



# Report of Good Corporate Governance Implementation 2008



# Untuk Anda, Bisa



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**Good Corporate Governance Implementation Report  
PT. Bank Danamon Indonesia, Tbk.  
Year 2008**

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**PT Bank Danamon Indonesia Tbk**  
Menara Bank Danamon  
Jl. Prof. Dr. Satrio Kav. E 4 No.6  
Mega Kuningan, Jakarta 12950  
Phn: 62 21 5799 1001-03  
Fax: 62 21 5799 1160  
[www.danamon.co.id](http://www.danamon.co.id)

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With reference to Bank Indonesia Regulation on Good Corporate Governance (GCG) implementation we issue this GCG report, which contains PT Bank Danamon Indonesia Tbk's ("the Bank") implementation of GCG in a transparent way and the result of Bank's *self-assessment* on GCG implementation.

The Bank is committed to apply GCG principles in all functions areas and lines of businesses. The Bank believes that implementation of GCG will help achieve its targets and will generate benefits in the long-term for all stakeholders concerned.

## **1. THE BANK'S GOOD CORPORATE GOVERNANCE STRUCTURE**

### **1.1. General Meeting of Shareholders**

The General Meeting of Shareholders (Bank's GMS) appoints and dismisses members of the Board of Commissioners (BoC) and Board of Directors (BoD), approves amendments to the Article of Association, approves the Bank's annual report, appoints the Bank's external auditor and determines remuneration for members of the BoC and the BoD. Bank's GMS has authorized the BoC to determine remuneration and other allowances for members of the BoD. And, after resolving the total amount of BoC members' remuneration and allowance, Bank's GMS authorized the Bank's President Commissioner to determine the remuneration and allowance for each member of the BoC.

The Bank held one GMS and one Extraordinary GMS in 2008. Several important resolutions resulting from such meetings are as follows:

- Approved the Annual Report of the Bank for fiscal year ending on December 31, 2007;
- Ratified the financial statements of the fiscal year ending on December 31, 2007 which was audited by Siddharta Sidharta & Widjaja, a member firm of KPMG International Accountant, Public Auditor;
- Ratified the Bank's 2007 net profit of IDR 2,116,915,000,000.
- Approved the appointment of Krisna Wijaya as Commissioner, Joseph Fellipus Peter Luhukay as Vice President Director, Herry Hykmanto as Director and Kanchan Nijasure as Director.

### **1.2. Board of Commissioners and Board of Directors**

The BoC and BoD roles are important. The roles and responsibilities of both Boards are determined in the Articles of Association and are in accordance with the Company Law and Bank Indonesia. In accordance with paragraph 5 and 6 of article 92 of the Company Law, the delegation of Bank's BoD roles and responsibilities are determined by a BoD's decree

On 16 January 2007, the Bank established the charter of the BoC and BoD as reference for both Boards. To be consistent with the latest regulatory changes, the BoD charter has been revised twice on 4 July 2007 and on September 10, 2008.

## **2. BOARD OF COMMISSIONERS**

### **2.1. Number, Composition, Criteria & Independency**

As of 31 December 2008, there are 8 BoC members. This number does not exceed the number of BoD members which is also 8 persons. The BoC composition complies with the expatriate regulation requiring that 50% or more members of the BoC must be Indonesian citizens. Currently 4 out of the 8 members are Indonesian citizens. Meanwhile, BoC members domiciled in Indonesia consist of J.B. Kristiadi, Manggi T. Habir, Harry Arief Soepardi Sukadis, and Krisna Wijaya.

Independent Commissioners are members of the Bank's BoC having no financial relation, management, share ownership and/or family relationship with other BoC members and/or the Bank's controlling shareholder or any other relation with the Bank, which may influence their capacity to act independently. The four Independent Commissioners are J.B. Kristiadi, Milan Robert Shuster, Harry Arief Soepardi Sukadis, and Manggi T. Habir. Meanwhile, the remaining BoC members are Ng Kee Choe, Gan Che Yen, Victor Liew Cheng San, and Krisna Wijaya.

All members of the BoC do not have any concurrent positions that are prohibited by Bank Indonesia Regulation on GCG. Such Bank Indonesia Regulation stipulates BoC and BoD members may only have concurrent positions as members of BoC and BoD or senior management in one non-financial company, or members of BoC and BoD or senior management in a supervisory role in its subsidiary companies controlled by the Bank or member of the BoC of a non profit organization or institution, as long as the roles and responsibilities of the Bank's BoC are not neglected..

### **2.2. Roles and Responsibilities**

The BoC must assure implementation of GCG principles in each aspect and across the Bank, hence the BoC established the Corporate Governance Committee as an effort to assure implementation of GCG principles covering the four areas of Transparency, Accountability, Responsibility, Independency and Fairness.

The Bank's Article of Association stipulates that the BoC's role is to supervise the BoD in managing the Bank, to give inputs and execute other responsibilities as stipulated in the Article of Association. In implementing its responsibilities, the BoC is supported by the Audit Committee, Risk Monitoring Committee, Remuneration & Nomination Committee and Corporate Governance Committee.

Through its Committees, the BoC oversees the roles and responsibilities of the BoD and in the process provides advice and suggestions when and where it feels necessary

As noted in the Company Law No. 40, Bank Indonesia Regulation no. 8/4/PBI/2006 and no. 8/14/PBI/2006, the BoC has the responsibility to supervise

BoD, and thus does not involve itself in any decision making over the Bank's daily operational activity.

Article 12 Section 4, in the Bank's Article of Association, regulates the role of the BoC in special and specific transactions, among others, lending to related parties, binding the Bank as guarantor, establishing a new company, and approving write offs above a certain limit. The BoC's involvement in transactions above a certain amount is regulated further through Circular Resolution of the BoC, (in lieu of Resolutions adopted at a meeting of the BoC no. KSR – Kom.Corp.Sec-002 dated September 28,2007).

Up to end-December 2008, the BoC has not found any violation of any financial and banking regulation or situations that could jeopardize the continuity of the Bank. The minutes of meeting of BoC and Committee meeting throughout 2008 reflected the BoC's dispensing of its roles and responsibilities in an independent manner.

### **2.3. Board of Commissioners Supervision and Recommendations**

During 2008, the BoC has invited the BoD to several meetings, some through conference calls, circulation of documents, and emails. In executing its supervisory role, the BoC utilizes its committees, namely the Audit Committee, Risk Monitoring Committee, Remuneration & Nomination Committee and Corporate Governance Committee to interact with the BoD and senior management.

The BoC continuously prioritizes compliances towards all prevailing rules and regulations. During 2008, the Bank has complied with all Bank Indonesia regulations regarding 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).

Externally, the Bank continued to face less favorable economic conditions, with the weakening of the Rupiah coupled with the rise in interest rates towards the end of 2008. In the final quarter of 2008, the global financial crisis affected Indonesia and resulted in a sudden depreciation of the Rupiah (IDR) while commodity prices collapsed. This adversely affected the cashflow of several exporter customers and subsequently their ability to continue servicing their foreign exchange forward contracts. In this regard, the Bank has been negotiating with affected customers to find appropriate solutions and has prudently made appropriate provisions in the fourth quarter of 2008. The Bank has initiated an audit on Treasury's forward derivative activities with the view to identify weaknesses and improve governance and processes. Internally, the Bank faced people turnover, however the rate is currently down to more manageable levels

Full year 2008 Consolidated Net Profit after Tax (NPAT) reached Rp 1.5 trillion, a 28% decline compared to a year ago. This was largely caused by a significant rise in provisioning and the cost of unwinding positions in forward foreign exchange contracts with several export-oriented companies.

Turbulence in the global financial markets also leads to tightening liquidity in the domestic money markets. The BoC focused on Management's extra efforts to improve the Bank's liquidity position, which resulted in improved LDR ratios by the end of year and sufficient USD liquidity to meet repayment of the Bank's Sub debt.

The BoC has also been actively assessing the risk parameters in its Adira subsidiaries and the Bank's Corporate and Financial Institution portfolio.

## 2.4. Fit and Proper Test

Every member of the Bank's BoC possesses a high level of integrity, competence and financial reputation. This is reflected through the fit and proper test conducted by Bank Indonesia, which all members must go through and pass.

### Fit and Proper Test of the Board of Commissioners

Board of Commissioners Name		Effective since		Concludes
		Bank Approval	Indonesia GMS*)	
Ng Kee Choe	President Commissioner	24 May 2006	3 April 2008	GMS 2011
J.B. Kristiadi	Vice President Commissioner/Independent Commissioner	5 December 2005	3 April 2008	GMS 2011
Gan Chee Yen	Commissioner	21 October 2003	3 April 2008	GMS 2011
Victor Liew Cheng San	Commissioner	21 July 2004	3 April 2008	GMS 2011
Milan R. Shuster	Independent Commissioner	5 December 2000	3 April 2008	GMS 2011
Harry A.S. Sukadis	Independent Commissioner	10 September 2003	3 April 2008	GMS 2011
Manggi T. Habir	Independent Commissioner	22 July 2005	3 April 2008	GMS 2011

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Krisna Wijaya	Commissioner	19 June 2008	3 April 2008	GMS 2011
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\*<sup>)</sup> GMS of the reappointment for all members of the BOC except Krisna Wijaya.

## 2.5. Meetings

BoC and Committee meetings are properly minuted signed by the respective Chairman and distributed to all BoC members, as well as to absent members. Dissenting opinions are also noted in the minutes.

Decision making in the BoC is based upon consensus and unanimous decision, or through voting, in the event consensus is not achieved. During 2008, the BoC held seven meetings both in the form of regular meetings and teleconference.

### Attendance

Name	Attendance of the BoC – BoD Meetings (7 times)
<b>Board of Commissioners</b>	
Ng Kee Choe	7 x
J.B. Kristiadi	7x
Gan Che Yen	6 x
Victor Liew Cheng San	7 x
Milan R. Shuster	7 x
Harry A.S. Sukadis	7 x
Manggi Taruna Habir	7 x
Krisna Wijaya*	4 x
* Krisna Wijaya is effectively approved as Bank's Commissioner on 19 June 2008	

During 2008, six of the BoC meetings were held in Jakarta, while one meeting was held in Singapore.

The BoC confirms the following:

1. Number of meeting conducted is in compliance with Bank Indonesia regulation and the BoC charter;
2. All BoC and Committee resolutions have been done based on consensus with unanimous decision; and
3. Resolutions generated are properly noted and documented in the minutes of meeting.



Listed below are important topics discussed in the Bank's BoC meetings for 2008:

<b>Date</b>	<b>Key Agenda</b>
17 January 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. Year To Date (YTD) Financial Performance</li> <li>4. 2008 Business Plan</li> <li>5. Discussion on LLL and proposal Dividend Payment</li> <li>6. Committees Report</li> </ol>
25 February 2008	<ol style="list-style-type: none"> <li>1. Single Presence Policy</li> </ol>
2 April 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. YTD Financial Performance</li> <li>4. Center of Operational Excellence Unit</li> <li>5. Dividend</li> <li>6. Report of Committees</li> <li>7. Nomination &amp; Remuneration Issues Update</li> </ol>
9 June 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. YTD Financial Performance &amp; Acceleration Plan</li> <li>4. Capital Management</li> <li>5. Proposition to execute Danamon's option to purchase the remaining 20% stake in Adira Finance</li> <li>6. HR movements, turnover &amp; hiring</li> <li>7. Danamon International Update</li> <li>8. Available For Sale Bond &amp; Liquidity Update</li> <li>9. Branding Update</li> <li>10. Reports of Committees</li> </ol>
11 August 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. YTD Financial Performance</li> <li>4. Funding Franchise</li> <li>5. Capital Management</li> <li>6. Adira Quantum Capital Injection</li> <li>7. Compliance Director Status</li> <li>8. Reports of Committees</li> <li>9. Other discussions: Regulatory Update, Investment in Micro Lending Finance Company and Risk Management Certification Body (BSMR) Certification Update</li> </ol>
30 October 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. Sub debt Update</li> <li>4. Adira Option Update</li> </ol>

	5. YTD Financial Performance & Capital Adequacy Ratio (CAR) Level 6. Treasury & Liquidity Update 7. Funding Franchise Update 8. Reports of Committees
10-11 December 2008	1. Previous Minutes of Meeting 2. Matters Arising 3. 2008 Outlook & 2009 Business Plan 4. Cost of Credit Discussion 5. Capital Management 6. Funding Franchise & Liquidity 7. HR Update 8. Regulatory Update 9. Adira Issues: Adira Quantum Capital Injection & Adira Quantum Acquisition 10. Reports of Committees

## 2.6. Board of Commissioners Charter

On 16 January 2007, the BoC charter and Employee Code of Ethics were approved by the BoC and BoC. The Code of Ethics becomes a reference for ethical behavior on any relationship between the employees, customers and stakeholders. All employees must understand and accept the Code of Ethics by signing the Code of Ethics statement. The application of the Code of Ethic is supported by training and periodic reviews.

## 2.7. The Board of Commissioners Remuneration

The Board of Commissioners Remuneration (Valued equivalent in million Rupiah)				
		2008	2007	2006
1	Salaries and Allowances	13,574	9,864	12,067
2	Tantieme *	TBD	11,000	7,800
3	Other Benefits in the form of in kind (housing, transportation, health insurance and etc)			
	1. May be owned	1,980	1,125	1,125
	2. May be owned	768	672	768

\* Paid in subsequent year

Notes:

1: Tantieme for BOC fiscal year 2008 will be determined in the Annual General Meeting of Shareholders on 25 May 2009.

Classification of the Board of Commissioners Remuneration

Remuneration amount per person in 1 year *)	Amount of Commissioner
Above 2 billion	8
Above 1 billion up to 2 billion	-
Above 500 million up to 1 billion	-
Below 500 billion	-

\*) received in cash

### 3. AUDIT COMMITTEE REPORT

#### 3.1. Roles and Responsibilities

The Audit Committee reviews the Internal Audit (SKAI) plan, monitors its implementation and evaluates its result. The Audit Committee helps the BoC ensuring the effectiveness of the Bank's internal control and financial reporting process. The Audit Committee also helps the BoC ensures that all follow up actions from SKAI, Public Accountant, and Bank Indonesia audit findings are done on a timely basis. Other responsibilities involve ensuring that the Public Accountant verifies that the Bank's financial reporting fulfills the prevailing accepted accounting standard. The BoC has the authority to appoint a Public Accountant Office listed in Capital Market Supervisory Board – Financial Institutions (Bapepam – LK) to audit the Bank's 2008 financial book as well as determine the appropriate honorarium and other term and conditions relating to the Public Accountant's appointment. The BoC will then decide based on the Audit Committee's recommendation.

