



Good Corporate Governance Implementation Report 2007



**PT Bank Danamon Indonesia Tbk
Good Corporate Governance Implementation Report**

Revision

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I. DUTIES & RESPONSIBILITIES OF THE BOARD OF COMMISSIONERS & THE BOARD OF DIRECTORS**I.1. BOARD OF COMMISSIONERS****I.1.A. Number of Members, Composition, Criteria and Independency**

As of 31 December 2007, the members of the Board of Commissioners (BoC) of Bank Danamon total seven (7) persons. This number does not exceed the total number of Board of Director (BoD) members of eight (8) persons. At present, the Commissioners of Bank Danamon domiciled in Indonesia total three (3) persons, namely JB Kristiadi, Manggi T. Habir and Harry Arief Soepardi Sukadis.

Independent Commissioners, or member of the BoC not having any financial or management relationship, share ownership and/or family relationship with another member of BoC, BoD and/or Controlling Shareholders or any relationship with Bank Danamon which might affect his/her ability to act independently, total four (4) persons, namely: JB Kristiadi; Milan Robert Shuster; Harry Arief Soepardi Sukadis and Manggi T. Habir. In addition, the majority BoC members of Bank Danamon do not have any cross-family relationship down to the second degree with fellow members of the BoC and/or the BoD.

Each BoC member does not hold any concurrent positions which are prohibited by Bank Indonesia's good corporate governance regulations. These regulations state that BoC members may only hold a Commissioner, Director or Senior Management position in 1 (one) non financial institution, or a Commissioner, Director or Senior Management position with a supervisory function in 1 (one) subsidiary controlled by the bank.

I.1.B. Duties and Responsibilities

The Board of Commissioners undertakes a supervisory role in monitoring the bank's performance against stated strategy and goals. It also provides oversight over the bank's risk management, its external and internal audit controls and findings and ensures the timely disclosure of information required to comply with regulatory requirements.

The Board of Commissioners represents the interest of the shareholders and is responsible to the General Meeting of Shareholders (GMS). The Board of Commissioners fully realizes their responsibility of ensuring the implementation of Good Corporate Governance (GCG) principles in each business activity and at all organizational levels or stages of Bank Danamon. As such, the BoC has established the GCG Committee as one of their efforts in ensuring the implementation of GCG principles.

The BoC through their periodic meetings with the BoD as well as through the BoC Committees supervise the BoD's activity and from time to time provides direction and input to the Directors. The minutes of the meetings of the BoC and their respective

Committees duly record the monitoring the implementation of Bank Danamon's strategic policies in 2007.

As of 31 December 2007, the Board of Commissioners has not found any violation of existing regulations or any circumstance that would endanger Bank Danamon.

The BoC notes that it has fulfilled its duties and responsibilities in supervising the BoD. As regulated in Law No.40 year 2007 on Limited Liability Companies and BI Regulation No.8/4/PBI/2006 and No.8/14/PBI2006 on GCG where the BoC functions as an assembly acting in a supervisory capacity, and that the BoC shall also not be involved in the decision making of the Bank's daily operational activities, except in the case of the supply of funds to related parties in accordance with BI Regulations No. 7/3/PBI/2005 and No.8/13/PBI/2006 on Legal Lending Limit (LLL), and other matters as stipulated in the Articles of Association of Bank Danamon, in particular Article 12 paragraph 4.

Article 12 paragraph 4 of the Articles of Association of Bank Danamon stipulates the role of the BoC in various management activities of Bank Danamon, among these being activities of lending money to related parties, binding the company as guarantor for other parties, establishing a new company, borrowing money from other parties and writing off receivables. The involvement of the BoC in actions/transactions of a certain amount will be further stipulated in a Circular Decree of the Resolution of the BoC as a Substitute Resolution Adopted at the Meeting of the BoC No.KSR-KOM.Corp.Sec-002 dated 28 September 2007.

I.1.C. Fit and Proper Test

All members of the BoC must have integrity, competence and appropriate financial reputation. This is to be evidenced by an approval obtained from Bank Indonesia (having passed the Fit and Proper Test) for all members of the Board of Commissioners of Bank Danamon.

Composition of the Board of Commissioners

Name		Term of Effective Since		Term Expires
		Bank Indonesia Approval	General Meeting of Shareholders	
Ng Kee Choe	President Commissioner	24 May 2006	22 May 2006	AGM 2008
JB Kristiadi	Independent Commissioner	5 December 2005	9 May 2005	AGM 2008
Gan Chee Yen	Commissioner	21 October 2003	16 June 2003	AGM 2008
Victor Liew Cheng San	Commissioner	21 July 2004	26 March 2004	AGM 2008
Milan R Shuster	Independent Commissioner	5 December 2000	9 October 2000	AGM 2008
Harry AS Sukadis	Independent Commissioner	10 September 2003	16 June 2003	AGM 2008
Manggi Taruna Habir	Independent Commissioner	22 July 2005	9 May 2005	AGM 2008

I.1.D. Meeting

To perform their duties, the BoC and the BoD hold BoC meetings, BoD meetings and BoC and BoD joint-meetings. The minutes of each meeting are drawn up and signed by the BoC and BoD and are distributed to all members of both Boards, as well as to the meeting attendants and the members who were absent during the meetings. Dissenting opinions are also noted.

The resolutions of the BoC meetings have been adopted based on the principle of deliberations to reach a consensus, and if no decision was reached by consensus, a decision shall be made by majority vote. All resolutions of the BoC meetings has been drawn up in a minutes of meeting and are duly documented. The BoC has seen to it that the results of the BoC meetings in the form of recommendations and/or suggestions are implemented in the GMS as well as by the BoD.

