Function Units

03.

<table>
<thead>
<tr>
<th>Department</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>129.</td>
</tr>
<tr>
<td>Information Technology</td>
<td>135.</td>
</tr>
<tr>
<td>Distribution Network</td>
<td>138.</td>
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</tbody>
</table>
Function Units
Human Resources

As at year-end 2009 Danamon employed a total of 41,615 personnel, comprising those employed within the Bank, the Danamon Simpan Pinjam units, the Danamon Syariah units and the Adira Group.

They come from various ethnic backgrounds representing the entire spectrum of Indonesia’s broadly diverse culture, with equally diverse talents and expertise. Many have been with Danamon and the Adira Group since early days. Some have come from legacy banks that were merged into Danamon in the aftermath of the Asian financial crisis of the late 1990s. While others are those who joined Danamon and Adira in 2000 onwards as the Danamon Group began to carve out a special niche in the mass-market segment and evolved to become a leading, universal financial services group in Indonesia.

Danamon has a distinctively international outlook in which a number of senior positions in the Bank are filled by Indonesians and expatriates alike with extensive international backgrounds and expertise in retail banking, information technology, risk management and treasury to name just a few. This international stature is key to Danamon’s ambition to becoming the leading financial services group and employer of choice in Indonesia, even as the Group continues to both expand and consolidate its grip on the mass-market and mass-affluent market segments among Indonesia’s large and growing middle class population.

To achieve this entails the ability by Danamon to attract, train and retain the best talents in the market, while also improving the productivity of Danamon’s human capital as a whole.

Lately, the issue of developing and retaining human capital has been increasingly key to Danamon’s aspiration to become the leading universal financial services group and employer of choice in Indonesia. Thus efforts have been made to strengthen the human resources department and human capital development.
Danamon made it a point to undertake regular meetings between and among Directors and Business Unit Heads to discuss issues and solutions pertaining to human resources. These meetings – chaired by the Vice President Director – are exclusively devoted to human resources issues.

On the Learning and Development side, Danamon Corporate University (DCU) that is structured and organized like other university, integrates the various resources needed to impart knowledge, transfer skills, create leaders and develop careers.

DCU was up and running in its first year. There were 11 corporate-wide learning programs that were introduced in 2009, attended by more than 4,300 participants for a total of 7,200 man-days.

In one of these programs, the Business Unit Initiatives (BUI) program, a full curriculum has been developed, comprising of studies in wholesale banking, retail banking, micro finance and operational excellence. The curriculum covers some 500 learning activities and workshops. In 2009, a total of 60,200 participants were enrolled in the BUI program for a total of 109,800 man-days.

DCU was also responsible for organizing a joint-program with Bank Indonesia in the development of Bank Partner Financial Consultant (KKMB) consultants with Bank Indonesia Regulation on Risk Management Certification, Sales Certification and others certification that support the business.

In other DCU-related learning activities, an e-learning initiative was undertaken in the second semester of 2009 through the “d’learn” learning system management as well as the development of a 60-hour content of e-learning, which includes Danamon Compliance modules (Code of Ethics, KYC, GCG, Compliance, Fraud Awareness, IT Security) and Risk Management modules.

The implementation of e-learning has raised the efficiency of class learning, in addition to being more cost-effective. It had also been applied as competence test media for micro-banking training. In all, more than 1,100 personnel
participated in Danamon’s e-learning activities.

DCU activities were not only focused to its 4.5 hectare campus ground in Ciawi, West Java. In 2009 DCU opened four regional training centers in Semarang, Makassar, Medan and Surabaya. The training material provided in these four training centers are the same as to those of the DCU Campus.

In the third year of the Danamon Young Leaders Award (DYLA) competition in 2009, Danamon chose the theme of “Eco Campus Challenge”, challenging students to create a green project and implement it in their campus or communities. Entries to the competition reached more than 300 students from various universities including top-tier ones. DYLA aims to stimulate creativity among young Indonesians who may harbor the potential to become future leaders.

DCU has attracted interests among businesses and corporations that have visited the DCU Campus to share experience in the Corporate Learning Concept.

Retaining Talents

The year 2009 was challenging for Danamon to retain personnel, especially market as well as aggressive poaching among banks in the industry, whose demand for quality people and talent far outstrips the available supply. The number of operating banks in Indonesia is still large by comparative standards in most countries – 121 banks as at year-end 2009 – and this creates extreme pressure for leading banks to hold on to their top talents.

In 2009, Danamon recruited 10,000 employees, mainly to fill voids created by those who had left the Bank in the past year or two. Danamon has been able to either retain or replace talents who are crucial to supporting the Group’s continuing growth especially in the mass-market segments. This is achieved among other things by placing people in the right position, enabling them to grow professionally and personally, while also adopting remuneration and reward practices that support both performance and a sense of fairness.