In 2008, the Audit Committee has reviewed the Internal Audit (SKAI) plan, monitored its implementation and evaluated its result, as well as ensured that all follow up corrective action has been done on a timely basis. In its audit, SKAI, among others, evaluates the adequacy of the Bank's internal control as well as the financial reporting process.

The Audit Committee has reviewed: the SKAI's reports, ensured that the audit done by the Public Accountant was according to the generally accepted accounting principles, and follow up actions was done by the BoD on audit findings from SKAI, the Public Accountant and Bank Indonesia supervision unit. The Audit Committee has also given recommendations to the BoC regarding the appointment of the Public Accountant for 2008 according to the authority delegated to the BoC by the Annual General Meeting of Shareholders (AGMS) dated 27 March 2007.

### 3.2. Structure, Membership, Expertise and Independency

As per 31 December 2008, members of the Audit Committee consist of:

#### Audit Committee Membership

Name	Position	Expertise
Manggi T. Habir	Chairman/Independent Commissioner	Credit/Finance/Risk Management/Corporate Governance
Victor Liew Cheng San	Member/Commissioner	Treasury/Risk Management
Harry A.S. Sukadis	Member/Independent Commissioner	Accounting/Risk Management/IT
Gan Chee Yen	Member/ Commissioner	Accounting/Finance/Risk Management
Amir Abadi Jusuf	Member/Independent Party	Accounting/Risk Management
Felix Oentoeng Soebagjo	Member/Independent Party	Legal

Independent Commissioners and Independent Parties comprise more than 50% of the Audit Committee composition. The Committee also complies with Bank Indonesia and Bapepam – LK regulations on expertise and independency required for Audit Committee members..

### 3.3. Committee's Meeting and Work Program

During 2008, the Audit Committee held 11 meetings. Attendance record of each member in the Audit Committee meeting is as follow:

#### Attendance in the Audit Committee Meetings

Type of Meeting	Gan Chee Yen	Victor Liew Cheng San	Harry A.S. Sukadis	Manggi T. Habir	Amir Abadi Jusuf	Felix Oentoeng Soebagjo
Audit Committee Meeting (11 times)	8 x	10 x	9 x	10 x	8 x	7 x

The focuses of the Audit Committee during 2008 were:

1. The overall 2008 audit ratings has improved with the total Acceptable audit rating increased to 71% compared to 66% in 2007, while the Unsatisfactory audit rating decreased from 3% to 2%

2. Due to recent depreciation of Rupiah and the collapse of export commodity prices, some export-oriented customers faced difficulty in servicing their foreign exchange forward contracts. An audit has been conducted to review all such transactions. The Audit Committee has discussed the result with Management and the BoC and a task force has been set up to rectify SKAI audit findings.
3. During 2008, there were 21 fraud cases amounting to net fraud loss of Rp 12.9 billion, the ratio of Gross Fraud loss over Gross Income was 0.29% for 2006, 0.30% for 2007 and 0.37% for 2008.

Highlighted below are key activities of the Bank's Audit Committee during 2008:

Date	Key Agenda
31 January 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. External Auditor – KPMG Update</li> <li>4. SKAI Update</li> <li>5. Others (SKAI Charter)</li> <li>6. Date of next meeting</li> </ol>
26 February 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. External Auditor – KPMG Update</li> <li>4. Audit Plan 2008 (Review)</li> <li>5. BI Audit Realization Semi Annual Report (Semester II 2007)</li> <li>6. SKAI Update</li> <li>7. BOC Semi Annual Report to BI (Semester II 2007)</li> <li>8. Others</li> <li>9. Date of next meeting</li> </ol>
1 April 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. External Auditor – KPMG Update</li> <li>4. SKAI Update</li> <li>5. Others</li> <li>6. Date of next meeting</li> </ol>
29 April 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. SKAI Update</li> <li>4. Others</li> <li>5. Date of next meeting</li> </ol>
9 June 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. Self Employed Mass Market (SEMM) Update</li> </ol>



	<ol style="list-style-type: none"> <li>4. Treasury Operational</li> <li>5. SKAI Update</li> <li>6. Others</li> <li>7. Date of next meeting</li> </ol>
9 July 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. Reappointment of External Auditor (KPMG)</li> <li>4. Others</li> <li>5. Date of next meeting</li> </ol>
11 August 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. SEMM Update</li> <li>4. SKAI Update</li> <li>5. Others</li> <li>6. Date of next meeting</li> </ol>
25 September 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. SEMM Update</li> <li>4. External Auditor – KPMG Update</li> <li>5. SKAI Update</li> <li>6. Others</li> <li>7. Date of next meeting</li> </ol>
30 October 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. SEMM Monthly Update</li> <li>4. SKAI Update</li> <li>5. External Auditor – KPMG Update</li> <li>6. Others</li> <li>7. Date of next meeting</li> </ol>
24 November 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. External Auditor – KPMG Monthly Update</li> <li>4. SKAI Update</li> <li>5. SEMM Monthly Update</li> <li>6. BRI- Crisis – Micro banking</li> <li>7. Others</li> <li>8. Date of next meeting</li> </ol>
10 December 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes of Meeting</li> <li>2. Matters Arising</li> <li>3. External Auditor – KPMG Monthly Update</li> <li>3. SKAI Update</li> <li>4. Others</li> <li>5. Date of next meeting</li> </ol>

Main activities of the Audit Committee in 2008 are as follows:

Activities year 2008	Realization
Monthly meetings according to the schedule	11 meeting
Reviews on financial information before publication	Done
Follow up upon findings from SKAI, Public Accountant and Bank Indonesia Audit	Done
Recommendation on Public Accountant and Public Accountant Office to the Board of Commissioners through AGMS	Done
SKAI and Public Accountant Monitoring	Done

### 3.5. Audit Committee Charter

On 25 October 2006, the Audit Committee Charter was established, as reference for the committee to dispense its roles and responsibilities according to Bank Indonesia and other prevailing rules and regulations.

## 4. RISK MONITORING COMMITTEE REPORT

### 4.1. The Risk Monitoring Committee Roles and Responsibilities

The Risk Monitoring Committee is established by the Board of Commissioners with the following roles and responsibilities:

1. Identify and monitor various potential risks faced by the Bank, consisting of credit risk, market risk, liquidity risk, legal risk, compliance risk, strategic risk, reputation risk and other risks.
2. Assess the appropriateness of the Bank's strategy, internal control system and risk management policies in addressing those risks.
3. Monitor the conformity of various policies and implementation of risk management with the Bank's risk profile and with existing regulations
4. Evaluate various risk management models and policies at its own initiative or at the request of the BoC
5. Monitor and recommend improvements in the Bank's risk management system and policies

### 4.2. Structure, Membership, Expertise and Independency

As per 31 December 2008, members of the Bank's Risk Monitoring Committee consist of:

#### Membership of the Risk Monitoring Committee

Name	Position	Expertise
Milan R. Shuster	Chairman/Independent Commissioner	Credit/Finance/Risk Management
Victor Liew Cheng San	Member/Commissioner	Treasury/Risk Management
Harry A.S. Sukadis	Member/Independent Commissioner	Accounting/IT/ Risk Management
Manggi T. Habir	Member /Independent Commissioner	Credit/Finance/Risk Management/Corporate Governance
Gan Chee Yen	Member/ Commissioner	Accounting/Finance/Risk Management
Krisna Wijaya	Member/Commissioner	Credit/Finance/Capital Market/Risk Management
Amir Abadi Jusuf	Member/Independent Party	Accounting/Risk Management
Felix Oentoeng Soebagjo	Member/Independent Party	Legal

The composition of the Risk Monitoring Committee is the same as the composition of the Audit Committee, where at least 51% of its members are consisting of both Independent Commissioners and Independent Parties.

The structure, composition, expertise and independence criteria of the Risk Monitoring Committee are in compliance with Bank Indonesia regulations.

#### 4.3. Committee's Meeting and Work Program

During 2008, the Risk Monitoring Committee held 11 meetings. Attendance of each member of the Risk Monitoring Committee is as follows:

Type of Meeting	Milan R Shuster	Victor Liew Cheng San	Harry AS Sukadis	Manggi T Habir	Amir Abadi Jusuf	Felix Soebagja
Risk Monitoring Committee (11 times)	11 x	10 x	9 x	10 x	8 x	7 x

The focuses of the Risk Monitoring Committee during 2008 were:

1. To improve the Bank's liquidity position, the Committee has regularly requested Treasury and Market risk to provide updates as well as requested the

Consumer Retail unit to improve the mobilization of third party liabilities through more effective utilization of the Bank's branch network. The Committee will continue, throughout 2009, to closely monitor the Bank's liquidity and LDR.

2. The Committee has also been actively assessing the risk parameters in its Adira subsidiaries. A review of Adira Finance's portfolio was done in July, and both Adira Quantum portfolio and Adira Insurance investment portfolio were reviewed in November 2008. The Committee has noted that management has tightened credit terms, improved collection/recovery departments and analytical capabilities.
3. The Committee has focused its attention on Self Employed Mass Market, Assets Based Financing/ABF (heavy equipment) and Corporate and Financial unit to improve the mobilization of third party liabilities through more effective utilization of the Bank's branch network. Management has been closely monitoring its exposure on these sectors. This focus will extend to the retail sector during 2009.
4. Concerning the Bank's exposure to export-oriented clients with forward foreign exchange contracts, the Risk Monitoring Committee will ensure that necessary measures are taken to correct weaknesses identified by SKAI.

Main activities of the Risk Monitoring Committee during 2008:

2008 Activities	Realization
Monthly meetings according to the schedule	11 meetings
Monitoring of potential risks	Done
Business strategies monitoring	Done
Risk Management Quality Enhancement	Done
Evaluation of Risk Management Policy and its implementation	Done
Monitoring and evaluation of the Risk Management Unit as well as report findings to the BoC	Done

Highlighted below are key activities of the Bank's Risk Monitoring Committee during 2008:

Date	Key Agenda
31 January 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes</li> <li>2. Matters Arising</li> <li>3. Related Parties Transactions/Regulatory Update</li> <li>4. IT Update</li> </ol>

	<ul style="list-style-type: none"> <li>5. Operational Risk Management related to BI issues</li> <li>6. Basel II Update</li> <li>7. Treasury &amp; Capital Market</li> <li>8. Market Risk &amp; Liquidity Update</li> <li>9. Portfolio &amp; Integrated Risk</li> <li>10. Other Business</li> <li>11. Date of next meeting</li> </ul>
26 February 2008	<ul style="list-style-type: none"> <li>1. Previous Minutes</li> <li>2. Matters Arising</li> <li>3. Related Parties Transactions/Regulatory Update</li> <li>4. Consolidated Risk including Adira</li> <li>5. Risk Management employee expatriate</li> <li>6. Treasury &amp; Capital Market</li> <li>7. Market Risk &amp; Liquidity Update</li> <li>8. Portfolio &amp; Integrated Risk</li> <li>9. Other Business</li> <li>10. Date of next meeting</li> </ul>
1 April 2008	<ul style="list-style-type: none"> <li>1. Previous Minutes</li> <li>2. Matters Arising</li> <li>3. Related Parties Transactions/Regulatory Update</li> <li>4. CMM</li> <li>5. SEMM/Supply Chain</li> <li>6. Adira Insurance</li> <li>7. Adira Quantum</li> <li>8. Treasury &amp; Capital Market</li> <li>9. Market Risk &amp; Liquidity Update</li> <li>10. Portfolio &amp; Integrated Risk</li> <li>11. Other Business</li> <li>12. Date of next meeting</li> </ul>
29 April 2008	<ul style="list-style-type: none"> <li>1. Previous Minutes</li> <li>2. Matters Arising</li> <li>3. Treasury &amp; Capital Market</li> <li>4. Market Risk &amp; Liquidity Update</li> <li>5. Risk Management employee expatriate</li> <li>6. Related Parties Transactions/Regulatory Update</li> <li>7. Middle Office</li> <li>8. Portfolio &amp; Integrated Risk</li> <li>9. Other Business</li> <li>10. Date of next meeting</li> </ul>
9 June 2008	<ul style="list-style-type: none"> <li>1. Previous Minutes</li> <li>2. Matters Arising</li> <li>3. Related Parties Transactions/Regulatory Update</li> <li>4. National Portfolio</li> <li>5. Inflation affects towards the portfolio</li> </ul>



	6. Treasury & Capital Market 7. Market Risk & Liquidity Update 8. Joint Finance – Corporate Finance Portfolio 9. DSP – Portfolio of Dana Talangan & Dana Siaga 10. Other Business 11. Date of next meeting
9 July 2008	1. Previous Minutes 2. Matters Arising 3. Related Parties Transactions/Regulatory Update 4. SEMM – Monthly Update 5. National Portfolio 6. Unsecured Personal Loans 7. Treasury & Capital Market 8. Market Risk & Liquidity Update 9. Risk Management Staffs Update 10. Adira Finance Update 11. Other Business 12. Date of next meeting
11 August 2008	1. Previous Minutes 2. Matters Arising 3. Expatriate Employment Update 4. Related Parties Transactions/Regulatory Update 5. National Portfolio 6. Treasury & Capital Market 7. Market Risk & Liquidity Update 8. Other Business 9. Date of next meeting
25 September 2008	1. Previous Minutes 2. Matters Arising 3. IT Update 4. Related Parties Transactions/Regulatory Update 5. National Portfolio 6. LDR Update 7. Supply Chain Update 8. Treasury & Capital Market 9. Other Business 10. Date of next meeting
30 October 2008	1. Previous Minutes 2. Matters Arising 3. Related Parties Transactions/Regulatory Update 4. Portfolio & Integrated Risk Update 5. Treasury & Capital Market 6. Market Risk & Liquidity Update 7. Asset Based Financing

	8. Corporate Banking & Joint Finance Assets Based (JFAB) 9. CMM Update 10. Other Business 11. Date of next meeting
24 November 2008	1. Previous Minutes 2. Matters Arising 3. Related Parties Transactions/Regulatory Update 4. Adira Insurance Investment Update 5. Portfolio & Integrated Risk Update 6. Treasury & Capital Market 7. Market Risk & Liquidity Update 8. Adira Quantum Update 9. Syariah Update 10. Other Business 11. Date of next meeting
10 December 2008	1. Previous Minutes 2. Matters Arising 3. Related Parties Transactions/Regulatory Update 4. Portfolio & Integrated Risk Update 5. Treasury & Capital Market 6. TARF (Target Accumulated Redemption Forward) Update 7. Market Risk & Liquidity Update 8. Other Business 9. Date of next meeting

#### 4.4. Risk Monitoring Committee Charter

On 24 May 2006, the Risk Monitoring Committee Charter was established as reference for the Committee to dispense its roles and responsibilities in compliance with Bank Indonesia and other prevailing regulations.