Attendance of BOC and BOD Meetings

BOC/BOD Meetings	
Total Meeting Frequency	7
Attendance	
Board of Commissioners	
Ng Kee Choe	7
JB Kristiadi	7
Gan Che Yen	5
Victor Liew Cheng San	7
Milan R Shuster	7
Harry AS Sukadis	6
Manggi Taruna Habir	7
Board of Directors	
Sebastian Paredes	7
Jerry Ng*	6
Muliadi Rahardja	7
Anika Faisal	7
Hendarin Sukarmadji	7
Ali Yong	6
Vera Eve Lim	7
Sanjiv Malhotra	5

I.1.E. Recommendation

In executing its supervisory function, the BoC interacted regularly and actively with the Bank's Management through regular meetings with the BoD and outside meetings as well.

During the course of 2007, the BoC has conducted several meetings with the BoD as well as several communications by conference call, circular documents and through the internet. The BoC has also extensively used its four Committees i.e. Risk Monitoring, Audit, Remuneration and Nomination, and Corporate Governance Committees to interact regularly with Management.

The Bank management's internal self assessment performance as of Semester II/ 2007 stood at rating 2, meaning that the Bank overall is performing well and is capable of withstanding negative economic and financial conditions.

The BoC continues to place the highest importance on the BoD's full compliance with all relevant rules and regulations. During 2007, Bank Danamon has complied with all BI regulation, i.e.: Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Net Open Position (NOP), Legal Lending Limit (LLL), Reserve requirement (RR) and Provision for Losses (PPAP).

The BoC has noted that starting 31 December 2007, the Bank has implemented BI regulation No. 8/6/PBI/2006 regarding the implementation of consolidated risk management to the subsidiaries which are controlled by the Bank in the Bank's LLL calculation.

As the global market is showing prolonged volatility in the wake of sub-prime crisis, the BoC notes that there may be impact to the local market and continues to closely monitor the Bank's liquidity and market risk and regularly gets an update on the Management's ALCO meetings.

The Bank's performance for 2007 has been highly satisfactory. Management has done well and the BoC considers the performance of the BoD performance to be more than satisfactory.

I.1.F. BoC Charter

As part of its commitment to good governance practices, BoC has published its Charter. The Charter applies to all BoC members without exception.

The BoC through the Audit Committee has held (monthly) periodic meetings with the Internal Audit Work Unit to ensure that the Directors has followed up the findings of audit and the recommendations of the Internal Audit Work Unit (SKAI) of Bank Danamon, external audit or result of supervision by Bank Indonesia and/or result of supervision by other authorities.

The BoC currently has four Committees that were specifically formed to assist the Board in performing its duties and responsibilities:

1. Audit Committee
2. Risk Monitoring Committee
3. Remuneration and Nomination Committee
4. Good Corporate Governance Committee.

I.2. BOARD OF DIRECTORS

I.2.A. Number of Members, Composition, Criteria and Independency

As of 31 December 2007, the number of BoD members totaled seven (7) people. Jerry Ng, Vice President Director of Bank Danamon had effectively resigned from his post as a member of the BoD on 10 September 2007.

In nominating candidate members of the Directors to be proposed for approval by the GMS and BI, Bank Danamon have always given attention to the recommendations offered by the Remuneration and Nomination Committee.

All members of the Directors of Bank Danamon currently occupying their respective positions have had an experience of more than five (5) years in the operational sector as an executive officer with a bank. A member of the BoD has and shall not delegate general powers to another party resulting in a transfer of his/her duties and function.

A member of the BoD shall not concurrently hold position of a Commissioner, Director of Executive Office with another Bank, company and or other institution except as member of the BoC within the framework of executing a supervisory role in a non-bank subsidiary company controlled by Bank Danamon.

I.2.B. Duties and Responsibilities

The BoD is responsible for the day-to-day management of the bank, including the formulation and execution of business plans, annual budgets and policies, the monitoring and managing of risk, the prudent management of the bank's assets, resources and reputation, the recruitment and conduct of bank personnel and the formation and operation of management committees in the day-to-day governance of the bank. The BoD consists of seven Directors as of 31 December 2007, including the President Director. In accordance with Bank Indonesia's regulations, a Compliance Director is appointed with the responsibility of ensuring that all laws, regulations and requirements of regulatory bodies including Bank Indonesia, the Capital Market Authority and the Stock Exchange are met in a timely and accurate manner. The Compliance Director is also responsible for ensuring that all internal policies and procedures are adhered to at all times.

The BoD has established the following Committees in assisting its work, Internal Audit, Risk Management Task Force, Compliance Task Force, Business Executive Committee, Operational Committee, IT Steering Committee, Human Resources Committee, and

Asset & Liability Committee.

I.2.C. Fit and Proper Test

All members of the BoD have the appropriate financial integrity, competence, reputation and experience with varied skills and expertise and have all satisfied the ‘fit and proper’ tests. The President Director is independent from the Controlling Shareholders, and does not have any financial, management, share ownership and family relationship with any other members of Bank Danamon’s BoD.

