114	164	N/A
Total Audit	827	458	571	1,029	124%
Audit Investigation	-	5	9	14	N/A

• Facilitated audit

In 2005, Internal Audit has introduced a facilitated Guest Reviewer audit program to cover auditing for conventional branches audit and self employed mass market. For all facilitated audit reports, the audit team leaders are from Internal Audit while the audit team members are from operations not related to the branches being audited. All non-Internal Audit employees involved in audits have undertaken proper training.

• Other activities

In 2005 we have concluded other activities such as:

- Monitoring the completion of the 2005 Audit Plan & Budget
- Follow-up audit findings
- Revised Standard Audit Programs (SAP)
- Continued the implementation of Risk Based Auditing
- Continued the implementation of audit automation tools (IDEA-Interactive Data Extraction & Analyses) to enable auditors to perform automatic data extraction for audit sampling, generate exception reports and verifying calculation
- Continued the implementation of Team Mate audit software to improve productivity and move gradually to electronic working papers

The Nomination and Remuneration Committee

Formerly these were two separate committees for nomination and remuneration respectively. The Committee is responsible for nominating suitable candidates for positions in the Board of Directors and to facilitate regular appraisal of the Board of Directors in their duties in managing the Bank and in so doing to establish clear criteria governing the level of skills and number of Directors required and to oversee succession planning. The Committee has the task to ensure remuneration levels are appropriate by virtue of the financial risks, demands and prerequisites of each role, to recommend to the Board of Directors suitable incentive programmes involving bonus payments or ownership of Bank shares and to undertake and monitor appropriate policies for remuneration. The Committee ensures information disclosure to the public fully complies with all prevailing regulations.

The composition of Nomination and Remuneration Committee up to the closing of the Annual General Meeting of Shareholders to be convened in the year 2008, shall be as follows:

Sim Kee Boon, Chairman (see Board of Commissioners)
Harry Arief Soepardi Sukadis, Member (see Board of Commissioners)
Ng Kee Choe, Member (see Board of Commissioners)
Milan Robert Shuster, Member (see Board of Commissioners)

Two meetings were held in 2005 taking account of a full interview of the new President Director by the Board of Commissioners, the nomination of the new President Director, bonus payments recommended for Board members and the setting of a strike price for the new tranche of the E/MSOP. Two Independent Commissioners are represented on this Committee.

The Corporate Governance Committee

Established in 2005, based on the Decision of the Board of Commissioners No.Kep:Kom-Corp.Sec.021 to implement Good Corporate Governance standards within the framework of management and supervision in the banking industry and working closely with the Compliance Director.

The Committee's main role and responsibility is to oversee the Bank's governance, which includes ensuring sufficient disclosure and transparency as well as fairness on information to ensure equitable treatment to all shareholders. It also reviews the Code of Ethics for executives, employees and directors.

The composition of Corporate Governance Committee up to the closing of the Annual General Meeting of Shareholders of the Bank to be convened in the year 2008 shall be as follows:

J.B. Kristiadi, Chairman (see Board of Commissioners)
Manggi Taruna Habir, Member (see Board of Commissioners)
Gan Chee Yen, Member (see Board of Commissioners)

One Independent Commissioner is represented on this Committee.

The Risk Management Committee (RMC) is charged with the responsibility to determine the overall risk management policies, risk strategy and risk tolerance level of the Bank, credit policies, the credit strategy and the credit limits that the Bank imposes on certain borrowers, industries and market segments. It is also responsible for monitoring the implementation of the risk management policy on a bankwide basis in order to ensure that potential losses can be identified in advance and adequately mitigated. Members of the Committee are the Integrated Risk Head who serves as Chairman of the Committee, the President Director and all the Business Heads many of whom are Directors, as well as the Compliance Director.

The Asset and Liability Management Committee (ALCO) is responsible for setting out the policy and strategy of the Bank's assets and liabilities in line with the principles of prudential risk management as well as applicable regulatory requirements. The focus of ALCO is to ensure that the Bank will, at all times, have adequate liquidity and capital to support operations and development of the Bank's franchise. Members of ALCO are Head of Treasury and Capital Market who serves as Chairman of the Committee and other senior members of the Board of Management, many of whom are Directors.

The Syariah Financing Policy Committee (SFPC) is responsible for the formulation of the policy, strategy and administrative procedure for the financing activities and risk management of Bank Danamon's Syariah Banking Unit, and ensuring that standard operating policies and procedures are adequately enforced and carried out. Members of the SFPC are the President Director who serves as the Chairman of the Committee, a Director serving as Vice Chairman, 2 other Directors and all members of the Bank Syariah Supervisory Board.

The Know Your Customer Committee (KYCC) KYCC is responsible for overseeing the "know-your-customer" programme undertaken by Bank Danamon as part of its risk management and increased vigilance over money laundering and other illegal banking practices. Members of the Committee are the Compliance Director, Integrated Risk Director, Consumer Business Head, SME & Commercial Business Head and Corporate & Financial Institutions Business Head.

The Credit Policy Committee and various Credit Committees (CPC) are responsible for determining credit policy, credit strategy and credit limits that the bank imposes on certain borrowers, industries and market segments. Members of the committee are the President Director who serves as Chairman of the Committee, and other members of the Board of Management, many of whom are Directors.