### 5. NOMINATION & REMUNERATION COMMITTEE REPORT

#### 5.1. Roles and Responsibilities

The Nomination & Remuneration Committee is established by the BOC with the following roles and responsibilities:

##### **Relating to the Bank's Remuneration Policy:**

1. Monitor and evaluate the Bank's remuneration policy
2. Provide recommendation to the BoC regarding:
  - The remuneration for the BoC and BoD to be approved in the GMS; and
  - The total remuneration for the Bank's senior management and employees to be submitted and approved by the BoD.

**Relating to the Bank's Nomination Policy:**

1. Compile and provide recommendations regarding system and procedures of appointing and/or changing members of the BoC and BoD to the BOC, which is to be further submitted and deliberated in the GMS;
2. Provide recommendations regarding candidates for the BoC and BoD, submitted to the BoC to be further discussed in the GMS.
3. Provide recommendations regarding independent parties to become members of the Audit and Risk Monitoring Committees under the BoC.

**5.2. Structure, Membership, Expertise and Independency**

As at December 2008, members of the Remuneration & Nomination consist of:

**Membership of the Remuneration and Nomination Committee**

Name	Position	Expertise
J.B. Kristiadi	Chairman/Independent Commissioner	Finance/Risk Management
Ng Kee Choe	Member/President Commissioner	Credit/Finance/Human Resources /Treasury/Risk Management
Harry A.S. Sukadis	Member/Independent Commissioner	Accounting/IT/Risk Management
Milan R. Shuster	Member/Independent Commissioner	Credit/Finance/Risk Management
Maria Theodora	Member/Executive *)	Human Resources

\*) *An executive supervising HRD with knowledge regarding regulation of Nomination & Remuneration and succession.*

The structure, composition, expertise, and independence criteria for members of the Nomination & Remuneration Committee are in compliance with Bank Indonesia regulation.

**5.3. Committee's Meeting and Work Program**

During 2008, Nomination & Remuneration Committee has held 2 meetings. Attendance level of each member is as follows:

Type of Meeting	Attendance				
	JB Kristiadi	Ng Kee Choe	Harry Sukadis	Milan R Shuster	Maria Theodora
Remuneration & Nomination Committee Meeting (twice)	2 x	2 x	2 x	2 x	2 x

During 2008, the Remuneration & Nomination Committee's major activities were:

- \* Reviewed the BOC and BoD's remuneration for 2008
- \* Determination of BoD's Key Performance Indicators (KPI)
- \* Determination of criteria and appointment of the President Director
- \* Reviewed agreements for new members of the BoD
- \* Nominated new members for the Audit Committee and Risk Monitoring Committees and amended the Remuneration & Nomination Committee's members
- \* Reviewed the Remuneration & Nomination Committee charter

The Nomination & Remuneration Committee provides recommendations to the Bank to review the bank's overall remuneration, including payment of employees' income tax by appointing an independent consultant.

Listed below are the key activities of the Bank's Remuneration & Nomination Committee:

Date	Key Agenda
2 April 2008	<ol style="list-style-type: none"> <li>1. Restatement and confirmation for new members of the Board of Directors (Jos Luhukay, Kanchan Nijasure and Herry Hykmanto) and Board of Commissioners (Krisna Wijaya)</li> <li>2. Reappointment of existing members of the BoC-BoD for the 2008 – 2011 period</li> <li>3. Recommendation for tantiem of BoC, BoD and OC for 2007</li> <li>4. Recommendation for remuneration of Board of Commissioners members for 2008- 2011</li> <li>5. Recommendation for remuneration of Board of Directors members for 2008- 2011</li> <li>6. Nomination/reappointment of members of Syariah Supervisory Board, Audit Committee and Risk</li> </ol>

	Monitoring Committee 7. Recommendation for first Long Term Compensation Program (LTCP) payment with ROE target achieved for 2007 8. Recommendation/ROE Resolution and NPAT target for the second LTCP payment in 2009
31 October 2008	1. Previous Minutes 2. Rotation/Senior Succession Plan 3. Discussion regarding the need for Consumer Director 4. Discussion regarding the need for other senior positions 5. Matters arising

#### **5.4. Charter of Nomination and Remuneration Committee**

On 16 January 2007, the Remuneration & Nomination Committee Charter was established as reference for the committee to execute its role and responsibilities in compliance with Bank Indonesia and prevailing rules and regulation.

### **6. CORPORATE GOVERNANCE COMMITTEE REPORT**

#### **6.1. Roles and Responsibilities**

The Corporate Governance Committee oversees the Bank's corporate governance activities, covering disclosure, transparency and fairness issues for all stakeholders. The Committee also reviews the Code of Ethic for all bank employees.

#### **6.2. Structure, Membership, Expertise and Independency**

The establishment of the Corporate Governance Committee is not required by Bank Indonesia, however, the Bank feels the need to establish such a Committee to better support its commitment to apply Good Corporate Governance principles in the Bank. As at December 2008, members of the Good Corporate Governance Committee were as follows:

<b>Name</b>	<b>Position</b>	<b>Expertise</b>
Manggi T. Habir	Chairman/Independent Commissioner	Credit/Finance/Risk Management/Corporate Governance
J.B. Kristiadi	Member/Independent Commissioner	Finance/Risk Management
Gan Chee Yen	Member/Commissioner	Accounting/Finance/Risk Management



### 6.3. Committee's Meeting and Work Program

During 2008, the Corporate Governance Committee held 3 meetings. Attendance of each member in the Committee's meeting is as follows:

Type of meeting	Attendance		
	Manggi T. Habir	J.B. Kristiadi	Gan Chee Yen
Corporate Governance Committee Meeting (3 times)	3 x	3 x	3 x

For 2008, the focuses of the Corporate Governance Committee were as follows:

1. Ensured sufficient Corporate Governance transparency in the Bank's Annual Report
2. Ensured the Bank's compliance with all Bank Indonesia Regulations regarding GCG
3. Submission of the Bank's Single Presence Policy plan to Bank Indonesia
4. Established the Bank's corporate policy manual

Listed below are key activities of the Bank's Corporate Governance Committee in 2008:

Date	Key Agenda
4 March 2008	<ol style="list-style-type: none"> <li>1. Matters Arising</li> <li>2. The Committee reviews charters</li> <li>3. The Committee reviews GCG Implementation Report to BI</li> <li>4. Agenda for the upcoming GMS</li> </ol>
2 April 2008	<ol style="list-style-type: none"> <li>1. Ratification of the Previous Minutes</li> <li>2. Ratification of the GCG Committee Charter, Committee Updates to the BOC</li> <li>3. Plans for 2008</li> </ol>
11 August 2008	<ol style="list-style-type: none"> <li>1. Previous Minutes</li> <li>2. Matters Arising</li> <li>3. Corporate Policy Manual</li> <li>4. Annual Report Award</li> <li>5. Date of Next Meeting</li> </ol>

### 6.4. Charter of Corporate Governance Committee

The Corporate Governance Committee Charter was established as reference for the Committee to dispense its role and responsibilities in accordance with Bank Indonesia and prevailing rules and regulations. The Corporate Governance

Committee Charter has been revised twice on April 2, 2008 and 10 September 2008.

## **7. BOARD OF DIRECTORS**

### **7.1. Role and Responsibilities**

The Bank's Article of Association stipulates that in accordance with prevailing Indonesian rules and regulations, the BoD is responsible for managing the Bank to achieve its set targets and objectivities. For that, the BoD has the right to represent the Bank in all legal matters both inside and outside the court, to create agreements that bind the Bank with other parties, as well as any decision making required.

The Bank's Article and Association stipulates that the main role and responsibilities of the BoD are as follows:

- Managing the Bank with the Bank's interest in mind and according to the Bank's performance targets and objectivities;
- Represent the Bank both inside and outside the court regarding all matters and events, binding the Bank with other parties as well as executing all actions, both from a management and ownership perspective. However, on certain legal actions, the BoD must obtain written approval beforehand or proper documents with the BOC signature;
- The BoD submits the business plan comprising of the Bank's budget to the BOC for their approval prior to the start of the Bank's fiscal year;
- The BoD produces The Bank's Annual Report in accordance with prevailing rules and regulations signed by all members of the BoC and BoD to be proposed to the AGMS;

As at 31 December 2008, the Bank's BoD consists of 8 directors including the President Director. In executing its roles and responsibilities, the BoD relies on several units it has set up, among others, SKAI, Integrated Risk Management, Compliance Unit, Business Executive Committee (BEC), Operation Committee (OC), Information Technology Steering Committee (ITSC), Human Resource (HR) Committee and Asset Liability Committee (ALCO).

### **7.2. Structure, Composition and Board of Directors Independency**

Members of the BoD are appointed by the GMS for a period ending at the third AGMS since their appointment date and may be reappointed. However, the shareholders may dismiss any member of the BoD before the end of its term through an AGMS Resolution.

All BoD members have more than 5 years experiences in the banking industry as an executive. Members of the BoD will not delegate its authority to another party that results in a shift of role and function. Each BoD member should not hold any position as Commissioner, Director, or executive in another bank, company or institution except as a BoC member in executing his/her supervisory role towards

its non-bank subsidiaries controlled by the Bank. Before ratification in the GMS, the changes and appointment of BoD members must consider recommendations from the Remuneration & Nomination Committee, that each member must not have any relationship up to the second generation with other Directors and/or BoC members. BoD members have no concurrent positions, and they have fulfilled the criteria regarding amount, composition, independence and competency according to Bank Indonesia regulation.

### 7.3. Fit and Proper Test

Every BoD member of the Bank has a high level of integrity, competency and adequate financial reputation and experience, relevant expertise and all have passed Bank Indonesia's Fit and Proper test. The President Director is chosen from an independent party from the controlling shareholder, and does not have financial relationship, shares and family connection with any BoD member.

#### Fit and Proper Test of the Board of Directors

Name of member of the Board of Directors		Effective since		Adjourns
		Bank Indonesia Approval	GMS <sup>1)</sup>	
Sebastian Paredes	President Director	9 May 2005	3 April 2008	GMS 2011
Jos Luhukay	Vice President Director	5 June 2008	3 April 2008	GMS 2011
Muliadi Rahardja <sup>2)</sup>	Acting Compliance Director	21 December 1999	3 April 2008	GMS 2011
Anika Faisal <sup>3)</sup>	Compliance Director	2 August 2002	16 Mei 2002	3 April 2008
Hendarin Sukarmadji <sup>4)</sup>	Director	4 July 2005	9 Mei 2005	3 April 2008
Ali Yong	Director	8 May 2006	3 April 2008	GMS 2011
Vera Eve Lim	Director	26 June 2006	3 April 2008	GMS 2011
Sanjiv Malhotra	Director	26 July 2006	3 April 2008	GMS 2011
Herry Hykmanto	Director	13 May 2008	3 April 2008	GMS 2011
Kanchan Nijasure	Director	19 June 2008	3 April 2008	GMS 2011

Notes:

- 1) GM reappointing all members of the Board of Directors except for Jos Luhukay, Herry Hykmanto, Kanchan Nijasure
- 2) Board of Directors Circular Resolution in lieu of Resolutions adopted at a meeting of the Board of Directors of PT. Bank Danamon Indonesia Tbk No.KSR-Dir.Corp.Sec-018 dated 1 August 2008 regarding delegation of roles

- and responsibilities among the Board of Directors, stipulating that assigned temporarily Mr. Muliadi Rahardja as Acting Compliance Director.
- 3) With the approval of Jos Luhukay as Vice President Director, the resignation of Anika Faisal was also accepted by Bank Indonesia through it's letter No. 10/81/GBI/DPIP/Rahasia.
  - 4) No longer served as director since GMS dated 3 April 2008

#### 7.4. Meetings

In executing its role and responsibilities, the BoD conducts BoD meetings. The minutes are signed by the chairman of the meeting/President Director and distributed to all BoD members including members whom are absent. Dissenting opinions in the meeting are noted in the minutes. Decisions are made based on unanimous decision and if a unanimous decision is not reached, the decision will be achieved through voting. During the period of January 1 until December 31, 2008, the BoD held 8 meetings.

##### Attendance in the Board of Directors Meetings

Name	Attendance of the Board of Commissioners & Board of Directors Meeting (7 times)	Board of Directors Meeting (8 times)
<b>Board of Directors</b>		
Sebastian Paredes	7 x	8 x
Jos Luhukay	4 x	6 x
Muliadi Rahardja	7 x	7 x
Ali Yong	7 x	8 x
Vera Eve Lim	7 x	6 x
Sanjiv Malhotra	6 x	6 x
Herry Hykmanto	4 x	6 x
Kanchan Keshav Nijasure	4 x	5 x

BoD meetings were held in Jakarta.

