



**Danamon**



## Extending a Lending and Helping hand

Annual Report 2009

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Danamon Brand



The revitalization program of the Danamon Brand has continued apace since 2008, and has increasingly made its mark.

The visual transformation of the Danamon Branch and ATM has made them more visible, projecting a strong presence where they stand. Today, Danamon is visually more striking, even amid the din of competition for visual attractiveness.

Obviously, the revitalization of a brand does not end with a visual transformation alone.

Danamon's inspiring vision of "We care and enable millions to prosper" should also be conveyed to the general public, in order to form the rational as well as emotional bonds between our brand and our shareholders.

The Danamon brand aspires to be first and foremost in the minds of customers when they are in need of a financial service. Only when we are first and foremost with our customers, can we expect to win their hearts and minds.

Our commitment of "We Make It Happen for You" - "Untuk Anda, Bisa" - constitutes the core of Danamon's service and product offerings. This commitment alone makes Danamon unique and sets us apart from our competitors in the market.

For that reason, the revitalization of the Danamon Brand is aimed at all of our stakeholders, including the men and women of Danamon throughout the country. Because each and every Danamoner is like a small lighthouse that can help light the way for those around them.

Tens of thousands of small lighthouses unite to form a giant lighthouse that lights the way for millions of people to prosper.

Untuk Anda, Bisa

Vision

"We care and enable millions to prosper"

Mission

Danamon aims to be the "The Leading Financial Institution in Indonesia" with a significant market presence.

Values

Caring, Honesty, Passion to Excel, Teamwork, and Disciplined Professionalism

A customer centric organization covering all customer segments, each with a unique value proposition, centered on sales and service excellence, supported by world class technology.

We aspire to be an employer of choice and to be respected by our customers, employees, shareholders, regulators and the community.

2009 Performance Highlights

54%

MASS MARKET LOANS  
Mass market loans grew by 10% and accounted for 94% of Danamon's total loans took in 2009.

33%

CURRENT ACCOUNT SAVINGS ACCOUNT  
CASA improved to 33% of total deposits, underlining Danamon's successful funding drive and improvement in deposit franchise.

19%

NET OPERATING INCOME  
Net operating income increased by 19% year on year, supported by a 13% growth in net interest income.

13%

NET INTEREST MARGIN(NIM)  
Net interest margin increased considerably in 2009 to an average of 12%, and reached 13% in the last quarter of the year.

49%

EQUITY  
Consolidated equity rose by 49% to more than Rp16.8 trillion as at year-end 2009.

20.7%

CAR  
Consolidated capital adequacy ratio stood at a robust 20.7% by year end, after accounting for credit risk and market risk.



# Extending a Lending & Helping Hand



Danamon aims to create value for its stakeholders by adopting a strategy of inclusivity that seeks to provide a helping hand by providing the broadest scope of banking and financial services to the widest scale of customers from the individual to the micro-business entrepreneur, small-to-medium-sized enterprise and large corporation.

We are continuously enhancing our value propositions, as we are constantly striving to be the best service provider and to steadily grow our market shares in each of these markets and banking segments.

Our vision to care and help millions of people to prosper guides our business endeavors and is the drive behind our outreach to advance the communities around us.

Our corporate social responsibility programs carried out through the Danamon Peduli Foundation earned praise in 2009 as one of the best community development programs in the world; it was an important milestone in our effort to offer a helping hand to our society.

## Danamon in Brief



Danamon was established in 1956 under the name of Bank Kopra Indonesia. The name was then changed to its present name, PT Bank Danamon Indonesia in 1976. In 1988, Danamon became a foreign exchange bank and a year later was publicly listed in the Jakarta Stock Exchange.

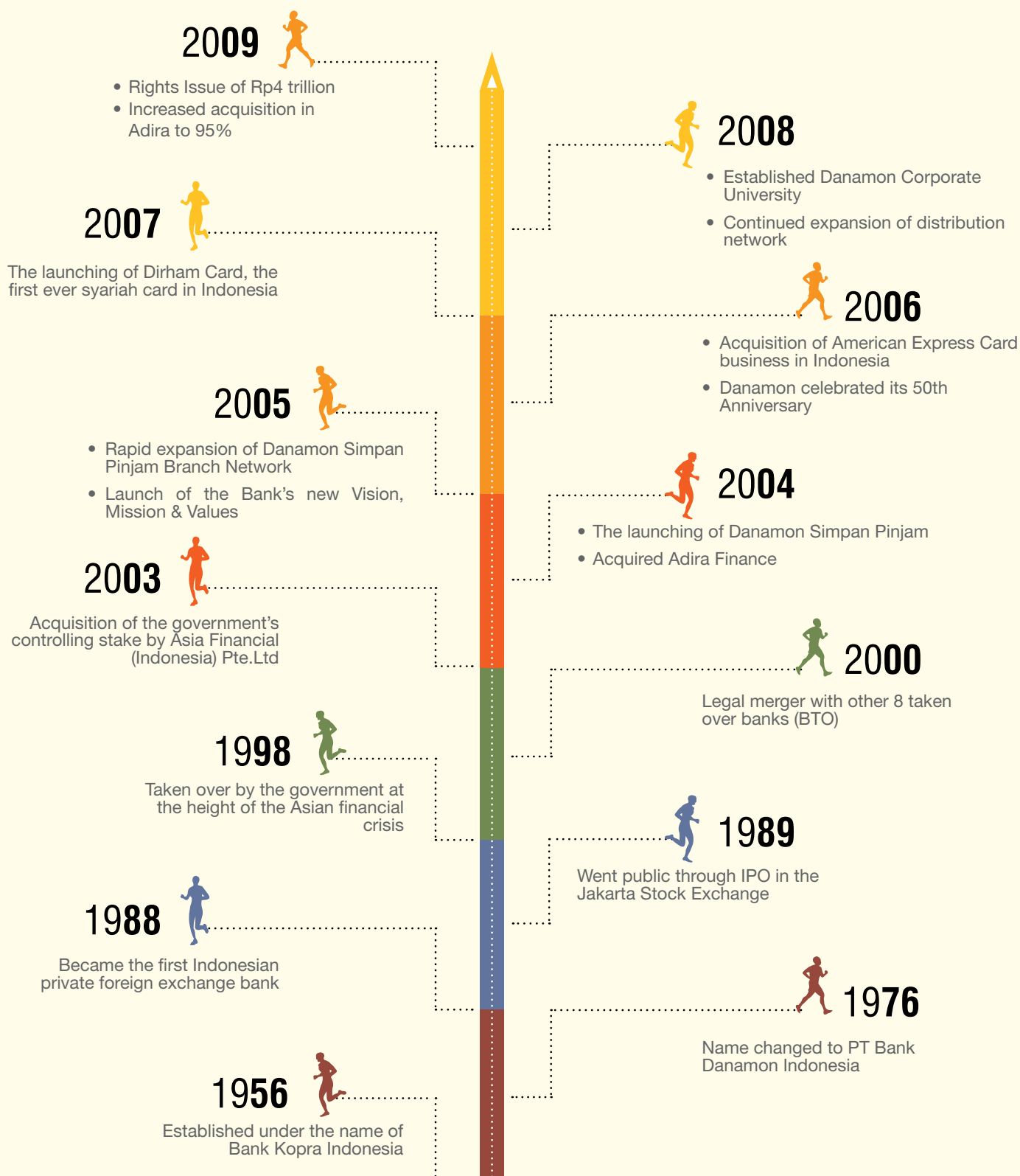
In the wake of the Asian financial crisis in 1998, Danamon was placed under the supervision of the Indonesian Bank Restructuring Agency (IBRA) as a Bank Taken Over (BTO). In 1999, the Government of Indonesia, through IBRA, recapitalized Danamon with Rp32.2 trillion of government bonds. Within the same year Bank PDFCI, another BTO, was merged with Danamon as part of the restructuring program of IBRA. In 2000, Danamon completed another merger with eight other BTOs (Bank Tiara, Bank Duta, Bank Rama, Bank Tamara, Bank Nusa Nasional, Bank Pos Nusantara, Jayabank International and Bank Risjad Salim Internasional). As part of this merger package, Danamon received a second recapitalization from the government through a capital injection of Rp28.9 trillion. As the surviving entity, Danamon emerged from the merger as one of the country's largest private banks.

