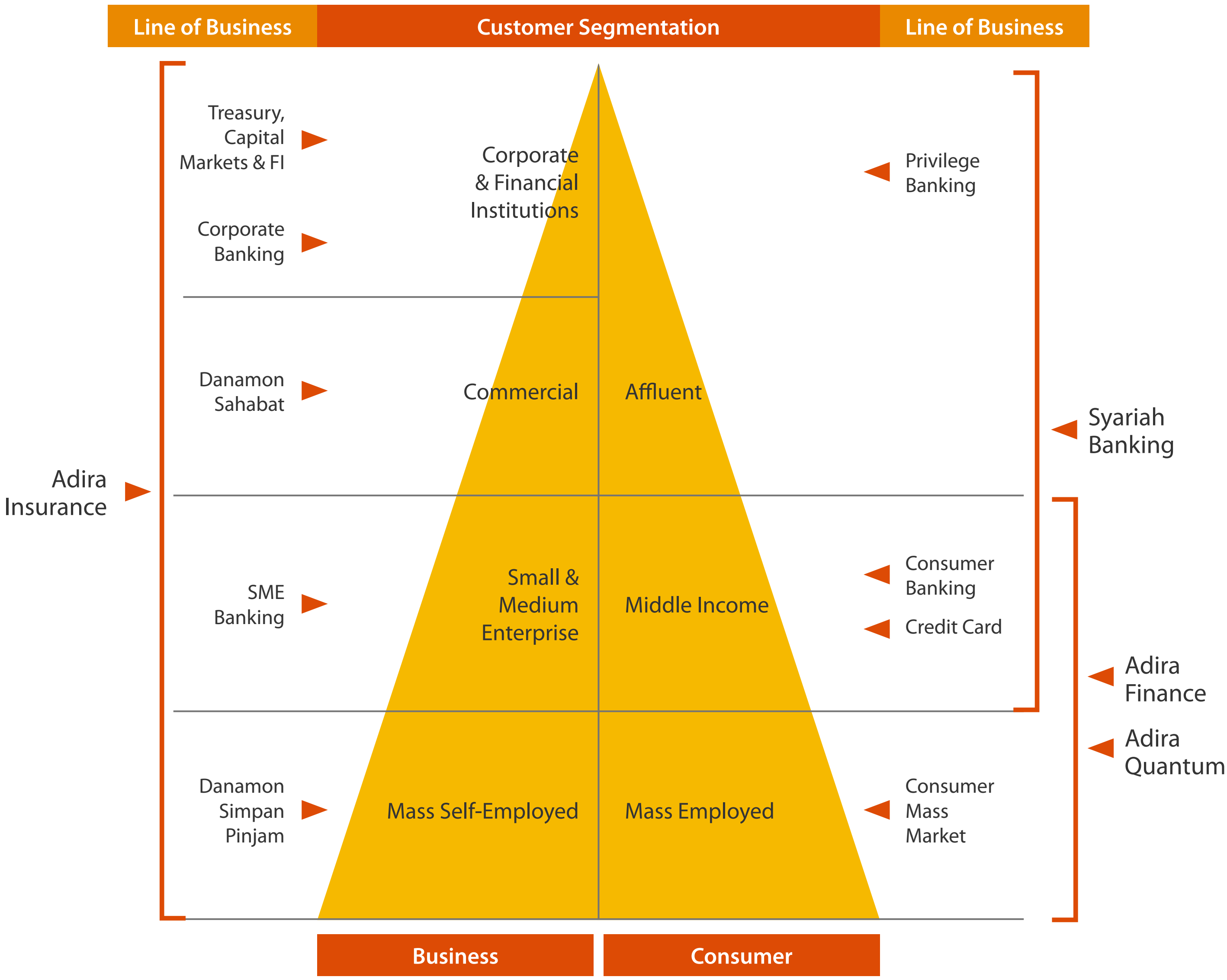
Business & Operation Review

Danamon: a Customer Centric Organization

At Danamon, the key driver is our customer centric focus. We combine the ability to offer services and products to suit targeted customer segments, each with a unique value proposition and risk management philosophy. We aim to ensure that customer needs are properly supported and inherent risks fully considered.



2008 Strategic Priorities

Danamon's vision is to be a leading financial institution in Indonesia, committed to providing quality banking services to its customers and delivering significant returns to its shareholders. Through an increased focus on growing its business and developing its relationship with customers and strengthening its core business, Danamon continuously raises its standards to international levels. The key elements of Danamon's business strategy are as follows:

- To increase earnings by growing its existing core businesses and focus on providing more business to existing customers

  Danamon remains focused on growing its mass market businesses (which cover micro businesses, white goods financing and auto financing), retail and consumer lending (particularly mortgage loans, personal loans and credit cards), mid-size markets lending to SMEs and Commercial customers throughout Indonesia. Our Micro business Danamon Simpan Pinjam outlets were expanded in eastern part of Indonesia, while our motor vehicle financing subsidiary, Adira Finance expanded its presence outside of Java.

- To utilize and develop synergies across different market segments

  To continue to define business segments that better reflect customers' profile, Danamon maintains an integrated IT system that captures customers' details to allow the Bank to identify opportunities for cross-selling between Danamon's business segments. In particular, Danamon remains focused on developing closer synergies between both Adira Insurance and Adira Finance, and Danamon's other core business segments (including the SME and the Self Employed Mass Market (SEMM) segments), to promote the growth of non-motor vehicle insurance and loans. In addition, Danamon's Corporate Banking and Financial Institutions segments focuses on strengthening relationships with their various product partners, including Treasury and Capital Markets and Services, to achieve greater cross selling. By introducing products and services of different business segments to customers the Bank provides a more comprehensive range of products and services, thereby creating a "one-stop shop" for its customers.

- To continue to offer a fast, convenient and simple products and services.

  To continue to attract and retain customers across all major customer segments, Danamon continues to strengthen its business wide strategy of delivering products and services in a fast, convenient and simple manner. Speed of delivery is achieved through having decisions made at the local service delivery level. Simplicity is achieved by increasing use of analytical reports and credit data and customer selection to reduce the need for extensive information/documents required of customers in loan applications while maintaining prudence and strict underwriting processes. Convenience is achieved by allowing customers to visit their local branch as well as have representatives deliver relevant services to their homes and by increasing the modes through which they can communicate and/or receive or make payments in connection with loans and other products of Danamon.

- To attract and retain skilled and experienced personnel.

  Danamon seeks to strengthen its ability to attract and retain skilled and experienced personnel by providing employees with performance-based compensation incentives, challenging roles and responsibilities, and ongoing training and skills development. In particular, Danamon's "Retail Bank Business School" offers to employees in both the Personal Banking and Danamon Privilege Banking segments a broad curriculum, with specific training and certification classes for the sales and servicing teams. The management training offered to batches of trainees in Danamon's Small and Medium Enterprises (SME) and Commercial sectors develops talent in line with branch and regional expansion. Such tailored training is designed to improve the skills and capabilities of the sales team, assisting them in servicing customers' financial requirements.

- To offer unique products tailored to specific consumer needs.

  Danamon aims to be a customer-centric organization and to continue developing unique banking products and services which cater to the changing needs of Danamon's customers. It focuses on closely tracking its consumers' life cycle, and offers products and services tailored to specific stages of its consumer's life cycle. In its Affluent banking segment, Danamon plans to expand its mutual fund choices, customized products, and launch a wealth management IT application to improve the financial planning capability of its teams, in order that they be better equipped to service customers changing needs. For the Danamon Cards business, Danamon continues growing its Visa, "World Card" (with a top-of-the-market mileage programme), American Express and MasterCard businesses and, with the launch of new products including the "I-Card", to offer more convenience and choice for customers.

- To continuously improve Danamon's risk management policies and achieve best practices in corporate governance.

  Building on its integrated, centralised and independent risk function with appropriate policies, procedures and credit approval limits, Danamon continues to focus on prudent and effective risk management. In this regard, Danamon continues to maintain a strong capital position, high asset quality and a healthy balance sheet, in addition to a prudent credit culture and good corporate governance. Danamon also seeks to improve the efficiency and effectiveness of its internal operations. This is done by continuing to develop its multi-tiered credit approval process, the assessing and monitoring of risk exposure at both the business segment and bank-wide level, and review of all risks on a monthly basis by Danamon's risk management committees.

- To evaluate and explore new delivery channel.

  Danamon continues to leverage on its multiple delivery channels such as its extensive branch network, Danamon Access Centre, mobile banking, ATMs, and other self-service machines to efficiently deliver its products and services throughout Indonesia. Assisted by the maintenance and updating of an effective technology platform, Danamon continues to evaluate and explore the potential for new and improved delivery channels, such as the revamping of its internet banking service that will go live in early 2009.

- To revitalise Danamon's brand image and physical facilities.

  While continuing to focus on the enhancement and promotion of its own brand and image, Danamon seeks to further improve its physical infrastructure by renovating and expanding network branches, and upgrading and installing new ATMs, so as to increase the presence of its brand name. Danamon initiated a major re-branding project, including the implementation of Danamon's new modern colour scheme and corporate logo and a more modern and attractive colour scheme. The new branding was combined with the replacement of ATMs with state of the art technology, and the relocation of ATM site to more visible and accessible locations for customers. Through continued branch and ATM updates and expansions, along with new products and sustained high service delivery standards, Danamon continues to revitalise and promote its brand image.

Management Discussion and Analysis

Consolidated Financial Data

	2006	2007	2008	ΔYoY
Operating Results (Rp billion)				
Net Interest Income	5,645	7,136	8,354	17%
Fee Income	1,358	1,741	1,997	15%
Operating Income	7,003	8,877	10,351	17%
Operating Expenses	(3,428)	(4,255)	(5,604)	32%
Pre-Provision Operating Profit	3,575	4,622	4,747	3%
Cost of credit (Normalized)	(1,332)	(1,240)	(1,076)	(13%)
Net Profit Before Tax	2,243	3,382	3,671	8%
Goodwill & minority interest	(202)	(222)	(261)	18%
Income Tax	(652)	(1,043)	(1,076)	3%
Net Profit after Tax (Normalized)	1,389	2,117	2,334	10%
Non Recurring Items (After Tax)	(64)	-	(804)	NM
Reported NPAT	1,325	2,117	1,530	(28%)
Balance Sheets (Rp billion)				
Total Assets	82,073	89,410	107,268	20%
Total Loans (Gross) [a)]	42,986	53,330	66,898	25%
Total Government Bonds	18,702	15,808	13,083	(17%)
Total Deposits [b)]	56,930	59,528	75,373	27%
Total Equity	9,442	10,833	10,579	(2%)
Profitability Ratios (%)				
Net Interest Margin	9.6	10.4	11.1	0.7
Cost/Income	48.9	47.9	54.1	6.2
Normalized Cost of Credit	2.9	2.3	1.6	(0.7)
Normalized ROAA	1.9	2.4	2.4	0
Normalized ROAE	16.5	22.9	22.3	(0.6)
Reported Cost of Credit	2.9	2.3	2.9	0.6
Reported ROAA	1.8	2.4	1.5	(0.9)
Reported ROAE	15.6	22.9	14.6	(8.3)
Asset Quality Ratios (%)				
Non Performing Loans/Total Loans	3.3	2.2	2.3	0.1
Loan Loss Allowance/Total Loans	3.4	2.9	2.4	(0.5)
Loan Loss Allowance/Non Performing Loans [c)]	141.7	161.2	136.7	(24.5)
Liabilities Ratios (%)				
Loan to Deposit Ratio	75.5	88.1	86.4	(1.7)
Loan to Total Funding	64.9	73.6	73.9	0.3
Capital Ratios (%)				
Capital Adequacy Ratio (Consolidated) [d)]	20.8	20.3	15.4	(4.9)
Tier 1 Capital (Consolidated) [d)]	14.3	14.4	13.8	(0.6)
Equity/Assets	11.5	12.1	9.9	(2.2)

a) Loans include consumer financing receivables.
b) Includes deposits from other banks. Reclassification Prima Dollar from current account into saving in 2007. Reclassification FRCD from time deposit to borrowings in 2007.
c) Includes collateral value.
d) Consolidated CAR after market risk charge.

OPERATING ENVIRONMENT

Indonesian Macroeconomic

Although global industrial production had started to slow in the second half of 2007, Indonesia's economic growth still managed to accelerate in the first three quarters of 2008. Domestic demand flourished outside Java, as commodity producers enjoyed windfall profits amid surging prices of CPO, coal and rubber.

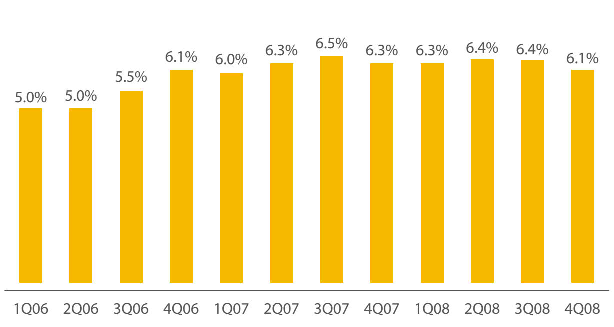
Although rising food inflation took its toll on consumer confidence in the beginning of the year, the economy still fared fairly well. Credit growth was robust, having peaked at 38% y-o-y in August 2008. Money for transactions, in inflation adjusted terms, grew year-on year at double digit levels. This was concurrent with sturdy growth in retail sales, motor vehicle sales and cement consumption. Economic growth accelerated from 6.25% in the first quarter to 6.40% in the third.

Challenges to the economy started to emerge in the second half of the year. As oil prices surged, consumer prices experienced a one-off increase following the Government's decision to raise domestic fuel prices by 30% in May 2008. Inflation jumped from 7.4% in the beginning of the year to a high 12.1% in September 2008.

Concurrently pressure on the exchange rate began to increase as the global deleveraging process took a toll on financial markets. After remaining relatively stable throughout the year, the rupiah weakened by 29.6% against the dollar from September to November. Rising risk aversion triggered capital outflow from emerging markets which resulted in a sharp drop in financial assets including equity and bonds.

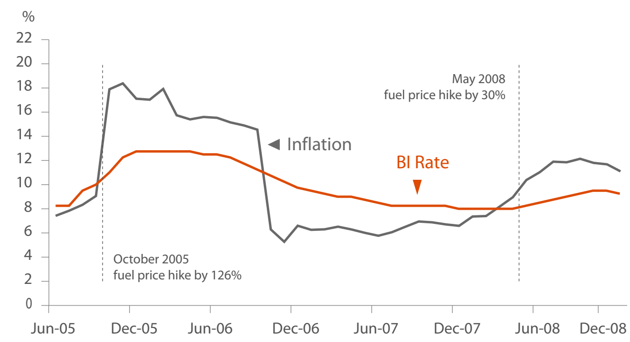
The Jakarta Composite Index fell by 51% to 1,355.41 at the end of the year from a record of 2,731.51 in January 2008. This was also followed by the collapse of nearly all commodity prices which had been propelling export growth. As a result, Indonesia's trade balance narrowed to USD 23 billion in 2008 compared to USD 33 billion a year earlier and the country's foreign exchange reserve

Economic Growth
YoY Change in Quarterly Real GDP



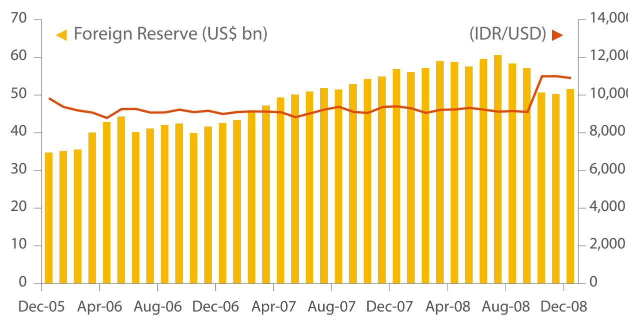
Source: Central Statistic Agency (BPS), Bloomberg

Inflation Rate and Interest Rate
(%YoY Consumer Price Index, BI Rate)



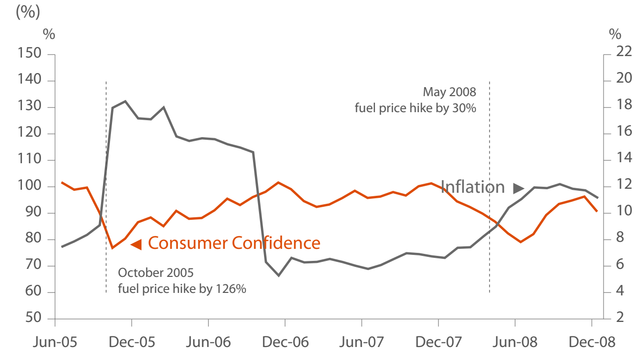
Source: Bank Indonesia, Bloomberg

Exchange Rate
(IDR/USD)



Source: Bank Indonesia, Bloomberg

Consumer Confidence Index
(%)



Source: Bank Indonesia, Bloomberg

Management Discussion and Analysis

declined to USD 52 billion at the end of the year from a high USD 60 billion in July 2008.