Highlighted below are key activities of the Bank's BoD for 2008:

Date	Key Agenda
6 February 2008	1. Consolidated Financial Report of PT. Bank Danamon Indonesia, Tbk and its subsidiaries year 2007
27 February 2008	1. AGMS/EGMS Agenda 2. Amendments of the Article of Association
30 April 2008	1. Danamon Internasional Update
21 May 2008	1. Kredit Usaha Tani (KUT) Update

	2. Danamon Internasional Update 3. Tax Court case update
4 June 2008	1. Movement of AFS to Held To Maturity 2. Adira Finance Option 3. Capital Management/Subordinated Loan
9 July 2008	1. Capital Injection Proposal for Adira Quantum
24 September 2008	1. Discussion with Ms. Kartini Muljadi and Partners regarding Adira Insurance Conditional Sale and Purchase Agreement (CSPA) and option agreement
22 October 2008	* Approval of custodian transaction settlement

### 7.5. Board of Directors Remuneration

The Board of Directors total remuneration for 2008:

The Board of Directors Remuneration (Valued equivalent in million Rupiah)				
		2008	2007	2006
1	Salaries and Allowances	39,301	24,322	28,199
2	Tantieme *	TBD	35,888	28,329
3	LTCP Paid	11,834	-	-
4	Other Benefits in the form of in kind (housing, transportation, health insurance and etc)			
	1. May be owned	8,100	5,400	7,200
	2. May be owned	6,036	4,352	5,773

\* Paid in subsequent year

Notes:

1. Tantieme for BOD fiscal year 2008 will be determined in the Annual General Meeting of Shareholders on 25 May 2009.
2. Referring to salaries and other compensation benefits of Rp. 154 billion paid for Board of Management on Notes 34 of the 2008 Consolidated Financial statement, this includes tantieme of the Bank's BOC and BOD for fiscal year 2007; remuneration to the Bank's Board of Management Operating Committee; and the remuneration and tantieme of the BOC and BOD of subsidiaries.
3. In 2007, the BOC agreed to grant the Long Term Compensation Program (LTCP) to the Bank's BOD and eligible employees. This program is a three (3) year plan commencing on July 1, 2007 and payable in 2008, 2009 and 2010. Payment of this LTCP will depend on certain corporate measures and individual performance rating. Corporate performance measures will be determined by the BOC, whilst the individual performance will be based on year end performance appraisal. Total LTCP granted to the BOD amounted to Rp 11.8 billion.



#### Classification of the Board of Directors Remuneration

Remuneration amount per person in 1 year *)	No. of Directors
Above 2 billion	8
Above 1 billion up to 2 billion	-
Above 500 million up to 1 billion	-
Below 500 billion	-
*) cash received	

#### 7.6. Board of Directors' training program

To continue developing their competencies, BoD members participated in various training programs, conferences, seminars, and/or workshops as listed in the table below:

#### Training of the Board of Directors

Name	Training	Organizer	Location
Jos Luhukay	<ul style="list-style-type: none"> <li>Market Risk Management Refresher</li> <li>Operational Risk Management Refresher</li> <li>BSMR &amp; DLA (Danamon Leadership Academy) 4</li> </ul>	<ul style="list-style-type: none"> <li>ABN AMRO's Risk Advisory Services</li> <li>ABN AMRO's Risk Advisory Services</li> </ul>	<ul style="list-style-type: none"> <li>Bali</li> <li>Bali</li> </ul>
Vera Eve Lim	<ul style="list-style-type: none"> <li>Stanford Executive Program</li> <li>Credit Risk Management Refreshment</li> </ul>	<ul style="list-style-type: none"> <li>Stanford Graduate School of Business</li> <li>ABN AMRO's Risk Advisory Services</li> </ul>	<ul style="list-style-type: none"> <li>USA</li> <li>Bali</li> </ul>
Ali Yong	* Stanford Executive Program	Stanford Graduate School of Business	USA
Herry Hykmanto	<ul style="list-style-type: none"> <li>The 2008 APCONEX on Fin Transformation</li> <li>Workshop Syariah Midyear Perform.</li> </ul>	<ul style="list-style-type: none"> <li>APCONEX</li> <li>Global Pro Training &amp;</li> </ul>	<ul style="list-style-type: none"> <li>Jakarta</li> <li>Kuala Lumpur - Malaysia</li> </ul>

	Review • Workshop Syariah 2008	Development Sdn Bhd	
Sanjiv Malhotra	• Islamic Finance Training Sukuk Islamic C.M. • Asia Pasific 2008 Credit Training • Coaltrans Conference 2	• Red Money • Moody's • Coaltrans	• Dubai • Singapore • Bali

#### 7.7. Board of Directors Charter

A BoD Charter has been established and such charter applies to all BoD members without exception and acts as a reference to ensure proper and ethical execution of its role and responsibilities without any conflict of interest.

#### 7.8. Committees under the Board of Directors

The BoD is supported by six committees that are responsible to provide suggestions and recommendations relating to policies and management of the Bank. Committee members shall organize its members according to the scale and the complexity of its respective role and responsibilities. Recommendations from each committee are beneficial and may serve as reference for BoD decisions. The Compliance Director participates in such committees, maintains its independency and must refuse any policies and transactions that are not in accordance with the prevailing rules and regulations.

##### 7.8.1. Integrated Risk Committee

The Integrated Risk Committee is responsible for determining any plan, guidance, policies and risk management strategies of the Bank and its subsidiaries; evaluating the risk management process and remedial actions inline with external and internal changes that can affect the Bank's CAR, the Bank's subsidiary capital levels and their respective risks profiles; determining the most appropriate integrated risk management methodology to manage risk; determining capital allocation and sufficient provisions and reserves to accommodate inherent potential risk and assuring business continuity program. In addition, the Integrated Risk Committee evaluates the appropriateness of the Bank and its subsidiaries' risk organization to ensure that the risk management processes are inline with the organization's development.

##### 7.8.2. Operating Committee

The roles and responsibilities of the Operating Committee are to determine and decide the Bank's credit policies, regulations, guidelines and strategy based on the Bank's prudent principle; to assure that the Bank's credit

policies are implemented consistently and finalize settlement of cases; and to evaluate HR in the Bank as well as units involved in credit activities.

**7.8.3. Asset & Liability Committee (ALCO)**

The roles and responsibilities of the Asset & Liability Committee are to determine plans, policies, strategies, balance sheet structure, liquidity, interest rates and FX risks, profitability and growth by maintaining the Bank's prudent principle. The Committee also manages the balance sheet and liquidity together with related risk through an identification process, risk measurement, monitoring as well as liquidity risk management strategy.

**7.8.4. Information Technology Steering Committee (ITSC)**

The ITSC main responsibilities include formulation of IT policies, reviews its implementation, reviews Danamon's Strategic Plan and its proper implementation in tune with business needs. It also approves IT Information Security and IT risk management policies and monitors their implementation.

ITSC reviews and approves IT capex investments, monitors IT projects through multiple sub-committees and ensures effective risk mitigation in these projects. ITSC also reviews IT production systems' Service Level Agreement, reviews IT operating expense and ensures effective risk mitigation by adequate Disaster Recovery Center (DRC) and IT Business Continuity Plan (BCP) in compliance with the regulation.

**7.8.5. Human Resource (HR) Committee**

The roles and responsibilities of the HR Committee are to determine the objectivities and strategy of HR Development and to ensure it is inline with the Bank's goals and targets. This Committee formulates monitors and appraises the overall HR Development program to ensure its consistency with the Bank's principles, philosophy, policies and procedures. In addition, the Committee approves the Bank's HR plans and determines the succession/promotion for positions considered key by the Bank.

**7.8.6. Business Executive Committee**

The roles and responsibilities of the Business Executive Committee are to formulate strategies and product development relating to funding and lending; to develop the business and marketing strategies, as well as determine targets and provide guidance for marketing strategy, including product promotions. The Committee reviews project proposals and their expenses and transactions; periodically evaluates product/project performance; formulates strategy to enhance service quality of both services and technology; and provides guidance to revamp branches and network.

### 7.8.7. Fraud Committee

The role and responsibilities of the Fraud Committee is to determine appropriate and effective sanction to impose on employees involved directly and indirectly in fraud. The Committee was established in March 2008.

Highlighted below are memberships of the Bank's Directors and executive officers in respective Committees:

BoD members	Committee						
	Integrated Risk Committee	Operating Committee	ALCO	ITSC	HR Committee	Business Executive Committee	Fraud committee
Sebastian Paredes	X	X (Chairman)	X (Chairman)	X	X	X	
Joseph Luhukay	X	X		X (Chairman)	X		X (Chairman)
Muliadi Rahardja	X	X		X	X		X
Sanjiv Malhotra	X (Chairman)	X	X	X		X	X
Vera Eve Lim	X	X	X	X		X (Chairwoman)	
Ali Yong	X	X	X		X (Chairman)	X	
Herry Hykmanto	X	X	X			X	
Kanchan Nijasure		X		X			

Table below are the attendance details of BoD members in executive committee meetings during 2008:

Attendance in the Meetings of the Committees under the Board of Directors

Executive Committees (amount of meetings held)	Sebastian Paredes	Jos Luhukay	Muliadi Rahardja	Ali Yong	Vera Eve Lim	Herry Hykmanto	Sanjiv Malhotra	Kanchan Keshav Nijasure
1. Integrated Risk Committee (11 times)	1 x	1 x	2 x	7 x	6 x	4 x	10 x	-
2. Operating Committee	18 X	10 X	17 X	15 X	15 X	12 X	15 X	13 X

(19 times)								
3. ALCO (16 times)	14 x	-	-	4 x	15 x	12 x	13 x	-
4. IT Steering Committee (3 times)	2 x	2 x	1 x	-	2 x	-	1 x	3 x
5. HR Committee (9 times)	9 x	5 x	8 x	8 x	-	-	-	-
6. Business Executive Committee (15 times)	11 x	-	5 x	13 x	13 x	14 x	11 x	2 x

Highlighted below are the key activities of the Bank's Integrated Risk Committee for year 2008 covering not limited to:

Date	Key Agenda
29 January 2008	<ol style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. Projects</li> <li>4. Operational Risk Management (ORM) – Preparations for rainy season/flood by Business Continuity Management (BCM)</li> <li>5. Corporate</li> <li>6. Adira Quantum</li> <li>7. Consumer Mass Market (CMM)</li> <li>8. Legal &amp; Compliance</li> </ol>
25 February 2008	<ol style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. SME &amp; Commercial (SMEC)</li> <li>4. ABF</li> <li>5. Adira Quantum</li> <li>6. Self Employed Mass Market (SEMM)</li> <li>7. Syariah</li> <li>8. Risk Analytics – the Possibility of final methodology of non performing retails</li> </ol>
31 March 2008	<ol style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Pipeline Outlook</li> <li>3. Product Program</li> <li>4. Risk Management Certification</li> <li>5. KUT</li> <li>6. Special Assets Management (SAM)</li> <li>7. SEMM</li> </ol>

	<ul style="list-style-type: none"> <li>8. The affect of the US Economy deterioratin towards the corporate portfolio</li> <li>9. Consumer</li> </ul>
22 April 2008	<ul style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. Financial Institution</li> <li>4. Retail Banking</li> <li>5. Adira Finance</li> <li>6. ORM – Implementation of Risk Management – Adira Group Consolidated</li> <li>7. Legal &amp; Compliance</li> </ul>
26 May 2008	<ul style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. Credit Card</li> <li>4. SAM</li> <li>5. Corporate Real Estate Management (CREM)</li> <li>6. Analytical Risks</li> <li>7. JFAB</li> <li>8. CMM</li> <li>9. Adira Quantum</li> <li>10. SEMM</li> </ul>
30 June 2008	<ul style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. JFAB (Finance Companies Portofolio)</li> <li>4. Syariah</li> <li>5. SEMM</li> <li>6. KPR</li> <li>7. Adira Finance</li> </ul>
24 July 2008	<ul style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. SMEC</li> <li>4. Syariah</li> <li>5. Retail Banking</li> <li>6. SEMM</li> <li>7. Adira Quantum</li> <li>8. ORM</li> <li>9. Legal &amp; Compliance</li> </ul>
22 August 2008	<ul style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. Fincon</li> <li>4. Analytical Risk</li> <li>5. SMEC</li> <li>6. Corporate Banking</li> <li>7. Retail Banking</li> </ul>

	<b>8. Credit Card</b>
22 September 2008	<ol style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. Portfolio Update of gross yield</li> <li>4. Corporate Banking</li> <li>5. Retail Banking</li> <li>6. Adira Quantum</li> <li>7. SEMM</li> </ol>
27 Ocktober 2008	<ol style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. Analytical Risk</li> <li>4. SEMM collection</li> <li>5. CMM</li> <li>6. Adira Quantum</li> <li>7. JFAB/ /Finance Companies</li> <li>8. Treasury</li> <li>9. ORM</li> <li>10. Legal &amp; Compliance</li> </ol>
24 November 2008	<ol style="list-style-type: none"> <li>1. National Portfolio</li> <li>2. Product Program</li> <li>3. CREM</li> <li>4. Credit Card</li> <li>5. Kartu kredit</li> <li>6. Adira Quantum</li> <li>7. Syariah</li> <li>8. Corporate Banking</li> <li>9. Financial Institution</li> </ol>

Highlighted below are key activities of the Bank's Operating Committee during 2008:

<b>Date</b>	<b>Key Agenda</b>
9 January 2008	<ol style="list-style-type: none"> <li>1. Capital Management Update</li> <li>2. CSPA for Adira Quantum</li> <li>3. Scenario for dividend payment</li> <li>4. AGMS/EGMS Agenda and calendar</li> <li>5. Vice President Director Profile</li> <li>6. Net Income Tax Reduction</li> <li>7. SKAI Update</li> </ol>
16 January 2008	<ol style="list-style-type: none"> <li>1. Matters Arising</li> <li>2. Performance Appraisal Timeline</li> <li>3. Investor Relation Road Show Plan for 2008</li> <li>4. Operational Excellence Achievement 2007</li> <li>5. Brainstorming results</li> </ol>