Following the recapitalization and the merger, Danamon underwent further extensive restructuring involving the Bank's management, employees, organization, systems, and corporate identity. The efforts succeeded in laying down new foundations and infrastructure for Danamon to pursue growth based on integrity, professionalism, transparency and responsibility.

In 2003, Danamon was acquired by Asia Financial (Indonesia) Pte. Ltd., a consortium of Fullerton Financial Holding, a fully owned subsidiary of Temasek Holdings, and Deutsche Bank AG, which took a majority controlling stake. Following an extensive review under new management, a new vision was introduced and a new strategy was developed with specific business models serving clearly defined market segments. In line with the new direction, in 2004 Danamon launched its Danamon Simpan Pinjam, a micro banking business, and diversified into consumer finance business via the acquisition of Adira Finance, one of the largest auto-finance companies in Indonesia. These initiatives were followed by rapid growth in the Danamon Simpan Pinjam network in 2005 and the acquisition of American Express Card business in Indonesia in 2006 that puts Danamon as one of the largest card issuers in the country.

Today, Danamon emerges as one of the largest and strongest financial institutions in the country. With over 50 years of experience, Danamon continues to strive to 'make things happen' for its customers – its brand promise. As of December 2009, Danamon ranked as the sixth largest bank by asset size in Indonesia, the fourth largest bank by market capitalization, and operates the second largest branch network with over 1,900 branch offices and outlets in the country.

# Milestones



## Awards



### 1. MARCH

Top List Performing and Excellence Performance – Call Center Award 2009 for Service Excellence  
by Carre-CCSL & Marketing Magazine.

### 2. APRIL

Winner of Banking Efficiency Award 2009, in the category of Bank with asset above Rp50 trillion  
by Bisnis Indonesia.

### 3. JUNE

The Most Consistent Bank in Service Excellence, Banking Service Excellence Awards 2009  
by Infobank Magazine and Marketing Research Indonesia (MRI).

### 4. JUNE

Best Phone Banking Machine, Banking Service Excellence Awards 2009  
by Infobank Magazine and Marketing Research Indonesia (MRI).

### 5. JUNE

Best Mobile Banking, Banking Service Excellence Awards 2009  
by Infobank Magazine and Marketing Research Indonesia (MRI).

### 6. JUNE

Best Performance Banking 2009, ABFI Banking Award, in the large private banks category  
by ABFI Institute PERBANAS.

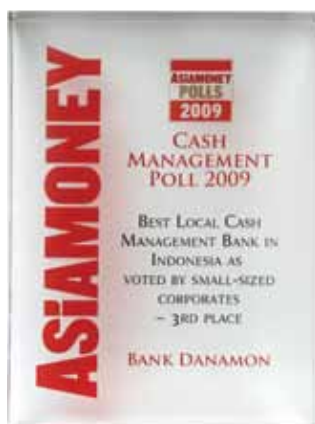
### 7. JUNE

The Best of Asia – Indonesia, Corporate Governance Asia Recognition Awards 2009  
by Corporate Governance Asia.

### 8. JULY

Best Trade Finance Bank, Indonesia, 2009  
by FinanceAsia Country Awards, FinanceAsia.

## Awards



**WORLD  
CHALLENGE 09**



9. AUGUST

Best Local Cash Management Bank in Indonesia (for 3 corporation respondent categories: Small, Medium and Big), Cash Management Poll 2009, **Asiamoney**.

10. AUGUST

2nd rank The Most Prudent for Bank Danamon Syariah, Islamic Finance Award & Cup 2009  
by **KARIM Business Consulting**.  
3rd rank The Best Security Squad for Bank Danamon Syariah, Islamic Finance Award & Cup 2009  
by **KARIM Business Consulting**.

11. AUGUST

Best Innovation Award, ATM Bersama  
**Award 2008-2009, ATM Bersama.**

12. NOVEMBER

Winner of **UNDP and Metro TV** Millenium Development Goals Awards 2009, in the category of Poverty Eradication.

13. DECEMBER

"Nothing Wasted, Danamon Go Green" program of the Danamon Peduli Foundation won First Runner Up in the **BBC World Challenge 2009**.

14. DECEMBER

Best Sustainability Reporting Award 2008, category D (Non profit organization, SME, Government Institution & Educational Institution), Indonesia Sustainability Reporting Awards (ISRA) 2009  
by **National Center for Sustainability Reporting, Institut Akuntan Manajemen Indonesia & Indonesia Netherlands Association.**



## Event Highlights 2009



January 12 1

### Danamon announced its Full Year 2008 results.

Danamon announced its Full Year 2008 results. Total loans reached Rp66.9 trillion, increased by 25% compared to 2007. Consolidated net profit after tax (NPAT) reached Rp1.5 trillion.

February 19 2

### Signing of Danamon's Working Collaboration Agreement

Danamon and its Employee Union (SP NIBA) signed a Working Collaboration Agreement to create a better working environment. This agreement covers a period from August 1, 2009 to July 31, 2011.

February 19 3

### Launching of a new Employee Service Center

To enhance employee satisfaction level, a new Employee Service Center (ESC) was launched. This platform provides employees easier access and management of working facilities and benefits.

March 30 7

### Danamon Redeemed US\$300 million Sub-Debt

Danamon opted to settle its subordinated debt of US\$300 million. The early redemption demonstrated Danamon's commitment to its creditors and emphasized the strength of its balance sheet.

April 23 8

### First Quarter 2009 Results

Danamon announced its First Quarter 2009 results in a pers conference. Consolidated net profit after tax (NPAT) reached Rp393 billion. Total third party fund increased by 20% yoy to reach Rp74.6 trillion, while CAR stood at 22.7%.

July 9 9

### Danamon increased its shares in Adira Finance

Danamon and PT Adira Dinamika Multi Finance Tbk (Adira Finance) concluded the purchase of additional 20% shares of Adira Finance by Danamon, with total transaction of Rp1.61 trillion, including premium on call options amounting to Rp187 billion that had been previously settled.

October 1 13

### Padang Earthquake Relief

Members of Danamon's Board of Directors visited the location of earth quake in Padang, West Sumatra, and coordinated with Danamoners in Padang and surrounding areas to rescue and provide relief to employees and restore operational activities.

October 20 14

### Third Quarter 2009 Results

Danamon announced its first nine months 2009 results. Consolidated net profit after tax (NPAT) reached Rp1,365 billion, supported by operational revenue which grew to reach Rp3.03 trillion amidst challenging business environments.

November 4 15

### Indonesia Travel & Holiday Fair 2009

Danamon collaborated with travel operators, hotels, airline companies and other travel related businesses in this Travel & Holiday Fair to offer end-of-year special travel programs through its Danamon Credit Cards and American Express Card.



## Event Highlights 2009



4



5



6



10



11



12



16



17



18

March 8

4

### DSP celebrated its 5th anniversary

Danamon Simpan Pinjam (DSP), a business line of Danamon that provides loan to micro and small businesses, celebrated its 5th anniversary with customers, business partners, employees and their families.

March 12

5

### Launching of Danamon Portal Second Generation

Danamon launched Danamon Portal Second Generation which provided all employees with direct and more transparent communications with members of the Board of Directors.

March 23

6

### EGMS approved Right Issue IV

Extraordinary General Meeting of Shareholders approved Right Issue IV to increase Danamon's capital through issuance of new B-series shares with nominal value of Rp500, to be offered at Rp1,200 per share. The rights issuance raised approximately Rp4 trillion.

July 9

10

### Danamon 2009 Young Leader Award (DYLA)

Entering its third year, Danamon challenged the leadership and project management capabilities of university students to develop "green" projects and to implement them in their campus and communities.

July 16

11

### Second Quarter 2009 Results

Danamon announced its first semester 2009 results. Consolidated net profit after tax (NPAT) reached Rp477 billion and total loans reached Rp61.59 trillion as of end of June 2009.

July 18

12

### The 2nd National Clean Market Day

Danamon Peduli and the Department of Trade of the Republic of Indonesia collaborated in organizing simultaneous mass cleaning in 750 traditional markets all over Indonesia in commemoration of the Second National Clean Market Day. Activities included the renovation of sanitary infrastructure of participating markets, reaching 269,112 beneficiaries all over Indonesia.

November 7

16

### Media Experience, Online Banking Danamon

Danamon launched Danamon Online Banking, the first such service in Indonesia with the highest EV-SSL security certification from Verisign. Media were invited to experience this new service, first hand.