Composition of the Board of Directors

Name		Term of Effective Since		Term Expires
		Bank Indonesia Approval	General Meeting of Shareholders	
Sebastian Paredes	President Director	9 May 2005	9 May 2005	AGM 2008
Jerry Ng*	Vice President Director	8 September 2003	16 June 2003	AGM 2008
Muliadi Rahardja	Director	21 December 1999	31 August 1999	AGM 2008
Anika Faisal	Compliance Director	2 August 2002	16 May 2002	AGM 2008
Hendarin Sukarmadji	Director	4 July 2005	9 May 2005	AGM 2008
Ali Yong	Director	8 May 2006	22 May 2006	AGM 2008
Vera Eve Lim	Director	26 June 2006	22 May 2006	AGM 2008
Sanjiv Malhotra	Director	26 July 2006	22 May 2006	AGM 2008

*) Jerry Ng resigned effective as of 10 September 2007

I.2.D. Meeting

In 2007, the resolutions of BoD Meetings have been adopted based on deliberations to reach a consensus or majority vote. The results of the BoD meetings have also been drawn up in minutes of meetings and are duly documented.

Attendance of BOC and BOD Meetings

BOD Meetings*	
Total Meeting Frequency	27
Board of Directors	
Sebastian Paredes	22
Jerry Ng*	17
Muliadi Rahardja	21
Anika Faisal	16
Hendarin Sukarmadji	23
Ali Yong	25
Vera Eve Lim	22
Sanjiv Malhotra	19
*Excluding BoD’s committees meeting	

I.2.E. BOD Charter

As part of its commitment to good governance practices, Bank Danamon has published its BoD Charter. The Charter applies to the BoD without exception. It serves as a basic guideline for all Directors to conduct themselves in the most ethical manner and is free from conflict of interest.

II. ADEQUACY & TASK REALIZATION OF THE COMMITTEES

The BoC established the following Committees, namely the: Audit Committee, Risk Monitoring Committee, Nomination & Remuneration Committee and Corporate Governance Committee.

II.1. AUDIT COMMITTEE

II.1.A. Structure, Membership, Expertise and Independency

As of 31 December 2007, the Audit Committee members are:

Name	Position	Expertise
Milan R Shuster	Chairman/ Independent Commissioner	Credit/Finance/Risk Management
Victor Liew Cheng San	Member/Commissioner	Treasury/Risk Management
Harry AS Sukadis	Member/Independent Commissioner	Accounting/IT/Risk Management
Manggi T Habir	Member/ Independent Commissioner	Credit/Finance/Risk Management/Corporate Governance
Setiawan Kriswanto	Member/ Independent Commissioner	Accounting /Risk Management
Hadi Indraprasta	Member/ Independent Commissioner	Accounting /Risk Management

The above composition indicates that at least 51% of Audit Committee members are made up of Independent Commissioners and Independent Parties.

II.1.B. Duties and Responsibilities

The Audit Committee monitors and evaluates the audit plan, its implementation and results. The Audit Committee is responsible for ensuring a smooth internal control and financial reporting process. The Audit Committee also ensures the implementation of follow up action to the findings of the Internal Audit Work Unit, the external Public Accountants and Bank Indonesia.

Its other task is to recommend the external Public Accountants to the BoC, where such recommendation shall be presented at the GMS for formal approval.

In 2007, the Audit Committee monitored and evaluated the audit plan, its implementation and the follow up actions to the audit results. The Committee has also evaluated the adequacy of the internal control including the adequacy of the existing financial reporting process. The Audit Committee had conducted a review of the implementation of the SKAI; conformity of the internal audit by the external Public Accountant according to prevailing audit standards, conformity of financial report with prevailing accountancy standards, and implementation of follow-up action by the Directors on the findings from SKAI, the Public Accountant and results of supervision by Bank Indonesia. The Audit Committee had also recommended the appointment of KPMG Siddharta Siddharta as the Bank's external Public Accountant (KAP) for 2007, according to the transfer of authority to the BoC during the Annual GMS of 27 March 2007.

II.1.C. Audit Committee Program and Realization

2007 Program	Realization
Conduct monthly meeting.	Monthly
Review financial information to be published.	Quarterly
Internal Audit monitoring	Monthly
Follow up of findings from Internal Audit, Public Accountant and BI Audit.	Monthly
Public Accountant and Public Accountant Office recommendation to Board of Commissioner to be disclosed at General Meeting Shareholder.	Done
Public Accountant monitoring	Done

II.2. RISK MONITORING COMMITTEE

II.2.A. Structure, Membership, Expertise and Independency

As December 2007, Bank Danamon Risk Monitoring Committee Structure is as follows:

Name	Position	Expertise
Milan R Shuster	Chairman/ Independeny Commissioner	Credit/Finance/Risk Management
Victor Liew Cheng San	Member/Commissioner	Treasury/Risk Management
Harry AS Sukadis	Member/Independent Commissioner	Accounting/IT/Risk Management
Manggi T Habir	Member/ Independent Commissioner	Credit/Finance/Risk Management/Corporate Governance
Setiawan Kriswanto	Member/ Independent Commissioner	Accounting /Risk Management

Hadi Indraprasta	Member/ Independent Commissioner	Accounting /Risk Management
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Composition Risk Monitoring Committee Structure is the same with Audit Committee, where at least 51% of Audit Committee members are either Independent Commissioners and/or Independent Parties.

II.2.B. Duties and Responsibilities

The Risk Monitoring Committee evaluates the consistency and adequacy between risk management policies and their implementation; and the actual implementation of those policies. In 2007, the Risk Monitoring Committee has evaluated the Bank's risk management policies and their implementation. Throughout the year, the Committee has also monitored and evaluated the tasks performed by the Risk Management Committee and the Risk Management Work Unit. As of 31 December 2007, the Risk Monitoring Committee consisted of 6 members, including Chairman of the Committee. Throughout 2007, the Committee has conducted 12 meetings.