	<ul style="list-style-type: none"> <li>6. Preparations for the upcoming BOC meeting</li> <li>7. BI Findings and Strategic/Reputation Risks</li> </ul>
30 January 2008	<ul style="list-style-type: none"> <li>1. Adira Quantum &amp; Adira Insurance Update</li> <li>2. BI Presentation Update</li> <li>3. Single Presence Policy Update</li> <li>4. Discussion on additional investment required to accelerate organic growth</li> <li>5. DI &amp; Yayasan Update</li> <li>6. Singapore Investor Road show</li> </ul>
20 February 2008	<ul style="list-style-type: none"> <li>1. January Financial Performance 2008</li> <li>2. Corporate Banking Customers and X-sell</li> </ul>
5 March 2008	<ul style="list-style-type: none"> <li>1. SKAI Update</li> <li>2. BoC/BoD for Adira Quantum &amp; Adira Insurance</li> <li>3. AGMS/EGMS Agenda</li> <li>4. Negative Press</li> </ul>
9 April 2008	<ul style="list-style-type: none"> <li>1. Feedback bonus/ tantiem</li> <li>2. Turnover as of March 2008</li> <li>3. Goals 2008</li> <li>4. Implementation of BI Regulation for IT</li> <li>5. Middle Office Update</li> <li>6. Acceleration Plan</li> <li>7. Talent Management</li> </ul>
30 April 2008	<ul style="list-style-type: none"> <li>1. Adira Insurance &amp; Adira Quantum Update</li> <li>2. Transfer of loan portfolio to IBRA (tax court update)</li> <li>3. Sub debt Update</li> <li>4. SKAI Update</li> </ul>
21 May 2008	<ul style="list-style-type: none"> <li>1. Financial Performance as of April 2008</li> <li>2. Preparation for BoC meeting</li> <li>3. Acquisition of Adira Quantum &amp; Adira Insurance Update</li> <li>4. HR Movements, Turnover &amp; Recruitment</li> <li>5. SKAI Update</li> </ul>
2 July 2008	<ul style="list-style-type: none"> <li>1. BI Penalty for Reporting Delay</li> <li>2. Corporate Assets (AYDA)/Assets taken over and neglected assets</li> <li>3. Midyear review discussion</li> <li>4. Overall Strategic plan (10 year plan)</li> <li>5. Regional Corporate Officers (RCO) Roles &amp; Responsibilities</li> </ul>
17 July 2008	<ul style="list-style-type: none"> <li>1. Preparations for upcoming BoC meeting</li> <li>2. Preparations for EGMS</li> <li>3. Sub debt Issuance update</li> </ul>
20 August 2008	<ul style="list-style-type: none"> <li>1. Business Continuity Plan</li> <li>2. SKAI Update</li> </ul>

	<ul style="list-style-type: none"> <li>3. KUT Update</li> <li>4. Custody Loss Update</li> <li>5. CAR Update</li> <li>6. Fullerton Institutionalization</li> </ul>
3 September 2008	<ul style="list-style-type: none"> <li>1. Liquidity Update</li> <li>2. Sub debt Update</li> <li>3. BI Audit Results</li> <li>4. Operational Ratio Framework</li> <li>5. Internal Audit Plan 2009</li> </ul>
17 September 2008	<ul style="list-style-type: none"> <li>1. Impact of new tax law</li> <li>2. Internal Audit Plan 2009</li> <li>3. Operational Ratio Framework</li> </ul>
8 October 2008	<ul style="list-style-type: none"> <li>1. Sub debt Update</li> <li>2. BoD Composition</li> <li>3. Operational Ratio Framework</li> </ul>
15 October 2008	<ul style="list-style-type: none"> <li>1. Sub debt Update</li> </ul>
22 October 2008	<ul style="list-style-type: none"> <li>1. Preparations for upcoming BoC meeting</li> <li>2. Q3 Operational Expense review</li> </ul>
5 November 2008	<ul style="list-style-type: none"> <li>1. Strategic Task Force on Manpower</li> <li>2. First Cut 2009 plan</li> <li>3. eCIF &amp; CCMS programs</li> </ul>
19 November 2008	<ul style="list-style-type: none"> <li>1. Decision on pawn broking</li> <li>2. Second Cut 2009 Plan</li> </ul>
17 December 2008	<ul style="list-style-type: none"> <li>1. SKAI Update</li> <li>2. Implementation of the new FCY Regulation</li> <li>3. 2009 Plan</li> </ul>

Highlighted below are key activities of the Bank's ALCO Committee in 2008:

<b>Date</b>	<b>Key Agenda</b>
5 February 2008	<ul style="list-style-type: none"> <li>1. TCM (Treasury &amp; Capital Market) Limit review</li> </ul>
18 February 2008	<ul style="list-style-type: none"> <li>1. Approval to issue and appoint underwriter for IDR Bond II</li> <li>2. Fund Transfer Pricing (FTP) Review</li> <li>3. TCM – IR (Treasury Capital Markets – Interest Rate) Vega Limit</li> </ul>
27 February 2008	<ul style="list-style-type: none"> <li>1. Scenario Plan</li> <li>2. Economy and market review</li> <li>3. AFS Update</li> <li>4. Pricing for funding product</li> <li>5. Market and liquidity risks</li> </ul>
18 March 2008	<ul style="list-style-type: none"> <li>1. Economy and market review</li> <li>2. Scenario Plan</li> </ul>

	<ol style="list-style-type: none"> <li>3. AFS Update</li> <li>4. Market and liquidity risks</li> <li>5. Cold Nose AFS</li> <li>6. Simulation for AFS IDR Bonds</li> <li>7. Simulation for AFS USD Bonds</li> <li>8. Bond Issuance Update</li> </ol>
3 April 2008	<ol style="list-style-type: none"> <li>1. Economy Update</li> <li>2. Current tenor distribution</li> </ol>
15 April 2008	<ol style="list-style-type: none"> <li>1. Update of decisions from previous ALCO meeting on 18 March 2008</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance Sheet review</li> <li>5. Financial &amp; key compliance ratio</li> <li>6. Pricing benchmark summary</li> <li>7. Market and liquidity risks</li> <li>8. USD Funding Proposal (Repo &amp; Maturity)</li> </ol>
13 May 2008	<ol style="list-style-type: none"> <li>1. Economy and market review</li> <li>2. Scenario Plan</li> <li>3. AFS Update</li> <li>4. Pricing &amp; funding product &amp; stress test result</li> </ol>
18 June 2008	<ol style="list-style-type: none"> <li>1. Update of decisions from previous ALCO meeting on 13 May 2008</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance Sheet review</li> <li>5. Financial &amp; key compliance ratio</li> <li>6. Pricing benchmark summary</li> <li>7. Market and liquidity risks</li> </ol>
23 July 2008	<ol style="list-style-type: none"> <li>1. Update from Previous ALCO</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. AFS Update</li> <li>5. Balance Sheet review</li> <li>6. Financial &amp; key compliance ratio</li> <li>7. Pricing benchmark summary</li> <li>8. Market and liquidity risks</li> </ol>
20 August 2008	<ol style="list-style-type: none"> <li>1. Current ALCO Process of the Bank</li> <li>2. The proposal of the Bank's new credit limit</li> <li>3. New product proposition</li> <li>4. Basel Guideline</li> <li>5. Current practice Summary of the Bank</li> <li>6. New Structure Proposal</li> </ol>
20 August 2008	<ol style="list-style-type: none"> <li>1. Update from Previous ALCO</li> </ol>

	<ol style="list-style-type: none"> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance sheet &amp; Ratio</li> <li>5. Market and liquidity risks</li> <li>6. Funding products Update</li> </ol>
16 September 2008	<ol style="list-style-type: none"> <li>1. Update from Previous ALCO</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance sheet &amp; Ratio</li> <li>5. Market and liquidity risks</li> </ol>
7 October 2008	<ol style="list-style-type: none"> <li>1. Market condition after Lebaran Holiday</li> <li>2. AFS Update</li> <li>3. Capital Management</li> <li>4. Adira Investment</li> </ol>
27 October 2008	<ol style="list-style-type: none"> <li>1. Update from Previous ALCO</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance sheet &amp; Ratio</li> <li>5. Market and liquidity risks</li> </ol>
19 November 2008	<ol style="list-style-type: none"> <li>1. Update from Previous ALCO</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance sheet &amp; Ratio</li> <li>5. Market and liquidity risks</li> </ol>
17 December 2008	<ol style="list-style-type: none"> <li>1. Update from Previous ALCO</li> <li>2. Economy and market review</li> <li>3. Scenario Plan</li> <li>4. Balance sheet &amp; Ratio</li> <li>5. Market and liquidity risks</li> </ol>

Highlighted below are key activities of the Bank's ITSC in 2008 covering not limited to:

Date	Key Agenda
18 March 2008	<ol style="list-style-type: none"> <li>1. Evaluation of the Internet Banking Project Implementation</li> <li>2. Recommendation &amp; Approval from the Bank's Team</li> </ol>
30 June 2008	<ol style="list-style-type: none"> <li>1. New Contact Center Project Evaluation</li> <li>2. Recommendation &amp; Approval from the Bank's Team</li> </ol>
24 September 2008	<ol style="list-style-type: none"> <li>1. Bank Indonesia Regulation regarding Information Technology Risk Management</li> <li>2. The Bank's IT Policy v.1.0</li> </ol>

Highlighted below are key activities of the Bank's HR Committee for year 2008:

<b>Date</b>	<b>Key Agenda</b>
9 January 2008	<ol style="list-style-type: none"> <li>1. Job Dimensioning Update</li> <li>2. Adira's salary review</li> </ol>
18 February 2008	<ol style="list-style-type: none"> <li>1. Adira Quantum Bonus Review</li> <li>2. People framework by Accenture</li> <li>3. COP and housing loan benefits</li> <li>4. Exit Interview</li> </ol>
25 February 2008	<ol style="list-style-type: none"> <li>1. Danamon University Update</li> <li>2. End of year Performance Appraisal (PA) results</li> </ol>
23 April 2008	<ol style="list-style-type: none"> <li>1. COP housing loan benefit</li> </ol>
2 June 2008	<ol style="list-style-type: none"> <li>1. Discussion incentive practice for each line of business (LoB)</li> <li>2. Proposal for cost living adjustment with regards to oil price increase</li> </ol>
9 July 2008	<ol style="list-style-type: none"> <li>1. Transport benefit adjustment for Adira Finance, Quantum &amp; Insurance</li> </ol>
25 August 2008	<ol style="list-style-type: none"> <li>1. PA Midyear results</li> <li>2. LTCP Update</li> <li>3. Tax regulation</li> </ol>
8 September 2008	<ol style="list-style-type: none"> <li>1. 2008 PA Midyear</li> </ol>
16 October 2008	<ol style="list-style-type: none"> <li>1. 2009 Budget assumption approval</li> </ol>

Highlighted below are key activities of the Bank's Business Executive Committee in 2008 covering not limited to :

<b>Date</b>	<b>Key Agenda</b>
9 January 2008	<ol style="list-style-type: none"> <li>1. Full Year Results</li> <li>2. Business Plan 2008</li> <li>3. Market Update</li> <li>4. LoBs Update</li> <li>5. Elaboration of Business Plan 2008</li> <li>6. Annual Report</li> <li>7. Single Presence Policy</li> </ol>
23 January 2008	<ol style="list-style-type: none"> <li>1. Market Update</li> <li>2. AG Delta Project</li> <li>3. LoBs Update</li> </ol>
6 Februari 2008	<ol style="list-style-type: none"> <li>1. Market Update</li> <li>2. Autocilin Card Update</li> <li>3. LoBs Update</li> </ol>
27 Februari 2008	<ol style="list-style-type: none"> <li>1. Market Update</li> <li>2. LoB Updates</li> <li>3. Cross Sell Bancassurance</li> </ol>

	4. Best Practices – Demo Marketing Tools of Privilege Banking
12 March 2008	1. Macroeconomic Outlook 2. Banking Sector Update
26 March 2008	1. Macroeconomic Outlook 2. Market Update 3. Operational Excellence 4. Monetizing your Carbon Assets Through Carbon Credit Mechanism 5. Commission for the Supervision of Business Competition (KPPU) & Bapepam – LK probe on Adira Finance Business
16 April 2008	1. Market Update 2. Top Ten Bank Comparison 3. Financial Results 4. Recruitment Strategy
14 May 2008	1. Macroeconomic Outlook 2. Market Update 3. Non – Deal Road Show Update 4. Top Ten Bank Comparison 5. Branding Task Force Update 6. Danamon Lebih Program Update 7. Property and Mortgage Business Outlook 2008 – 2009
28 May 2008	1. Motorcycle Business Outlook 2. Cross Sell Mortgage & SMEC Loan 3. Danamon Accelerated Growth Plan
11 June 2008	1. Macroeconomic Outlook 2. Market Update 3. Current Account Update 4. Data Cleansing for Account Ownership
25 June 2008	1. Macroeconomic Outlook 2. Best practice on fraud detection unit 3. May 2008 Bankwide Financial Results
9 July 2008	1 Indonesian Mutual Fund Industry 2 Macroeconomic Outlook 3 Danamon Branch Performance Award
13 August 2008	1 Macroeconomic Outlook 2 Business and Support Function Updates 3 2008 Bank Wide Financial Forecasting 4 Follow up Focus Group recommendation from mid year review.
27 August 2008	1 Micro Banking Outlook 2 Macroeconomic Outlook

	3 Top Ten Banks First Half 2008 Update 4 Centre of Excellence Update
10 September 2008	1 Coal mining Outlook 2 Economic Outlook 3 2008 Bank Wide Financial Forecasting
24 September 2008	1 Macroeconomic Outlook 2 Business Update
15 October 2008	1 Macroeconomic Outlook 2 Funding and lending update
29 October 2009	1 Macroeconomic Outlook 2 Heavy equipment business outlook 3 Business Update

## **8. COMPLIANCE**

### **8.1 Application of the Compliance Function**

In accordance with PBI No. 1/6/PBI/1999, the Bank must appoint a BoD member as a Compliance Director.

The Compliance Director is responsible for ensuring the Bank's compliance according to Bank Indonesia regulation and other prevailing rules and regulations, considering the Bank's prudent principle and ensuring there is no deviation in the Bank's business activities. The Compliance Director is to periodically report the Bank's compliance status to the President Director with a copy submitted to the BoC or other authorities. The appointment of the Compliance Director is in accordance with the regulations. The Compliance Director is also responsible for communicating all policies, system and procedures at all levels of the organization. Such person is also responsible to create and implement an effective and integrated compliance system within the Bank.

The Compliance function is to develop a culture of maintaining a good reputation that would assist the Bank to achieve its targets.