December 8

17

### Investment Seminar

Danamon Privilege organized an investment conference "Navigating Your Investment in Turbulent Time" as a token of appreciation to its valued customers.

December 8

18

### Danamon Peduli Won 2nd Prize in BBC World Challenge

Selected from 900 Community Development programs world wide, "Danamon Go Green" program by Danamon Peduli Foundation won 1st runner-up in a global competition rewarding grass roots project which give back to their communities.

# Universal Banking

## Harnessing Synergies Across Business Segments

In addition to placing a strong emphasis on the mass market banking segment, Danamon has also developed broadly diverse businesses that include bancassurance, wealth management and syariah banking, amongst other segments, for an equally broad and diverse customer base.

### Retail Banking

# 32%

Retail banking added 258,000 individual customers in 2009, representing a growth of 32% customers year on year.

### Danamon Simpan Pinjam

# 26%

Micro and small-scale enterprise consumers grew 26% to 590,890 in 2009.

### SME & Commercial Banking

# 26%

Despite a challenging year, mid-size loans to Commercial and SME customers still accounted for 26% of total loans book in 2009.

### Adira Finance

# 31%

Adira Finance, the car and motorcycle financing franchise of Danamon, contributed Rp3.0 trillion in net interest income, accounting for 31% of Danamon's total net interest income for the year alone.

### Adira Insurance

# 15%

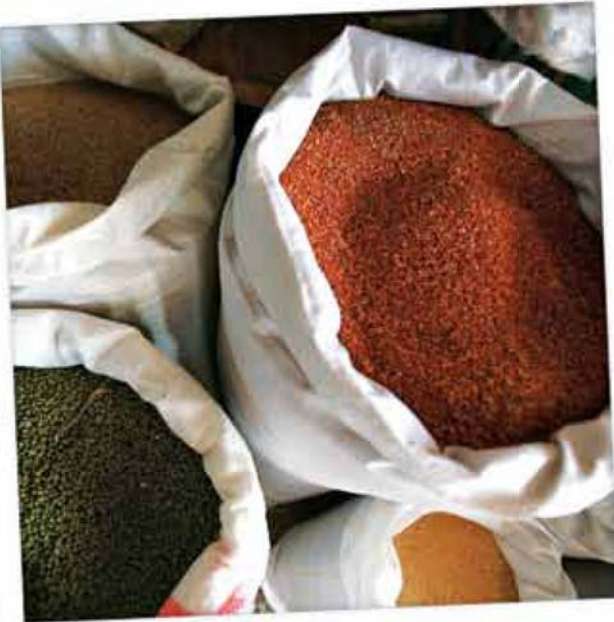
Amidst financial crisis, Adira Insurance managed to increase its GWP by 15% to Rp808 billion, supported by non motor vehicle insurance business which represent 35% of Adira Insurance's total business.

### Corporate Banking

# 12%

A 12% share of the total loans portfolio for corporate banking in 2009 underscored the importance that Danamon attaches to finding the right balance between risk and reward.





### Did You Know ?

Indonesia has over 12,000 traditional, or 'fresh' markets of all shapes and colours, which are home to millions of small-scale traders and entrepreneurs, many of whom still lack access to bank financing or services of any kind.

Through DSP's 1,200 branches as at year-end 2009, Danamon serves more than 2,000 fresh markets, of an estimated total of 12,000 such markets in Indonesia today.



# Universal Reach

## Convenient Banking Services Through Multiple Delivery Channels

Danamon offers a comprehensive range of financial products and services that are tailored to various consumer needs. Moreover, these products and services are packaged conveniently, reliably and are made readily accessible to our customers through advanced banking technology.



### Automated Teller Machine

# 26%

In 2009, the number of transactions on Danamon's 846 ATMs increased by 26% to more than 56 million transactions.

### HP Banking

# 1st

Danamon's HP Banking platform won 1st place in Service Excellence Award by MRI, 2 years in a row, 2008 and 2009.



### Internet Banking

# 1st

Danamon's Internet Banking platform is the first to offer the supreme internet security certification of EV-SSL VeriSign in Indonesia.



### Did You Know ?

Danamon is represented by a Regional Corporate Officer in Jakarta, Bandung, Semarang, Surabaya, Medan, Balikpapan and Makassar.

#### Call Center

# 80%

Over 80% of call inquiries to the Danamon Call Center can now generate an automated response, freeing our call attendants to respond to inquiries that require personalised response and judgement.



#### Branch Services

# 1,896

The Danamon Group serves customers from close to 1,900 branch and service outlets across seven regions throughout Indonesia.

# Universal Service

## Tailoring Products to Specific Consumer Needs

Our credit portfolio runs the gamut of wholesale, retail and consumer loans, many of which can be tailored to meet specific business or consumption needs that qualify for bank financing. This versatility has enabled Danamon to deliver its promise to the customers : “Untuk Anda, Bisa”, or “We Make It Happen for You”.

### Mass Market Lending

# 34 trillion

The Danamon Mass Market businesses, which include micro lending and consumer financing franchises booked loans growth in the double-digit to post total outstanding loans of approximately Rp34 trillion at year-end 2009.

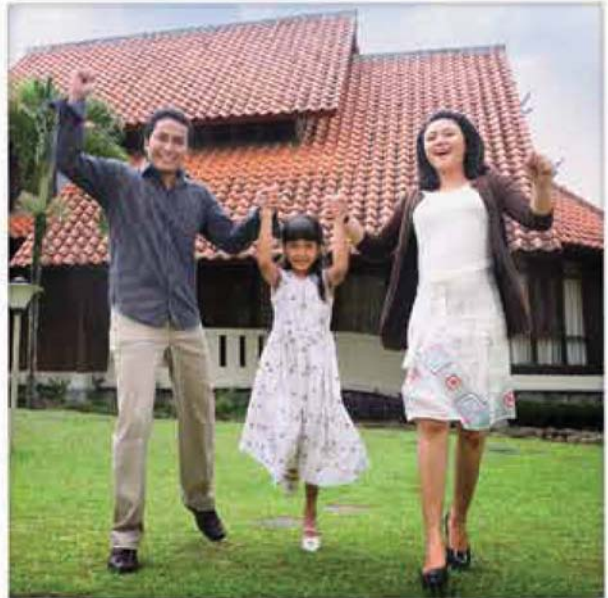
### Consumer Auto Financing

# 19 trillion

Despite the significantly large portfolio, the consumer auto financing by Danamon, through Adira Finance, grew by double-digit in 2009 to post total outstanding loans of Rp19 trillion by year's end.







#### Did You Know ?

Danamon is the only bank in Indonesia that offers all three privileged transactional cards: American Express, MasterCard and Visa.





# Universal Talent

## Attracting and Retaining Skilled Personnel

Danamon's human resources are our most valuable assets. Our human resources contribute directly to customer satisfaction and retention, market share and revenue growth and the profitability of the Bank. That's why we make it a priority to attract, train and retain the best talents available and turn them into a formidable human capital that any bank could wish for.

### Did You Know ?

Danamon is one of the largest employers in the Indonesian financial sector, employing more than 41,000 people in the Danamon, Adira and DSP franchises across the country.

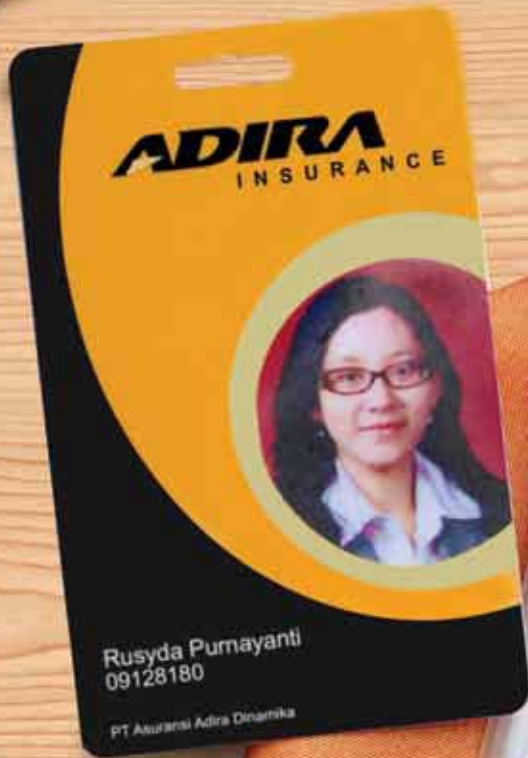
A Learning Organization

# 262,000

The 4.5-hectare Danamon Corporate University (DCU) in Ciawi, West Java, served over 262,000 learning man-days in 2009 alone.







