

Report from the President Director

Dear Shareholders,

The year of 2008 was a period of unprecedented events that shook the foundations of the global financial sector and the future of banking at large. The US sub-prime crisis turned rapidly into a US and European banking meltdown and a subsequent liquidity crunch, which then spread around the world.

The strong economic foundations of Indonesia allowed the country to weather the financial crisis relatively better than the rest of the world; however, a substantial impact started to affect the major indicators during the latter part of the year.

Domestically, 2008 looked like a rollercoaster. The first part of the year showed rapid economic momentum, as a result of the high commodity prices, low interest rates, robust domestic consumption and foreign inflows. Loan growth in the system started to accelerate, even above the 30% mark. GDP growth was healthy at above 6% and consumer sentiment vigorous.

During the first part of the year, we increased our investments and loan growth in most of our line of businesses.

Following the exuberance of high commodity prices, that generated wealth creation in many parts of Indonesia, as well as the strong domestic economic growth, we broadened our branch network by 348 to end up the year with 1,483 branches. Our DSP expanded the sales and distribution network from 706 to 1,047 and Adira it's financing units grew by 18%. By July, our manpower had expanded above 40 thousand employees, thus positioning Danamon as one of the largest employers in the country.



Sebastian Paredes
President Director



Board of Directors

From left to right

Kanchan Nijasure
Director

Ali Yong
Director

Vera Eve Lim
Director

Sebastian Paredes
President Director



Jos Luhukay
Vice President Director

Muliadi Rahardja
Director

Sanjiv Malhotra
Director

Herry Hykmanto
Director

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However, during the summer months, first signs of alert started appearing, when inflation pressures began to push interest rates up and the Emerging Market's bond prices collapsed. In order to control inflation, Bank Indonesia tightened monetary policy and the banking system started showing severe liquidity pressures. From then on, the general conditions began to deteriorate.

The performance gained during the first semester began to show signs of stress from these adverse developments. The industry began to endure tight liquidity, which caused a fast increase in customer deposit rates, fierce competition for the marginal deposits and the resulting impact on margins.

The third quarter showed a completely different face, when the first signs of Global recession affected the developed countries' consumption growth expectations, and in an unprecedented and synchronized way, commodity prices collapsed. A sudden depreciation of the rupiah followed in October and a dramatic deterioration of the exporter segment materialized.

Under these considerable pressures, some of our customers' cash flows worsened significantly and their ability to continue servicing their foreign exchange forward contracts was impaired. Since then, Danamon

has been actively negotiating with customers to find appropriate solutions to support them during these difficult times.

Nevertheless, several customers defaulted these contracts and we were forced to experience substantial losses and provisioning of Rp 804 billion in the last quarter of 2008.

Yet, despite the challenging operating environment, Danamon was able to end the year by delivering Rp 1,530 billion Net Profit After Tax and Return of Average Equity (ROE) of 14.6%. Excluding one-off losses and provisions for foreign exchange forward contracts, normalized Net Profit After Tax from our core business would have reached Rp 2,334 billion, reflecting our strong underlying business. Loans grew by 25% to Rp 67 trillion while funding posted a healthy 24% increase, bringing our loan to funding ratio to 74% and loan to deposit ratio to 86% respectively. Asset quality, despite the derivative losses, was still healthy, as reflected by our cost of credit of 2.9% in 2008 from 2.3% in the previous year and Non Performing Loans (NPL) ratio of 2.3%.

As we enter the year of 2009, we have set forth key strategic priorities that will allow us to navigate the Bank

during the current global turbulent times. In the coming year, our main focus will be to strengthen further our already robust balance sheet position; maintain strong liquidity and enhance our funding franchise, while at the same time tightened our risk criteria to keep our NPLs under control. We will take serious measures to manage our expenses while focusing on improving our productivity through more disciplined manpower management. Simultaneously we will make sure to put our resources on cross selling initiatives rather than new customer acquisition to optimize our existing customer base, build during the last few years. We expect a soft

first semester of 2009 but believe that conditions could improve in the second part, after the elections are completed and the World environment subsides. We maintain our optimism despite global uncertainties.

On behalf of the management, let me close this message with profound thanks to all our stakeholders: our shareholders, customers, business partners, regulators and most importantly, our employees for their unstinting dedication to Danamon. It is my conviction that with your continuing support, we can surpass all the challenges that 2009 will bring.



Sebastian Paredes
President Director



Operating Committee

From left to right

Kanchan Nijasure
Director

Ali Yong
Director

Khoe Minhari Handikusuma
Self Employed Mass Market
Business Head

Restiana Linggadjaya
Chief Internal Auditor

Stanley Setia Atmadja
President Director of
Adira Finance

Vera Eve Lim
Director

Sebastian Paredes
President Director



Jos Luhukay
Vice President Director

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Head of Corporate
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Sanjiv Malhotra
Director

Herry Hykmanto
Director

Maria Theodora K.
Head of Human
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Alfin Tolib
Head of Treasury, Capital
Markets and Financial
Institutions

Muliadi Rahardja
Director