### **8.2. Responsibilities of Compliance Director include:**

- Determine actions to ensure that the Bank complies with all prevailing rules and regulations, inline with the Bank's prudent principle;
- Monitor and minimize the number of deviations occurring in the Bank;
- Monitor and maintain the Bank's compliance standards on all agreements and commitments made by the Bank to Bank Indonesia
- Establish and update charters, system and compliance procedures

The responsibilities of the Compliance Unit are as follows:

- Design and provide database of external regulations that can be accessed by every employee through intranet (e-manual);
- Distribute new regulations or its revisions and socialize such regulations to



- related units;
- Report compliance status and analyze the compliance implementation process;
- Review policies, transactions and products including matters allowed within the Good Corporate Governance principle;
- Conduct and supervise initiatives regarding Know Your Customer (KYC)/Anti Money Laundering (AML).

The Compliance Roles and Responsibilities Report is submitted every semester by the Compliance Director to Bank Indonesia. Matters that are not fully complied with the prevailing rules and regulations as well as not inline with the prudent principles are closely monitored and timely rectified. Compliance is based upon the following principles:

- Compliance with prevailing rules and regulations
- Inter related and consistent with Good Corporate Governance standards
- Set standards in line with employees' competency and integrity
- Embedded into the business process

### 8.3. Compliance Regulation

#### Compliance to Key Regulations

Item	Status	Note
Capital Adequacy Ratio (CAR)	Complied	The Bank's stand alone CAR reached 13.37% (with market risk charge) as at December 31, 2008, above Bank Indonesia's minimum requirement of 8%
Minimum Reserve Requirements	Complied	Minimum Reserve Requirements (Rupiah) complied at 5.07%
Non Performing Loans (NPL)	Complied	Gross NPL ratio as of 31 Desember 2008 was 2.36%. With Net NPL reached 1.18%
Net Open Position (NOP)	Complied	NOP as per 31 December 2008 reached 7.83% far below Bank Indonesia's limit of 20% of equity..
Legal Lending Limit (LLL)	Complied	As at 31 December 2008, there are no loan granted to individual debtor or to debtors in a group which does not follow Bank Indonesia's LLL regulation.
Anti Money Laundering	Complied	Danamon has fully complied with Bank Indonesia Regulation. Special training has been provided for all business and supporting units to prevent and identify any money laundering transaction.

### 8.4. Compliance Activity for 2008

Compliance key activities apart from its routine activities in 2008:

- Ongoing compliance implementation at the subsidiaries through parameter regulation and cooperation programs
- Gap analysis against the Basel accord.
- Socialization of new regulations to all related units and follow ups needed for their implementation
- Finalization of compliance training modules,,including preparation of the e-learning module in partnership with DCU (Danamon Corporate University)
- Compliance training programs for the Bank's officers and employees attended by at least 5,000 employees
- A quarterly coordination of the Bank's sound level quarterly.

#### **8.5. Know Your Customer (KYC) and Money Laundering Act (MLA) Implementation**

During the year, the Bank has implemented the KYC/MLA principles according to PBI No. 3/10/PBI/2001 which has been updated with PBI No. 3/23/PBI/2003 and PBI No. 5/21/PBI/2003 on Know Your Customer Principle and Money Laundering Act No. 25 year 2003.

Initiatives performed in 2008:

##### **1. Reporting**

The Bank has reported 67 Suspicious Financial Transaction Reports (STR) and 302,364 Cash Transactions Report to the Indonesian Financial Transaction Reports and Analysis Centre (PPATK), consisting of 301.642 customers which include 722 walk in non customers

The Bank has also responded to 120 letters received from (PPATK), the Corruption Eradication Commission (KPK), Police and Tax regarding financial data, suspicious financial transactions and requests for account freezing.

##### **2. Training & Socialization**

To enhance knowledge on KYC implementation in the branches and business units, we also conducted regular KYC Training/Socialization sessions. Programs include Induction Programs for new and existing employees not yet participated in the KYC and Refreshment Programs or TTT Refreshment for employees with direct customer contacts (front liners).

In 2008, these training programs were attended by 10,020 employees.

##### **3. Information Management System**

To further enhance the Bank's effectiveness and efficiency, walk in customers' cash transaction at the branches are in the process of being directly linked to the Cash Transaction Report (CTR) program in *Unit Khusus Pengenalan Nasabah* (UKPN) – Head Office.

This project will be finalized by 1Q2009.

#### **4. Customers' Data Updating**

As per December 2008, 99.7% of the Bank's total CIF has been completed and compiled in the form of KYC Mandatory fields CIF. Continuous monitoring of customer data update is done by UKPN in coordination with the business units.

To increase awareness on the importance of data updating, during Semester I – 2008, important information is highlighted on the ATM screen.

#### **5. KYC Policy and Procedure Reviews**

To keep abreast with existing internal policies, KYC Policy and Operational Procedure has been reviewed and revised by related units.

As of end 2008, approvals from BoC and BoD were still being processed. It is expected that by end of January 2009 all revisions will be finalized to be submitted to Bank Indonesia.

#### **6. Reviews on KYC Compliance at the Branches**

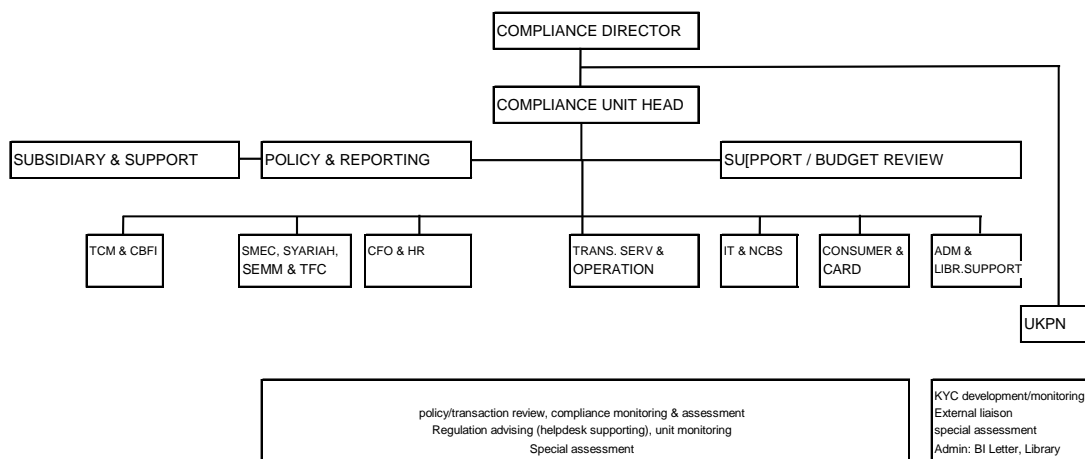
To ensure KYC implementation at the branches, UKPN/KYC Unit has performed KYC Compliance Review Programs in branches located at 7 different regions, namely, Jakarta, Bandung, Medan, Yogyakarta, Manado, Jayapura and Banjarmasin.

Review scope covered at the minimum 5 (five) pillars namely, KYC Administration Policy and Procedure, Identification of New Customers Acceptance, Monitoring & Reporting, Customers' Data Updating and KYC Training/Socialization at the branches.

### **8.6 Compliance Statement**

During 2008 the Bank has complied with all prevailing rules and regulations. The Bank continuously improves its systems and processes in this area and rectifies all operational deviations.

### Compliance Organization Structure



## 9. INTERNAL AUDIT

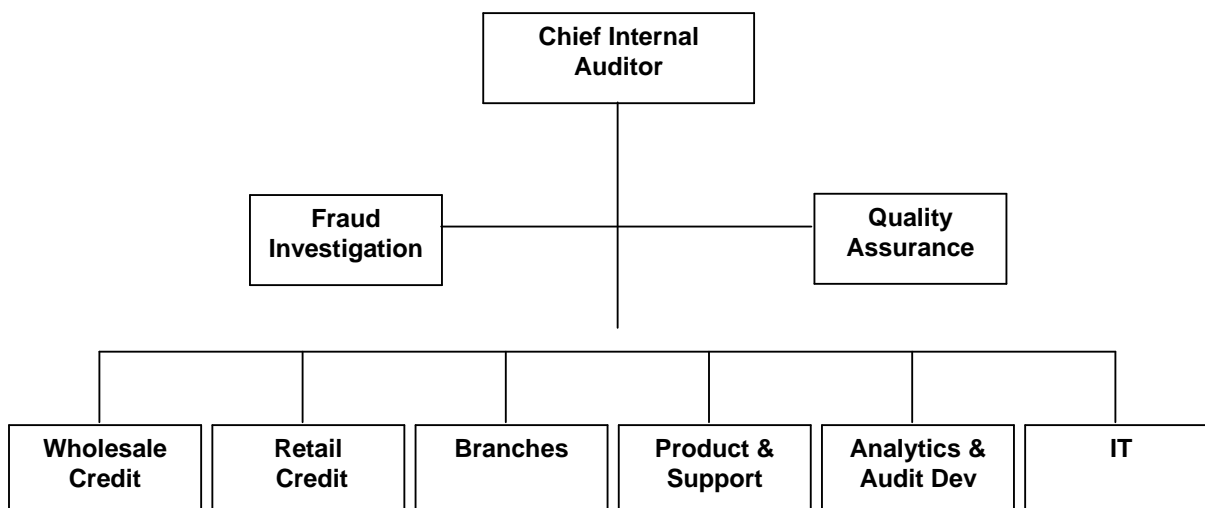
Internal Audit (SKAI) is an independent unit that reports directly to the President Director and to the BoC, through the Audit Committee. The Internal Audit provides an independent and objective assessment that the Bank's policy and procedures are being properly and consistently adhered to. The objective of Internal Audit is to become a valued business partner that provides additional value by evaluating and improving the effectiveness of the Bank's risk management, control and governance processes. In addition, it provides comments and recommendation to the BoC and BoD to sustain and improve stakeholder's long-term goals.

According to the Internal Audit Charter signed by the President Director and BoC, the Internal Audit has unlimited access to all activities, function, notes, properties and personnel of the Bank and its subsidiaries. Internal Audit's scope covers all entities of PT Bank Danamon Tbk and its subsidiaries (PT Adira Dinamika Multi Finance, Tbk, PT Asuransi Adira Dinamika and PT Adira Quantum Multi Finance).

In assessing the adequacy and effectiveness of the control and risk management processes, the Internal Audit reports significant audit findings relating to these areas and provide recommendations for improvement and monitor follow up corrective actions. Each month, the audit result is presented to the BoD and Management and separately, to the Audit Committee.

As reference, Internal Audit refers to *Standar Pelaksanaan Fungsi Audit Intern Bank* (SPFAIB) from Bank Indonesia and International Standards for the Professional Practice of Internal Audit from The Institute of Internal Auditors.

### Internal Audit Organization Structure



Internal Audit covers all lines of businesses, product groups and support functions at the Head Office and branches, including audit for the Bank's subsidiaries, Adira Finance, Adira Quantum and Adira Insurance.

### 9.1. Main Activities in 2008

In 2008, Internal Audit has performed audits on 414 entities (111% of 2008 plan):

#### Audit Activities

Audit Activities	Audit Plan	Audit Realization			
		Total	% of Plan	Jan-Jun	Jul-Dec
<b>I. Routine Audit</b>					
1. Head Office Audit					
a. Credit Audit	25	24	96%	13	11
b. Product & Support Audit	18	20	111%	15	5
c. IT Audit	22	22	100%	15	7
Total Head Office Audit (including Adira Group)	65	66	102%	43	23
2. Branches Audit					
a. Conventional Branches	23	253	109%	14	113
b. Danamon Simpan Pinjam	3	95	128%	0	62
Total Branches Audit	74	348	113%	33	175
	30			17	
	7			3	

<b>Total Routine Audit</b>	<b>37 2</b>	<b>414</b>	<b>111%</b>	<b>21 6</b>	<b>198</b>
<b>II. Audit Investigation</b>					
<b>Total Audit Investigation</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>11</b>	<b>10</b>

The Acceptable Audit Rating (the highest audit rating) improved from 66% in 2007 to 71% in 2008

## 9.2. 2009 Plan

In line with the Bank's business growth, in 2009 Internal Audit will implement several key initiatives to strengthen the audit functions :

- Establish Analytics Unit to help implementing a Continuous Auditing function. The Analytics Unit will capture all relevant data and develop certain risk factors to capture early warning signals from branches/units. The Unit will suggest higher risk entities to be audited by the Branches Audit Group.
- Divide Audit Credit into Wholesale Credit Audit and Retail Credit Audit.
  - a. Wholesale Credit Audit will audit the Corporate Banking, SMEC-Small Medium Enterprise & Commercial, Financial Institution, Special Asset Management, Credit Risk Management, Loan Transaction Services, Sharia, etc.
  - b. Retail Credit Audit will audit the SEMM-Self Employed Mass Market, CMM-Consumer Mass Market, Credit Card (Visa, Master, Amex), Secured Loan/Mortgage, Unsecured Loan, Adira Finance, Adira Quantum, etc.
- Continuously enhance audit methodology by reassessing risk factors relating to each audit entity.
- Improve the Self Employed Mass Market (SEMM) Cluster audit approach to include higher risk units outside the audited Clusters based on the analytic result.
- Monitor audit follow ups in all audited entities.

The annual audit plan has been developed using risk based audit that examines all audit entities. 2009 Audit Plan is based on the Audit Cycle below. The plan has been communicated and approved by the President Director, Audit Committee and the BoC.

### 2009 Audit Methodology

RISK	High	<b>12 Months</b> <ul style="list-style-type: none"> <li>• All High Risk (Head Office &amp; Branches)</li> <li>• Unsatisfactory Rating</li> <li>• Fraud</li> </ul>	
	Medium	<b>24 Months</b> <ul style="list-style-type: none"> <li>• Head Office Entities (Medium &amp; Low Risk)</li> <li>• SEMM Cluster (Medium &amp; Low Risk)</li> <li>• Branches: Medium Risk with Need</li> <li>• Improvement &amp; Acceptable Rating</li> </ul>	
	Low	<b>36 Months</b> <u>Conventional Branches Only</u> <b>Low Risk</b> <b>(Need Improvement &amp; Acceptable)</b>	
		Acceptable	Need Improvement      Unsatisfactory

#### Analytics & Early Warning – Dynamic Risk Based Auditing

Audit results are communicated and distributed to relevant parties, including the President Director, Integrated Risk Director and Compliance Director. Summary of audit issues is presented every month to the Operating Committee for constructive discussion. Separately, Internal Audit attends a monthly meeting with the Audit Committee.