“Our learning days at Danamon Corporate Univesity are filled with challenges, inquisitive minds and humbling experiences. It is true what they say: the more we know, the humbler we become.”

<table>
<thead>
<tr>
<th>Age</th>
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<tbody>
<tr>
<td>&lt;25 years</td>
<td>9%</td>
</tr>
<tr>
<td>25-35 years</td>
<td>64%</td>
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<tr>
<td>35-44 years</td>
<td>24%</td>
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<tr>
<td>&gt;45 years</td>
<td>3%</td>
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</table>

<table>
<thead>
<tr>
<th>Grade</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Employees</td>
<td>69%</td>
</tr>
<tr>
<td>Officers</td>
<td>25%</td>
</tr>
<tr>
<td>Manager</td>
<td>5%</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>1%</td>
</tr>
<tr>
<td>Technical Advisor</td>
<td>0.1%</td>
</tr>
</tbody>
</table>
To recruit or promote personnel, Danamon is supported by a technology-based assessment system, serving as a personality assessment tool, useful in providing comparative data of potential candidates, and identify skills that can be developed further.

As part of personnel retention, Danamon undertook the maintenance of conducive and harmonious working conditions. For instance, Employee Assistance Program through the Employee Clinic and Supervisor Clinic which started early 2009.

Another example is the Danamon Club, or D’Club for short, where the objective is to create a balanced approach to working and living. Through D’Club, Danamoners are given the opportunity to pursue their interests in sports, arts, social and spiritual activities, in 2009 this involved more than 8,000 active participants. In addition, D’Club also provides an outlet by which every Danamoner can participate actively in corporate social responsibility (CSR) related activities. The “Karyawan Peduli” program, for instance, represents individual contributions by Danamon employees, whether in monetary donations or as project volunteers, to help fellow employees or communities that have suffered from natural disasters.

In 2009, the “Karyawan Peduli” program generated approximately Rp1.4 billion in donations which included giving scholarships to over 2,700 children of employees, and support to help employees and their families who suffered disaster. We also participated in humanitarian activities by sending volunteers to help to aid the recovery of certain communities and donating approximately Rp6.0 billion in Padang following the devastating earthquake on September 30, 2009.

In a separate development, Danamon also maintained good relations between employee unions and Management. On February 19, 2009, a Collective Labor Agreement (CLA) was signed, witnessed by the Director General for Development of Industrial Relations and Labor Social Security at Menara Bank Danamon. The CLA, which is the Bank’s umbrella policies and regulations on personnel and work-related matters, went through the process of negotiations in an atmosphere of mutual respect between the Management and unions. The Agreement became effective on August 1, 2009 until July 31, 2011.

Managing Time and Information More Effectively

In September 2009, a Time Management System (TMS) was launched to facilitate better recording of attendance, and thereby claims for overtime and shift allowances. The automated system will significantly improve the accuracy and data management within the HR Division. Following TMS, in December 2009, we rolled out the latest system that was upgraded to the latest version of SAP.

In other areas of information management, an integrated Business Intelligence System was introduced in 2009 that allows various business units to know more about the progress and performance of one another.

Finally, in the area of environmental concern, we initiated the HR Ecowork program. The program focused on creating a culture of improvement within the three pillars of the organization: People, Place and Process. Similarly, programs were in place to support the Employer of Choice and bring corporate values and brand promise in the lives of everyday work as well.

Looking Ahead to 2010

Danamon intends to maintain a conducive working atmosphere and improve employee engagement with the aim of decreasing employee turnovers. It will also continue to support measures of raising productivity of employee through the human resource functions.

In a new spirit, DCU will continue to develop the e-learning (d’learn) concept which runs on a 24/7 basis, making it accessible as a competence building tool for the evolvement of a learning culture in Danamon; maximizing the use of facilities in the regional training centers, while also reducing training costs as one of the unique value propositions of DCU.

DCU will concentrate on leadership program development for senior managers, introduce Knowledge Management, namely a repository
system of knowledge aiming to make corporate information more accessible and inspiring all employees to share their knowledge with one another.

Danamon also seeks to empower employees by enhancing the Human Resource Information System. This aims to enhance the quality of Employee Connection (EC) by expanding the Employee Self Service (ESS) and Manager Self Service (MSS) applications. The year 2010 will also see the integration of SAP into the human resources systems of Adira Finance.

In 2010, we will focus on talent management and succession planning. Opportunity for growth will be provided for employees who have performed at their best. This is a major challenge in accelerating the process of knowledge transfer. Indigenous recruitment remains our focus in 2010. However, expatriates in certain fields, such as treasury, information technology and risk management, continue to be deemed necessary.