To defend the exchange rate and curb inflation, Bank Indonesia subsequently increased interest rates. Bank Indonesia' overnight policy rate was raised from 8.0% in the beginning of the year to a peak at 9.5% in November 2008. The rate on Bank Indonesia certificates was raised to a high of 11.24% from 7.99%. These developments eventually took a toll on the real economy. Economic growth slowed to 5.18% y-o-y in the last quarter of the year.

Indonesian Banking Sector

In the first half of the year, Indonesian banking sector continued to show a strong performance following a robust growth in 2007. The sector's loans grew by 34% and customer deposits increased by 15% in June 2008. NPL ratio declined from 4.1% at the end of 2007 to 3.5% in June 2008. This strong loan growth led the sector's LDR to shoot up to 73%, while CAR to decline to 18% in June 2008. Overall, commercial banks booked a combined net profit of Rp 18.4 trillion in the first half of the year.

However, the industry's performance is inextricably linked to developments in the real economy and broader financial sector. As economic growth declined in the fourth quarter and declining asset prices led to a drying-up of liquidity, loan growth started to slow to 31% while customer deposits growth was reduced to 16% in December 2008. A high loan growth eventually led to a deposit war among banks as they tried to bring down their high LDR to a level below 80% in view of market uncertainty.

Although BI freed up some Rp 55 trillion in liquidity by cutting reserve requirements, interbank transaction volumes shrunk substantially in November. In fact by December, interbank volumes were down 60% y-o-y. The interbank market became segmented and liquidity was concentrated in the coffers of a handful of mid-large banks. Several banks, particularly small banks, have to offer substantially higher interest rates to raise deposits. This squeezed their margins considerably, thus eroding profitability as about 80% of the sector's revenue came from net interest income. NPL also started to creep up and reached 3.2% at the end of the year, forcing banks to set aside substantial provision. As a result the combined net profit of the sector reduced to Rp 12.2 trillion in the second half of the year, representing a 27% decline over the same period last year.

Tight liquidity conditions continued until the beginning of 2009 although some banks had already curbed their lending growth. The quality of assets is expected to deteriorate on the back of slowing economic growth and banks may need to raise their capital to deal with this unfavorable operating environment.

Indonesia Banking Indicators

Rp trillion	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Assets	1,610	1,890	2,172	15%	1,850	1,934	2,011	2,172
Loans	787	995	1,300	31%	1,029	1,142	1,240	1,300
Recap. Bonds	269	265	254	(4%)	269	270	257	254
Deposits	1,299	1,528	1,775	16%	1,483	1,570	1,624	1,775
Equity	172	202	215	6%	204	196	208	215
Net Interest Income	83	96	113	18%	26	27	29	31
Operating Profit	28	35	30	(14%)	9	9	12	(0)
Net Profit	28	35	31	(11%)	10	9	10	2
NIM (%)	5.8	5.7	5.8	0.1%	5.6	5.7	5.9	5.5
LDR (%)	61.6	65.1	73.2	8.1%	69.4	72.7	76.3	73.2
NPL Ratio (%)	6.1	4.1	3.2	(0.9%)	3.8	3.5	3.3	3.2
CAR (%)	21.3	19.3	16.8	(2.5%)	20.5	17.6	17.3	16.8
Number of Banks	130	130	124	(5%)	128	127	126	124

Source : Bank Indonesia

OVERVIEW

We are the fifth largest commercial bank and the second largest private national bank in Indonesia in terms of assets, loans and deposits. As of December 31, 2008, we own a business network which consists of 460 conventional branches (including 1 overseas branch), 1,247 mass market (DSP) outlets and mobile teams, 58 CMM worksites, 11 Syariah branches and 814 ATMs (with 14,000 shared network ATMs). Our business network is one of the largest among the private national banks and widely spread throughout the country covering most of the regions.

In line with our business development and the continuation of the concept of universal banking, we have successfully provided various banking services and other financial services for large-scale companies (corporations), middle scale companies (commercial), small and medium enterprises ("SME"), consumers, and mass market (which includes micro lending). The types of banking services provided by Danamon include, among others: (i) fund collection from savings, current accounts and time deposits, (ii) extension of loan facilities in forms of government program loan, consumer credit, export credit, investment credit, working capital credit, trade finance, syndication loan, bank guarantee and credit cards (including American Express Card), and (iii) other banking services such as ATM services, money transfer, foreign exchange trading, processing of credit card transactions, bill payment facility, salary payment and safe deposit box. We also provide other financial services through our subsidiaries, including general insurance, automotive financing, and white goods financing.

FINANCIAL PERFORMANCE

Our results of operations and the comparability of our financials results during successive periods have been and will continue to be affected by a number of factors, including economic conditions in Indonesia, competition among banks, changes in government policies and regulations regarding the banking sector, and taxation.

Net Interest Income

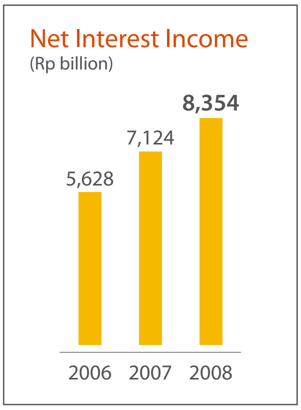
Net interest income is defined as the spread between interest income on earning assets, primarily loans and securities, and interest expense on interest-bearing liabilities, primarily deposits and other fundings.

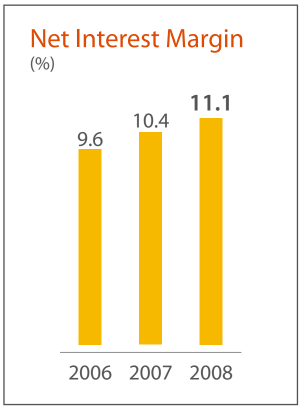
Danamon's net interest income amounted to Rp 8,354 billion in 2008 or rose by 17% on the back of strong loan growth and margin expansion.

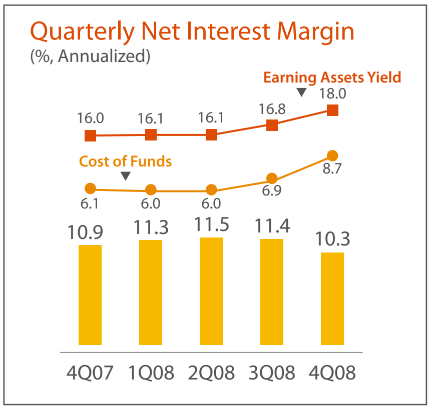
In 2008, interest income rose by 18% to Rp 14,189 billion compared to Rp 12,048 billion in the previous year driven by strong growth in volume of loans, particularly in high yielding mass market segment. As a result of strong loan growth, our assets yield improved to 16.8% from 15.9% in the previous year, reflecting higher contribution from our higher yielding mass market business.

Interest expense increased by 19% to Rp 5,835 billion in 2008 due to higher volume of customer deposits combined with higher cost of time deposits particularly in the last quarter of 2008. Cost of fund stood at 7.1% as compared to 6.6% in the previous year. However, due to the tight liquidity in the system, cost of fund shoot up to 8.7% in the last quarter of 2008 as banks aggressively raised interest rates to maintain and attract deposits.

Overall our net interest margin continue to improve to 11.1% in 2008 from 10.4% in the previous year, reflecting our growth strategy in high yielding mass market business. However, net interest margin declined to 10.3% in fourth quarter as cost of funds increased dramatically in the last quarter.







Management Discussion and Analysis

Breakdown of Non Interest Income

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Fee Income	1,055	1,330	2,149	62%	453	593	573	530
Credit Related Fees	599	797	1,025	29%	251	268	250	256
Cash Management	300	288	302	5%	79	39	119	65
Treasury Products*	(132)	(49)	392	NM	24	137	75	156
Adira Finance	72	72	188	161%	18	55	82	33
Adira Insurance	138	202	242	20%	63	60	84	35
Others	78	20	0	(100%)	18	34	(37)	(15)
Gain / (Loss) on Sale of Marketable Securities	**303**	**411**	**(152)**	**(137%)**	**(12)**	**(95)**	**(46)**	**1**
Non Interest Income	**1,358**	**1,741**	**1,997**	**15%**	**441**	**498**	**527**	**531**

* excluding gain (loss) on sale of marketable securities

Non Interest Income

Fee Income

We earned fee from providing loans and services to our customers. Commission and fees are also earned from our customer transactions and from selling and buying securities as part of our treasury operation.

Our fee income in 2008 rose by 62% to Rp 2,149 billion largely driven by a strong growth in credit related fees and fees from Adira businesses. Credit related fees, which contributed over 48% of our total fee income, increased by 29% to Rp 1,025 billion supported by solid loan growth and trade financing.

As a result, Danamon posted an operating income before gain (loss) on sale of marketable securities of Rp 10,503 billion, an increase of 25% in 2008.

Gain (loss) on the sale of marketable securities

In 2008, we recognized Rp 152 billion losses from the sale of marketable securities, mainly from government bonds, due to unfavorable market condition. In contrast, we booked Rp 411 billion gain from the sale of marketable securities in the previous year.

Nevertheless, we posted Rp 10,351 billion in operating income in 2008, a 17% increase from Rp 8,877 billion in the previous year.

Operating Expenses

Our operating expenses, which include manpower cost and general and administrative expenses, totalled Rp 5,604 billion in 2008, 32% higher than last year of Rp 4,255 billion. This increase was largely attributable to the expansion in our mass market businesses.

Breakdown of Operating Expenses

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Manpower cost	2,036	2,621	3,365	28%	777	866	946	776
Fixed Costs	1,543	1,868	2,356	26%	498	580	637	641
Variable Costs	493	753	1,009	34%	279	286	309	135
G&A expenses	1,392	1,634	2,239	37%	436	479	547	777
Total	3,428	4,255	5,604	32%	1,213	1,345	1,493	1,553

Operating expenses associated with mass market businesses rose by 49% to Rp 2,616 billion. We continued our investment in higher margin businesses as a part of our 2008 strategic initiatives. During the year, mass market businesses added over 5,900 headcounts and opened 256 branches network to support their business growth.

In consumer auto financing business, operating expenses rose by 23% to Rp 1,042 billion due to increase in manpower costs as well as business expansion. For Adira Finance and Adira Quantum alone, we recruited approximately 1,300 employees and expanded additional 47 outlets for Adira Finance and 50 point of sales for Adira Quantum during the year.

Moreover, during 2008, SEMM accelerated its business expansion by opening 101 DSP units and 208 sales offices. The business also added 4,381 employees during the year, bringing its number of employees to 12,115 at the end of 2008. Meanwhile our consumer mass market (CMM) has opened 18 new sales representative offices (SROs) in 2008 to support its 206 sales points along with adding 135 sales people for the business expansion.

As a result of these initiatives, our cost to income ratio increased to 54.1% in 2008 as compared to 47.9% in previous year. Nevertheless, our cost to income ratio is in line with major players within the industry.

Cost of Credit

Our cost of credit includes provision expenses, loss on sale of repossessed assets from our auto lending business as well as loan write-off (net of recovery).

Our normalized cost of credit, excluding non-recurring expenses from foreign exchange forward contracts, declined to Rp 1,076 billion from Rp 1,240 billion in the previous year despite loans expanded by 25% during the year. As a result, the normalized cost of credit over average earning assets (excluding government securities) improved to 1.6% as compared to 2.3% in the previous year, reflecting sound asset quality of our core businesses.

Cost of credit in consumer auto financing business, which made up over 25% of our loan book, declined by 19% to Rp 458 billion despite of 27% growth in receivables. This is due to improvement in provision expenses, loss on repossessed assets as well as net write off. Overall, cost of credit over average receivables in this business improved to 3.0% in 2008 as compared to 4.6% in previous year.

Cost of credit in our micro lending business also showed an improvement. Cost of credit in Self Employed Mass Market (SEMM) only increased slightly to Rp 311 billion in 2008 despite its loans book expanded by 28% during the year. As a result, the cost of credit over average loans

Breakdown of Operating Expenses by Segment

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Wholesale	357	444	529	19%	111	122	96	200
Retail	1,234	1,503	1,812	21%	399	426	490	497
SME & Commercial	513	547	647	18%	168	169	172	138
Mass Market	1,324	1,761	2,616	49%	535	628	735	718
Adira Finance	634	833	1,033	24%	233	258	291	251
SEMM	519	709	1,192	68%	230	273	337	352
CMM & Quantum	171	219	391	79%	72	97	107	115
Total	3,428	4,255	5,604	32%	1,213	1,345	1,493	1,553

Management Discussion and Analysis

improved to 3.2% in 2008 compared to 4.2% in the previous year.

However, including non-recurring expenses from foreign exchange forward contract in the last quarter, our reported cost of credit rose to Rp 1,954 billion in 2008, representing 2.9% of the average earning assets (excluding government securities).

In the last quarter of 2008, we incurred a non-recurring expense of Rp 804 billion due to losses and provisioning related to foreign exchange forward contracts with customers as the collapse of commodity prices and a sudden and sharp depreciation of Rupiah caused some of customers unable to meet their obligation to deliver US dollar to the Bank.

These foreign exchange option contracts have been executed on account of underlying foreign exchange flows from our customers. For each contract entered into with customer, we also enter into offsetting contracts with counterparty banks on identical terms and conditions in order to offset the market risk.

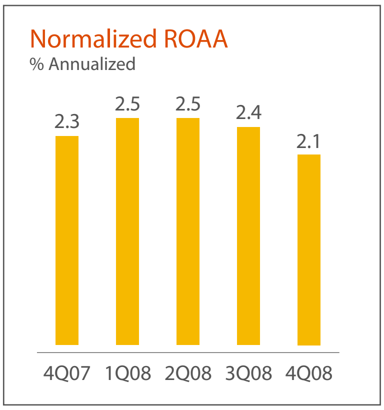
In the wake of the recent global credit contraction, emerging markets, including Indonesia, have experienced severe erosion of liquidity. The impact in Indonesia was the sudden depreciation of Rupiah against US Dollar and the collapse of commodity prices, which were one of the drivers of the country's surging export over the last couple of years. The US$/Rupiah forward rates have also risen sharply, thus causing an increase in the Mark-to-Market valuations of such contracts.

As a result of these events, several of our commodity export customers that have entered into foreign exchange forward contracts have been unable to fulfil their obligations under the forward contracts. Based on such circumstances, we unwound certain forward contracts at current market cost and converted the unwound contracts into receivables in local currency from the relevant customers, which is later recorded as other assets. We have also been actively negotiating the remaining outstanding contracts with customers to find appropriate solutions. The settlement value of such contracts based on the Mark-to-Market valuation is recorded as derivative receivables.

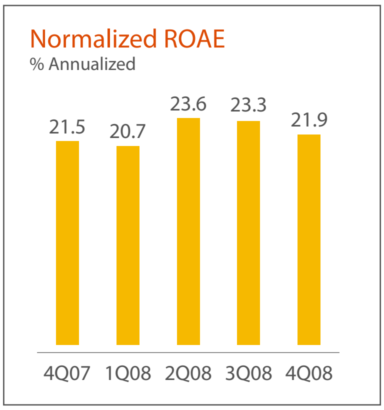
Through this work out, we managed to reduce the net notional amount of these contracts from USD 1,441 million as of September 28, 2008, to USD 677 million at the end of the year. As of March 30, 2009, the outstanding contracts reduced further to USD 116 million with fair value of USD 23 million. Most of these contracts will mature in between June 2009-September 2010.