#### 10. EXTERNAL AUDIT

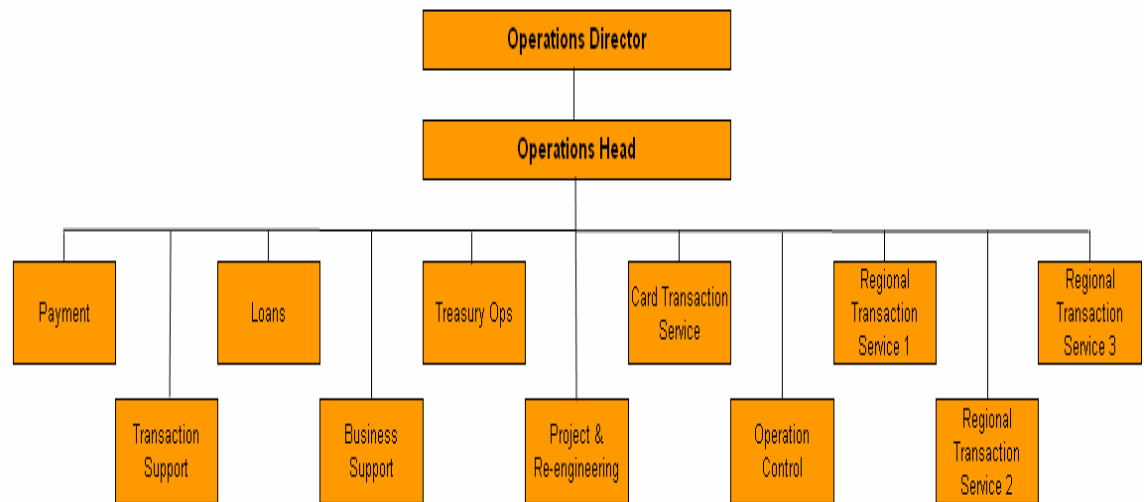
The Bank's and its subsidiaries consolidated financial report for year 2008 is audited by Public Accountant Office KPMG Siddharta Siddharta & Wijaya with an audit fee of USD 414,700. The Public Accountant and the Public Accountant Office has obtained GMS approval on 27 March 2007. The Management Letter received from the Independent Auditor has been reviewed by the BoC. The appointment of the Independent Auditor follows Bank Indonesia regulation, among others, requiring the Public Auditor to be in Bank Indonesia's approved list.

#### 11. INTERNAL CONTROL IN OPERATIONS

The Bank has already implemented basic Control functions in its operations, which include segregation of duties, dual control/custody, reconciliation and proof call as well as Standard Operating Procedures and Code of Conducts. Operation Control team conducts periodical site visits to the Branches and the Head Office Divisions for random reviews to ensure that transactions are in compliance with the Bank's policies and procedures.

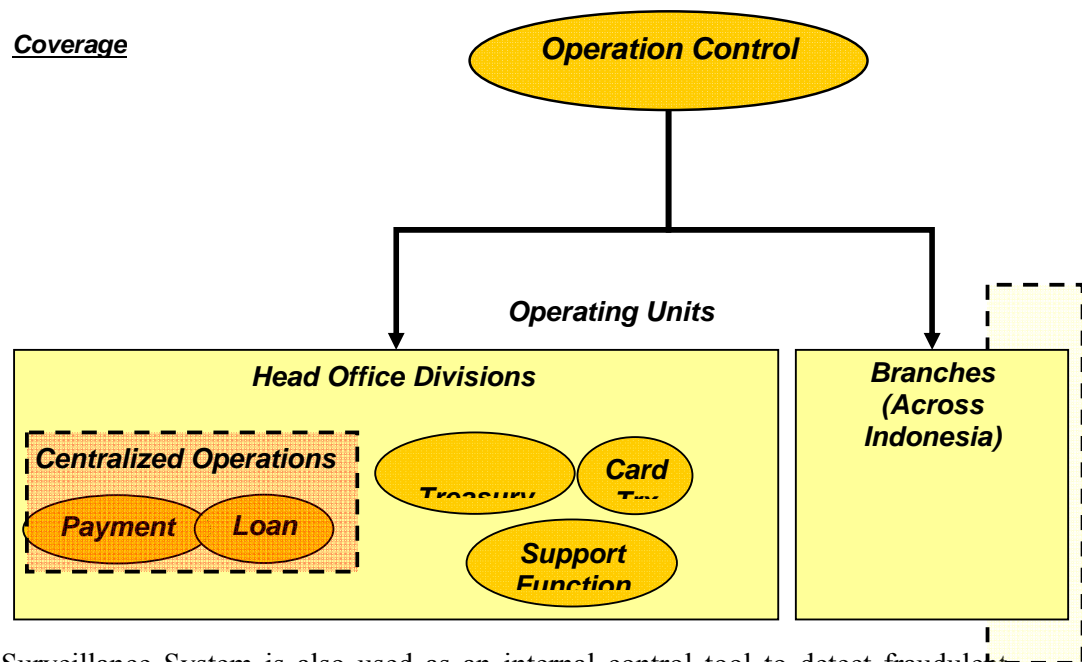


## Operations Organization Structure



## Coverage of Operation Control

### Coverage



Surveillance System is also used as an internal control tool to detect fraudulent transactions. Quarterly Risk Control Self Assessment (RCSA) exercises are performed by the Operating Units. This activity serves as a risk monitoring tool used to measure the level of operational risk exposures and each Unit's compliance. Further, training on Bank Internal Control continues to be a part of the

Bank's training program to upgrade staff's competency and to increase control awareness.

The Audit Rating of Operating Units is one of the Key Performance Indicators (KPI) for both the Operating Units and the Operation Control team. Over the last few years, there are significant improvements in the Audit Ratings provided by Internal Audit (SKAI). Based on the 2008 Audit Rating, 80% received the 'Satisfactory' rating while the remaining 20% received 'Need Improvement' rating. The Bank also launched an Anti-Fraud campaign which has been aligned with Danamon's recent Re-branding Program, and forms a bank-wide control initiative to raise bankwide fraud awareness.

## 12. INTEGRATED RISK ASSESSMENT AND RISK MANAGEMENT

Key risks faced by the Bank and its subsidiaries have been identified, analyzed and managed through an integrated and enterprise-wide risk management and the BoD have communicated clearly the mission, strategy, target market and risk appetite as well as performance indicators and criteria to measure achievements by minimizing unexpected events. In addition, a mechanism and infrastructure have been developed to assess constraints. To anticipate any service interruption, the Bank has built and established back up and business recovery plans.

The BoC and BoD are cognizant of the importance of risk management in the Bank's business activity. Business units are responsible to measure routine risks faced. Risk assessment results are discussed in the Risk Monitoring Committee meetings to assure that sufficient follow ups have been performed.

As of Semester II/ 2008, the Bank management's internal self assessment performance stood at rating 2, indicating that overall the Bank has a sound rating and is capable of withstanding negative economic and financial conditions.

The table below summarizes the Bank's self-assessment Performance Level (CAMELS).

Bank Soundness Assessment Report as of 31 December 2008

Component	Composite Ratings	Ratings
Capital	1	Sound
Asset Quality	2	Sound
Management	1	Sound
Rentability	1	Sound
Liquidity	2	Sound
Sensitivity to Market Risk	2	Sound
<b>The Bank Soundness Rating</b>	<b>2</b>	<b>Sound</b>

\* Composite Rating:

1 & 2 : Sound

- 3 : Fairly  
4 : Poor  
5 : Unsound

The BoC and BoD actively supervise risk management implementation and such matter is shown in the related committees' performance on risk management. At the executive level, the Risk Committee is chaired by the Integrated Risk Director, who reviews the Bank's risk profile and determines actions to mitigate and control risk. This committee serves as the main forum through which the Bank implements risk management for all businesses and subsidiaries.

The BoC is assisted by its Risk Monitoring Committee to conduct in-depth reviews of the Bank's risk. This Committee periodically meets with the Risk Committee and Risk Management unit as counterparts to discuss the Bank's risk profile and the adequacy of existing policy and procedure as well as other internal control issues. The Risk Management unit is staffed with skilled and competent people to analyze risk, prepare models and methodology, report portfolio analysis as well as create and improve upon policy and risk control processes.

Further explanation of the Bank's risk management is described in the Risk Management section of the Annual Report.

### Credit Ratings

Danamon is rated by both local and international rating agencies. Danamon's credit ratings as of 31 December 2008 is as follow:

Agency	Rating/Outlook	
<b>Standard &amp; Poor's</b> December 2008	Long-term/Short-term Local Currency	BB-/Stable/B
	Long-term/Short-term Foreign Currency	BB-/Stable/B
	Subordinated Debt	B/Stable
<b>Moody's</b> November 2008	Global Local Currency Deposit	Baa3/Stable
	Foreign Currency Long-term/Short-term Deposit	B1/Stable/Not Prime
	Subordinated Debt	Ba2/Stable
	National Scale Rating	Aaa.id
<b>Fitch Ratings</b> July 2008	Long-term/Short-term Foreign Currency	BB/Stable/B
	National Long-term	AA (idn)/Stable
<b>PEFINDO</b> February 2008	Corporate Rating	idAA+/Stable
	Bond Rating	idAA+/Stable

### 13. LENDING TO RELATED PARTIES AND LARGE EXPOSURE LENDING

Bank Indonesia regulates LLL (Legal Lending Limit) as well as the procedure of lending to related parties. During 2008, the Bank has not violated and/or exceeded

its LLL. To reduce risk concentraion, the Bank also sets limits on lending to individual, group or industry.

Lending to related parties and Largest Debtors as per 31 December 2008:

Amount of Lending to Related Parties and Largest Debtors as at 31 December 2008

No.	Fund Provision	Debtors	Outstanding Amount (Rp million)
1.	Related Parties	Subsidiaries and Key Management	1,563,694
2.	Group / Largest debtor	25	7,009,038

#### **14. STRATEGIC PLAN**

The BoD has communicated the Bank's plan to the entire organization and to all stakeholders so as to ensure effective implementation. The Bank's plan is compiled in accordance to Bank Indonesia's Regulation regarding bank corporate plan and takes into consideration all relevant risks and prudent banking practices. The plan has also been reviewed by the BoC.

##### **14.1. Long term Plan**

To realize its vision, the Bank plans to grow through various alternatives, both organically and non-organically. For 2008 – 2010, the Bank will execute various activities to reach its vision, among others, by expanding the synergy process, and other corporate actions. Such corporate actions will be adopted according to market and macroeconomic conditions.

##### **14.2. Short term and Mid term plan**

The Bank's short term strategic priorities are as follow:

- Accelerate lending growth in micro, small and medium including commercial;
- Strengthen retail franchise, network and product;
- Broaden the scope and product offering to corporate customers;
- Continue operational efficiency by applying operational excellence for all segmentation;
- Further increase reliability, scale and flexibility. A new core banking system is in place in April 2008 for Danamon Simpan Pinjam and the Bank has launched a pilot project in October 2008 for conventional branches. The Bank plans to further invest in internet banking and mobile phone banking for the retail segment;
- Seek opportunities to build scale through small bank acquisitions, security companies, insurance and exercise Adira Finance's 20% call option.

**14.3. Mid term plan (3-5 Years)**

In the next 3 – 5 years, the banking sector will become more consolidated. The Bank wishes to become an international bank as defined in Indonesian Banking Architecture (API). Even though the Bank's business plan is based on organic growth, the Bank also continuously seeks ways to accelerate growth, including through mergers and acquisitions. The Bank uniquely has qualifications as an anchor (core) bank in Bank Indonesia's vision. The Bank has a good track record in the merger program of 9 banks in 2000 and in the acquisition of PT Adira Dinamika Multi finance ("Adira Finance"), PT Adira Quantum Multifinance ("Adira Quantum"), as well as PT Asuransi Adira Dinamika ("Adira Insurance"). The Bank will explore other financial institutions that can meet the Bank's current market position so the Bank can expand its market share and product and customer service.

**15. FINANCIAL AND NON FINANCIAL REPORT TRANSPARENCY**

The Bank always communicates its financial and non financial conditions to the stakeholders, through quarterly publication of financial reports and other reports submitted to Bank Indonesia, the Capital Market Supervisory Board (Bapepam – LK) and other stakeholders in accordance with the prevailing rules and regulations. Quarterly Financial Reports are published in at least one Indonesian national newspaper. In addition, these reports are also available in the Bank's web site.

Reports submitted among others cover, the Bank's Financial Condition, product information and Customer Data Utilization, customer claim process; the Annual Report submitted to at least Bank Indonesia, Rating Agencies operating in Indonesia, Indonesian Banking Associations, Indonesian Banking Development Institute (LPPI), Capital Market Supervisory Board (Bapepam – LK), Ministry of Trade and Industry, and two Research Institutions of Economy and Finance. This submission is in line with the Bank Indonesia regulations.

**16. BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS SHARES OPTION****16.1. E/MSOP Policy**

Inline with the Bank's mission to become the employer of choice, the Bank introduced its Employee/Management Share Option Plan (E/MSOP) in 2004. The main objective of this plan is to retain key employees and to reward the BoD and senior employees who have made significant achievement and contribution to the growth and profitability of the Bank. Highlights of the policy are as follows:

- BoD members and senior officers are entitled to EMSOP if their performance exceeds a certain criteria determined by related committees. To avoid any conflict of interest, BoC members are not entitled to participate in the EMSOP program as their responsibility is to determine management's compensation program;

- The option program is given for those whom are entitled maximum 5% of the amount shares issued and paid fully by 26 March 2004, or a total amount of 245,346,100 B series shares with a nominal of Rp. 500 per share. In 2004, 2005, and 2006, the accumulated option given is 164,125,000; 225,196,800 and 254,638,300, respectively.
- Compensation expense relating to E/MSOP is Rp. 37 billion in 2004, Rp. 109 billion in 2005 and Rp. 107 billion in 2006;
- Committee I (consisting of BOC members) determines the allocation and tranche given to BoD members who are entitled and Committee II (consisting of BoD members) conducts the same process for senior officers;
- Vesting period is determined accordingly in order for the options vested to be done in tranches. The option will remain valid until a period of 5 years from the date granted. Option price is determined in each tranche to assure fairness among employees' and stakeholders' interest.