Finally, in order to increase productivity without sacrificing quality of service, we are redoubling our efforts by strengthening the Regional Human Resources and the Business Partners Human Resource Platform concepts, to be implemented in 2010.
In 2009, Danamon moved much closer to realizing its technology vision of drawing on the strategic importance of information technology as a key business enabler.

Since 2007, a major undertaking of the IT Division of Danamon has been the massive migration to New Core Banking System (NCBS) involving interfaces with multiple external and internal systems, as a key component of Danamon’s journey towards world-class banking technology. Since 2008, Danamon has also undertaken major transformation of multiple delivery channels including ATM, Call Center and Internet Banking in addition to Core Banking.

In 2007 and 2008, Danamon completed the migration to Enterprise General Ledger as well as more than 1,000 DSP branches to the NCBS. Additionally, Danamon installed over 800 state-of-the-art ATM units running on Base-24/ES and offering better functionality, security and reliability.

In 2009, migration to NCBS continued for the conventional branches involving multiple lines of business namely Retail, SME, Commercial, Corporate, Consumer Mass Market and Adira Quantum. The functionality is much more complex and these customers are serviced through multiple delivery channels. This exercise commenced in May 2009 for the pilot 17 branches in Semarang. Within a few months, all teething problems with the pilot were sorted out and Danamon felt confident to proceed with the planned roll-out of the entire set of conventional branches. Accordingly, Danamon migrated 41 branches in October, 82 branches in November and 72 branches in December 2009 across 4 different regions.
In the first quarter of 2010, further migration of 89 branches in February and 55 branches in March is planned in 2 regions. In the second quarter of 2010, 140 branches in Jakarta region are scheduled for migration and all remaining branches by the third quarter of 2010.

NCBS brings multiple advantages to Danamon today and tomorrow. Mass market continues to be Danamon’s key customer segment, where fast turnaround time matters a lot. For the DSP business, NCBS has halved the average processing time in the central processing unit for a loan account from 14 minutes to 7 minutes. Based on the reliability and scalability of NCBS, Danamon can service up to 10 times the current size of its customer base.

More importantly, NCBS provides superior flexibility and versatility for Danamon to bundle products and services. With a comprehensive profiling of each and every customer, across the Bank’s entire product and service range, Danamon can tune its product and service offerings to provide differentiation, including relationship pricing. As products get commoditized, such capabilities are powerful tools to increase market share.

Simultaneous with the NCBS migration, Danamon enhanced its ATM and Call Center channels and launched the most secure Internet Banking system in Indonesia to date.

In the Call Center, up until recently, balance inquiries accounting for 80% of the total number of calls had to be handled by an attendant. Calls like this, requiring neither judgment nor time of a person, could simply be managed by an
IVR system. Since 2009, the Danamon Call Center has been equipped with state-of-the-art IVR system which is also equipped to identify the calling customer, determine the level of his or her banking relationships with Danamon, and route the call to an attendant who is qualified to respond to the particular relationship level.

Danamon successfully introduced Internet Banking capability that is currently the most advanced one in Indonesia in terms of security and reliability based on Enhanced Validation Secure Socket Layer (EVSSL) and password encryption using Host Security Module (HSM). Plus, Danamon customers can choose either hardware token or sms token for two factor authentication.

Last but not least, Danamon’s substantially enhanced banking technology also includes robust risk management application systems like Central Liabilities System, Loan Origination System, and Collection Management System. They provide a comprehensive system of checks and balances to assets and liabilities management within Danamon.

Danamon continues to value the strategic importance of information technology as the key enabler with 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 the Vice President Director, the ITSC determines Danamon’s technology strategy, blue print as well as investment and development priorities. Guided by the ITSC, information technology advances have continued apace in providing reliable, flexible, highly responsive and cost effective IT platforms to support Danamon’s businesses.
Distribution Network

Danamon’s service network infrastructure remains key to our ability to grow and respond competitively to market demands. Today, Danamon has one of the most extensive delivery channel networks in Indonesia comprising of 1,900 branches and points of sale, over 840 proprietary ATMs across the country, Internet and mobile banking, and call centers.

During the year, we opened 26 new branches and closed 10 branches, bringing a total of 1,499 operational branches. At the same time, we added 38 new ATMs and closed 6 ATMs, making a total of 846 Danamon ATMs operating as at year-end 2009.

Sporting a smarter new look with the brilliant yellow and orange colours of Danamon that stand out, Danamon’s ATM platforms project an image of modern convenience that matches the state-of-the-art ATMs with Triple DES and EMC, which complies with Visa/Master Card Regulations. Our new ATM system offers more secure and reliable transaction process as well as more flexible applications for targeted feature benefits and offerings to Danamon cardholders.