II.2.C. Risk Monitoring Committee Program and Realization

2007 Program	Realization
Conduct monthly meeting	Monthly
Evaluate risk management policy and implementation.	Done
Monitor and evaluate the performance of the Risk Management Unit, and report findings to the Board of Commissioners.	Done

II.3. NOMINATION & REMUNERATION COMMITTEE

II.3.A. Structure, Membership, Expertise and Independency

As per December 2007, the members of the Nomination and Remuneration Committee are:

Name	Position	Expertise
JB Kristiadi	Chairman/ Independent Commissioner	Finance/Risk Management
Ng Kee Choe	Member/Chairman of Board of Commissioner	Credit/Finance, Human resources,/Treasury/Risk Management
Harry Sukadis	Member/Independent Commissioner	Accounting/IT/Risk Management
Milan R Shuster	Member/ Independent Commissioner	Credit/Finance/Risk Management

Maria Theodora	Member/ Executive*)	Human Resources
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*) Executive who supervise the human resources and has knowledge and regulation of nomination and remuneration and succession plan.

Nomination and Remuneration Committee members are 5 (five) persons and 3 are Independent Commissioners. The composition fulfills the BI regulation.

II.3.B. Duties and Responsibilities

The Committee nominates potential candidates for positions in the BoD and BoC. It also facilitates regular appraisals of the BoD with respect to their managerial duties, and in so doing, establishes clear criteria governing the level of skills and number of Directors required, and oversees succession planning. The Committee ensures that remuneration levels are appropriate by virtue of the financial risks, demands and prerequisites of each role, and monitors remuneration policies. The Committee recommends suitable incentive programmes involving bonus payments or ownership of bank shares to the BoD, and ensures information disclosure to the public fully complies with all prevailing regulations. In 2007, the Committee has reviewed the remuneration policies for members of the BoC and BoD and submitted its recommendation to the GMS. The Committee also reviewed the remuneration policies for Senior Executives and employees, and submitted its recommendation to the BoD. Related to its duties, the Committee has developed nomination procedure for members of both Boards to be submitted to the GMS.

II.3.D. Nomination and Remuneration Committee Program and Realization

2007 Program	Realization
Bonus Discussion	Done
Long Term Compensation Plan	Done
Candidate recruitment for BOD	Done

II.4. GOOD CORPORATE GOVERNANCE COMMITTEE

II.4.A. Structure, Membership, Expertise and Independency

Although the establishment of Corporate Governance is not mandatory in the BI regulation, Bank Danamon initiated the forming of the GCG committee. As per December 2007, the Corporate Governance Committee members are:

Name	Position	Expertise
Manggi Habir	Chairman/ Independent Commissioner	Credit/Finance/Risk Management/Corporate Governance

JB Kristiadi	Member/ Independent Commissioner	Finance/Risk Management
Gan Chee Yen	Member/Commissioner	Accounting/Finance/Risk Management

II.4.B. Duties and Responsibilities

The Committee's main role and responsibility is to oversee the Bank's governance, which includes ensuring sufficient disclosure and transparency as well as fairness on information to ensure equitable treatment to all shareholders. It also reviews the Code of Ethics for executives, employees and directors.

II.4.C. Good Corporate Governance Committee Program and Realization

2007 Program	Realization
Applying the GCG principles in Annual Report	Done
Single Presence Policy (SPP) fulfillment at December 2007	Done, bank has submitted the SPP fulfillment plan to Bank Indonesia
Good Corporate Governance adherence	Done, since June 2007 Bank Danamon has fulfilled all BI regulation of GCG

II.5. ATTENDANCE

In 2007, the decision-making in committee meetings under the BoC had been adopted based on the principle of deliberation to reach consensus, and if no decision was reached by consensus, decision shall be made by majority vote. All resolutions of the meetings had been drawn up in minutes of meeting, including the dissenting opinions. The minutes of meeting are dully documented by Bank Danamon.

Presence

	Audit Committee	Risk Monitoring Committee	Nomination & Remuneration Committee	Good Corporate Governance Committee
Meeting Frequency	12	12	4	2
Presence				
Ng Kee Choe			4	
Milan R Shuster	12	12	4	
Harry A.S. Sukadis	10	10	4	
Manggi Taruna Habir	12	12		2
Victor Liew Cheng San	12	12	4	

JB Kristiadi				2
Gan Che Yen				2
Setiawan Kriswanto	12	12		
Hadi Indraprasta	12	12		
Maria T Kurniawati			3	

II.6. COMMITTEE CHARTERS

Each Committee has created the Charter as guideline of the objectives, scope of work and tenure.

III. IMPLEMENTATION OF COMPLIANCE FUNCTION, INTERNAL AUDIT AND EXTERNAL AUDIT

III.1. BANK COMPLIANCE FUNCTION

The Director of Compliance has the task of ensuring the Bank's Compliance to Bank Indonesia regulations and the prevailing laws, by ensuring adherence to the principles of prudence and making sure the Bank's business activities do not deviate from these regulations. This involves monitoring and ensuring the Bank's compliance to all agreements and commitments made by the Bank to the relevant institutions of authority.

One task is to periodically submit a report on the bank's compliance status to the President Director with a copy to the BoC or parties in authority. The appointment of the Director of Compliance is in compliance with prevailing regulations.

The BoD has approved the Bank's policy of Compliance in the form of a formal document regarding an effective function of compliance. The Compliance Director is responsible for communicating all policies, guidelines, systems and procedures to all related levels of organization. He/She is also responsible for creating and implementing an effective and integrated compliance system for the Bank. Bank Danamon's compliance monitoring function extends to its subsidiaries.