Breakdown of Cost of Credit

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Provision	1,026	1,007	971	(4%)	244	261	271	195
Net write off (Recoveries)	(53)	(78)	(125)	60%	(29)	(32)	(34)	(30)
Loss on Sale of Repossessed Assets	359	311	230	(26%)	75	64	43	48
Normalized Cost of Credit	1,332	1,240	1,076	(13%)	290	293	280	213
Non recurring Item	-	-	878	NM	-	-	-	878
Reported Cost of Credit	1,332	1,240	1,954	58%	290	293	280	1,091
Average Earning Assets	46,389	54,280	66,352	22%	59,293	63,212	69,603	73,298
Normalized CoC/ Earning Assets	2.9%	2.3%	1.6%	(7.0%)	2.0%	1.9%	1.6%	1.2%
Reported CoC/ Earning Assets	2.9%	2.3%	2.9%	0.6%	2.0%	1.9%	1.6%	6.0%



Notes: 4Q08 Reported ROAA = (0.9%)



Notes: 4Q08 Reported ROAE = (9.0%)

Net Income

Excluding non-recurring expenses from derivative contracts, our normalized net income after tax (NPAT) increased by 10% to Rp 2,334 billion. As a result, our normalized ROAA and ROAE were 2.4% and 22.3% respectively, as compared to 2.4% and 22.9% in the previous year.

However, after taking into account the non-recurring expense of Rp 804 billion from derivative contracts, our 2008 reported NPAT amounted to Rp 1,530 billion as compared to Rp 2,117 billion in prior year. Consequently, reported ROAA and ROAE stood at 1.5% and 14.6% respectively in 2008.

BALANCE SHEET ANALYSIS

As at December 31, 2008, our total assets amounted to Rp 107 trillion representing an increase of 20% from Rp 89 trillion a year earlier. The increase in total assets was mainly attributed to the strong loan growth.

Loans now made up 62% of our assets, up by 25% from the previous year. The remaining assets primarily comprise of 12% government bonds, 4% securities and 22% liquid assets.

Asset Composition

	2006		2007		2008		ΔYoY
	Rp billion	%Total	Rp billion	%Total	Rp billion	%Total	
Cash	833	1%	1,238	1%	4,162	4%	236%
Current account and placement with BI *	9,555	12%	9,576	11%	9,966	9%	4%
Marketable securities	6,031	7%	4,129	5%	4,146	4%	0%
Government Bonds	18,702	23%	15,808	18%	13,083	12%	(17%)
Loans (gross)	42,986	52%	53,330	60%	66,898	62%	25%
Fixed Assets	1,575	2%	1,539	2%	1,905	2%	24%
Others	2,391	3%	3,790	4%	7,108	7%	88%
Total Assets	**82,073**	**100%**	**89,410**	**100%**	**107,268**	**100%**	**20%**

* excluding Certificates of Bank Indonesia and represents gross figures.

Management Discussion and Analysis

Breakdown of Loan by Segment

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Wholesale	7,999	9,000	11,518	28%	10,391	11,093	12,955	11,518
Retail	3,343	4,710	5,659	20%	4,870	5,391	5,710	5,659
SME & Commercial	13,894	16,237	18,678	15%	16,546	18,639	18,792	18,678
Mass Market	17,750	23,383	31,043	33%	24,529	26,513	29,532	31,043
Total	42,986	53,330	66,898	25%	55,917	61,207	66,523	66,898

Total deposits amounted to Rp 75,373 billion at the end of 2008 and accounted for 70% of total liabilities and equity. While our equity was Rp 10,579 billion at the end of 2008, representing 10% of total assets.

Outstanding Loans

In 2008, our outstanding loans expanded by 25% to Rp 67 trillion largely driven by mass market businesses whose loans grew by 33% on the back of strong growth in motorcycle financing and micro lending. As of December 31, 2008, mass market businesses accounted for 46% of the total loan book. We currently have four lines of businesses that target mass market segments: Self Employed Mass Market (SEMM), Consumer Mass Market (CMM), Adira Finance and Adira Quantum.

SEMM, which serves micro and small scale enterprises, continues to exhibit strong business growth as loans extended by SEMM increased by another 28% to Rp 11 trillion in 2008, making up 35% of our mass market loans. CMM, which offers personal loans to salaried individuals, doubled its business with outstanding loans grew to Rp 2.3 trillion from Rp 996 billion a year earlier. Adira Finance, which specializes in auto financing business, managed to grow its receivables by 27% on the back of 33% growth in the demand of two-wheeler financing. Adira Quantum which focuses on white good financing saw its receivables nearly double to Rp 767 billion at the end of 2008.

Breakdown of Mass Market Loans

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Hire Purchase	214	402	767	91%	457	580	737	767
Cars	3,092	3,164	4,201	33%	3,195	3,352	3,741	4,201
Motorcycles	8,216	10,221	12,806	25%	10,594	11,459	12,727	12,806
CMM	427	996	2,304	131%	1,185	1,574	2,049	2,304
SEMM	5,801	8,600	10,965	28%	9,098	9,548	10,278	10,965
Total	17,750	23,383	31,043	33%	24,529	26,513	29,532	31,043

Breakdown of Retail Loans

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Multipurpose & others	862	1,192	1,259	6%	1,184	1,199	1,302	1,259
Personal Loan	53	295	241	(18%)	279	270	264	241
Syariah	220	408	509	25%	414	479	528	509
Mortgage	1,068	1,406	1,888	34%	1,493	1,762	1,914	1,888
Credit Card	1,140	1,409	1,762	25%	1,500	1,651	1,702	1,762
Total	3,343	4,710	5,659	20%	4,870	5,361	5,710	**5,659**

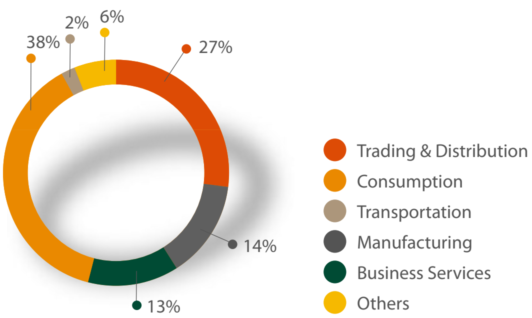
In 2008, our retail loans also rose by 20% to Rp 5,659 billion, contributing 8% of total loan book. This is largely driven by strong growth in credit card as well as mortgage financing that increased by 25% and 34% respectively.

Loans to small and medium enterprises (SME) increased by 8% to Rp 9,648 billion primarily supported by 33% increase in asset based financing. In addition, commercial loans grew by 24% to Rp 9,030 billion on the back of strong growth in working capital, trade finance and asset based financing business. Taken as a whole, SME and commercial loans grew by 15% to Rp 18.7 trillion and contributed 28% of our loan book.

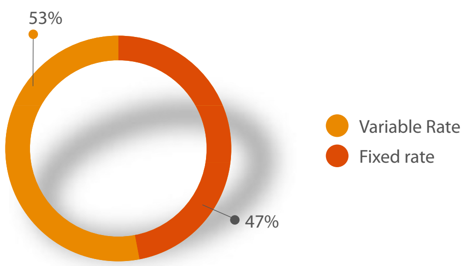
Wholesale businesses, which comprise of Corporate, Joint Finance and Asset Buy (JFAB) and Financial Institution, made up the remaining 18% of our loan book. Corporate loans grew by 29% to Rp 9.6 trillion on the back of robust growth in trade financing business, which represent 38% of corporate loans.

Our loan portfolio is well diversified by economic sectors. As of December 31, 2008, loans to consumer sector accounted for 38% of total loan portfolio followed by trading and distribution sector (27%), manufacturing sector (14%), business services sector (13%) and transportation sector (2%). Furthermore, over 47% of our loans are comprised of fixed rate loans, which are largely extended by our mass market businesses. Meanwhile, the remaining 53% are variable rate loans primarily to SME, commercial and wholesale customers.

Loans by Economic Sectors
(%)



Loans by Interest Rate
(%)



Management Discussion and Analysis

Breakdown of Non-Performing Loans by Segment

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Wholesale	420	114	126	10%	102	136	157	126
Retail	217	88	116	32%	106	92	100	116
SME & Commercial	519	528	623	18%	530	519	502	623
Mass Market	309	433	669	54%	520	586	574	669
Total	1,465	1,162	1,534	32%	1,258	1,333	1,333	1,534

Despite of strong loan growth, our non-performing loans (NPL) amounted to Rp 1.5 trillion at the end of 2008 as compared to Rp 1.2 trillion a year earlier. Accordingly NPL ratio was maintained at 2.3% in 2008 compared to 2.2% last year. NPL in auto financing business was sustained at a low 0.9% at the end of 2008 as compared to 1.0% a year earlier. Likewise, NPL in micro lending business stood at 3.8% this year as compared to 3.2% in the previous year.

Overall, our net NPL remained zero after taking into account the collateral value of loans particularly for corporate, commercial, SME and mortgage loans. Furthermore, the ratio of our loan loss provision over NPL stood at a high 136.7% in 2008 as compared to 161.2% a year earlier, providing enough cushion against unfavorable changes in operating environment.

Government Bonds

Our government bonds portfolio was reduced by 17% to Rp 13 trillion from Rp 16 trillion a year ago as we sold some government bonds in the first half of the year. As a result, government bonds now only accounted for 12% of our total assets as compared to 18% a year earlier. Fixed rate bonds were Rp 6.9 trillion and made up 53% of the bond portfolio while the remaining 47% was floating rate bonds.

As of December 2008, Rp 2.5 trillion government bonds were classified as Held to Maturity (HTM) account, Rp 10.2 trillion as Available for Sale (AFS) and the remaining Rp 438 billion as trading account. Further, the average duration of the government bonds portfolio was 3.2 years as of December 2008 as compared to 3.1 years a year earlier.

Breakdown of Government Bonds Portfolio

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Trading	957	1,214	438	(64%)	749	14	202	438
Fixed rate	909	1,214	438	(64%)	569	14	202	438
Variable rate	48	0	0	0%	180	0	0	0
Available for Sale	11,058	10,369	10,168	(2%)	10,054	10,801	10,217	10,168
Fixed rate	8,103	7,371	3,984	(46%)	7,065	4,544	3,976	3,984
Variable rate	2,955	2,998	6,184	106%	2,989	6,257	6,241	6,184
Held to Maturity	6,687	4,225	2,478	(41%)	4,207	2,314	2,335	2,478
Fixed rate	1,887	925	2,478	168%	907	2,314	2,335	2,478
Variable rate	4,800	3,300	0	NM	3,300	0	0	0
Total	18,702	15,808	13,083	(17%)	15,010	13,129	12,754	13,083
Fixed rate	10,899	9,510	6,900	(27%)	8,541	6,872	6,513	6,900
Variable rate	7,803	6,298	6,183	(2%)	6,469	6,257	6,241	6,183

Breakdown of Government Bonds Based on Maturity								
Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Less than 1 year	1,002	483	0	NM	186	197	197	0
1 - 5 years	1,687	2,314	2,037	(12%)	2,440	2,285	2,190	2,037
5 - 10 years	12,930	10,283	9,780	(5%)	9,992	8,846	8,847	9,780
More than 10 years	3,083	2,728	1,266	(54%)	2,392	1,801	1,520	1,266
Total	18,702	15,808	13,083	(17%)	15,010	13,129	12,754	13,083

Our bond portfolio, mostly held in AFS, has been an important part of our liquidity management. The deterioration in capital market, which was affected by prolonged U.S. sub-prime crisis, inflation threat on the back of oil price surge and concern of additional bond issuance by the government, continued during the year and have impacted our fixed rate government bond portfolio, resulting in Mark-to-Market loss. In anticipation of worsened market condition, we reduced our bond portfolio duration at the expense of realizing some losses. In addition, we also transferred some Rp 1.4 trillion of long-dated fixed-rate bonds into HTM account in June 2008. Despite these initiatives, unprecedented market correction had left the remaining portfolio with Rp 708 billion of unrealized loss as at the end of the year. Nevertheless, the AFS portfolio had been effectively used as collaterals to secure structured/long-term funding with various counterparties and used in repo with Bank Indonesia.

Expenditure on Fixed Assets

Most of our expenditure on fixed assets were utilized for activities related to the expansion of business operations in the form of renovations of branch offices and representative offices, purchase of office equipment and office furniture, to support the performance of fixed assets. The purpose of this expenditure on fixed assets is to improve the business performance of the Bank by improving the business network. Overall, total expenditure increased to Rp 785 billion in 2008, as compared to Rp 281 billion in 2007.

Third Party Deposits and Total Funding

At the end of 2008, our total funding increased by 24% to Rp 88 trillion from Rp 71 trillion a year earlier supported by robust growth in customer deposits. Total deposits grew by 27% to Rp 75,373 billion on the back of strong growth in time deposits by 34% to Rp 55 trillion as compared to Rp 41 trillion in the previous year. Current account and savings account rose by 20% and 5% to Rp 7 trillion and Rp 13 trillion respectively, and both accounted for 23% of total funding. As a result of strong time deposit growth, our loan to deposit ratio (LDR) declined to 86.4% at the end of 2008 as compared to 88.1% last year.

The remaining 14% funding comprised of long term funding mainly consists of senior bonds, subordinated debts, securities sold under repurchase agreements and other borrowings. Long term funding increased by 11% to Rp 13 trillion in 2008 as we continue to raise long-term funding to fund loans growth as well as to reduce asset and liability mismatch.

Expenditure on Fixed Assets				
Rp million	2006	2007	2008	ΔYoY
Land	1,922	595	3,129	426%
Building	35,188	41,604	63,314	55%
Office equipment	276,902	145,944	440,149	202%
Motor vehicle	90,486	93,338	277,641	197%
Total Expenditure on Fixed Assets	404,498	281,481	785,233	179%

Management Discussion and Analysis

Funding Composition

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Current Account	5,337	5,920	7,103	20%	5,883	7,192	6,366	7,103
Rupiah	3,525	4,056	4,888	21%	3,934	4,948	4,190	4,888
Foreign currency	1,812	1,864	2,215	19%	1,949	2,244	2,176	2,215
Saving	9,712	12,203	12,847	5%	12,350	12,620	12,207	12,847
Rupiah	9,712	12,203	11,938	(2%)	11,468	11,697	11,346	11,938
Foreign currency	0	0	909	NM	882	923	861	909
Time Deposit	41,881	41,405	55,423	34%	43,762	46,127	53,136	55,423
Rupiah	35,310	34,014	47,985	41%	36,024	37,632	45,401	47,985
Foreign currency	6,571	7,391	7,438	1%	7,738	8,495	7,735	7,438
Long term funding	9,351	11,448	12,655	11%	11,722	12,804	12,181	12,665
Rupiah	5,503	6,377	8,221	29%	6,201	7,596	8,221	8,221
Foreign currency	3,848	5,071	4,434	(13%)	5,521	5,208	3,960	4,434
Total Funding	66,281	70,976	88,029	24%	73,717	78,743	83,890	88,029

Capitalization

Danamon's consolidated capital adequacy ratio (CAR) stood at 15.4% in December 2008 as compared to 20.3% a year earlier alongside growing earning assets and Tier 2 Capital amortization. We started to amortize USD 300 million subordinated debt in June 2008 as we plan to call this subordinated debt in March 2009.

As a result, Tier 2 Capital stood at 1.6% in December 2008, compared to 5.9% last year. Tier 1 Capital remained strong at 13.8% as of December 2008 compared to 14.4% a year earlier. Furthermore, Danamon's equity to asset ratio, stood at 9.9% as of December 2008 as compared to 12.1% in the previous year.