# Universal Values & Aspiration

## Best Practice Governance & Corporate Social Responsibility

Danamon not only provides social contributions and humanitarian aids in the wake of natural disasters, but also undertakes corporate social responsibility programs that are well-researched to address the needs of communities on a sustainable, long-term basis in the areas of hygiene and healthcare, waste management and disaster recovery relief.

### Job Market

# 12 million

Traditional markets are central for the social and economic development of the Indonesian community. Danamon's micro-finance endeavours aim to revitalize traditional markets, which host some 12 million jobs nationwide.



### Did You Know ?

Danamon Peduli's 'Go Green' initiative, involving the conversion of organic wastes into composts for fertilizers (picture at left) was recognized internationally with a second-place award in the 2009 BBC World Challenge. The award was given based on Internet votes cast by millions of people around the world.







Danamon Peduli

# 2006

Founded barely four years ago in 2006, the Danamon Peduli Foundation has made its mark supporting sustainable, community-based programs involving tens of thousands of volunteers.



## Financial Highlights

2005

2006

2007

2008

2009

(Rp billion, except share data)

### CONSOLIDATED BALANCE SHEETS

Assets	67,803	82,073	89,410	107,268	98,598
Earning Assets <sup>a)</sup>	63,190	78,004	83,864	97,371	90,132
Loans <sup>b)</sup>	36,757	42,986	53,330	66,898	63,278
Marketable Securities	2,490	6,031	4,129	4,146	4,438
Government Bonds	14,102	18,702	15,808	13,083	11,011
Deposits	47,089	56,930	59,528	75,373	68,419
Total Funding <sup>c)</sup>	53,342	66,281	70,976	88,029	76,613
Total Liabilities	59,043	72,386	78,239	96,159	82,696
Equity	8,589	9,442	10,833	10,579	15,806
Number of Shares	4,920,894,000	4,945,757,000	5,033,072,900	5,046,130,700	8,390,383,116

### CONSOLIDATED STATEMENTS OF INCOME

Interest Income	8,129	10,896	12,048	14,189	15,683
Interest Expense	(3,526)	(5,251)	(4,912)	(5,835)	(6,221)
Net Interest Income	4,603	5,645	7,136	8,354	9,462
Normalized Fee Income	1,080	1,358	1,741	1,878	1,879
Normalized Operating Income	5,683	7,003	8,877	10,232	11,341
Normalized Operating Expense	(2,909)	(3,428)	(4,255)	(5,485)	(5,685)
Pre-Provision Operating Profit	2,774	3,575	4,622	4,747	5,656
Normalized Cost of Credit	(814)	(1,332)	(1,240)	(1,076)	(2,340)
Normalized Net Profit Before Tax	1,960	2,243	3,382	3,671	3,316
Goodwill & Minority Interest, Others	(206)	(202)	(222)	(261)	(311)
Normalized Income Tax	(559)	(652)	(1,043)	(1,076)	(969)
Normalized Net Profit After Tax	1,195	1,389	2,117	2,334	2,036
Non Recurring Items (After Tax) <sup>d)</sup>	808	(64)	-	(804)	(504)
Reported Net Profit After Tax	2,003	1,325	2,117	1,530	1,532
Earnings Per Share (in Rupiah)	407.71	268.91	423.27	303.70	186.36

### KEY FINANCIAL RATIOS (%)

#### I. Capital

1. CAR Consolidated <sup>e)</sup>	22.7	20.8	20.3	15.4	20.7
2. Fixed Assets to Capital	19.0	17.7	16.6	24.4	19.3

#### II. Earning Assets

1. Non Performing Earning Assets	1.5	1.8	1.4	1.7	3.6
2. Non Performing Loan (NPL) to Total Loans - Gross	2.6	3.3	2.3	2.3	4.5
3. Allowance for Possible Losses to Earning Assets	1.3	2.0	1.9	2.8	3.5
4. Loan Loss Allowance to Non Performing Loans <sup>f)</sup>	145.7	141.7	161.2	136.7	93.8



## Financial Highlights

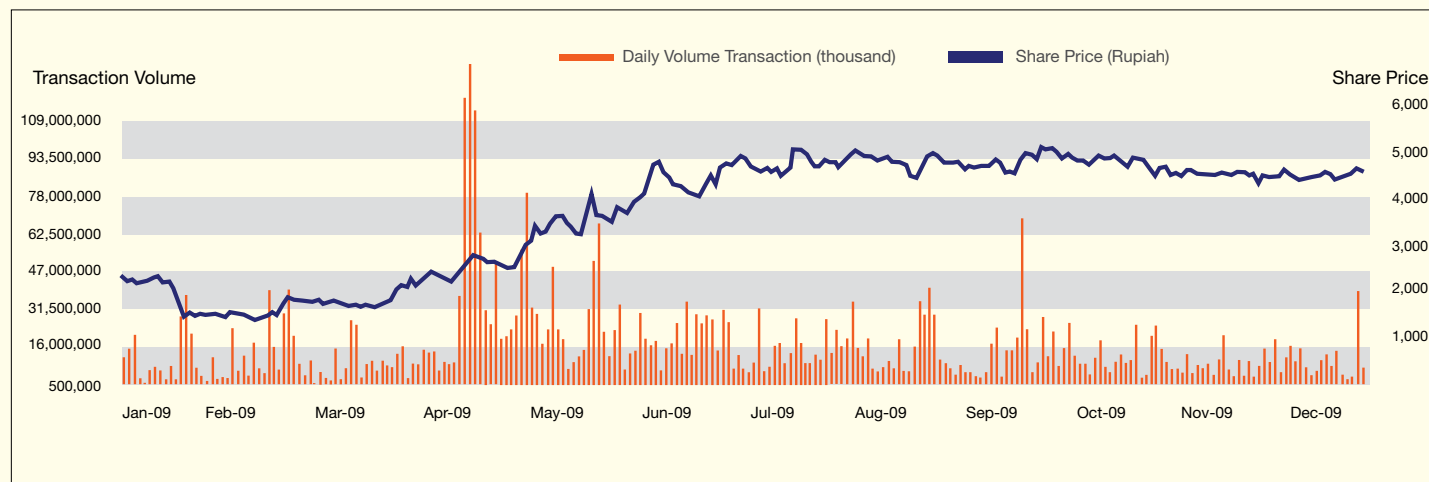
	2005	2006	2007	2008	2009
<b>III. Rentability</b>					
1. Return on Assets (ROA) (Normalized) <sup>g)</sup>	1.8	1.8	2.4	2.4	2.0
2. Return on Assets (ROA) (Reported)	3.1	1.8	2.4	1.5	1.5
3. Return on Equity (ROE) (Normalized) <sup>g)</sup>	15.2	16.5	22.9	22.3	14.9
4. Return on Equity (ROE) (Reported)	24.2	15.6	22.9	14.6	11.2
5. Net Interest Margin (NIM)	8.9	9.6	10.4	11.1	12.0
6. Cost to income	48.8	48.9	47.9	53.6	50.1
<b>IV. Liquidity</b>					
Loan to Deposit Ratio (LDR) <sup>h)</sup>	80.8	75.5	88.1	86.4	88.8
<b>V. Compliance</b>					
1.a. Percentage of Violation of Legal Lending Limit					
a. 1. Related Parties	0.0	0.0	0.0	0.0	0.0
a. 2. Third Parties	0.0	0.0	0.0	0.0	0.0
b. Percentage of Excess of Legal Lending Limit					
b. 1. Related Parties	2.5	0.0	0.0	0.0	0.0
b. 2. Third Parties	0.0	0.0	0.0	0.0	0.0
2. Minimum Reserve Requirement in Rupiah <sup>i)</sup>	8.1	8.1	8.3	5.1	5.1
3. Net Open Position	1.9	1.8	1.6	7.8	4.2
<b>VI. Others</b>					
1. Total Employees <sup>j)</sup>	28,829	31,227	35,342	41,617	41,615
2. Total Branches <sup>k)</sup>	1,327	1,392	1,426	1,871	1,896
3. Total ATMs	779	754	690	814	846

### Notes

- Includes derivative and acceptance receivables.
- Includes consumer financing receivables of Adira Finance.
- Includes deposit and long term funding.
- Comprises cost of unwound foreign exchange forward contracts and provisioning of the outstanding contracts (after tax).
- Consolidated CAR after market risk charge and amortization of subordinated debts for 2006, 2007, 2008 and 2009.
- Includes collateral value.
- Excludes the impact of non recurring items.
- Includes deposits from other banks.
- In line with BI regulation No. 10/25/PBI/2008 dated 23 October 2008 regarding "Changes on BI Regulation No. 10/19/PBI/2008 regarding Statutory Reserve Requirements ("GWM") of Commercial Banks in Bank Indonesia in Rupiah and Foreign Currency", Bank is required to fulfil secondary GWM for Rupiah Currency amounted to 2.5% from average total third party funds through SBI, SUN and/or excess reserve.
- Includes 15,957; 1,385 and 627 employees of Adira Finance, Adira Kredit and Adira Insurance, respectively.
- Includes 319; 45 and 34 branches of Adira Finance, Adira Kredit and Adira Insurance, respectively.