Regulatory Compliance

Item	Status	Note
Capital Adequacy Ratio (CAR)	in compliance	Danamon's CAR stood at 19,16% (with market risk charge) as of 31 December 2007, which is above the 8% minimum requirement set by Bank Indonesia.
Minimum Reserve Requirements	in compliance	The Bank's Minimum Reserve Requirements (Rupiah) was 8,29%.
Non Performing Loans (NPL)	in compliance	The gross NPL ratio as of 31 December 2007 was 2,27%. Net stood at 1,04%.

Net Open Position (NOP)	in compliance	The bank's NOP as of 31 December 2007 was 5,83% compared to the regulation of Bank Indonesia which stipulates a maximum of 20% equity.
Legal Lending Limit (LLL)	in compliance	As of 31 December 2007 there were no loans to any individual debtors or group of debtors that did not comply with the LLL requirements of Bank Indonesia.
Anti Money Laundering	in compliance	Danamon is in compliance with money laundering legislation and Bank Indonesia regulations. Specific training courses are carried out to ensure all business and support units are properly briefed and trained on the prevention and recognition of money laundering

III.2. INTERNAL AUDIT FUNCTION

Internal Audit is an independent function reporting directly to the President Director and to the BoC through the Audit Committee. Their objective is to provide independent and objective findings and recommendations to improve the bank's operations. Internal Audit's systematic and disciplined approach assists the bank with the evaluation and improvement of effective risk management, control, and governance processes. In doing so, Internal Audit works closely with the Compliance, Risk Management, and Financial Control departments. Internal Audit also works with the External Auditor on matters of mutual interest and coordinates audit efforts. Internal Audit encompasses all lines of business, product groups and support functions in Head Office, the regional offices and the branches. There are seven regional audit heads, all of whom report directly to Head Office – Internal Audit. Internal Audit has unrestricted access to all functions, records, property and personnel of the bank and its subsidiaries (as per the approved Internal Audit Charter by the President Director and BoC). Internal Audit works in compliance with the BI standard for implementation of Internal Audit Functions (SPFAIB) as per BI Regulation No. 1/6/ PBI/1999 dated 20 September 1999 and International Standards for the Professional Practice of Internal Auditing and The Institute of Internal Auditors. Audit results will be distributed through an audit report to relevant parties including the President Director, the Integrated Risk Head and the Compliance Director. On a monthly basis, a summary of all audit issues is presented to the BoD for constructive discussion. On a separate basis, Internal Audit also holds monthly meetings with the Audit Committee.

To achieve better audit quality in 2007, Internal Audit Work Unit has implemented 2 new audit methodologies:

(1) Integrated Audit approach (for major Head Office audit entities). The specialized audit team (Credit Audit, Product Audit, Support Audit) on an integrated basis with IT Audit perform the audit review on risk based auditing platform to audit the major Head Office audit entities. (2) Process Control Oversight (for Danamon Simpan Pinjam audit entities). The improvements to the audit methodology will enable a more comprehensive review of the critical processes being audited by the integrated audit team.

The scope of the review encompasses auditing effectiveness of Credit Control and Operations Control. The Process Control Oversight (called as Cluster Audit Approach) have brought some benefits, such as review and strengthening the control functions while assessing the adequacy of control in each Cluster.

III.3. EXTERNAL AUDIT FUNCTION

The Audit Committee requires the external auditor to confirm that they have maintained their independence. The Company's external auditor gives assurance to the Risk and Audit Committee that they have complied with the independence standards, promulgated by local and overseas regulators and professional bodies. The public accounting firm of KPMG Sidharta Sidharta & Widjaja was appointed as the independent auditor to audit the Bank's financial statements for the year ending 31 December 2007 at a total estimated cost of Rp 4.4 billion including 10% VAT. The appointed Independent Auditor has certified that there was no conflict of interest in their audit works.

IV. RISK MANAGEMENT IMPLEMENTATION, INCLUDING THE INTERNAL CONTROL

IV.1. ACTIVE SUPERVISION OF BoC AND BoD

The BoC has a clear description of its duties and responsibilities. This covers, among others, approving and evaluating the risk management policy; evaluating the BoD's responsibility for implementing the risk management policy; evaluating and deciding on the Directors request relating to transactions requiring approval from the BoC.

The BoD has a clear description of its duties and responsibilities, covering among others, reviewing the risk evaluation methodology; the adequacy of implementation of the Management Information System and accuracy of policies, procedures and stipulating of limits; providing quality resources to complete risk management projects; planning and improving the quality of risk management skills on a periodic and systematic basis.

IV.2. ADEQUACY OF POLICIES, PROCEDURES AND SETTING OF LIMITS

The Bank has its own risk policy, procedures and limits. These policies effectively identify, measures, monitors and control the Bank's risks. In addition, the Bank has in place an adequate risk management information system and a reliable internal control system.

IV.3. IDENTIFICATION PROCESS ADEQUACY, MEASUREMENT, SUPERVISION, RISK CONTROL, AND RISK MANAGEMENT INFORMATION SYSTEM

Bank has in place an adequate and reliable risk management information system that identifies measures and controls risk.

V. FUND PROVISION TO RELATED PARTIES AND LARGE EXPOSURES

No.	Fund Provision	Debtors	Outstanding Amount (Rp million)
1	Related Parties	7	1.117.204
2	Group / The Biggest Debtor	25	5.545.008

VI. BANK STRATEGIC PLAN

The BoD has informed the corporate plan and business plan to the controlling shareholder and to the whole organization so that the plan can be implemented effectively.

The business plan created is based on Bank Indonesia’s regulation on corporate plan, which addresses all relevant risks and emphasizes prudential banking. The plan has been reviewed by the BoC.