Capitalization (Consolidated)

Rp billion	Full Year				Quarterly			
	2006	2007	2008	ΔYoY	1Q08	2Q08	3Q08	4Q08
Tier 1 Capital	8,119	9,769	10,438	7%	11,029	10,199	10,710	10,438
Tier 2 Capital	3,716	4,116	1,405	(66%)	4,069	1,714	1,634	1,405
Investment	(57)	(300)	(389)	30%	(304)	(313)	(352)	(389)
Total Capital after Investment	11,778	13,585	11,454	(16%)	14,794	11,601	11,992	11,454
Risk Weighted Assets (incl. market risk)	56,413	66,882	74,234	11%	70,853	66,671	72,310	74,234
Capital Adequacy Ratio	20.8%	20.3%	15.4%	(4.9%)	20.9%	17.4%	16.6%	15.4%
Tier 1 Ratio	14.3%	14.4%	13.8%	(0.6%)	15.4%	15.1%	14.6%	13.8%
Tier 2 Ratio	6.5%	5.9%	1.6%	(4.3%)	5.5%	2.3%	2.0%	1.6%

Dividend

In compliance with the covenants as stipulated in the credit agreement between Danamon and International Finance Corporation (IFC), we plan to pay a minimum cash dividend amount of 10% of net profit after tax, subject to approval at the GMS, our financial condition, profit level and future capital needs.

The Annual General Shareholder's meeting which was held at April 3, 2008, resolved the cash dividend distribution for the year 2007 of 50% of the 2007 net profit or in amount of Rp 1,058,457 million (or Rp 208.40 per share for series A and series B shares), management bonus (tantiem) of Rp 56,047 million and allocation for general and legal reserves of Rp 21,170 million.

Financial Information Pertaining to Extraordinary Circumstances

There was no financial information pertaining to extraordinary circumstances in 2008 report.

Subsequent Events to Date of Auditors Financial Report

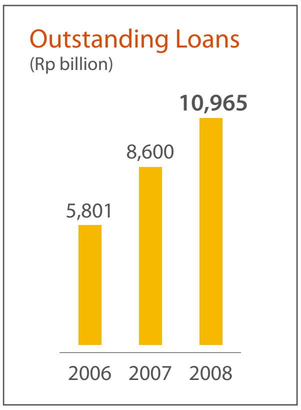
- We call our US$ 300 million subordinated debt on March 30, 2009. On February 11, 2009, we gave a written acknowledgement to the holders of our US$ 300 million subordinated notes that we will exercise optional redemption on March 30, 2009. These notes are unsecured and subordinated to all other obligations of Danamon where such notes will mature on March 30, 2014, with an optional redemption on March 30, 2009.

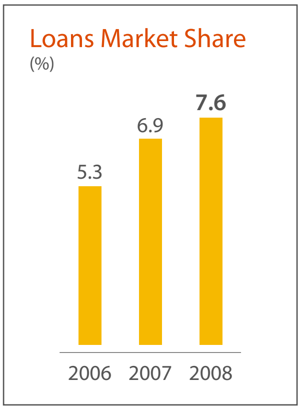
- We undertake a rights issue to raise an approximately Rp 4 trillion in equity capital. On February 18, 2009, we submitted a Registration Statement in connection with the Limited Public Offering IV to the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) in regards with our intention to raise equity capital by way of a renounceable right issue (Right Issue). Shareholders whose names are registered in the Share Register of Danamon on April 3, 2009, will be entitled to subscribe for one share at a offering price of Rp 1,200 per share. The Rights Offer Price of Rp 1,200 per share represents approximately 46.7% discount to the closing price of Rp 2,250 on February 17, 2009, and approximately 34.2% discount to the theoretical ex-rights price (TERP) of Rp 1,825 per share. We have obtained an effective letter from BAPEPAM-LK on March 20, 2009, and this rights issue has also been approved by our shareholders in the extraordinary general meeting of shareholders on March 23, 2009. This rights issue is expected to raise Rp 4 trillion (approximately US$ 335 million) in equity capital and will increase our consolidated CAR and Tier 1 Capital to 20.8% and 19.2%, respectively, as of December 31, 2008. We expect to complete the whole process of this rights issue by end of April 2009.

- We intend to exercise our option to purchase the remaining 20% stake of Adira Finance in 2009. We currently own 75% stake of Adira Finance. Based on the Fourth Amendment to the Amended and Restated Call Option Agreement dated December 22, 2006, between Danamon and other existing shareholders of Adira Finance, Danamon has the right to purchase up to 20% of the remaining shares of Adira Finance at a pre-determined strike price. This exercise is in line with our strategic initiatives to continue growing our high margin mass market business and will further strengthen our position in the attractive auto financing business within the country. Further, Adira Finance has emerged as the leading consumer auto financing company in Indonesia with strong operating performance. We expect this acquisition will be accretive to our earning.

Self Employed Mass Market (SEMM)

Danamon
Simpan Pinjam





Danamon Simpan Pinjam continues to serve and help micro and small scale enterprises gain better access to banking services and products.

Danamon's Self Employed Mass Market (SEMM) business or commonly known as Danamon Simpan Pinjam (DSP) was designed and developed to serve and assist micro and small scale businesses gain better access to banking services and products. DSP's target market comprised of small business seeking loan sizes between Rp 1 – 500 million. Currently, SEMM is one of the key growth engines to Danamon's business operations where it now accounts for 16% of our total loan portfolio and is among our top 3 line of business that contribute to Danamon's profitability.

We certainly view the importance of the micro segment as it is deemed to be one of the backbones of the country's domestic economy. Currently, DSP's target market includes traders in traditional or wet market and small scale businesses/traders engaged in non agricultural business. However, in 2008, DSP launched operational fleets to explore our target market expansion to cover small diners, mobile phone reload voucher traders and others.

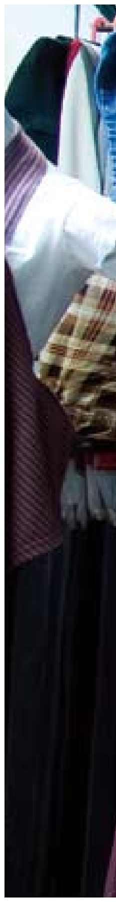
The global financial turmoil coupled with higher interest rate environment in the banking sector in the fourth quarter of 2008 has so thus far had slight impact to DSP business operations since moderate adjustments on pricing was made effectively.

During the year, DSP had made refinements to its distinct business models to further define its distribution into Secured Product Distribution and Unsecured Product Distribution. Each distribution is managed through separate dedicated sales force and branches to sharpen our focus. The Secured Product Distribution carries average loan sizes of about Rp 30 million while the Unsecured Product Distribution consists of loan size of approximately Rp 10 million per customer.

Due to the attractiveness of the micro lending business, several new players have embarked into this segment. Consequently, competition for acquiring businesses as well as resources for pool of talents has tightened. Nevertheless, last year DSP expanded its sales distribution network from 706 to 1,047 throughout Indonesia. Such expansions allow increased opportunities for job enlargement within Danamon and supported our retention program of our talents. DSP also innovatively employed the use of around 200 mobile teams to penetrate and reach out deeper to more rural market to help customers gaining accessibility to our services.

In 2008 our business model was tested and found to be robust and enduring particularly in the fourth quarter of the year. We have developed a unique and powerful model designed to serve our target market providing sound value proposition: Speed, Simplicity and Convenience. Our approval turnaround is 3 days and we offer easy and convenient process to help our customers' needs embedded with trust and reliability relationship model. More importantly, our models are supported by

Since my first relationship with Danamon Simpan Pinjam in 2004, Danamon has become my most important business partner that always provides financing access with features suitable for small businesses.
Siti Mariani, Garment shop



Loan Growth in 2008

28%

highly committed talents with exceptional execution disciplines. The combination of solid business model and exceptional leadership implementation transpired in developing a business that underlines community relationship development. We also continuously leveraged the strength of Danamon's vast resources.

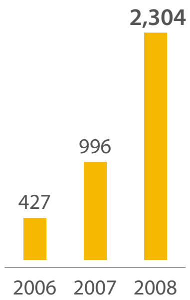
As a result, DSP loan portfolio grew by 28% from Rp 8.6 trillion to Rp 11.0 trillion. DSP continued to contribute significantly to Danamon's net profit in 2008 on the back of strong loan growth. Through prudent risk management practices, cost of credit to average earning asset ratio was improved to 3.2% in 2008 from 4.2% a year earlier.

The cost and asset quality implications in 2008 were anticipated. However in light of slower growth prospects in 2009, we have taken further initiatives to tighten cost controls and strengthen collections systems. We concentrated in maintaining lower cost of credit within acceptable limit by making a number of improvements in credit policy and collection initiatives. Collection was strengthened through the installment of Collection system at end of 2008. The system helps to increase productivity of collections and identify room for improvements and opportunities.

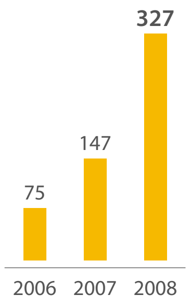
Moving ahead, we will continuously monitor the operating environment and exercise more prudent credit risk management practices. We will conduct further review of our pilot projects launched in 2008 to broaden our target market coverage and upon successful results we will be ready for massive roll out ahead. Going forward, DSP will also be more aggressive in promoting its funding products. Irrespective to prevailing market condition, we will focus on fostering customer engagement activities and promote DSP branding while maintaining our exception discipline in implementing our strategic solution business model.

Consumer Mass Market (CMM)

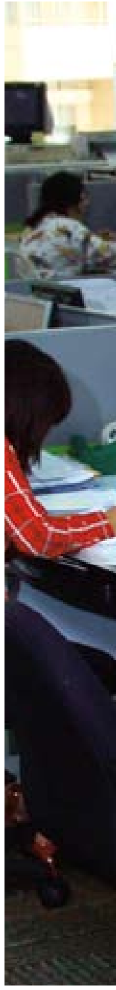
Outstanding Loans
(Rp billion)



Number of Customers
(thousands)



Through our Consumer Mass Market business, Danamon expands its presence as a leading player in the unsecured loans segment.



Consumer Mass Market

Danamon's Consumer Mass Market business targets the salaried individuals market by offering unsecured cash loan products with easy access, simple requirements and quick processing time value proposition.

Following the successful business turnaround in the previous year, 2008 was marked by the completion of major capability building initiatives that enables us to increase the scale of our business.

Throughout the year, we expanded our sales function by recruiting over 200 new staff. With this, 2008 was concluded with total sales workforce more than 1,500 headcounts. Simultaneously, we have deployed new loan origination system that considerably speed up our loan approval turnaround time to only one day, well beyond the industry standard. Our collection process also recorded important progress as we implemented a computer based collection system that delivers better tracking and process measurement capabilities.

To continue providing even more convenience to the customers, in 2008 we launched our partnership with the post office as the new payment point in addition to the existing payment channels at ATM Bersama as well as Danamon and Adira branches.

Consumer Mass Market ended the year by posting a total outstanding loan of Rp 2,304 billion outstanding loan, significantly higher than the previous year's figure of Rp 996 billion, while cost of credit to average earning asset ratio was maintained at 4.5% level. Total customers served grew by more than 100% in 2008.

Entering the new year, further expansion will be done selectively to anticipate a softening business climate in 2009 by targeting stable industries and companies utilizing our data analytics capabilities. At the same time, we will proactively launch initiatives to maintain the existing portfolio through more rigorous risk management while continuously review our business processes not only to reduce cost but also to become even more responsive to our customers.

Danamon can provide the speed, simplicity and convenient access to unsecured loans that other banks cannot deliver. Thanks to Danamon, I can now have easy and quick access to loans when needed.
Rosmalina,
PT Jaring Synergi Mandiri

Loan Growth
in 2008

131%

Adira Quantum

Adira Quantum is a subsidiary of Danamon that offers unsecured personal loans for purchasing electronics, furniture and other household equipment. Established in 2002 and became fully operational a year later, Adira Quantum also targets the salaried individuals market and since its establishment has enjoyed rapid growth and becomes a well recognized financing company in Indonesia with positive responses both from the customers and the merchants.

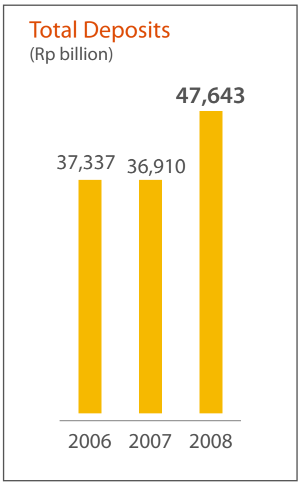
During the year, we focused on capitalizing from our network and infrastructure developed in 2007 while simultaneously improving our processes as well as our risk management capabilities.

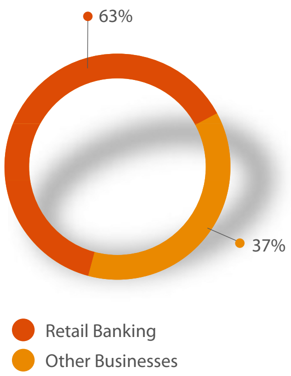
Today, Adira Quantum operates a vast network of branches covering over 45 cities in Indonesia with 46 marketing offices and 50 points of sales (POS), serving more than 350,000 satisfied customers.

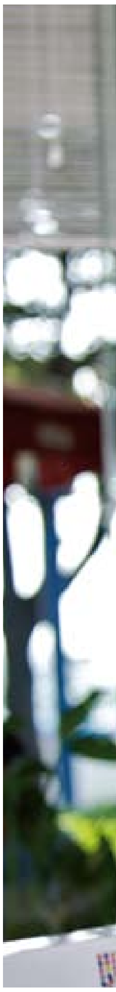
With the continuing rapid growth in the electronics and furniture industries during the year, sales grew considerably by 67% to Rp 1,300 billion from Rp 781 billion in the previous year. Total assets increased by 34% to Rp 128 billion from Rp 96 billion in 2007, while ROA and ROE registered at 25.1% and 61.6% respectively. NPL was maintained at 2.4% level, reflecting our prudent receivable management as well as our collection capabilities.

Retail Banking

Our retail banking franchise strives to deliver convenient banking experience for each customer, in every single transaction.







Danamon's consumer banking business serves the personal customer market with a comprehensive selection of deposit, personal loan and investment products. The business encompasses Danamon Privilege Banking that targets the affluent segment through highly personalized banking products and services. Consumers can also enjoy easy accessibility through Danamon's extensive network, consisting of over 450 branches, more than 800 ATMs as well as call center and mobile banking services.

2008 was an important and exciting year for Danamon's retail banking business as we accomplished significant progress from our product as well as human resources and infrastructure development initiatives.

On the product initiative front, we have been very successful in increasing our funding beyond the initial target, despite the tightening liquidity in the market in the second half of the year. Total deposit grew by 29% to Rp 47.6 trillion, placing Danamon in a very privileged liquidity position by the end of the year. With this achievement, the consumer banking business was able to continue serving as the primary funding agent for the entire Danamon, contributing 63% of the Bank's total deposit.

In order to strengthen our share in the all important savings market, last year we introduced our latest deposit product, Danamon Lebih, that delivers highly attractive product propositions, including cash back, insurance coverage and all-year-long great promotion features. Considered as the best savings and transaction account in Indonesia, Danamon Lebih received very positive market response, acquiring more than 400,000 new accounts in only seven months and was recognized as the best debit product in Asia Pacific by MasterCard.

On the lending side, as the result of the changing macroeconomic environment, we decided to pursue a more prudent growth strategy while putting more efforts to reinforce our risk management as well as other processes within the personal lending business.

For the affluent market, we also have been very active in enhancing our Danamon Privilege Banking value proposition with a new, more upscale look and distinctive offerings.

Our education programs continued to receive very high level of engagement from the market, in which our privileged customers receive useful investment advices from top representatives of leading fund managers in Indonesia along with directors from the Indonesian Stock Exchange. In 2008, Danamon Privilege Banking becomes the first bank in Indonesia that introduced customized software,

Growth in Credit Card Receivables in 2008

25%

which enables our relationship managers to present the Bank's product propositions to our customers using laptops.

By the end of the year, our affluent banking business can be accessed in 37 locations located in 30 major cities in Indonesia.

We always consider our people as the most important key success factor for the Bank's business growth. This commitment was further brought to reality with the launching of our new retail banking business school in 2008. The new school offers a rich range of training subjects in retail banking and so far has been attended by more than 750 personal bankers. We also introduced a very innovative management program that offers a challenging curriculum to develop Danamon's future management team.

2008 was also marked with the completion of important network development programs, undertaken to support our business growth aspirations.