## Stock Highlights

### Danamon on the Indonesia Stock Exchange



Volume & Share Price (Rp)		2009*		2008*	
Share Price		Highest	Lowest	Highest	Lowest
First Quarter		2,420	1,570	5,683	4,646
Second Quarter		4,825	2,297	4,682	3,454
Third Quarter		5,000	4,375	4,138	3,399
Fourth Quarter		4,975	4,300	3,565	1,348
Volume		Highest	Lowest	Highest	Lowest
First Quarter		31,473,153	985,066	26,633,165	821,660
Second Quarter		104,830,000	5,099,500	27,712,834	850,107
Third Quarter		54,549,000	1,623,000	27,598,384	521,311
Fourth Quarter		31,063,500	1,863,000	32,209,472	733,011

Share Performance	2009	2008	2007	2006	2005
Total Dividend (in Rupiah million)	TBD*	765,012	1,058,457	662,666	1,001,922
Number of Share (in million)	8,390	5,046	5,033	4,946	4,921
Dividend Payout Ratio (%)	TBD*	50	50	50	50
Earnings per Share (Rupiah)	186.36	303.70	423.27	268.91	407.71
Dividend Payment Date					
Interim Dividend	-	-	-	-	21 & 22 Dec 04
Final Dividend	TBD**	7 Jul 2009	5 Jun 2008	5 Jun 07	4 Jun 06
Price Earning Ratio** (x)	24.91	10.22	19.02	25.19	11.67
Book Value of Shares (Rupiah)	1,884	2,096	2,152	1,909	1,745

\* Adjusted to Rights Issue in April 2009

\*\* To be determined at the AGMS on April 29, 2010

\*\* Based on year end share price

## Chronological Share Overview

Description	Year	Number of Shares
<b>A Series Shares</b>		
Shares from Intial Public Offering	1989	12,000,000
Founders' shares		22,400,000
Bonus shares from capitalisation of additional paid in capital - capital paid in excess par value	1992	34,400,000
Shares from Limited Public Offering (Rights Issue) I	1993	224,000,000
Bonus shares from capitalisation of additional paid-up capital paid in excess of par value	1995	112,000,000
Shares from Limited Public Offering (Rights Issue) II	1996	560,000,000
Founders' shares	1996	155,200,000
		1,120,000,000
Shares resulting from stock split in par value to Rp500 (full amount) per share	1997	2,240,000,000
Increase in par value to Rp10,000 (full amount) per share through reduction in total number of shares (reverse stock split)	2001	: 20
		112,000,000
Increase in par value to Rp50,000 (full amount) per share through reduction in total number of shares (reverse stock split)	2003	: 5
<b>Total A series shares on December 31, 2009</b>		<b>22,400,000</b>
<b>B Series Shares</b>		
Shares from Limited Public Offering (Rights Issue) III	1999	215,040,000,000
Shares issued in connection with the Bank's merger with the former PDFCI	1999	45,375,000,000
Shares issued in connection with the Bank's merger with Bank Tiara	2000	35,557,200,000
Shares issued in connection with the Bank's merger with 7 Taken - Over Banks* (BTOs)	2000	192,480,000,000
		488,452,200,000
Increase in par value shares (reverse stock split) to Rp100 (full amount) per share through reduction in total number of shares (reverse stock split)	2001	: 20
		24,422,610,000
Increase in par value to Rp500 (full amount) per share through reduction in total number of shares (reverse stock split)	2003	: 5
		4,884,522,000
Shares from Limited Public Offering with Pre-emptive Rights (Rights Issue) IV	2009	3,314,893,116
Shares issued in connection with Employee/Management Stock Option Program		
	2005	13,972,000
	2006	24,863,000
	2007	87,315,900
	2008	13,057,800
	2009	29,359,300
<b>Total B series shares December 31, 2009</b>		<b>8,367,983,116</b>
<b>Total of A and B Series Shares</b>		<b>8,390,383,116</b>

\* 7 BTOs consist of PT Bank Duta Tbk, PT Bank Rama Tbk, PT Bank Tamara Tbk, PT Bank Nusa Nasional Tbk, PT Bank Pos Nusantara, PT Jayabank International and PT Bank Risjad Salim Internasional.

## Bonds Issued

### BANK DANAMON BONDS I YEAR 2007

Description	Listing Date	Amount (in Rp)
Bonds I Series A	19 April 2007	250,000,000,000
Bonds I Series B	19 April 2007	1,250,000,000,000

### CHRONOLOGICAL COUPON PAYMENT OF BANK DANAMON BONDS I YEAR 2007

Description	Payment Date	Amount (in Rp)*
Coupon series A 1	18 July 2007	5,875,000,000
Coupon series B 1	18 July 2007	33,125,000,000
Coupon series A 2	18 October 2007	5,875,000,000
Coupon series B 2	18 October 2007	33,125,000,000
Coupon series A 3	18 January 2008	5,875,000,000
Coupon series B 3	18 January 2008	33,125,000,000
Coupon series A 4	18 April 2008	5,875,000,000
Coupon series B 4	18 April 2008	33,125,000,000
Coupon series A 5	18 July 2008	5,875,000,000
Coupon series B 5	18 July 2008	33,125,000,000
Coupon series A 6	17 October 2008	5,875,000,000
Coupon series B 6	17 October 2008	33,125,000,000
Coupon series A 7	16 January 2009	5,875,000,000
Coupon series B 7	16 January 2009	33,125,000,000
Coupon series A 8	17 April 2009	5,875,000,000
Coupon series B 8	17 April 2009	33,125,000,000
Coupon series A 9	17 July 2009	5,875,000,000
Coupon series B 9	17 July 2009	33,125,000,000
Coupon series A 10	16 October 2009	5,875,000,000
Coupon series B 10	16 October 2009	33,125,000,000
Coupon series A 11	18 January 2010	5,875,000,000
Coupon series B 11	18 January 2010	33,125,000,000

\*gross



## Shares Ownership

### CREDIT RATINGS

Ratings and Outlook		
PEFINDO (Indonesia) March 2009	Corporate Rating Bond Rating	AA+ / Stable AA+ / Stable
Standard & Poor's October 2009	Long Term / Short Term Local Currency Long Term / Short Term Foreign Currency	BB- / B / Positive BB- / B / Positive
Fitch Ratings October 2009	Long Term / Short Term Foreign Currency National (Long-Term) Individual / Support Rating	BB / B / Stable AA+ (idn) / Stable C/D / 3 / Stable
Moody's September 2009	Global Local Currency Deposit Foreign Currency Long Term / Short Term Deposit Bank Financial Strength Rating (BFSR)	Baa3 / P-3 / Stable Ba3 / NP / Stable D / Stable

### OWNERSHIP STRUCTURE

(As of December 31, 2009)

### Shareholders' Composition

(As of December 31, 2009)



#### PT Bank Danamon Indonesia Tbk

Shareholders

as of December 2009

Asia Financial (Indonesia) Pte.Ltd. 67.63% (5,674,493,482 shares)  
Public series A 0.27% (22,400,000 shares) series B 32.10% (2,693,489,634 shares)



- Asia Financial (Indonesia) Pte, Ltd. (67.63%)
- Public (32.37%)

Notes:

\*Temasek Holdings (Private) Limited is fully owned by the Government of Singapore



## Report from the President Commissioner

In addition to financial strength, quality assets and a sound strategy to maintain a steady bearing amid turbulent times, we continue to place a strong emphasis on good corporate governance to ensure sustainable value creation and growth.