VI.1. SHORT TERM AND MID TERM PLANNING

VI.1.A. Short Term Plan (1 Year)

In the short term, Bank Danamon has the following strategic priority:

- Accelerate the growth of microfinance and loans to the small medium enterprise and commercial segments.
- Strengthen the retail *franchise*, network and product.
- Improve the products and services to corporate banking customers;
- Extend operational efficiency with the implementation of *Operational Excellence* in all business segments
- Increase the reliability, scale and flexibility of the New Core Banking System (NCBS), which will be extended to Danamon Simpan Pinjam by April 2008, and further to the conventional branches by October 2008. Develop internet and mobile phone banking for the retail segment.
- Increase the bank’s scale through the acquisition of banks, securities, insurance.

VI.1.B. Mid Term Plan (3-5 Years)

In 3-5 years ahead, the banking sector faces a consolidation trend. The Bank would like to be an international bank as defined under the Indonesian Banking Architecture plan (API). Our Business Plan has been based on an organic growth strategy, but we always look for opportunities to accelerate our growth through merger and acquisition as well. Danamon is qualified to become the Anchor Bank in Bank Indonesia’s vision. We have a good *track record* in *merging* 9 banks in 2000, and acquiring PT Adira Dinamika Multi finance (“Adira Finance”), PT Adira Quantum Multifinance (“Adira Quantum”), and PT Asuransi Adira Dinamika (“Adira Insurance”). We will assess the potential of

acquiring other financial institutions to develop the market segment and to grow our product and services to our customers.

VII. TRANSPARENCY OF FINANCIAL AND NON FINANCIAL REPORTS

The Bank has maintained a high level of financial and non financial transparency to our stakeholders. This includes, among others, our Quarterly Financial Reports and other Bank Reports submitted to Bank Indonesia and the Capital Markets Supervisory Board (Bapepam-LK) and other stakeholders as regulated.

The Bank is required to publish reports as regulated by Bank Indonesia. This includes, among others, Bank Financials, Bank Product Information and The Usage of Customer Data, processing of customer complaint procedure, and the Bank's Annual Report to numerous entities, such as, Bank Indonesia, YLKI, Rating Agency, Bank Association, LPPI, Badan Pengawas Pasar Modal, Minister of Trade, Minister of Industry, 2 (two) Research Agency in Bank and Finance, 2 (two) Economic and Finance magazines.

The reports published have been transparent and timely presented in the Bank's website in line with the regulation. This includes our Annual Report and Quarterly reports published in at least 1 (one) Indonesia newspaper.

VIII. SHARE OWNERSHIP OF BoC AND BoD OF MORE THAN 5% OF THE BANK'S EQUITY

As of 31 December 2007, BoC and BoD members do not have 5% or more shareholdings in Bank Danamon, other banks; other non bank financial institutions, both domestic and foreign.

IX. FINANCIAL AND FAMILY RELATION OF MEMBERS OF BoC AND BoD WITH BoC AND BoD AND/OR WITH CONTROLLING SHAREHOLDERS.

Except the President Commissioner and two other Commissioners who have financial relations with the controlling shareholder, every other member of the BoC and BoD do not have financial or family relations with other BoC and BoD member and/or with the bank controlling shareholder, that might affect their independence.

X. REMUNERATION AND OTHER FACILITIES FOR BOARD OF COMMISSIONERS AND DIRECTOR

During the 2007 period, the amount of remuneration paid in the form of salaries and other benefits to the Board of Commissioners and Board of Directors were as follows:

Remuneration of the Board of Commissioners and Board of Directors

Remuneration and other facilities		Amount in 1 Year			
		Board of Commissioners		Directors	
		Million Person	Million Rupiah	Million Person	Million Rupiah
1	Remuneration (salary, bonus, benefit, compensation based on stock, tantiem and other non-natura facilities)	7	9,864,261,990	7	24,321,411,553
2	Other facilities in natura (housing, transportation, health insurance etc) which *) :				
	a. can be possessed		1,125,000,000		6,300,000,000
	b. can not be possessed		972,000,000		2,208,000,000
*) equivalent in Rupiah					

Remuneration per person in 1 year*)	Number Directors	Number Commissioners
Above 2 billion	7	7
Above 1 billion up to 2 billion	-	-
Above 500 million to 1 billion	-	-
Under 500 million	-	-
*) in cash		

E/MSOP Policy

In line with our mission to be an employer of choice, Bank Danamon launched an Employee/Management Share Option Plan (E/MSOP) in 2004. The principle objectives included retaining employees whose contributions are essential to the success and prosperity of the bank, and recognising outstanding members of the Board of Directors and senior employees who have contributed to the growth and profitability of the bank.

- Member of the Board of Directors and senior employees are eligible for E/MSOP subject to individual performance conditions set out by the relevant Committees. In order to avoid any conflict of interest, members of the Board of Commissioners will not participate in the E/MSOP as they are responsible for determining the compensation paid to management.
- The bank will grant options to eligible persons to subscribe for the shares of the bank up to a maximum of 5% of the total issued and fully paid up shares in the bank as of 26 March 2004, or in aggregate, 245,346,100 shares Series B, each share having a par value of Rp. 500. The total accumulated grants issued in 2004, 2005 and 2006 were 164,125,000 options, 225,196,800 options, and 254,638,300 options respectively. The compensation costs associated with E/MSOP were Rp. 37 billion in 2004, Rp. 109 billion in 2005, and Rp. 107 billion in 2006.
- Committee I (comprising members of the Board of Commissioners) determines the allocation and distribution of options to eligible members of the bank's Board of Directors, and Committee II (consisting of the members of the Board of Directors) performs the same task in the case of senior employees.
- The Vesting Period is structured such that the options will be vested in stages. The options will continue to be in force for a maximum period of five years commencing from the respective Grant Dates. The option price is reset for every allocation granted to ensure fairness and proper alignment of the interests of employees with all stakeholders.