We completed the rebranding of both our branch and ATM networks that now show a more visible, modern, dynamic and younger look.

Retail Banking

Our branch network was expanded with 54 new additions and totaling 459 branches by the end of the year, all with the new, more modern branch banking image. Within the branches, we implemented a modern and automated merchandising system that enables us to show a unified look and feel promotion displays all across the branches. We have also reinvigorated the entire ATM network with modern equipment that has the ability to run nationwide marketing campaign through the ATM screens. By the end of 2008, this new look was available in more than 760 locations in very prominent areas across the country.

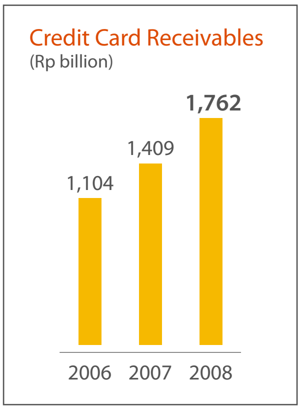
In the same year, we have revamped our call center using state-of-the-art technology to improve the Bank's level of service. We also completed the implementation of our internet banking platform which will be formally launched during the second quarter of 2009.

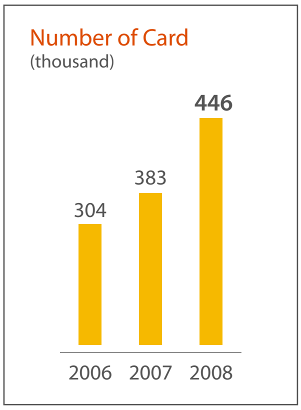
Entering 2009, we will continue the strong momentum on our funding franchise by running a series of national promotions that attract a wider customer base. We will also expand our savings value propositions by introducing attractive products for different customer segments to increase our share in the savings market. At the same time, we will maintain a modest lending growth until we see more positive signs in the market.

Following the completion of a major engagement with the Boston Consulting Group who assists us in evolving the consumer banking's current business model, we will start implementing this new approach in 2009 that will enable us to deliver fast, easy as well as flexible products and services to the market. When completed, these initiatives will further bring the Bank to the next level and set us apart from other consumer banking businesses in Indonesia.

Card Business

Danamon provides the widest selection of card products in Indonesia - Visa, MasterCard and American Express.





Our business growth strategy is based on providing highly customized products and services to different market segments.

On Credit Cards we put this strategy into action by offering unmatched benefits on daily use such as Utility Bills such as Electricity, Phone, Mobile Phone, Internet etc. Further, in 2008, we expanded this feature by becoming the first bank in the market that offers customers special benefits on Petrol spending.

Danamon's Life-style cards are essentially based on Indonesia's favorite sport – Soccer. In 2008 we expanded our offering by adding Arsenal and Liverpool cards to the existing Manchester United Card. Each of these cards offers highly distinctive and attractive features to their respective fans.

The relaunch of the American Express Gold Credit Card in this year marked the expansion Life style Credit Cards in the American Express range of products. This product carries a market first benefit of allowing customers to redeem their Membership Reward Points for gifts even before they earned them!

The American Express Platinum Charge Card launched in 2008 is perhaps the most premium card in the country. Targeted at the super premium segment, this product offers One for One Business Class tickets on many Regional airlines as well as One for One Golf at over 15 of the best Golf courses in Indonesia, apart from offering a market first Premium Concierge service.

We continued to grow our merchant network through a unique value proposition that allows us to offer access to three different cards; American Express, MasterCard and Visa; through a single terminal. As a result, we have increased our American Express merchant network by more than 50%, covering not only Jakarta area, but also Medan, Surabaya, Bali as well as other major cities across the country.

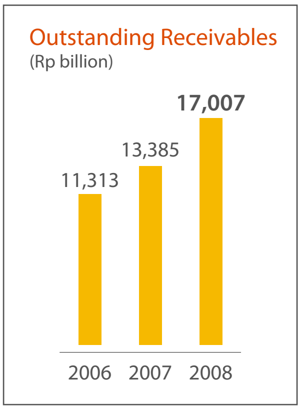
Continuing our achievement of launching the first Instant Card process in Indonesia, that offers the customer a new card in 60 minutes, we expanded to more than 150 locations throughout Indonesia. Simultaneously, we intensified our cross-selling efforts in the branches offering pre-approved cards to our Banking customers. This has now developed into a major acquisition channel for cards while cementing the relationship with the customers.

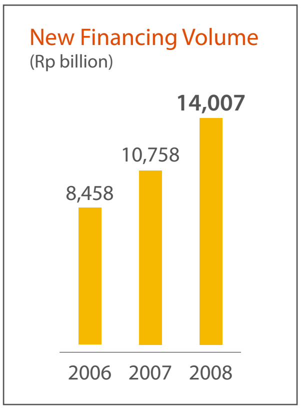
During Visit Indonesia Year in 2008, we participated in promoting Indonesia tourism to over 30 million American Express card members globally that considerably contributed to the nation's tourism growth, particularly in Bali.

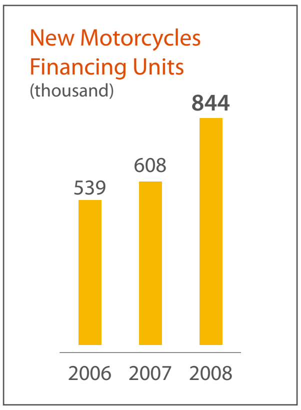
Our Cards business ended the year by posting 25% receivable growth, significantly higher than the market average, while NPL was maintained at the 1.8% level. Merchant volume also grew considerably by 41% that positioned Danamon as one of the top players in the merchant business.

Considering the economic outlook of 2009, we will proactively manage our portfolio quality. At the same time, we will selectively continue our growth momentum by targeting the premium segments, expanding our cross selling initiatives and continued extension of our merchant network to new categories.

Car and Motorcycle Financing







Adira Finance continues to play a leading role in providing value added services and products through fostering more interactive and intimate customer relationship programs.

Danamon currently holds a 75% ownership in Adira Finance, the largest auto multi finance company in Indonesia with over 13% market share. Danamon penetration and growth in this market is conducted solely through Adira Finance where Adira Finance financing is focused on both motorcycles and car financing through providing wide range of products and quality services. Adira Finance has extensive distribution network of 300 outlets throughout more than 120 cities across the country.

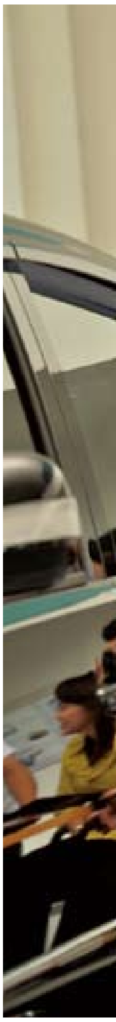
The financial global meltdown in the fourth quarter coupled with high interest rate environment has considerable impact to the overall market including the auto financing businesses. In this tough operating conditions, liquidity management becomes increasingly vital to sustain business. Strategic merger with Danamon provides a distinctive edge to Adira Finance especially to its funding needs where most of Adira Finance's funding is acquired through Danamon. With more than two million of Adira Finance's customer base, Danamon through the Consumer Mass Market business has been able to offer cross-selling of its unsecured personal loan to Adira Finance's customers.

Adira Finance certainly understands that excellence service makes a difference in remaining competitive in this business. In realizing its service excellence objectives, Adira Finance builds excellent customer services through developing community based relationship with its customers. Under this concept, Adira Finance can better engineer and extend value added services and products to their customers by promoting more interactive and intimate customer relationship programs.

As part of this strategic concept, Adira Finance's Customer Care Center was established in late 2007 and was then rolled out in 2008 to offer its customers quality services based on its platform launched in 2008, "ADIRA CARE", denoting (Cekatan, Anthusias, Ramah, Empathy).

Adira Finance's service and product promotions extend beyond enhancement of dealers relationships to include building customer loyalty, to capitalize customers acquired over the past couple of years. During the year, Adira Finance added several new payment points providing more convenience to its customers. Customer now can have access to Post Office, Danamon and BCA ATM, Danamon's branches, Auto Debit in addition to existing outlets.

Following our growth strategy, a review of the outlet footprint was completed in 2008 resulting into closures, relocations, and additional 40 new branches including locations outside Java such as Sumatera, Kalimantan and Sulawesi.



Increase in New Financing Volume

30%

Adira Finance has continuously developed innovative products for its customers. Trade-in program was introduced during the year and has gained considerable success. Through this program, Adira Finance offers attractive repurchase value and financing scheme to customers. Adira Finance also plans to further segment its customer base to offer extra values and benefits to special and loyal customers.

Adira Finance continues to employ cross selling initiatives through exploiting Danamon's vast network and client base/lines of businesses. This initiative remains essential in acquiring potential customers.

Adira Finance has developed and enhanced extensive dealer relationships as now it cooperates with around 8,400 dealers and during the year its dealer network had increased by 400 dealers.

In prudently managing its business operations, Adira Finance is equipped with robust collection system. The system supports Adira Finance's business operations by generating predictive analysis and statistical assessment of our target market.

Car and Motorcycle Financing

By the end of 2008, Adira Finance recorded new sales booking of Rp 14 trillion, 30% higher than the previous year's performance, with consolidated outstanding receivables increasing by 27% to Rp 17.0 trillion. Adira Finance loans portfolio comprised of 75% motorcycle financing and 25% car financing.

Net interest income increased by 16% from Rp 2.3 trillion to Rp 2.7 trillion. During the year, Adira Finance's contribution was 32% to Danamon's net interest income and continues to be Danamon's engine of growth in the auto financing business. Meanwhile, cost of credit was sustained at 3% of average receivables, a reflection of Adira Finance's prudent business practices particularly during the difficult operating environment.

Finally, impressive business and performance results crystallized into a series of reputable recognitions from the market place among others: 2008 Best Company in Anugerah Business Review with first position in sub-category of Marketing, Operation and Good Corporate Governance, 2008 Best Achieving Total Customer Satisfaction in Automotive Leasing Company from Indonesian Customer Satisfaction Award (ICSA), 2008 Best Bond Issuance from Investor Magazine, Service Excellent Champion from Mark Plus in 2008, Second in Best Multi Finance Company from Indonesian Multi Finance Association (APPI) in 2008 and Silver Medal in Indonesia Quality Convention in 2008.

Going forward, in line with market development, stringent risk management practices are required through increased monitoring of existing portfolio. Proactive restructurings were undertaken to anticipate further downturn. Adira Finance will also further review its expansion plans outside of Java and will focus more on strong and stable market place. IT operations for risk management intelligence will be enhanced. Adira Finance will also concentrate on cost efficiency in its operations and increasing productivity of its resources. More analytic tools will be added to scrutinize Key Performance Indicators, productivity, human resources and others. Continued investment in enhancing customer care services will be carried out irrespective of the ongoing business slow down through launching social gathering, customer care educations, and other programs, thus strengthening Adira Finance's brand equity.

General Insurance

Gross Premium Growth in 2008

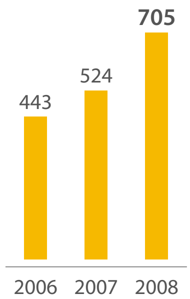
35%

As one the major players in the industry, Adira Insurance provides branded insurance products featuring distinctive customer service that is considered as one of the best in the market.

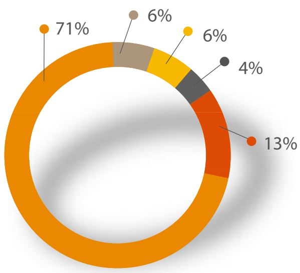
As one of Danamon's subsidiaries, Adira Insurance offers a wide range of general insurance services that covers motor vehicle as well as non-motor vehicle insurance products.

Considered as one the major players in the industry, Adira Insurance provides insurance products with strong brands, offering attractive features including distinctive customer service that is considered as one of the best in the market.

Gross Premium
(Rp billion)



Gross Premium by Products in 2008
(%)



General Insurance

Our motor vehicle insurance product, Autocillin, is supported by one of the widest service center networks across the country as well as 24 hour access to our call center service that allows customers to ask for assistance whenever they need.

During the year, we completed various important initiatives that will enable us to offer even better value propositions to the market.

We continue to develop DSP's insurance product, designed specifically for the micro business segment. Distributed in partnership with Danamon's mass market business unit, the product generated very positive market response and is projected to become one of our future growth engines.

We significantly enhanced our Autocillin product positioning through extensive brand awareness campaigns and extended its value by providing additional personal accident protection for policy holders. Simultaneously, we established even closer synergies with other businesses within Danamon that enabled us to implement more effective cross-referral initiatives.

After the successful introduction of our motor vehicle product, Motopro, in the previous year, we have effectively developed its business and increased our share in this market.

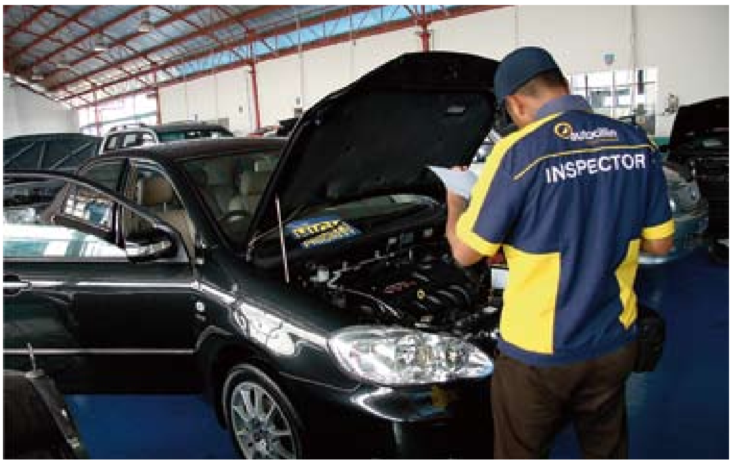
Considerable measures were also taken during the year to improve our business process and efficiency, also to give best service to our customers. We have started the Service Excellence Circle (SEC) initiatives involving all employees within Adira Insurance, which successfully instill service and operational excellence improvements across the organization. We also completed a major reorganization by dividing our marketing areas into 9 regions and our operation areas into 4 regions, which enables us to better manage our service and operational excellence nationally.

In response to the changes in macroeconomic condition in the second semester of 2008, we initiated a number of initiatives to look at our operational processes and have successfully improved our overall efficiency and productivity.

Adira Insurance ended the year by posting a total gross written premium of Rp 705 billion, an increase of 35%, from Rp 524 billion in the previous year.

More awards were received during the year, including "The Best General Insurance Company" from Bisnis Indonesia newspaper and Media Asuransi magazine; "2nd Best General insurance Company" from Investor magazine; "Insurance Golden Trophy" for a 5 year in-a-row "Very Good" financial performance (2003-2007) from InfoBank magazine; "Gold Service Quality Award" from Carre and Marketing magazine; "Call Center Award" rated "Good" from Carre and Marketing magazine; and "2nd Most Admired General Insurance Company in Indonesia" from Business Week magazine.

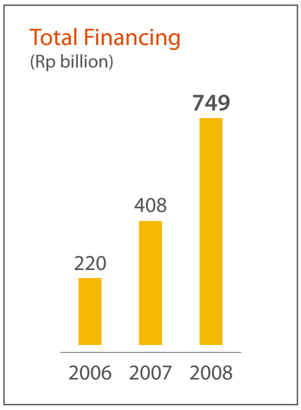
Entering the New Year, we have laid down several strategic priorities considering the economic outlook of 2009. This includes more emphasis on cross selling initiatives as well as customer retention, both to reduce acquisition cost as well as better risk management. At the same time, we will continue looking at ways to improve our processes and reengineer our day-to-day activities to increase our effectiveness and response time.

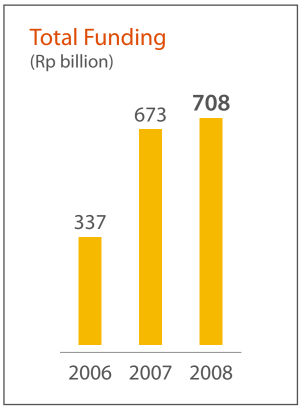


Syariah Banking

Total Financing Growth in 2008

84%





Our Syariah banking leads in providing distinctive, innovative and comprehensive solutions while capitalizes on the Danamon's vast conventional networks and resources.