### Dear Shareholders,

For Indonesia, the impact on the economy was mitigated as exports account for less than 30% of GDP and domestic consumer demand remained robust during this period. As the economic stimulus measures undertaken by governments around the world took effect, markets stabilised and recovered in the latter part of 2009. The prices of key commodities such as crude oil, natural gas, coal, palm oil, rubber and minerals improved, and stock markets around the world rebounded. The Indonesia Stock Exchange rose by 87% during the year, making it the second best performing market in Asia Pacific in 2009.

The Indonesian economy performed better than most economies in 2009. GDP growth was 4.5% compared to 6.1% in 2008. Bank Indonesia's policy rate was lowered from 9.25% to 6.5% by the end of year. The Rupiah strengthened by 14% against the US dollar on a year-to-year basis, the second strongest appreciation of all Asian currencies; and the annual inflation rate, at just under 2.8%, was the lowest in decades.

A peaceful general election in April and June of 2009 contributed significantly to political as well as economic stability. Given that the policies and initiatives that have benefited the economy over the past five years are likely to be maintained, the Indonesian economy, barring unforeseen events, is expected to sustain its forward momentum in 2010 and beyond.



**Ng Kee Choe**

President Commissioner



## Board of Commissioners

1. **Ng Kee Choe**  
President Commissioner
2. **Krisna Wijaya**  
Commissioner
3. **Milan R. Shuster**  
Commissioner
4. **Gan Chee Yen**  
Commissioner
5. **Manggi Taruna Habir**  
Commissioner
6. **J.B. Kristiadi**  
Vice President Commissioner
7. **Victor Liew Cheng San**  
Commissioner
8. **Harry Arief Soepardi Sukadis**  
Commissioner







## Report from the President Commissioner

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In the challenging operating environment of 2009, Danamon posted respectable results for the year. Net operating income grew by 19%, allowing the Bank to absorb an increase in cost of credit. Net interest margin expanded further from 11.1% in 2008 to 12.0% in 2009. Outstanding loans amounted to Rp63.3 trillion, 5% lower than last year as we managed down our exposure in corporate and commercial segments. Our mass market loans, however, grew by 10% and now accounts for 54% of Danamon's total loan book.

Despite greater pressures on credit quality during the first half of the year, our normalized cost of credit stood at 3.5% in 2009, which was within expectation, and reflecting a higher proportion of mass market loans in our portfolio.

For financial year 2009, Danamon reported a net profit of Rp1,532 billion compared to Rp1,530 billion in 2008. Excluding extraordinary losses of Rp504 billion from foreign currency forward transaction with customers, our normalized net profit amounted to Rp2,036 billion in 2009, reflecting the resilience of our core businesses in a difficult year.

Shareholders had approved the payment of a dividend of Rp765 billion for financial year 2008, which was paid in 2009. The dividend for financial year 2009 will be considered at the Annual General Meeting of Shareholders (AGMS) in April 2010.

Danamon retired its subordinate debt amounting to US\$300 million in March 2009. At the same time, a rights issue was successfully completed in April 2009 raising roughly Rp4 trillion. The increase in capital, positions the Bank better to withstand unforeseen adverse developments that may arise. At year end, Danamon's Capital Adequacy Ratio stood at 20.7% on a consolidated basis, against the statutory requirement of 8.0%. Danamon is well positioned to seize opportunities going forward.

In addition to financial strength, quality assets and a sound strategy to maintain a steady bearing amid turbulent times, we continue to place a strong emphasis on good corporate governance to ensure sustainable value creation and growth. Throughout the turbulence of 2009, there has been increased engagement amongst and between the Board of Commissioners, the



## Report from the President Commissioner

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Board of Directors and the Committees of the Board of Commissioners. This has enabled management to promptly respond to challenges as they arise.

Sebastian Paredes will be relinquishing his position as President Director of Danamon at the 2010 AGMS. He has led Danamon well during his tenure. He led the transformation of Danamon into a prominent retail bank with a strong presence in the mass market segment – a key strategy behind the success of our Danamon franchise over the past five years. It is with regret that we accept his resignation, and wish him well in his future endeavours.

At the 2009 AGMS, we welcomed Fransiska Oei Lan Sim as a director of the Bank. Sanjiv Malhotra, a director of the Bank, will be retiring at the 2010 AGMS. We thank him for his contributions, and also wish him well for the future.

In 2010, Danamon will appoint two new Directors to head the Treasury, Capital Markets and Financial Institutions portfolio, and the Consumer Banking portfolio. Both candidates have been carefully vetted, pending their appointment by the AGMS and subsequent approval of Bank Indonesia.

Turning to Corporate Social Responsibility (CSR), the Danamon Peduli Foundation continues to be a leading light in Indonesia. Hugely successful initiatives to promote and maintain cleanliness in traditional wet markets have now become a national agenda, drawing the participation and support of related government ministries and provincial governments throughout Indonesia. Danamon Peduli has won worldwide recognition with its “Nothing Wasted” initiative to convert organic waste from wet markets into plant fertilizers, which was placed 1st runner up in the BBC World Challenge 2009, from over 900 entries from across the world. “Nothing Wasted” has been implemented in over 800 markets in Indonesia by the end of 2009.

Since our last annual report, the turbulence in the global financial markets has largely abated. Nevertheless, we remain alert and exercise prudence in pursuing our growth strategies. We believe that our business model remains resilient and sound, as was amply demonstrated in 2009. The size, scale, diversity of our businesses coupled with our financial strength, innovation and managerial capabilities enable us to deliver universal financial products and services that customers expect of us, efficiently

## Report from the President Commissioner

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and effectively. Danamon is well positioned for more sustained growth as economic conditions improve further in 2010.

In closing, on behalf of the Board of Commissioners, I would like to thank all our customers and business partners for their continuing support and loyalty in these challenging times. I would also like to thank Sebastian Paredes for his leadership during his tenure as President Director, the Board of Directors and all our staff for their extraordinary dedication and efforts, and our shareholders for their continuing trust and commitment to Danamon. With the support of all Danamon's stakeholders, we look forward, with confidence and optimism, to bringing Danamon to greater heights in the years ahead.



**Ng Kee Choe**

*President Commissioner*

April 29th, 2010

## Report from the Board of Commissioners

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The duty of the Board of Commissioners is to undertake a supervisory role in monitoring Danamon's performance against its stated strategy and goals.

Over the past 12 months, a total of 8 scheduled meetings were held by the Board of Commissioners and its Committees, a frequency that allows us a thorough examination of Danamon's performance. The Board of Commissioners and Directors met 8 times, during which, amongst others strategy was discussed and performance evaluated.

In performing its duties, the Board of Commissioners has established four Committees: the Audit Committee, the Risk Monitoring Committee, the Remuneration and Nomination Committee, and the Corporate Governance Committee. Each of these Committees has been formed with specific duties and responsibilities. The Committee Reports in the pages that follow provide a brief account of the work of the committees in 2009, and details, in full, are set out in the Corporate Governance section.

Danamon management's internal self-assessment performance for 2009 stood at a rating of 1,700, compared to 1,575 in 2008, signifying good overall performance and the capability to withstand adverse economic and financial conditions.

Even as global market volatility and uncertainties have markedly abated in the second half of 2009, the Board of Commissioners continues to closely monitor Danamon's financial performance, liquidity position and risk profile.

The Board of Commissioners continues to place the highest importance on the Board of Director's full compliance with all relevant rules and regulations. During 2009, as in previous years, Danamon complied with all statutory requirements of Bank Indonesia, namely Capital Adequacy Ratio (CAR), Non Performing Loan (NPL) ratio, Net Open Position (NOP), Legal Lending Limit (LLL), reserve requirements, provision for losses and other prevailing regulations.

In conclusion, taking into account the overall economic and business environment prevailing during 2009 as well as the financial results of Danamon, the Board of Commissioners considers the Board of Directors performance to be satisfactory.

For and on behalf of the Board of Commissioners,



**Ng Kee Choe**

*President Commissioner*

April 29th, 2010



## Report from the Committees under the Board of Commissioners

### Audit Committee Report

Danamon has established an Audit Committee pursuant to Bank Indonesia Regulation No. 8/4/PBI/2006, dated January 30, 2006, and No. 8/14/PBI/2006, dated October 5, 2006, rule of Indonesian Capital Market – Financial Institution Supervisory Agency (Bapepam-LK) No.IX.I.5, as attachment to Decision of Chairman of Bapepam-LK No. Kep-29/PM/2004, dated September 24, 2004, and regulation of Jakarta Stock Exchange (BEJ) No. 1-A/ Decision of Kep-305/BEJ/07-2004, dated July 19, 2004.

