

Report from the President Commissioner

Dear Shareholders,

The Indonesian economy underwent dynamic changes throughout 2008. The year began positively, underpinned by strong global demand for palm oil and coal which expanded the nation's export growth. Despite pressures arising from fuel price volatility as well as concerns over the impact of the deteriorating US sub-prime market on the domestic economy, we ended the first semester of the year positively.

Entering the fourth quarter of 2008, the global financial system faced extraordinary strain, marked by turmoil in the marketplace and failures of financial institutions. Global demand for commodities fell sharply. In Indonesia, these developments created uncertainties in the banking sector which encountered liquidity pressures, currency depreciation and rising interest rates. As a consequence, banks had to deal with rising cost of funds, narrowing margins and heightened risks of non-performing loans.

Despite all these turbulences, I am pleased to report that Danamon ended the year with satisfactory results. Operating income grew by 17% and Danamon was able to maintain a net interest margin of 11.1% which was amongst the highest in the country. Our loans grew by 25% while deposits increased by 27%, well above the industry's growth of 16%. Excluding credit losses from foreign exchange forward losses due to the sudden and sharp depreciation of the rupiah in the last quarter of 2008, Danamon's credit performance has been satisfactory with normalized cost of credit dropping to 1.6% from 2.3% in 2007.

For financial year 2008, Danamon achieved a Net Profit after Tax of Rp 1,530 billion compared to Rp 2,117 billion in 2007.

Shareholders had approved a dividend of Rp 1,058 billion for financial year 2007. The dividend was paid in 2008. The dividend for financial year 2008 will be considered at the Annual General Meeting of Shareholders on May 25, 2009.

Danamon retired its subordinate debt of US\$ 300 million in March 2009. At the same time, a rights issue was successfully completed in April 2009 raising an amount of Rp 4 trillion or US\$ 335 million. This increase in capital strengthened the Bank's balance sheet and bolstered its financial strength, positioning it to better withstand unforeseen adverse developments that could arise from the continuing uncertainties in the financial markets. Pursuant to the rights issue, the Bank's Capital Adequacy Ratio would stand at 22.7% on a consolidated basis as at March 31, 2009 against the regulatory requirement of 8.0%. The strong capital positions Danamon well to seize opportunities going forward.



Ng Kee Choe
President Commissioner



Board of Commissioners

From left to right

Gan Chee Yen
Commissioner

Milan R. Shuster
Independent Commissioner

Manggi Taruna Habir
Independent Commissioner

J.B. Kristiadi
Vice President Commissioner/
Independent Commissioner



Ng Kee Choe
President Commissioner

Victor Liew Cheng San
Commissioner

Harry Arief Soepardi Sukadis
Independent Commissioner

Krisna Wijaya
Commissioner

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While financial strength, quality assets and a sound and prudent strategy are critical elements of success, we firmly believe that it is essential to synthesize these elements with the practise of good corporate governance to ensure sustainable value creation and growth. Towards this end, there is active engagement of the Board of Commissioners and Board Committees with the Board of Directors including regular reviews of processes and procedures and close monitoring of market developments. This has enabled management to promptly respond to challenges as they arise.

At the 2008 Annual General Meeting of Shareholders, we welcomed Krisna Wijaya to the Board of Commissioners. There were also changes to the composition of the Audit and Risk Committee following the appointment of independent members, namely Amir Abadi Jusuf and Felix Oentoeng Soebagjo, to the Audit Committee in 2008.

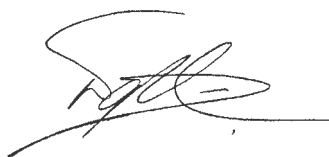
There were also changes to the Board of Directors in 2008. Joseph Luhukay was appointed as the new Vice President Director and Herry Hykmanto as a new member of the Board of Directors. During the year, we bade farewell to Anika Faisal and Hendarin Sukarmadji.

Through Danamon Peduli, our social foundation, we continue to expand our corporate social responsibility initiatives so as to make a greater positive contribution to society. With the full support and participation of Danamon's staff, our "My Clean, Healthy and Prosperous Market" programme maintained its commitment in promoting the traditional markets in Indonesia.

Significantly 2008 saw the expansion of a landmark initiative for the wet markets with the successful installation of composting units to process organic waste into organic fertiliser with local stakeholders in 31 regencies all over Indonesia. Broader rollout of this project is planned for 2009 where Danamon will work with local governments to facilitate capability development across the regions.

As I write this letter, the turbulence in the global financial markets continues to reverberate. We have to and shall remain alert, and will continue to exercise prudence in developing our business. We believe our business model is resilient and sound, and remains relevant. The size, scale, diversity of our businesses coupled with our financial strength, innovation and execution capabilities will put us in good stead to deliver the products and services that customers expect of us, efficiently and effectively. Danamon is well positioned for more sustained growth when the prevailing financial turbulence abates.

In closing, on behalf of the Board of Commissioners, I thank all our customers and business partners for their continuing support and loyalty in these challenging times; the Board of Directors and all our staff for their extraordinary dedication and efforts, and our shareholders for their continuing commitment to and confidence in Danamon. With all your support, we look forward, with confidence and optimism, in further building and bringing Danamon to greater heights in the years ahead.



Ng Kee Choe
President Commissioner

30 April 2009