Danamon Syariah continued to develop its business in a focused and secured portfolio, particularly in the current market condition. Its target entails concentration on mainly cooperatives and small businesses in trading and distribution sectors that accounted for about 80% of the market.

We promote a wide range of products and services through offering comprehensive end to end solutions for our customers including serving the needs for performing complete transaction scheme. Our products and services encompass Tabungan Danamon Syariah (savings account), Tabungan Haji Danamon Syariah (Hajj funds savings account), Deposito Danamon Syariah (Syariah time deposits), Investasi Harian Danamon

Syariah Banking

Syariah (Syariah investment product) and RencanaKu Syariah Pension (Syariah bancassurance).

Distinctively, our Syariah unit pioneered the first and currently the only credit card product based exercising Syariah principle, Dirham Card. The entrance of Dirham Card is perceived as an innovative and major breakthrough in the Syariah market. The Dirham Card now features convenience for bill payment and Qurban.

On top of employing the first credit card business, we also engineered the first Syariah cash management services for complementing our promise to deliver end to end solutions.

Syariah customers also have access to electronic delivery channels including over 14,000 ATMs network both Danamon's and ATM Bersama, Danamon Access Center, e-banking and mobile phone banking facilities. Our products and services are tailored to the affluent and middle class segments including both individuals and entities.

We have continued our unit value building in the Syariah market through leveraging Danamon's existing vast conventional branches and networks. During 2008, Danamon Syariah unit expanded its service network by opening 66 new office channels at Danamon's conventional branches located in Java, Bali and Makassar, making a total of 138 outlets.

Capitalizing on cross selling, expanding office channeling, and applying prudent Syariah practices and creating innovative products and services we reaffirm Danamon's strategy for sustainable development.

Furthermore, Danamon's Corporate University has help trained our staff to enhance their capabilities in Syariah's practices and business models.

Our strong commitment and initiatives in building Syariah business have crystallized into a series of recognitions and awards during the year; ranked 1st as The Most Innovative Syariah Bank from Investor magazine, The Most Prudent Syariah Banking and The Most Innovative Product for Islamic Bank from KARIM Business Consulting, The Best Syariah Bank for asset > Rp 500 billion from Investor magazine, and ranked 3rd as Savings Account Customer Loyalty from MarkPlus & InfoBank, The Most Efficient Syariah Banking and The Most Expansive Third Party Fund from KARIM Business Consulting.

The Indonesian Syariah banking market continues to exhibit growth despite the on going financial crisis. The impact of the crisis is expected to be marginal and indirect since the size of the Indonesia's Islamic banking is still relatively small, which only accounts for about 5% of the total Indonesian banking market. Consequently, the market could easily make necessary adjustments and initiatives to the prevailing conditions.

In 2008, Danamon Syariah's total financing grew 84% to Rp 749 billion from Rp 408 billion last year. The majority of the financing were contributed mainly from small business and cooperatives segments. Meanwhile, total funding increased by 5% from Rp 673 billion in 2007 to Rp 708 billion in 2008 primarily derived from Syariah time deposits. During the year, our Syariah unit had also managed to lower its Non Performing Financing (NPF) to 0.6% reflecting prudent Syariah business practices.

Looking ahead, we will closely maintain and monitor our client base to keep asset quality in track. We will focus on improving revenue while sustaining cost efficiency and managing liquidity effectively. In 2009, we plan to open a full operational retail Syariah branch in Bandung as part of our strategy to promote more aggressive funding. Cross selling using internal data base and capitalizing on Danamon's vast network systems remains as an important program for Syariah business ahead.

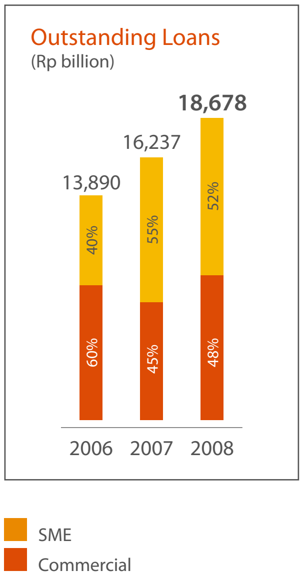
SME and Commercial Banking

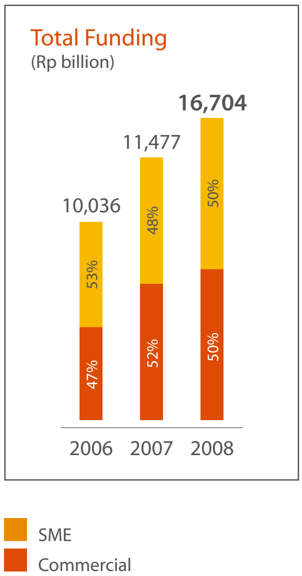
Total Funding Growth in 2008

46%

We continue to tailor our services with utmost care through understanding what customers' value most and achieving our ultimate platform, 'Untuk Anda, Bisa'.

In many ways 2008 was a year of challenge as the global financial crisis had impacted the domestic economic landscape. After solid growth in the first nine months, the impact of the crisis was felt throughout SME & Commercial businesses in the last three months of the year, prompted by a sharp depreciation of Rupiah against US Dollar, liquidity tightening in the market that drove interest rates higher, as well as drop of commodity prices that has started even earlier.





SME and Commercial Banking

Despite the unfavorable operating environment, by the end of 2008 SME & Commercial businesses have succeeded in growing funding volume by Rp 5.2 trillion, or by 46% from the previous year and more than double of the planned growth. Loan volume has grown by Rp 2.4 trillion, a 15% increase over the past year. In total, these two businesses made up almost 30% of the Danamon group loan volume and nearly a quarter of the Danamon's funding volume.

Small and Medium Enterprises (SME) Banking

Our SME segment encompasses businesses with annual sales turnover of Rp 2-40 billion with loan sizes ranging from Rp 0.5 to 7 billion.

To help achieve its growth target, SME Banking needed to invest in people and has therefore acquired a total of 300 new hires in the first semester of the year. Impact of the hiring was immediately felt and fueled growth in the second and third quarters. Furthermore, our Management Trainee (MT) graduates have begun to make their mark. Many of these young and promising professionals spearheaded business growth in their respective branches, and a few of them have even been promoted to Business Managers. Realizing the benefits of the program, SME Banking then administered 3 more batches of Management Trainees in 2008. The total of 6 MT batches ensured the continuous availability of qualified staff in the pool of talents.

Aspiring to be at the heart of its customers, SME Banking treats customers with utmost care and continuously strives to provide what the customers value most. Surveys have consistently revealed that SME customers value fast, flexible, and simple credit decision process. As such, a series of process improvement initiatives have been carried out to increase process efficiency and refine credit approval structure. The efforts truly paid off as the results were impressive: end-to-end credit process turn-around time (TAT), which is defined as the total time consumed from customer's loan request to credit decision, has been substantially slashed by more than two-thirds. SME Banking aims to further streamline its processes to achieve a desirable 5 days nationwide TAT.

SME Banking continued to show strong commitment in channeling loans to rural banks (BPR) through the Linkage Program established by Bank Indonesia. Maintaining its credit prudence by disbursing loans only to good and healthy rural banks, our SME Banking has been able to more than double the loan volume for BPR from Rp 319 billion in December 2007 to Rp 757 billion in December 2008, representing a 16.5% national market share (market data as of October 2008). Funding volume from BPR has also increased from Rp 101 billion to Rp 157 billion during the same period. These efforts were recognized with the Kriya Pranala Award in March 2008 as one of the top banks in the Linkage Program.

Asset quality, which is a key determinant in a lending business, kept on improving in 2008. NPL improved from 5.0% in 2006 to 4.1% in 2007, reducing further to 4.0% in 2008.

While lending activity has always been the core of SME Banking, nevertheless to achieve the value proposition of being the sole bank for its customers, the business has to intensify its funding activity. In 2008, a lot of focus has been paid to developing the SME funding franchise. Dedicated funding teams were formed, liabilities management function was established, and various incentive & promotional programs were launched. As a result, SME funding volume jumped by almost Rp 3 trillion to Rp 8.3 trillion, representing an annual growth of 53%.

Danamon's highly competent and service oriented staffs are always ready to listen to my financing needs. My business grows with the support of the Bank and now I am prepared to take bigger opportunities.
Willy Tjanggrawardhana,
PT Cakrawala Maju Makmur

Commercial Banking

Our Commercial Banking segment consists of business with annual sales turnover of Rp 40 billion to Rp 500 billion with loan sizes ranging from Rp 7 billion to Rp 100 billion.

Commercial Banking continued to spread its wing, supported by a troop of 42 "diamonds" (sales teams) covering 16 cities nationwide. In 2008, the business expanded to 3 new cities (Solo, Manado, and Denpasar) and added 6 new "diamonds".

Considerable success has been enjoyed by our Commercial Banking in 2008. Loan volume grew by 24% from Rp 7.3 trillion in December 2007 to Rp 9.0 trillion in December 2008. The strategy to deploy dedicated funding "diamonds" has proven to be successful as funding volume recorded an even more remarkable 39% increase from Rp 6.0 trillion to Rp 8.4 trillion during the same period.

The strong growth in loan volume was not only attributable to the increasingly extensive sales and distribution, but also improved processes and intensified cross-sell efforts to bring one-stop financial solution for customers. Credit process turn-around time (TAT) has been cut by half through various process improvement initiatives, and Commercial Banking aims to further streamline its processes to achieve a desirable 10 days nationwide TAT.

All the above achievements would have never become a reality without strong emphasis in development of human resources. Graduates of Management Trainee (MT) program, who have proven to be highly qualified and productive, has made up two-thirds of total Commercial Banking sales force. One batch of regular MT program was recruited in 2008 to enrich the talent pool. Additionally, one batch of newly developed Funding MT program was also administered in the same year, and participants of this program have shown encouraging results only a few months after graduation.

Priorities for 2009 will hinge on three main themes: credit quality, low cost funding (current account and saving account), and loan cross-sell. Prudent credit management has been more important than ever during the global financial crisis. SME & Commercial Banking will maintain its credit quality by working together with troubled customers to alleviate the adverse impact of the ongoing global crisis, continuing the proactive restructuring and rehabilitation efforts, and performing more in-depth review of the loan portfolio. A substantial portion of loan growth will come from cross-sell to non-lending Danamon customers and deepening of relationship with existing lending customers, continuously supported by analytics initiatives that have played a major role in 2008 business growth. Riding on the huge success in 2008, SME & Commercial Banking will keep on developing its funding franchise through dedicated sales teams, comprehensive cash management solutions, enhanced and varied product offerings, and attractive promotional programs.

Corporate Banking

We distinctively offer end to end solutions by providing major breakthrough in products and services that foster our One Stop Solution platform.

Danamon's corporate banking unit focuses on selected large corporations with annual sales turnover exceeding Rp 400 billion. Our portfolio consists of corporations in industries that are vital to the overall domestic growth of the economy.

The turmoil in the global financial markets originated from the credit markets coupled with the gyration of commodity prices such as oil, coal, crude palm oil and rubber, and the slowdown in demand, have had significant impact on both the global and domestic economic landscape. Inevitably such ripple-effect was also in a way felt in our corporate banking business in the fourth quarter.

Despite such complex environment, our corporate banking portfolio remains stable and grew by 29% on the back of strong growth performance during the first three quarters of 2008. Currently, Corporate loan portfolio accounts for 14% of our total loan portfolio.

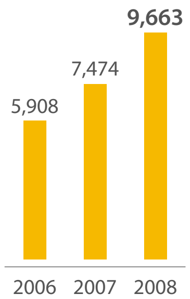
Our business model in 2008 includes focusing on key industries where the country has competitive and sustainable strengths supported by its large potential population base. We continue to undertake cross selling activities throughout the Bank's lines of businesses leveraging on the multi branch channels. We distinctively provide end to end solution for our customers by offering innovative products and services, thus facilitating our One Stop Solution platform.

Trade Finance, Cash Management and Transaction Services

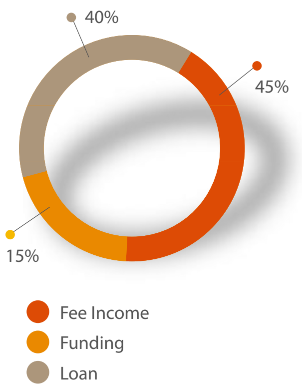
We have consistently proven our commitment to provide distinct solutions through offering highly customized products and services to our customers. We provide our customers with comprehensive transaction scheme.

Our transaction portfolio mainly focused on secured portfolio comprising of domestic and export oriented companies.

Corporate Loans
(Rp billion)



Revenue Composition of Corporate Banking in 2008
(%)



As one of Indonesia's leading energy companies, Medco needs a reliable bank to help us performing a wide variety of financial transactions with partners all over the world. Danamon is one of the few national banks that can provide us with the range of products suitable to our often very demanding requirements.

D. Cyril Noerhadi,
Chief Financial Officer
PT Medco Energi Internasional Tbk

Fee income contribution to Corporate Banking revenue

45%

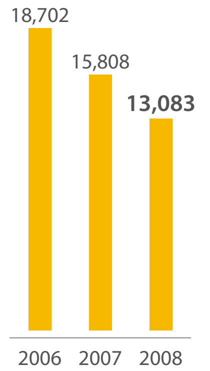
In 2008, we had a number of accomplishments. We remain innovative through developing new transaction product for tax payment. We had upgraded our capabilities and competencies as our staff were granted international trade certification from renowned institution, ICC Paris. We also had forged strategic alliances with leading and reputable institutions bringing more business opportunities. We had pioneered/engineered the first and thus far the only cash management in consumer business (except the mortgage sector).

Finally, through our dedication and hard work, we achieved several distinguished awards: "2008 Best Trade Finance Bank in Indonesia" from Finance Asia, "2008 Best Local Trade Bank" from Trade Finance Magazine and "2008 Best Local Cash Management Bank" from Asiamoney.

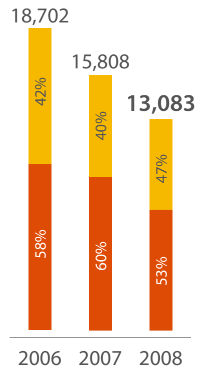
Going forward, our corporate banking will continue to concentrate on industries that capitalized on the country's large population, which have been proven to be robust and sustainable. Cross-selling initiatives will be further advanced to other units through enhanced team work. Following current market condition, risk management practices and monitoring mechanism will be applied prudently. Meanwhile, our transaction will continue offer complete solutions for our customers.

Treasury, Capital Market and Financial Institutions

Government Bonds
(Rp billion)

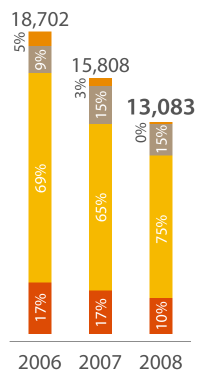


Government Bonds by Type of Interest Rate
(Rp billion)



Variable Rate   Fixed Rate

Government Bonds by Tenor
(Rp billion)



Less than 1 year   5 - 10 years
1 - 5 years   More than 10 years

Treasury and Capital Markets (TCM) division is responsible for both managing Danamon's liquidity as well as generating revenue through financial instrument trading and by providing a diverse foreign exchange and interest rate products designed to meet the needs of corporate and individual customers.

In managing both Danamon's liquidity and interest rate risks as well as its relationships with the customers, TCM runs its operations within the market and liquidity risks management framework. Meanwhile, Danamon's treasury products are supported by a robust risk management and trading capabilities that allow us to offer the best offshore and onshore products to the market.

Activities within the Treasury Division are grouped through various functional desks, namely Asset and Liability Management ("ALM") Desk, Trading Desk, Treasury Sales Desk, Product Development Desk, and Business Management Desk.

The ALM Desk is responsible for managing Danamon's market and liquidity risks. This desk is also responsible for implementing Danamon's long term funding objectives, as part of Danamon's strategic initiative to manage asset and liability mismatch according to the prescribed risk parameters.