The main duty of the Audit Committee is to provide independent and professional opinion to the Board of Commissioners on Danamon's compliance, internal audit, external audit and financial report activities.

The Audit Committee also reviews the adequacy of measures taken by Danamon's management to follow up any recommendation submitted by the internal audit, external auditors and Bank Indonesia.



## Report from the Committees under the Board of Commissioners

As of December 31, 2009, the Audit Committee consisted of six members, including Chairman of the Committee:

Chairman	: Manggi Taruna Habir (Independent Commissioner)
Member	: Victor Liew Cheng San (Commissioner)
Member	: Harry A.S. Sukadis (Independent Commissioner)
Member	: Gan Chee Yen (Commissioner)
Member	: Amir Abadi Jusuf (Independent Party)
Member	: Felix Oentoeng Soebagjo (Independent Party)

During 2009, the Audit Committee has reviewed the audit plan and its implementation, monitored follow up actions on audit findings and assessed the adequacy of Danamon's financial reporting process. Amongst others, the Audit Committee has reviewed the follow up actions by the Board of Directors on internal and external as well as Bank Indonesia audit findings.

The Audit Committee has also provided its recommendations to the Board of Commissioners on matters relating to the appointment of Danamon's external auditor, Siddharta & Widjaja, a member firm of KPMG International. To carry out its activities, the Audit Committee has held 10 meetings during 2009.

### Audit Committee

1. **Gan Chee Yen**  
Member
2. **Felix Oentoeng Soebagjo**  
Member
3. **Harry Arief Soepardi**  
Member
4. **Amir Abadi Jusuf**  
Member
5. **Victor Liew Cheng San**  
Member
6. **Manggi Taruna Habir**  
Chairman



For and on behalf of the Audit Committee

  
**Manggi Taruna Habir**  
Chairman

# Report from the Committees Under the Board of Commissioners

## Risk Monitoring Committee Report

Danamon has established a Risk Monitoring Committee, pursuant to Bank Indonesia Regulation No. 5/8/PBI/2003, dated May 19, 2003, No. 8/4/PBI/2006, dated January 30, 2006, No. 8/14/PBI/2006 dated October 5, 2006, and Bank Indonesia Circular Letter No. 5/21/DPNP, dated September 29, 2003.

The Risk Monitoring Committee is responsible for evaluating Danamon's risk management strategy, systems and policies as well as Danamon's internal control policies, methodology and infrastructure. The Risk Monitoring Committee monitors potential risks faced by Danamon, consisting of credit risk, market risk, liquidity risk, operational risk, legal risk, compliance risk, strategic risk and reputation risk. The Risk Monitoring Committee also reviews the consistency between Danamon's risk management policies and their implementation.

As of December 31, 2009, the Risk Monitoring Committee consisted of eight members, including the Chairman of the Committee.

Chairman : Milan R. Shuster  
(Independent Commissioner)  
Member : Victor Liew Cheng San (Commissioner)  
Member : Harry A.S. Sukadis (Independent  
Commissioner)  
Member : Manggi Taruna Habir (Independent  
Commissioner)  
Member : Gan Chee Yen (Commissioner)  
Member : Krisna Wijaya (Commissioner)  
Member : Amir Abadi Jusuf (Independent Party)  
Member : Felix Oentoeng Soebagjo (Independent  
Party)

During 2009, the Risk Monitoring Committee monitored business strategies and related potential risks, evaluated risk management policies and their implementation and reviewed the performance of risk management units and have reported their findings to the Board of Commissioners. The Risk Monitoring Committee has held 10 meetings during the year 2009.

## Nomination and Remuneration Committee Report

Danamon has established a Nomination and Remuneration Committee, pursuant to Bank Indonesia Regulation No. 8/4/PBI/2006, dated January 30, 2006, and No. 8/14/PBI/2006, dated October 5, 2006.

On remuneration, the Nomination and Remuneration Committee provides recommendations to the Board of Commissioners on the remuneration for the Board of Commissioners, Board of Directors and Danamon's senior management and employees. The Committee is also responsible for evaluating the remuneration policies.

On appointments to the Board of Commissioners and Board of Directors, the Nomination and Remuneration Committee is responsible for overseeing the recruitment and rotation of members of the Board of Commissioners and the Board of Directors. The Nomination and Remuneration Committee provides recommendations on candidates for members of the Board of Commissioners and the Board of Directors to the Board of Commissioners. It also provides recommendations regarding prospective independent parties for members of the Audit Committee and members of the Risk Monitoring Committee to the Board of Commissioners.



## Report from the Committees Under the Board of Commissioners

As of December 31, 2009, the Nomination and Remuneration Committee consisted of five members, including the Chairman of the Committee:

Chairman : J.B. Kristiadi (Independent Commissioner)  
Member : Ng Kee Choe (President Commissioner)  
Member : Harry A.S. Sukadis (Independent Commissioner)  
Member : Milan R. Shuster (Independent Commissioner)  
Member : Maria Theodora

During 2009, the Nomination and Remuneration Committee (the Committee) has reviewed the remuneration for the Board of Commissioners and the Board of Directors in 2008. The Committee has also determined Key Performance Indicators (KPI) for the Board of Directors and has determined the criteria for and appointment of the President Director. During the year, the Committee has also selected new members of the Audit Committee and the Risk Monitoring Committee. The Committee held four meetings in 2009.

### Corporate Governance Committee Report

Danamon established a Corporate Governance Committee in 2006, reflecting its commitment to put Good Corporate Governance principles into practice. The Corporate Governance Committee assesses and provides recommendations regarding Danamon's corporate governance activities, including disclosure and transparency practices as well as the equal treatment of all shareholders. The Corporate Governance Committee also reviews the Code of Ethics for the Board of Directors, senior executives and employees.

As of December 31, 2009, the Corporate Governance Committee consisted of three members, including the Chairman of the Committee:

Chairman : Manggi Taruna Habir  
(Independent Commissioner)  
Member : J.B. Kristiadi (Independent Commissioner)  
Member : Gan Chee Yen (Commissioner)

During 2009, the Corporate Governance Committee has delivered to Bank Indonesia Danamon's plan to comply with Bank Indonesia's regulation on the Single Presence Policy. The Corporate Governance Committee ensures the Bank is in compliance with all Bank Indonesia regulations on corporate governance. The Corporate Governance Committee has also disclosed transparency practices on corporate governance matters in the 2009 annual report.

In conclusion, based upon the review of Danamon's performance by the Audit Committee, the Risk Monitoring Committee, the Nomination and Remuneration Committee and the Corporate Governance Committee (altogether as the Committees) there are no significant issues to report in the 2009 Annual Report of Danamon.

## Report from the President Director

When the economy rebounded in the second half of 2009, we picked up our pace, particularly in the mass-market and retail banking segments.



Dear Shareholders,

We began the year 2009 amid great uncertainties arising from events that had shaken the foundation of the global financial sector to its core. In Indonesia, the global liquidity crunch manifested primarily in a marked curtailment of bank lending, in large capital outflows, a sudden and steep devaluation of the Rupiah, and rising interest rates. These developments raised the cost of capital, impinged export and domestic growth, and in the most direct impact to the banking sector, increased credit risks.

### A Challenging First Half

Amid these challenging conditions, Danamon took strategic measures to ensure that our businesses would remain strong yet defensive. Chief among our goals were (i) to enhance our liquidity position in both local and foreign currencies, (ii) to remain adequately capitalized and undertake whatever measures were necessary to see us safely through the crisis, and (iii) to safeguard our lines of businesses in ways that would enhance our ability to sustain profitability despite the challenging conditions.

A successful rights issue in April 2009 raised approximately Rp4.0 trillion of equity capital from shareholders, shoring up liquidity and raising our CAR to one of the highest in Indonesia and the region. The successful exercise demonstrated the financial strength and commitment of our shareholders, and Danamon's ability to raise capital during tough economic times.

We took the option for early redemption of US\$300 million of subordinated debt in early 2009, underscoring our commitment to creditors, while also demonstrating the strength of Danamon's balance sheet despite uncertainties.