As December 2007, the Directors of Bank Danamon who have stock options are:

Name	# Outstanding stock owned	Outstanding Option		Option price in Rp	Term
		# outstanding stock given	# Executed stock		
Board of Commissioners					
Ng Kee Choe JB Kristiadi Gan Che Yen Victor Liew Milan Shuster Harry Sukadis Manggi Habir	50.000				
Total	50.000				

DIRECTOR					
Sebastian Paredes	3.403.200	17.514.000	33.877.200	5.173	3 tahun
Muliadi Rahardja					
Sanjiv Malhotra					
Anika Faisal					
Hendarin Sukarmadji		7.719.000		4.353	
Ali Yong					
Vera Eve Lim		41.916.000		2.451	
Pejabat Eksekutif					
Total	3.403.200		33.877.200		

XI. SHARES OWNERSHIP

As of 31 December 2007, the total shareholdings held by members of both Boards were less than 0.07% of the bank's ordinary shares during the year.

Share Ownership

Shareholder Name	Number of Shares	% of Total Issued Shares
Ng Kee Choe	50,000	0.0010%
Sebastian Paredes	477,000	0.0095%
Muliadi Rahardja	2,114,000	0.0420%
Anika Faisal	812,200	0.0161%

XII. RATIOS OF THE HIGHEST AND THE LOWEST SALARY

	Ratio
The Highest Employee – The Lowest Employee	80.0 x
The Highest Director – The Lowest Director	3.4 x
The Highest Commissioner – The Lowest Commissioner	1.5 x
The Highest Director – The Highest Employee	3.4 x

XIII. BoC MEETING FREQUENCY

Has been explained in the previous section

XIV. NUMBER OF INTERNAL FRAUDS

Internal Fraud	Number of cases which involve					
	Management		Permanent Employee		Contract Employee	
	2006	2007	2006	2007	2006	2007
Total internal fraud	-	-	5	8	-	-
Has been settled	-	-	5	8	-	-
Being process internal	-	-	-	-	-	-
Pending Process	-	-	-	-	-	-
Has been followed up through Legal Action	-	-	2	2	-	-

XV. LEGAL CASES

Legal Cases	Number of Cases	
	Civil	Criminal
Has been settled	40	37
Outstanding process	103	37
Total	143	74

XVI. CONFLICT OF INTEREST TRANSACTION

During 2007, there has been no conflict of interest transaction in Bank Danamon.

No	Name and position who have conflict of Interest	Name and position decision maker	Transaction	Amount of Transaction (Rp million)	Note ^{*)}
-	-	-	-	-	-

^{*)} not according the standard operating procedure

XVII. SHARES AND BONDS BUY BACK

During 2007, Bank Danamon did not undertake any buy back of shares and bonds.

XVIII. FUND CONTRIBUTION FOR SOCIAL AND POLITIC ACTIVITIES

Bank Danamon policy states that the bank is not allowed makes fund contribution for any political activities.

Awareness of the important relationship between company and its surrounding community has grown and resulted in the creation of Yayasan Danamon Peduli Foundation on February 17, 2006. This foundation was established by PT Bank Danamon Indonesia Tbk and PT Adira Dinamika Multifinance Tbk. Through the foundation, Bank Danamon and Adira plans to improve the welfare of its surrounding community through numerous programs, which involve the active participation of Bank Danamon staff as volunteers.

Danamon Peduli's number one program is the traditional market revitalization or **My Market: Clean. Healthy. Prosperous**. This program is carried out in cooperation with Danamon Simpan Pinjam (DSP) all over Indonesia. In 2007, Danamon Peduli and DSP have carried out this program in more than 1,000 markets. The program involved 11,194 volunteers and touched 558,785 beneficiaries.

Quality of the program has also risen significantly. It focused on small scale infrastructure developments such as improvement of bath and toilet facilities, *paveway*, production of zone and market name signage, procurement of communication tools, donation of fogging tools and free medical check up and consultation. Competition of DSP clusters were held in Yogyakarta dan Semarang and pilot projects of market's garbage conversion carried out at Ciputat, Bantul dan Sragen wet markets.

Number two program of Danamon Peduli is **3R: Relief. Recovery. Rebuild**. The program is designed to enable Bank Danamon to be the first in responding to any suffering caused by natural disasters. In 2007, there were 24 programs that helped people coping with flood, volcano eruption, earthquake and fire in markets all over Indonesia. It involved 311 volunteers and reached 25,667 beneficiaries.

Number three program is the **Aceh, Yogyakarta and Central Java Reconstruction**. Every projects financed by Dompok Peduli Aceh and Dompok Peduli Yogyakarta/ Jawa Tengah will be completed in the first quarter of 2008.

- Aceh/ Nias Reconstruction Project in Pasar Lambaro project has been completed in 21 December 2007. The Regent of Aceh Besar was in attendance during the project turn over ceremony. The development of public toilet in Nias and Pasar Upah in Aceh Tamiang project will be completed in the third week of February 2008.
- The Reconstruction Yogyakarta/ Jawa Tengah project that will be completed in 22 February 2008 are:
 1. The development of five Culture House (Sanggar Budaya) in Brebah, Celeban, Sorowulan, Nglangran, and Lendah consisting of: culture stage, classroom in each culture houses equips with 10 computer units and public toilet
 2. The development of public facilities in Pasar Piyungan consisting of culture stage , public toilet and garbage processing unit .