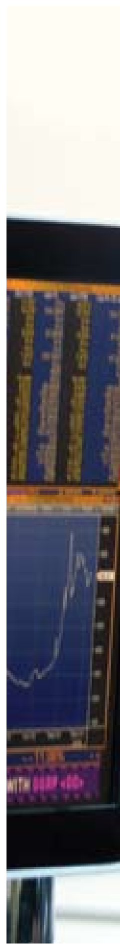
To better manage market and liquidity risks, the ALM Desk operates a fund transfer pricing ("FTP") mechanism that allows us:

- to separate market risks from commercial, business and credit risks;
- to allocate NIM accountability at the business unit level;
- to centralize all market risks in the Treasury ALM desk and facilitate efficient risk management in a central funding/investing pool; and
- to complement profitability measures in Danamon and to make managerial decisions based on an overall profitability picture.

Treasury Trading desk comprises of Foreign Exchange, Interest Rate & Credit Trading. We are one of the dominant players in Indonesia's IDR FX & interest market. In 2008, Asiamoney FX Poll, Financial Institutions across the country has voted Danamon as "the Best Domestic Providers for FX Services in Indonesia".

Treasury Sales Desk focuses on the development of a strong customer franchise, catering both the wholesale and the retail clients, while supported by the Product Development and Structuring Desk whose main function is to manufacture tailored products suiting the clients' needs.

Throughout 2008, the treasury sales team has won many mandates in providing solutions for foreign exchange and interest rate hedging its customers. We have done many deals on FX option, Interest Rate Swap, and Cross Currency Swap for Corporate, Commercial as well as Financial Institution customers. This achievement is reflected on the 2008 Asiamoney FX Poll where Danamon is voted by the Corporate customers for the Best Domestic FX Provider for Innovative FX Products and Structured Ideas.



Business Management Desk's role in TCM is to manage business planning, budgeting, analytics and internal reporting as well as to cater policy & procedure, act as a liaison to internal & external audit, maintenance, manage Treasury infrastructure and contract development with third parties.

Financial Institution ("FI") division is responsible for expanding Danamon's financial institutions business by building closer relationships with banks, securities companies, asset management houses, pension funds and insurance companies. The division offers a broad range of services, covering correspondent banking, international remittance, trade finance, securities services, cash management services, as well as tailored treasury products and solutions.

By the end of 2008, total revenues from treasury activities, including portfolio investments and foreign exchange transactions of Danamon, decreased from Rp 892 billion as at December 31, 2007, to Rp 480 billion as at December 31, 2008, mainly reflecting loss in sale of marketable securities of Rp 152 billion in 2008 against gains of Rp 411 billion in 2007.

Risk Management

Danamon's primary objective in its risk management practices is to manage risks in the following risk categories: credit, market, liquidity, operational, strategic and reputation and legal & compliance in line with Bank Indonesia guidelines.

Danamon's risk management structure consists of a number of committees and divisions at different levels of responsibilities.

The Risk Management Committee is established at the Board of Directors/Senior Management level and is responsible for managing risk throughout the Bank. This committee oversees risk strategy and policy developments and reviews the risk strategy and policy annually. This committee acts as the main forum where Danamon ensures that the Bank's activities across all businesses and subsidiaries are in compliance with its risk management policies. The members of the committee are the President Director, members of the Board of Directors including the Integrated Risk Director, the Legal and Compliance Director and other senior

management executives. The committee is chaired by the Integrated Risk Director and meets once a month.

The Risk Monitoring Committee is the highest level of risk committee at the Board of Commissioners' level. The committee approves the risk management framework and monitors its implementation and exposure. The committee gives authority to the President Director, the Board of Directors and the Integrated Risk Director to carry out its role in managing risk. The committee meets every month to assess the performance of the respective credit portfolios and discuss risk issues.

The Integrated Risk Group operates under the Risk Management Committee and oversees the risk at bank-wide level including subsidiary risks. The Integrated Risk Group is a centralized and independent function, set apart from other line of businesses.

The group approves risk management policies and limits for all line of business and establishes policies and procedures at a higher level. This Integrated Risk Group introduces risk strategy and policies to all relevant business units and ensures that a strong risk culture and awareness is built throughout the Bank. The group consists of three divisions managing risks in the categories of Credit Risk, Market & Liquidity Risk and Operational Risk.

Credit Risk

Credit risk is a risk inherent in the banking business and involves the risk of loss arising as a result of the diminution in credit quality of a borrower or counter-party and the risk that the borrower or counter-party will default on contractual repayments.

Credit risk is managed through established policies and procedures covering credit acceptance criteria, origination, approval, pricing, and monitoring as well as loan and portfolio management. The specific policies and procedures are proposed by each business unit and approved by the Integrated Risk Group. Separate risk policies are in place for each business unit.

Credit Risk Management function is in place for each Line of Business including subsidiaries. Each Line of Business (LoB) has its own specific risk management

Risk Management

function and the Integrated Risk function from the Head Office provides an oversight function for the respective risk portfolios.

A comprehensive Management Information System is available to detect any adverse development at its earliest stage, thus allowing measures to counteract any credit quality deterioration and thereby minimize credit losses.

To strengthen the internal credit approval process, Danamon has recently collaborated with an internationally reputed credit rating agency to refine internal rating models for the corporate and commercial segments. This will enable the bank to estimate the probability of default ("PD") by obligor. Simultaneously, internal work is underway on PD calculation for Danamon's entire mass market and retail portfolios.

Market Risk

The Market and Liquidity Risk Division (MLR) is responsible for managing Danamon's market risk. It works closely with the Asset and Liability Committee (ALCO), which is led by the President Director. ALCO members including the CFO, Treasurer, the Integrated Risk Director, Market and Liquidity Risk Head and other key business heads. The committee meets once a month and more frequently if necessary. In Danamon, the MLR function has been established along international best practice lines.

Danamon manages market risk by monitoring its trading activities. The Bank sets up risk sensitivity limits (loss from 1 basis point change) and reviews those limits on a semi-annual and ad hoc basis.

MLR also measures and monitors interest rate risk to protect the sensitivity of Danamon's current and future earnings against interest rate risk exposure. Danamon conducts periodic simulation analysis to measure the sensitivity of net interest income. On top of simulation analysis, Danamon performs repricing gap analysis and duration gap analysis for interest rate risk management.

Liquidity Risk

Danamon employs a centralized approach to maximize liquidity access and minimize funding costs.

In Danamon, the Market and Liquidity Risk Division addresses the liquidity risks. Its key role is to identify and measure liquidity risk and establish policies and procedures for liquidity risk management. In consultation with ALCO, it carries out scenario planning for liquidity. Danamon develops and maintains contingency funding plans to evaluate liquidity position under various operating circumstances and to ensure that it could operate when access to normal sources of funding is limited.

Danamon manages liquidity risk through, amongst others, liquidity gap analysis. Liquidity gap analysis projects liquidity surplus or deficit based on Danamon's asset and liability maturity profile. The Bank has developed an early warning system to increase the speed and accuracy of the monitoring process.

Danamon uses a funding concentration limit and liquidity stress test to monitor liquidity risk. The funding concentration limit is monitored by ALCO every month and the liquidity stress test, conducted monthly, is also reviewed by ALCO during their monthly meetings.

The Bank, through its Asset and Liability Committee (ALCO), establishes and monitors liquidity guidelines to ensure liquidity is sufficient to cover potential funding requirements. ALCO is responsible for determining the policy and strategy of the Bank's assets and liabilities in line with the principles of prudent risk management and regulatory requirements. ALCO is also responsible for Danamon's balance sheet projections.

Operational Risk

A failure to correctly manage operational risks could lead to financial losses significant to Danamon's financial strength. Danamon's approach to operational risk management mainly aims to mitigate possible occurrence of such losses by a consistent implementation of comprehensive Operational Risk Management Framework (ORMF) that are risk-specific to the nature of each business process.

Danamon designates all parties their respective roles in the management of operational risk. The Board of Directors and the Board of Commissioners perform an oversight function while the Operational Risk Management Division facilitates the operational risk management practices. Each Line of Business and their respective Internal Control units are actively involved in the day-to-day enforcement of ORM cycle.

Danamon's Operational Risk Management Framework is put into practice through an integrated cycle, where Danamon ensures that risk control is adequate and risks are identified for new and existing products and processes.

Measurement of operational risks is consistently conducted through a quarterly Risk Control Self Assessment (RCSA) exercises, performed by all working units including the subsidiaries. It aims to map risk exposures, to measure sufficiency of control on risky key processes and to measure the level of unit occurrences against the controls in place. Subsequent corrective actions are immediately taken to rectify the processes containing control weakness, supported by Operational Risk Management System (ORMS), an internally designed online-real time tool which integrates individual components of ORMF into a unified web based tool.

Danamon takes a conservative approach in collecting operational risk events by consistently recording near misses and loss events in daily operations of its LoBs and subsidiaries in a risk/loss event database. This database continuously produces analysis of risk events based on root causes, likelihood to occur and significance of consequent losses.

Alignments of Operational Risk Management Cycle with Internal Control functions and Internal Audit programs are conducted on a regular basis to ensure the effectiveness of layered controls. Regular meetings in operational risk management are conducted in order to ensure risk awareness and risk culture is applied consistently across the bank..

Danamon and its subsidiaries has established Disaster Recovery Plans and a Business Continuity Plan with a goal to anticipate operational risks which might arise from extreme conditions such as natural disasters (flood, earthquake or fire) and any non-conducive business environment. Its framework is called Business Continuity Management (BCM) which provides guidance for procedures to be taken before, during and after an extreme event to ensure uninterrupted services by Danamon. Due diligence was conducted on BCM framework and practices by an external independent party with an objective to ensure that the framework and practices are in line with the international standard and best practices.

Danamon's Operational Risk Management is maintained in accordance with Bank Indonesia regulation No.5/8/PBI/2003 (Implementation of Risk Management for Commercial Banks), No.8/6/PBI/2006 (Implementation of Consolidated Risk Management for Banks that Exercise Control Over Subsidiaries) and Basel Committee on Banking Supervision (Basel II).

Danamon regularly performs simulations over capital charge calculation for operational risk by using the Basic Indicator Approach and prepares well toward early implementation of operational risk capital charge calculation based on the Standardized Approach, which is targeted in January 2010 as set by Bank Indonesia.

In light of new Bank Indonesia regulation on IT Risk Management, Danamon conducted a gap analysis with the assistance of an independent consultants. Going forward, Danamon will work toward full compliance in March 2009 with Bank Indonesia guidelines.

Strategic and Reputation Risk

Strategic risk management addresses any risk attributable to inadequate strategy formulation and implementation, while reputation risk management deals with actions to maintain the trust of customers and the public.

In Danamon, these risks are managed by the Strategic and Reputation Risk Coordination working group chaired by the Operational Risk Management Head and comprising representatives from Integrated Risk Management, the CFO's office, Legal, Litigation and Compliance as well as from Danamon's subsidiaries. The group analyses and oversees Danamon's strategic and reputation risks and presents them to the Bank's Operating Committee.

Legal and Compliance Risk

Legal risk stems from inadequate legal protection while compliance risks arise from failure to adhere to applicable prevailing rules and regulations. Legal risks are managed by Danamon's Legal Division while compliance risks are managed by the Compliance Group. Key issues and findings pertaining to these risks are reported to Danamon's Board of Directors and Risk Committee.

Basel II implementation

Danamon is actively engaged with Bank Indonesia at each level of Basel II, taking the opportunity to attend and participate in various consultative forums. Danamon has formed a Based II Coordination Committee, involving key business Risk Managers, CFO Office, and the Information Technology and Compliance Divisions. The Basel II Coordination Committee is in charge of implementing all regulations issued by Bank Indonesia and to ensure compliance with all Basel II regulations.

Human Resources Development

We put priority on being the right partner to our people on building a positive working environment which enables individuals to make a difference.

Danamon always underscores the importance of attracting the best talent available across all disciplines, encouraging people to develop their full potential and constantly growing them as business leaders with clear career paths to success.

In 2008, our commitment in our people was further demonstrated by the inauguration of Danamon Corporate University (DCU) as the enhancement of the previous Danamon Learning Center concept. Currently housing six different academies: Retail & SME Banking School, Microfinance School, Wholesale Banking School, Risk Management School, Operation & Technology School and Innovation Center; the University endeavors to contribute to people development and by becoming the center for learning by promoting knowledge and skill transfer throughout the Bank.

Danamon Corporate University offers a rich range of courses covering over 70 different subjects, including the Danamon Leadership Academy program that is considered as one of the best leadership development models in the country. These courses will not only equip our people with the essential know-how for becoming successful bankers, but also introduce development programs that promote a strong work-life balance.

Our 4.5 hectare campus in Ciawi, Bogor, continued to serve as the Bank's learning hub, offering state-of-the-art learning facilities, ranging from dedicated class rooms, computer laboratory, library, a multifunction hall as well as dormitory and guest houses.

In total, 2,554 training and workshop programs have been organized in 2008 and attended by over 70,000 participants. Total learning man-days allotted reached 262,011 learning man-days, a significant 150% increase from 104,853 man-days in 2007. We also succeeded to more than double attendance to our Risk Management Certification program as required by Bank Indonesia from 703 in the previous year to 1,640 participants in 2008.

During the year, we continued to strengthen our image as the Employer of Choice to allow us recruit the best talents in the market. Our Danamon Young Leader Award program, which offers the winners with opportunities to attend INSEAD MBA classes in Singapore, continues to attract students from leading universities and proves to be an effective recruitment tool for the bank. In 2008, more strategic alliances with top tiers universities were also forged, including six new partnerships with University of Gadjah Mada, University of Parahyangan, University of Padjajaran, President University, STIE Tazkia and STIKOM InterStudi.

Danamon Training Programs 2007 - 2008

	2007			2008		
	Number of Events	Number of Participants	Total Man-days	Number of Events	Number of Participants	Total Man-days
Soft Skill Development	504	12,677	18,924	644	31,625	36,750
Technical Skill Development	1,270	26,346	81,115	1,763	39,116	221,426
Workshops	110	3,179	4,814	147	3,054	3,835
Total	1,884	42,202	104,853	2,554	73,795	262,011

Learning Man-days Increase in 2008

150%

By the end of the year we expanded our total workforce by 8,500 new employees. Including our subsidiaries, our total workforce reached 41,617 people at the end of 2008 that positioned Danamon as one of the largest employers in the financial sector in Indonesia.

In line with our objective to promote more decentralization, 2008 was also marked with the formation of seven human resource region offices that cover areas from Nanggroe Aceh Darussalam to Papua. This achievement will allow us to become more responsive to assist our internal customers as well as to better attune to the Bank's network expansion plan.

Together with its employees, Danamon coordinated social responsibility activities for employees through Karyawan Peduli program. The program generates funds equally from the employee and Danamon, where with one rupiah employee donated Danamon will donate another one rupiah. Through Karyawan Peduli, Danamon's employees actively help and support other employees across segments and regions either through

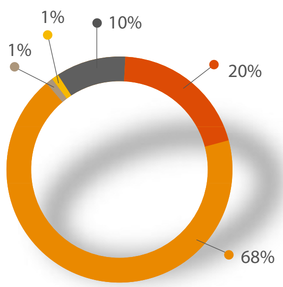
Human Resources Development

scholarship or donations for people suffering from sickness or deaths. In 2008, Karyawan Peduli touched more than 2,500 beneficiaries with amount donated of more than Rp 1 billion.