**Sebastian Paredes**

President Director



## Report from the President Director

We also exercised our call option to acquire an additional 20% stake in Adira Finance valued at approximately Rp1.6 trillion, bringing our total stake to 95% and underlining our confidence in the long-term viability of the Adira franchise going forward.

During the first half of 2009, we reduced loan exposures to corporate and commercial segments, as a result of which our total loans portfolio declined by 8% from Rp66.9 trillion at the beginning of the year to Rp61.6 trillion in June 2009. This strategy was in line with the steep decline of trade volume in Indonesia at the time, and our cautious view of the global environment.

We also carried out stringent cost efficiency measures to partly offset the anticipated decline in loan growth and growing credit costs. In short, we took every measure within our means to strengthen our balance sheet in anticipation of a protracted economic recession, while also positioning Danamon strongly to capitalize on growing opportunities as and when the economy recovered.

### Picking Up Our Pace in the Second Half

When the economy rebounded in the second half of 2009, we picked up our pace, particularly in the mass-market and retail banking segments.

Danamon ended the year 2009 on a positive note. Total pre-provision operating profit amounted to Rp5,656 billion, reflecting the resilience of our core businesses as well as our successful cost efficiency drive. Even accounting for the loss on foreign currency forward contracts, the Bank's net profit for 2009 amounted to Rp1,532 billion, a fraction up from Rp1,530 billion in 2008.

Total mass-market loans grew by 10% to Rp34.1 trillion and contributed 54% of our loan book. However, the total loan book of Rp63.3 trillion in 2009 was 5% less than that of the previous year, as growth in mass-market loans was offset by contraction in corporate and commercial loans, as previously mentioned.

On the liability side, total savings volume increased by 20% to Rp15.4 trillion, a 12 months of consecutive month on month growth. Our CASA ratio improved considerably as we released more expensive time deposits on the back of improved environment and liquidity position. As at year end 2009, this ratio stood at 33% of our total deposits, our best ratio in recent years.

Net interest margin rose from 11.1% in 2008 to 12.0% in 2009, resulting in a 13% increase of net interest income to Rp9,462 billion in full year 2009. Further, our net interest margin reached a high 13.4% in the last quarter of 2009, underscoring the unique and strategic positioning of Danamon in the financial sector in Indonesia.

All told, operating income rose by 11% to Rp11,341 billion, while operating expenses increased by only 4% to Rp5,685 billion. Reflecting our rigorous cost discipline, cost to income ratio was brought down to 50.1% in 2009, from 53.6% in the previous year.

We achieved a return on assets and return on equity of 1.5% and 11.2%, respectively, which were considerable returns under the circumstances that had prevailed during 2009, especially after a 40% increase in our equity base, a substantial increase in credit costs, and the fact that we had had to incur a

## Report from the President Director

final provisioning for loss of Rp504 billion on derivative transactions that we had carried on behalf of customers.

### Other Relevant Highlights of 2009

Six years ago, Danamon made the strategic decision to diversify its business into the mass-market segment. This evolved into the significant lending-and-saving business of Danamon Simpan Pinjam (DSP), and the thriving consumer finance and insurance businesses of Adira. In 2009, the DSP and Adira franchises already accounted for roughly 50% of the bank's loans.

Last year, Danamon rolled out a new core banking system, which allowed us to halve loan processing time and provide the ability to bundle and customize products and services. We also launched a state-of-the-art internet banking service and improved our call center operations immeasurably.

In 2009, Danamon consolidated learning under Danamon Corporate University (DCU) as part of our on-going commitment to create superior and highly-trained talent for Danamon and the banking industry in general. It is no secret that our employees are being targeted by other banks within the industry, and so DCU constitutes an initiative by Danamon to churn out new batches of banking and financial professionals year after year. Today, Danamon has become the employer of choice in Indonesia, realizing one of our mission statements.

The re-branding of Danamon, including a complete redesign of our branch and ATM networks, projected a more modern and dynamic appeal to the Danamon brand nationwide. A survey on brand awareness in 2009 showed that

we had advanced enormously as our unaided awareness rating increased to 70%, from just 40% five years ago.

Danamon was also recognised as the overall second best company in Indonesia for Good Corporate Governance by Asia Money in 2009, an international validation for our values that have always placed a strong emphasis on integrity, transparency, accountability, responsibility, independence and fairness.

### A Lending and Helping Hand

In Corporate Social Responsibility, the Danamon Foundation has made its mark in only five years of existence.

In 2009, the 'Clean Market' program of Danamon made it into the book of the Indonesian Museum of Records, or MURI, and July 18 was declared National Clean Market Day by the government in recognition of our program. Meanwhile, the Danamon Go Green initiative was recognized internationally with a second-place award in the 2009 BBC World Challenge.

For these and other accomplishments in CSR, the year 2009 was memorable for our growing engagement with the communities in which we operate. It is only fitting, therefore, that our annual report theme this year is "Extending a Lending and Helping Hand."

### The Legacy

Early in 2010, I have tendered in my resignation as President Director of Danamon. The Board of Commissioners has accepted my resignation,

## Report from the President Director

and my tenure will end upon the adjournment of the 2010 Annual General Meeting of Shareholders.

My resignation is based entirely on personal considerations, having served with Danamon longer than I have ever served in any single job throughout my career. After five years of being at the helm of Danamon, it is time for me to pass the torch to the next leader. It has been an honor and privilege for me to serve alongside my colleagues, whose passion and determination to excel and grow beyond expectations have been an unending source of pride and inspiration to me personally.

Our journey of the past five years has been nothing short of extraordinary; the memories of which I will cherish forever.

Achieved among all is the strategic transformation of Danamon from an SME and corporate-focused bank in 2004 to a leader in consumer finance and micro banking. Now, 60% of Danamon's operating income and more than 50% of its loan book are in these two new areas, which were non-existent when Fullerton Financial Holdings purchased Danamon from IBRA.

Since 2005, Danamon has more than doubled its loan book, increased revenues by 241% and expanded its customer base from 2.0 million to 5.2 million customers.

Our savings accounts have grown a staggering 90% and our service network has been augmented from 929 to 1,900 branches. At the same time, the number of employees has grown from 26,000 to more than 41,000, placing Danamon as one of the largest employers in the country, today.

Over the years, Danamon has also won numerous accolades, including Best Bank in Indonesia in 2006 by Global Finance; Best Bank in Indonesia by Euromoney for 2005, 2006 and 2008; Best Company in Indonesia in 2008 from The Asset; and Best Trade Finance Bank in Indonesia from Global Finance for the years 2004, 2005, 2006, 2007, and from Finance Asia for the year 2008-2009. Danamon also garnered numerous awards from leading national publications and institutions such as the Banking Service Excellence Awards from InfoBank and Marketing Research Indonesia, and Best Performance in Banking 2009 from the ABFI Institute and the Indonesian National Banking Association, PERBANAS.



# Report from the President Director

## 2010 Results Promising

After a challenging global and domestic environment, we leave behind the crisis and enter the year 2010 on an even more solid footing, with operating results for first quarter 2010 showing one of the best quarterly results ever.

Compared with the corresponding first quarter period of 2009, net operating income grew by 36%. Meanwhile, net profit after tax grew more than 75%. This is the preamble of a full recovery and an expected exceptional year.

On a final note, Danamon's performance over the years has shaped us into the fourth largest bank in the country in terms of market capitalization. This has also been reflected in Danamon's share performance of late. In the 12 months to 30 March 2010, our share price rose by 80% to Rp5,450, outperforming the composite index of the Indonesia Stock Exchange – the second best performing market in Asia Pacific in 2009 – by 41%.

## A Word of Gratitude

On behalf of the Board of Directors, I thank all those who have been supportive and instrumental behind the tremendous growth of Danamon: Our Employees, Shareholders, Commissioners, Customers, Regulators, Partners, Vendors, Communities, and not least of all, our friends in the Media.

I am sure that my successor will continue leading this extraordinary journey, pursuing the vision of being the leading financial institution in Indonesia – enabling millions to prosper.



**Sebastian Paredes**

*President Director*

April 29, 2010

## Board of Directors

1. **Herry Hykmanto**  
Director
2. **Jos Luhukay**  
Vice President Director
3. **Kanchan Nijasure**  
Director
4. **Muliadi Rahardja**  
Director
5. **Fransiska Oei**  
Director
6. **Sanjiv Malhotra**  
Director
7. **Ali Yong**  
Director
8. **Vera Eve Lim**  
Director
9. **Sebastian Paredes**  
President Director