Bank Danamon Contribution

Participants	Contribution
Danamon Peduli Foundation	Rp. 8,874,814,419
State Secretariat Publication	Rp10,000,000
BES - Award of Listing Certification & Talk Show Investment Opportunities 2007	Rp10,000,000
Contribution to Unika Atmajaya -	Rp20,000,000
Nusantara Symphoni Orchestra - "Two Geniuses	Rp20,000,000
Pleno Perbanas I Convention	Rp25,000,000
Ikatan Bankir Indonesia Congress	Rp50,000,000
"Diskusi Panel Leadership & Social Capital" by Fund Asia Education-28 June 2007-Graha Niaga	Rp6,250,000
"Rembug Nasional Peningkatan Daya Saing Bangsa" Seminar by Swa Magazine	Rp50,000,000
Contribution to Perbanas School of Economics	Rp5,900,000
Contribution to ISEI Seminar – Education of Woman Wealth Care	Rp25,000,000
Perbanas & Komite Masyarakat Peduli Perbankan Concert	Rp25,000,000
Yayasan Seni Rupa Indonesia (40 buku)	Rp20,000,000
Nusantara Symphony Orchestra "Great Romantic Music"	Rp100,000,000
Sponsorship for book launching "30 Years Indonesia Capital Market" (BEJ)	Rp5,000,000
"The Indonesian Budget 2007" publication MoF	Rp9,000,000
Contribution to Unika Atmajaya Publication	Rp20,000,000
Contribution to Nusantara Symphony Orchestra "Ombres et Lumieres"	Rp300,000,000
Contribution to University of Indonesia Public eminar	Rp. 50,000,000

ATTACHMENT 1

SUMMARY OF COMPOSITE VALUE CALCULATION

SELF ASSESSMENT GOOD CORPORATE GOVERNANCE


No.	Aspect	Weight	Rank	Value	Notes ^{*)}
		(a)	(b)	(a) x (b)	
1	Implementation and responsibilities of Board of Commissioners	10.00%	2	0.200	<p>Problem identification:</p> <ul style="list-style-type: none"> ▪ Remuneration packet and other facilities of BOC is not appropriate according SEBI 9/12/DPNP date 30 May 2007. ▪ <i>Shares option</i> Policy, total shares for executive, total option and option price received and executed by BOC is not appropriate according SEBI 9/12/DPNP date 30 May 2007. <p>Action plan:</p> <ul style="list-style-type: none"> ▪ Information related the 2 (dua) points above will be revised and submitted to the Bank Indonesia on July 2008.
2	Implementation and responsibilities of Board of Commissioners	20.00%	2	0.400	<p>Problem identification:</p> <ul style="list-style-type: none"> • Remuneration Packet and other facilities for BOD is not appropriate according SEBI 9/12/DPNP date 30 May 2007. ▪ The <i>shares option</i> policy, total shares for executive, total option and option price received and executed by BOD is not appropriate according SEBI 9/12/DPNP date 30 May 2007. <p>Action plan:</p> <ul style="list-style-type: none"> ▪ Information related the 2 (two) points above will be revised and submitted to Bank Indonesia on July 2008.

3	Compleatness and implementation of Committee duties	10.00%	2	0.200	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> Bank does not identify potential problem of completeness and implementation of Committee duties. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> The minutes of Nomination and Remuneration Committee will be submitted to fulfill the compleatness and implementation of committee duties on revised GCG implementation report on July.
4	Conflict of interest handling	10.00%	2	0.200	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> Bank does not identify any potential problem in handling conflict of interest. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> Bank Danamon will always handling the conflict of interest according the related regulation.
5	Implementation of bank Compliance function	5.00%	2	0.100	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> Bank does not identify any potential problem in implementation of bank compliance function.. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> Bank Danamon will always run the compliance function according the related regulation.
6	Implementation of Internal Audit function	5.00%	2	0.100	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> Bank does not identify any potential problem in implementation of Internal Audit bank function. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> Bank Danamon will always run the the internal audit function according the related regulation.

7	Implementation of External Audit bank function	5.00%	2	0.100	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> ▪ Bank does not identify any potential problem in implementation of External Audit bank function. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> ▪ Bank Danamon will always run the external audit function according the related External Audit function.
8	Implementation of Risk Management and Internal Control	7.50%	2	0.150	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> ▪ Bank does not identify any potential problem in implementation of Risk Management and Internal Control. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> ▪ Bank Danamon will always run the risk management and internal control according the related regulation.
9	Fund provision to related parties and large exposures	7.50%	2	0.150	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> ▪ Bank does not identify any potential problem in implementation of fund provision to related parties and large exposure. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> ▪ Bank Danamon will always run fund provision to related parties and large exposure according the related regulation.
10	Transparency of Financial and Non Financial, GCG Implementation Report and Internal Report	15.00%	2	0.300	<p><u>Problem identification:</u></p> <ul style="list-style-type: none"> • Bank doesn't identify any potential problem in Transparency of Financial and Non Financial, GCG Implementation Report and Internal Report. <p><u>Action plan:</u></p> <ul style="list-style-type: none"> ▪ Bank Danamon will always run transparency of financial and non financial, gcg implementation report and internal report function according the related

					regulation.
11	Bank Strategic Plan	5.00%	2	0.100	<p>Problem identification:</p> <ul style="list-style-type: none"> Bank does not identify any potential problem in implementation of bank strategic plan. <p>Action plan:</p> <ul style="list-style-type: none"> Bank Danamon will always implement the strategic plan according the related regulation.
Composite Value		100.00%		2.000	

PT Bank Danamon Indonesia Tbk.,



Ng Kee Choo
President Commissioner



Sebastian Paredes
President Director

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