2008 was the fourth year of our annual Employee Opinion Survey (DEOS) where for the first time we extended the survey scope to also include our subsidiaries, Adira Finance, Adira Insurance and Adira Quantum. With the

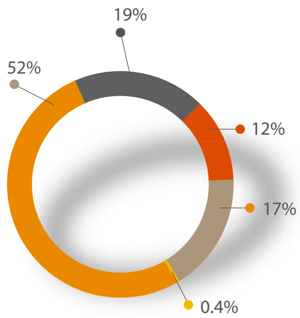
Composition of Employees in 2008

Education



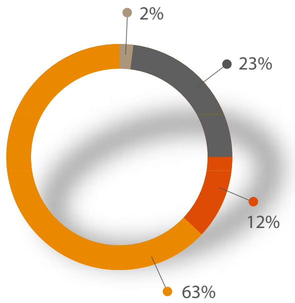
- Postgraduate
- Bachelor
- Diploma
- Senior High School
- Junior/Elementary School

Years of Service



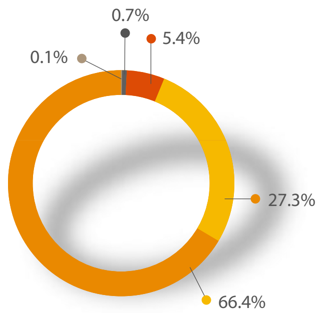
- 0 – 3 years
- 3 – 5 years
- 5 – 10 years
- 10 – 20 years
- > 20 years

Age Group



- > 45
- 35-44
- < 25
- 25-34

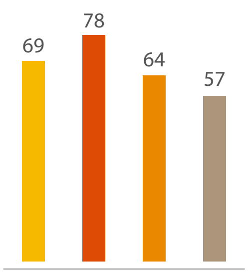
Grade



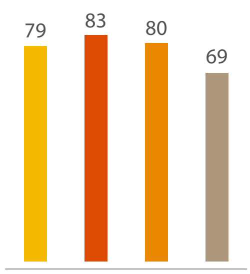
- Top Management and Technical Advisors
- Senior Managers
- Managers
- Officers
- Employees

Danamon Employee Opinion Survey (DEOS)
Employee Satisfaction Index

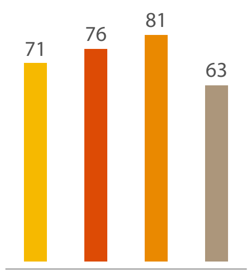
Commitment



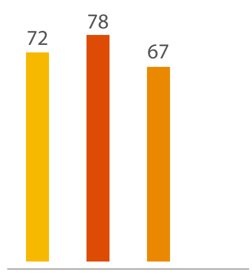
Alignment



Enablement



Employer of Choice



- Danamon 2007
- Danamon 2008
- Indonesia 2008
- Asia Pacific 2008

participation of more than 24,000 respondents, DEOS is considered as one of the largest climate surveys ever undertaken by a bank in the region.

As in the previous surveys, we seek to determine our relative position in the market by measuring the results not just against our peers in Indonesia but also against respectable corporations in the Asia Pacific region.

The Employee Commitment measure improved considerably from 69% last year to 78% in 2008, indicating the Bank's progression to become the employer of choice. The Employee Alignment score, which measures the alignment between employees and management objectives, also increased from 79% in 2007 to 83% in 2008, exceeding the average scores for Indonesian and Asia Pacific corporations. The Employee Enablement score, measuring the degree to which employees believe they can realize their potential in Danamon, improved by 5% from 71% in 2007 to 76% in 2008.

Entering 2009, a state-of-the-art, e-Learning portal will be launched to strengthen our in-class learning program. Hosted by this new learning system, we will launch a total of 60 e-Learning hour courses, covering BSMR certification and business unit specific learning materials.

Further empowerment plan is also scheduled by opening of four regional training centers in Semarang, Makassar, Medan and Surabaya that will enhance our service responsiveness to the regional needs.

Information Technology

Our technology vision emphasizes the strategic importance of information technology as a key business enabler to Danamon.

Danamon continues to value the strategic importance of information technology as the key enabler on which products and services are delivered to customers, business performances are measured and tracked and sound management decisions are made.

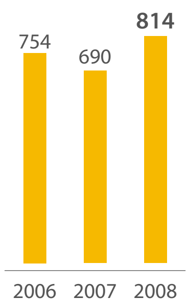
This commitment is put into practice through the Information Technology Steering Committee (ITSC) which governs the use of information technology within Danamon. Chaired by Deputy President Director, the ITSC determines Danamon's technology strategy, blue print and as well as investment and development priorities. Guided by the ITSC, accelerated progress continued during the year in completing Danamon's roadmap to deliver a reliable, flexible, highly responsive, as well as cost effective IT platform to all areas of our businesses.

After the successful pilot project in the previous year, in 2008 we have migrated all 700 mass market branches to Danamon's New Core Banking System (NCBS). This migration was considered as one of the fastest systems roll-out in the industry, involving more than 10,000 people in less than five months.

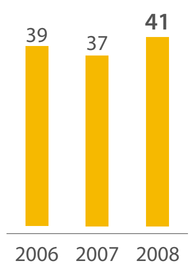
Simultaneously, significant development has also been completed to continue strengthening our electronic channel capabilities. In alignment with the launching of Danamon's new brand positioning, 'We Make It Happen for You', we have completed the replacement of additional 630 ATM machines. As a result, we now have 814 new, state-of-the-art ATMs with superior functionality and reliability and a visible, unified look and feel.

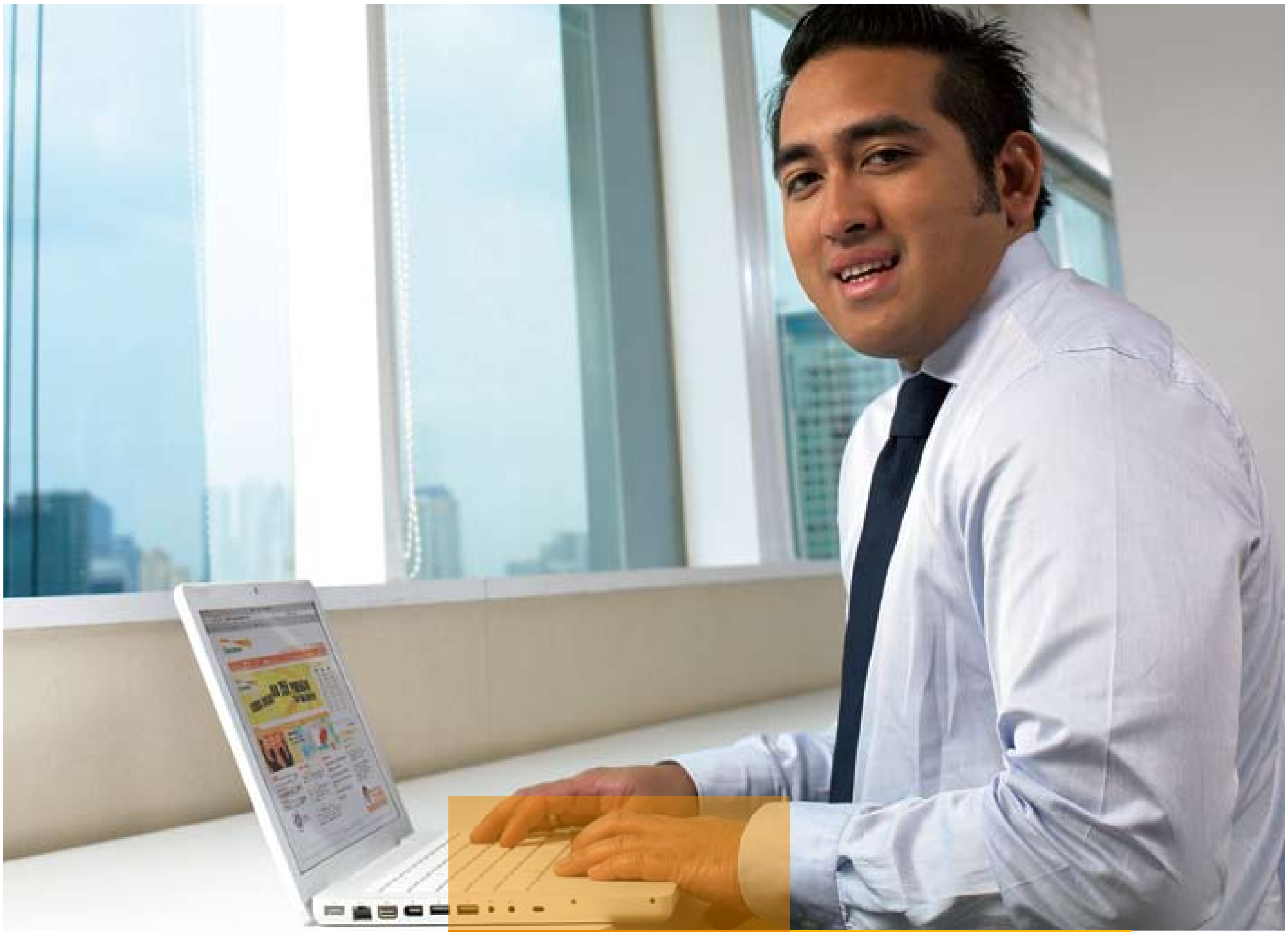
By the end of 2008, we are already on the final stage of our internet banking and new call center development, both scheduled to be launched by the second quarter of 2009. When introduced, these new customer touch points promise to provide a complete range of functional capabilities better than other players in the industry.

Number of Owned ATM
(Unit)



Number of ATM Transaction
(in million)





Mass Market branches migrated to NCBS

700

To be able to deliver IT solutions that meet international standards, we always put high priority on the growth of our people and the continuous improvement of our application development processes. In 2008, Danamon is the first and only bank in Indonesia that received the CMM (Capability Maturity Model) Level 3 certification in the Switch and Core Banking application areas from Software Engineering Institute (SEI), Pittsburgh, Pennsylvania, USA. This international certification underlines our commitment to institutionalize learning and best practices as an important part of people development.

Entering 2009, we will implement the next phase of the core banking migration by rolling out the NCBS for the conventional bank branches. We will also continue to expand our ATM network to support our retail bank growth ambition. Plans are already in place to exploit the advanced technology in our ATMs by introducing new, EMV chip based cards that promise higher level of security and fraud protection to the customers.

Distribution Network

The sustainable development of Danamon's network infrastructure remains a priority to support our ability to grow and respond competitively over the years. Today, we operate one of the most extensive delivery channel networks in Indonesia comprising over 1,400 branches, more than 800 owned ATMs across the country, internet and handphone banking and call centers.

During the year, we concluded a review of the branch/network footprint to grow our network in areas of high potential growth. As a result, we opened 348 new branches and closed 4 branches, bringing a total of 1,483 operational branches. Meanwhile, we added 139 new ATMs and closed 30 ATMs, making a total of 814 ATMs at the end of 2008. In 2008, we completed the changing of our entire ATM outlook with superb and modern technology through the purchase of state of the art ATMs with Triple DES and EMC, which complies with Visa/Master Card Regulations. These new ATMS offers more secure and reliable transaction process and hence will provide improved services to our customers.

While growing our distribution networks, we massively transformed the outlook of our branches and ATMs with new and modern personification in line with the rollout of our re-branding program. We also completed the re-branding of all our retail branches establishing distinct outlook and enhancing our visibility and presence across the nation. Our network distributions now follow the new image of Danamon equipped with merchandizing automated system and delivering unified services and product messages to our customers nationwide. We revamped Danamon's Call Centers by placing state of the art technology with quality and speed of services. In 2008, we undertook the implementation of internet banking platform initiatives which will be formally launched in the first quarter of 2009.

Operations

One of our key platforms in Operation is to deliver uncompromising and quality services to satisfy customer transactional needs at all levels of segments through alternative channels by offering differentiated and consistent great customer experience. In achieving our key targets, a number of initiatives were completed.

During the year, we continued to improve services and streamline process under our Customer Fulfillment Framework. This framework is a continuous process cycle designed to enhance customer experience at Danamon's touch points such as branches, ATM and Handphone Banking.

E-Form implementation is Danamon's answer to speedier, more convenient and efficient transaction processing for the benefits of its customers. Launched in 2008, E-Form automates and simplifies much of the manual paper processing involved in completing customers transaction including cash, clearing deposit, cash withdrawal, overbooking and outgoing transfers. This initiative also helps reduce the cost from the simplified forms.

We have continued to maintain and apply consistency of our front liners' service standard through undertaking a series of constructive programs encompassing Service Trainings & Role Play at the branches, Mystery Shopper & Mystery Caller, Service Motivation initiatives, Service Award as well as Service Competition (Danamon Service Star & Danamon Service Champion, Services Idols & others).

Furthermore, a New Core Banking System (NCBS) was installed replacing the old ones in all DSP units. We will continue to deploy this new system in 2009 in conventional branches to provide a stronger support of the bank-wide initiatives. Moreover, the function of Service Desk has been fully implemented to capture customers' feedbacks and concerns.

In 2008, we forged strategic alliance with Western Union. Under this partnership, customers can enjoy great benefits when receiving or transferring funds at Danamon through Western Union. These benefits include gift promotion, free administration charges and more secure, speedier and simpler transaction process.

Our efforts and initiatives launched in 2008 were awarded a series of prestigious recognition from leading and reputable institutions: Most Consistent Bank in Service Excellence (as we have maintained Service excellence for the last 6 years) from InfoBank and Marketing Research Indonesia (MRI), 2nd Best Bank Overall in Service Excellence from InfoBank and MRI, Service Quality Gold Award from InfoBank and MRI, 1st Best Mobile Banking Commercial Bank and Best Bank Overall from ATM Bersama.

Aside from customer services initiatives, our operations unit also had provided notable contribution to Danamon's business activities. Through personnel trainings on product knowledge and basic selling skills, our operation team conducted successful cross selling activities reflected in an increasing trend of financial contribution amounted to Rp 3.2 billion or making up 55% of total bancassurance achievement. By implementing cross selling initiatives, our operation teams also acquired more than 133,000 new savings accounts, Danamon Lebih, and contribution of operation to Western Union amounted to Rp 62 billion.

Our successful operation transaction result is also further demonstrated as ATM Fee base Income increased by 18% while transaction number rose by 34% from the beginning of the year to the end of the year.

We also introduced a number of action plans aiming to manage cost effectively. We implemented cost savings programs in managing our branches overhead costs and office space optimization. In addition, we have centralized back office operations to enhance productivity and efficiency.

Distribution Network

Moving ahead, we will focus in implementing the new Core Banking System to our branches across the nation for facilitating corporate-wide initiatives and thus help lower cost while provide better technology. In the long run, we will continue to invest strategically in systems while we prudently manage costs. We believe that our investments in technology and infrastructure must yield future returns and benefits for customer relationships. More promotion programs will be launched to increase awareness and utilization of Danamon's ATMs. In managing cost and in view of the ongoing global crisis, we will continue the reengineering process to centralize back office operations and also few functions of the regional units.

Center of Operational Excellence

As part of our commitment to foster sustainable bank-wide operational excellence, our special unit known as Center of Operational Excellence (COE) was rolled out to spearhead the reengineering concept to gain bank-wide productivity and efficiency.

Special and dedicated taskforces are placed in our line of businesses to identify ways to introduce new approaches for increasing efficiency and productivity.

Region	Danamon Regular Branches	Danamon Syariah Branches and Sales Channels	Danamon Privilege Centers and Service Points	ATM	Consumer Mass Market Worksites	Danamon Simpan Pinjam Units and Sales Offices	Adira Finance Outlets	Adira Insurance Outlets	Adira Quantum Branches and Representative Offices
1	146	39	7	278	19	139	24	10	10
2	31	29	2	53	6	109	31	3	4
3	76	24	5	145	6	235	52	5	7
4	53	11	4	80	2	72	24	4	5
5	34	5	5	65	4	45	33	4	4
6	64	9	7	103	13	230	92	10	8
7	55	32	7	90	8	217	44	6	8
Total	**459**	**149**	**37**	**814**	**58**	**1,047**	**300**	**42**	**46**

In 2008, we had created more efficient process and systems that resulted into a shorter approval turnaround times in our SME and Commercial, credit card and Self Employed Mass Market (SEMM) businesses. We also had administered special training program to stimulate problem solving skills to enhance efficiency and productivity through various application program tools particularly in systems and processes.

Other notable achievements in 2008 includes IT development in call centers, 20% cash base reduction through effective cash expense management, substantial recruitments in our SEMM line of business, business development at the subsidiary level and concrete improvement in productivity by lowering overtime expenses.

Moving ahead, we assume greater tasks in continuously improving efficiency particularly during the prevailing operating environment. Productivity as measured by cost to income becomes more critical. Specific tasks force will be assigned to review our operational infrastructure to eschew redundancy. Competency building will be continued through more learning champions programs by orchestrating healthy competitions in operations. After slashing approval turnaround times in various lines of businesses, we will continue to track our approval times to ensure consistency throughout our systems and processes.