The re-branding of our retail branches also gave a distinctive and modern appeal to the Danamon brand, clearly visible and present across the country, and projecting the promise of convenience, reliability and quality. We also reprogrammed our Call Centers, enabling them to operate and respond to customer queries more promptly and intelligently.
Function Units

In 2009, we launched our Internet banking platform which generated positive responses from customers.

Operations
The primary goal of Operations is to deliver uncompromising quality services to satisfy customer needs at all levels of transaction, through a variety of distribution channels, and ensuring consistent deliveries at 99.99% availability factor.

During the year, we continued to improve and streamline our operational processes under the Customer Fulfillment Framework that is designed to enhance the customer experience at Danamon’s touch points such as branch, ATM, phone banking and now Internet banking.

The use of an electronic-form filing system has significantly enhanced operations since the system was fully implemented across all main branches in 2009. The e-Form automates and simplifies much of the manual paper processing involved in completing customers transaction including cash deposit, cash withdrawal, check clearing, overbooking and remittances. The use of an electronic system has also cut cost significantly, as a result of greater operating efficiency as well as savings from lower paper consumption.

Constructive training programs continued to be provided for front-line officers in order to maintain consistency in service standards. Programs such as Mystery Shopper and Mystery Caller, Service Motivational Initiatives, Danamon Service Star and Danamon Service Champion keep front-liners on their toes and primed in their daily interactions with customers.

In addition to all this, the roll-out of our New Core Banking System (NCBS) in the 17 pilot branches in Semarang commenced in May 2009 and 195 branches across four different regions until end of 2009 was the icing to a Operations. Further migration for all remaining branches is expected to be completed by third quarter of 2010.

The NCBS offered much more productivity, reliability and versatility that our old core banking system simply could not match. With the new system, products can be delivered to market much quicker, transactions are processed much faster and in greater numbers, and services can be tailored more to meet individual needs.

In 2009, our enhanced ATM and core banking systems enabled Operations to forge joint marketing or promotional programs with other leading consumer service brands, offering unique customer experiences and benefits to Danamon customers. From now on, cross-selling initiatives between and among Danamon business units can be undertaken more smoothly, seamlessly and integrally.

This opens up a whole range of business opportunities with significant potential for new revenue streams, in addition to increase transactional-based fees. In 2009 alone, our ATM network generated a total of Rp56 billion in fees, an increase of 47%, on a utility factor that
increased by 26% to 56 million number of transactions, year on year. We expect to increase fee-based income on transactional banking services once we achieve full leverage on the use of our new ATM and core banking systems.

As in previous years, the initiatives that we rolled out in 2009 had garnered accolades from reputable institutions both at home and abroad: Most Consistent Bank in Service Excellence (for seven consecutive years), Best Bank in Service Excellence, Service Quality Gold Award, Best Mobile Banking and more.

In achieving our goals, we remain focused on managing cost effectively. Cost-saving programs continue to be implemented across our branch network, as we control overhead costs and optimize office space utility. Our centralized back office operations also continue to contribute to increased efficiency at less cost.

Going forward, we will focus on optimizing – getting the most of – our state-of-the-art ATM platform and new core banking system to support our delivery networks and operations for our business growth for many years to come. In particular, we will be keen to work on fulfilling Service Level Agreements and Key Performance Indicators towards meeting our primary objective of constantly enhancing the customer experience with Danamon.

Among other achievements, the Center had been successful in shortening the turnaround time for credit approvals in the Self Employed Mass Market (SEMM), SME and Commercial, and card businesses. While in the area of information technology, the Center successfully administered a special training program designed to stimulate problem solving skills towards greater efficiency and productivity, particularly in the application of systems and processes.

Center for Operational Excellence

In order to sustain group-wide operational excellence, we have recently formed the Center for Operational Excellence (COE). The Center initiates and oversees efforts to identify new ways and approaches to doing our work more efficiently and productively.
Distribution Network

Note:
1) Danamon Syariah including sales channels
2) Danamon Privilege Centers include service points
3) Danamon Simpan Pinjam units include sales offices
4) Adira Kredit outlets include representative offices
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<th>Region</th>
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<tr>
<td>Yogyakarta</td>
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<tr>
<td>East Java</td>
<td>561</td>
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<tr>
<td>Bali, NTB, NTT</td>
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<tr>
<td>Kalimantan</td>
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<tr>
<td>Sulawesi</td>
<td>536</td>
</tr>
<tr>
<td>Papua, Maluku</td>
<td>457</td>
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</table>

Region 7: Central Java
Region 3: East Java, Bali, NTB, NTT
Region 5: Kalimantan
Region 4: Sulawesi, Papua, Maluku

Total: 2,951