The Human Resource Committee oversees human resource policies, the bank's Code of Ethics and its implementation. Members of the Committee are the President Director who serves as Chairman of the Committee, the Business Heads of Operations, Credit and Compliance, the Board of Directors, as well as Division Head of Human Resources.

Syariah Supervisory Board

Changes to the Articles of Association of PT Bank Danamon Indonesia Tbk as stated in the revised notarial deed No. 52 dated May 27, 2004 enables Bank Danamon to undertake banking activities on the basis of Islamic Syariah principles and in accordance with the regulations of Bank Indonesia.

The Syariah Banking activities are supervised by the Syariah Supervisory Board whose members serve as advisors and counselors to the Board of Directors, the Head of the Syariah Banking Unit and the General Manager of the Syariah Branch Office in all matters pertaining to Syariah banking products and services fully comply with Syariah precepts. This is an independent Board, formed by and responsible to the National Syariah Board (NSB) which operates under the Indonesian Council of Ulemas, and seconded to banks which provide banking services on the basis of Syariah principles with certain rules and regulations provided by the NSB.

The Syariah Supervisory Board of Bank Danamon was formed on February 1, 2002, comprising:

- Prof. Dr. H.M. Din Syamsuddin (Chairman)
- Drs. Hasanudin, M. Ag (Member)
- Ir. H. Adiwarmanto A. Karim, SE, MBA (Member)

The Corporate Secretary

The Corporate Secretary serving also as Compliance Director carries the responsibility for dissemination and disclosure of all information relating to the performance of the bank in a timely, accurate and transparent manner, in compliance with standing regulations applicable to the Bank and as a publicly listed company.

The Company's Corporate Secretary plays a key role in helping the Company adhere to capital market laws, by providing Commissioners and Directors with ongoing guidance on issues such as corporate governance, the Company's Article of Association and the law.

The Corporate Secretary is also strongly involved in ensuring the quality and currency of information and advice to Commissioners and Directors on applicable laws and regulation also in achieving the highest standards in the organisation of shareholder meetings and meetings of the Boards.

Public Affairs

The Bank's relationship with its internal and external stakeholders is also managed through its Public Affairs division, which changed its name from Corporate Communications and Affairs division in November 2005. The division maintains a dedicated web portal to serve employees with information relating to their welfare and benefit as well as providing required information to support their daily work.

The Bank supplies information to external parties through its website: www.danamon.co.id and carries out activities to build and maintain relationship with the press through workshops, conferences, briefings and media visits. The division also provides support and coordination in the execution of external and internal events, as well as corporate branding guidelines.

Investor Relations

During 2005, Bank Danamon was active in conducting regular dialogue and exchanges with shareholders, the institutional investment community and the stockbroking community, using a variety of avenues including formal meetings of individual and groups, attendance of investment conferences, non-deal roadshows to update local and overseas investors, and regular use of conference calls, the internet and timely publication of results and material events via press releases, bulletins and use of the company's web site.

Our central effort is to sustain and improve communications to investors. The Bank Danamon Investor Relations unit has been enlarged into a Division under the office of the CFO.

A selection of our regular activities in more detail includes

Briefings on release of quarterly, interim and full year results. These events are formal presentations with dialogue and questions and are attended by local and foreign analysts and investors. The opportunity is taken to amplify and explain elements of results in more detail and to update audiences with material new operational and marketing initiatives.

Publications: these include a printed Quarterly Investor Newsletter, presentation materials and other publications as and when required.

Public Expose



At Public Expose meetings held on February (Full Year 2004 Results), April (First Quarter 2005 Results), July (Second Quarter 2005 Results and First Half 2005 Results), October (Third Quarter 2005 Results and First Nine Months 2005 Results), March 2006 (Full Year 2005 Results), Bank Danamon's management communicated to the press and public at large on the key elements of the Bank's financial condition and performance in 2004 and 2005. As part of a commitment to transparency and regular open dialogue with shareholders, the general public and the press, the Bank holds press briefings and issues press releases during the year to ensure information on matters of interest is regularly disseminated in a timely and open manner.

Investor Meetings

There were 104 international meetings and 102 local meetings conducted with analysts, securities firms, investors and correspondence banks during 2005.

Road Shows

Nine road shows were undertaken by Investors Relations and Senior Management to several countries to meet with investors on routine performance update.

Updates on current affairs, regulatory issues, macroeconomic conditions and market developments are regularly conducted by Senior Management with investors and securities analysts.

A stronger profile

Bank Danamon is one of the most widely covered banking stocks in the Indonesian market. It is covered by Analyst from 13 Houses in 2005.

Bank Danamon's IR team was recognised by Asia Finance (Asia's Best Company 2005) and voted as the Best Investor Relations in Indonesia: Sell Side View (the 2005 Asia Investor Relations Rankings) by Institutional Investors.

Bank Danamon credit ratings

Rating Agencies	Rating / Outlook	
Standard & Poor's	Long-term and Short-term Local Currency	BB- / Stable / B
	Long-term and Short-term Foreign Currency	BB- / Stable / B
	Subordinated Debt	B / Stable
Moody's	Long-term and Short-term Bank Deposit	B3 / Pos / Not Prime
	Bank Financial Strength	D- / Stable
	Subordinated Debt	B2 / Positive
PEFINDO	Corporate Rating	^{id} A+ / Stable
	Bond Rating	^{id} A+ / Stable
Fitch Ratings	Long-term and Short-term Foreign Currency	BB- / Positive / B
	National Long-term	A- (idn) / Positive