## 16.2. Board of Directors Share Option

By the end of December 2008, members of Bank Danamon's BoD that received share options are noted in the table below:

Members of the Board of Directors That Have Received Share Options as of 31 December 2008.

Name	Option amount		Option price in Rp	Period
	Number of shares given	Number of shares executed		
<b>Board of Directors</b>				
Sebastian Paredes	7,000,000	0	5,173	3 years
	840,000	0	4,353	3 years
Muliadi Rahardja	3,714,000	3,214,000	2,451	3 years
	1,110,000	0	5,173	3 years
	500,000	0	4,353	3 years
Sanjiv Malhotra	500,000	200,000	4,353	3 years
Ali Yong	4,214,000	1,199,500	2,451	3 years
	1,110,000	0	5,173	3 years
	600,000	0	4,353	3 years
Vera Eve Lim	3,714,000	800,000	2,451	3 years
	1,110,000	0	5,173	3 years
	600,000	0	4,353	3 years
Herry Hykmanto	2,744,500	426,500	2,451	3 years
	400,000	160,000	5,173	3 years
	187,000	0	4,353	3 years
Kanchan Nijasure	3,714,000	3,714,000	2,451	3 years
	1,110,000	777,000	5,173	3 years
	600,000	240,000	4,353	3 years

### 16.3. Shares ownership of Board of Commissioners and Board of Directors

As per 31 December 2008, the amount of shares owned both by the BoC and BoD are 0.07% of total Bank shares.

#### Shares Ownership of Board of Commissioners and Board of Directors

Name	Amount shares	of % ownership (as per 31 December 2008)
Ng Khee Choe	50,000	0.0010%
Sebastian Paredes	697,500	0.0138%
Muliadi Rahardja	2,564,000	0.0508%
Herry Hykmanto	91,500	0.0018%
Kanchan Keshav Nijasure	950,500	0.0188%

### 17. SHARES OWNERSHIP OF BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

As at 31 December 2008, there are no BoC or BoD member who owns shares reaching 5% or more than the Bank's paid-up capital, as well as shares in other banks; in other non-bank financial institutions and other companies domiciled locally or abroad.

### 18. BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS INDEPENDENCY

Aside from certain BoC members, who have financial relationship with the controlling shareholder, all BoD members and Independent Commissioners have no financial and family relationships with other BoC and BoD members and/or the Bank's controlling shareholder.

### 19. HIGHEST AND LOWEST SALARY RATIO

Salary is the employees' rights received and stated in the form of cash as compensation from the Bank or employer stipulated and paid according to the work agreements or contracts according to prevailing rules and regulations. This includes employee benefits.

Information below shows the salary comparison ratio, which covers compensation received per month by members of BoC, BoD and full-time employees in the Bank.



### Salary Comparison Ratio

Note	Ratio
Highest employee – lowest employee	80 x
Highest Director – Lowest Director	3,4 x
Highest Commissioner – Lowest Commissioner	1,5 x
Highest Director – Highest Employee	3,4 x

## 20. INTERNAL FRAUD

Internal frauds are deviations/frauds done by management, full time employees and contractual employees (including outsourcing) relating to work process and the Bank's operational activity, that can adversely affect the Bank's condition in a material way. This covers internal frauds exceeding Rp. 100,000,000 (one hundred million Rupiah). The following table details internal frauds during 2008

### Internal Fraud Cases

Internal Fraud	Amount of cases involved					
	Management		Full Time Employees		Contractual Employees	
	2008	2007	2008	2007	2008	2007
Total internal fraud	0	0	17	8	1	0
Resolved	0	0	17	8	1	0
Internal process	0	0	0	0	0	0
Pending Process	0	0	0	0	0	0
Actions through legal actions	0	0	7	2	0	0

## 21. LITIGATION CASES

Litigation cases are civil and criminal cases that have proceeded with legal actions. Below are the civil and criminal cases as of 31 December 2008:

Summary of Civil and Criminal Cases

Litigation case	Amount of cases	
	Civil	Criminal
Resolved	35	20
In the process of settle	170	51
<b>Total</b>	<b>205</b>	<b>71</b>

Civil and criminal cases above are defined as follows:

- Civil cases are legal cases where the Bank is either the plaintiff, defendant or cases (where there is a legal risk) meanwhile Pledge Rights (*Hak Tanggungan/HT*) is not included in this category as it is a request;
- Criminal cases are cases where the Bank is either the plaintiff or defendant (there is a legal risk). A case where the Bank is a witness is not considered as a criminal case.

**22. TRANSACTIONS CONTAINING ANY CONFLICT OF INTEREST**

During 2008, there are no transactions that contain any conflict of interest

**23. SHARES BUY BACK AND OR BONDS BUY BACK BY THE BANK**

Shares buy back and/or bonds buy back is an effort to reduce the amount of shares or bonds issues by the Bank by buying back such shares or bonds, with terms and conditions inaccordance with the prevailing rules and regulations. During 2008, the Bank did not execute any buy back of shares or bonds.

**24. CORPORATE SOCIAL RESPONSIBILITY AND POLITICAL PARTIES SPONSORSHIP**

The Bank policy prohibits involvement in any polictial activities, including any donations for polictial interest. For Corporate Social Responsibility details please see the Corporate Social Responsibility section of the Annual Report.

**25. GOOD CORPORATE GOVERNANCE SELF ASSESMENT**

In compliance with Bank Indonesia Regulation on Good Corporate Governance, a self assessment on the application of good corporate governance within the Bank was completed in 2008. The self assessment covered 11 aspects namely:

- The BoC role and responsibilities
- The BoD role and responsibilities
- The execution and comprehensiveness of the BoC Committees' roles
- Management of conflict of interest
- Application of Compliance Functions within the Bank
- Applicaton of Internal Audit Functions
- Application of External Audit Functions
- Risk Management functions, including internal control
- Lending to related parties and large exposures

- The Bank's transparency of financial and non-financial conditions, the Bank's Good Corporate Governance report and several internal reports
- The Bank's strategic plan

Rating of each aspect is based upon the application of good corporate governance to meet Bank Indonesia's minimum GCG criteria. Based upon the 2008 self assessment, the Bank's GCG rating is sound.

#### 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><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>▪ The BoC is to ensure that GCG's principles are applied in all of the Bank's activities at all level.</li> </ul> <p><b><u>Action plan:</u></b></p> <ul style="list-style-type: none"> <li>▪ The Corporate Governance Committee will ask the Management to assess comprehensively if GCG principles being applied in all of the Bank's activities at all level.</li> </ul>
2	Implementation and responsibilities of Board of Directors	20.00%	2	0.400	<p><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>▪ The BoD is to implement the application of GCG principles in all of the Bank's activities at all level.</li> </ul> <p><b><u>Action plan:</u></b></p> <ul style="list-style-type: none"> <li>▪ The BoD is to plan and implement GCG application program in all of the Bank's activities at all level.</li> </ul>
3	Completeness and implementation of Committee duties	10.00%	1	0.100	<p><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>▪ No apparent problem</li> </ul>

					has been identified.
					<b><u>Action plan:</u></b> <ul style="list-style-type: none"><li>▪ The BoC is to ensure that the Committees are in compliance with all prevailing regulations and work effectively.</li></ul>
4	Conflict of interest handling	10.00%	1	0.100	<b><u>Problem identification:</u></b> <ul style="list-style-type: none"><li>▪ The Bank does not identify any potential problem in its handling of conflict of interest situation.</li></ul> <b><u>Action plan:</u></b> <ul style="list-style-type: none"><li>▪ The Bank will always adhere to prevailing regulations in its handling of conflict of interest situation.</li></ul>
5	Implementation of bank Compliance function	5.00%	1	0.05	<b><u>Problem identification:</u></b> <ul style="list-style-type: none"><li>▪ The Bank does not identify any potential problem in its implementation of compliance function.</li></ul> <b><u>Action plan:</u></b> <ul style="list-style-type: none"><li>▪ The Bank will always adhere to prevailing regulations in its implementation of compliance function.</li></ul>
6	Implementation of Internal Audit function	5.00%	1	0.05	<b><u>Problem identification:</u></b> <ul style="list-style-type: none"><li>▪ The Bank does not identify any potential problem in its implementation of Internal Audit bank function.</li></ul> <b><u>Action plan:</u></b> <ul style="list-style-type: none"><li>▪ The Bank will always employ the internal audit function in accordance with the related regulations.</li></ul>

7	Implementation of External Audit bank function	5.00%	1	0.05	<p><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>The Bank does not identify any potential problem in its implementation of External Audit function.</li> </ul> <p><b><u>Action plan:</u></b></p> <ul style="list-style-type: none"> <li>The Bank will always manage the external audit function in accordance with the related regulations.</li> </ul>
8	Implementation of Risk Management and Internal Control	7.50%	1	0.075	<p><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>The Bank does not identify any potential problem in its implementation of Risk Management and Internal Control.</li> </ul> <p><b><u>Action plan:</u></b></p> <ul style="list-style-type: none"> <li>The Bank will always manage the risk management and internal control in accordance with the related regulations.</li> </ul>
9	Fund provision to related parties and large exposures	7.50%	2	0.15	<p><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>The Bank does not identify any potential problem in its implementation of fund provision to related parties and large exposure.</li> </ul> <p><b><u>Action plan:</u></b></p> <ul style="list-style-type: none"> <li>The Bank will always manage fund provision to related parties and large exposure I in accordance with the related regulations.</li> </ul>
10	Transparency of Financial and Non Financial, GCG Implementation	15.00%	2	0.3	<p><b><u>Problem identification:</u></b></p> <ul style="list-style-type: none"> <li>The Bank does not</li> </ul>

Report and Internal Report					<p>identify any potential problem in its Transparency of Financial and Non Financial, GCG Implementation Report and Internal Report.</p> <p><b>Action plan:</b></p> <ul style="list-style-type: none"> <li>The Bank will always maintain transparency of financial and non financial, GCG implementation report and internal report function in accordance with the related regulations.</li> </ul>
11	Bank Strategic Plan	5.00%	1	0.05	<p><b>Problem identification:</b></p> <ul style="list-style-type: none"> <li>The Bank does not identify any potential problem in its implementation of strategic plan.</li> </ul> <p><b>Action plan:</b></p> <ul style="list-style-type: none"> <li>The Bank will always implement strategic plan in accordance with the related regulations.</li> </ul>
<b>Composite Value</b>		<b>100.00%</b>	<b>1.575</b>		

Composite Score and Rating Index

Composite Score	Composite Rating
Composite Score < 1,5	Very good
$1,5 \leq \text{Composite Score} < 2,5$	Good
$2,5 \leq \text{Composite Score} < 3,5$	Sufficient
$3,5 \leq \text{Composite Score} < 4,5$	Insufficient
$4,5 \leq \text{Composite Score} < 5$	Poor

### 25.1. Overall Conclusion

Based upon the self assessment result it can be reported that the Bank attained Sound grade that needs to be maintained going forward.

## 25.2 2008 Good Corporate Governance Calendar

### Good Corporate Governance Calendar

3 April 2008	GMS Annual GMS Extraordinary
Mei 2008	Amendment of the Article of Association in accordance with Act No.1 Year 40
June 2008	Dividend payment
June/July 2008	Submission of GCG Implementation Report and its revision
August 2008	Workshop 1
August 2008	Workshop 2
September 2008	Charter revision

## 26. CORPORATE SECRETARY

The Corporate Secretary is responsible for communicating in a timely and accurate manner all material information regarding the Bank to the stakeholders. Announcements regarding the Bank's condition and performance are made in accordance with rules and regulations and the Bank's Article of Association.

The following are disclosures of the Bank during 2008

### 2008 Disclosures

Number	Date	Subject	Reference/Provision
B.013-Corp.Sec	22-Jan-08	Report of Effectiveness of PT. Bank Danamon Indonesia Tbk Article of Association Amendment	Bapepam Regulation No.X.K.1
B.014-Corp.Sec	23-Jan-05	Report of Effectiveness of PT. Bank Danamon Indonesia Tbk Article of Association Amendment	Indonesia Stock Exchange (BEI) Regulation No.I.E regarding compulsory information to disclose
B.016-Corp.Sec	30-Jan-08	Plans to conduct public expose	BEI Regulation No.I.E regarding compulsory information to disclose
B.019-Corp.Sec	6-Feb-08	Conveyance of PT. Bank Danamon Indonesia Tbk public expose material	BEI Regulation No.I.E regarding compulsory information to disclose
B.023-Corp.Sec	18-Feb-08	Conveyance of PT. Bank Danamon Indonesia Tbk Financial Report as of 31 December 2007	Bapepam Regulation No.X.K.2
B.024-Corp.Sec	18-Feb-08	Conveyance of PT. Bank Danamon Indonesia Tbk Financial Report as of 31 December 2007	BEI Regulation No.I.E regarding compulsory information to disclose

B.026-Corp.Sec	19-Feb-08	Public Expose	BEI Regulation No.I.E regarding compulsory information to disclose
B.029-Corp.Sec	22-Feb-08	Plans to conduct AGMS and EGMS	Bapepam Regulation No.X.I.1
B.030-Corp.Sec	22-Feb-08	Plans to conduct AGMS and EGMS	BEI Regulation No.I.E regarding compulsory information to disclose
B.033-Corp.Sec	25-Feb-08	Disclosure of certain shareholders	Bapepam Regulation No.X.M.1
B.035-Corp.Sec	25-Feb-08	Disclose information regarding Single Presence Policy	Bapepam Regulation No.X.I.1
B.036-Corp.Sec	25-Feb-08	Disclose information regarding Single Presence Policy	BEI Regulation No.I.E regarding compulsory information to disclose
B.038-Corp.Sec	27-Feb-08	Disclosure of certain shareholders	Bapepam Regulation No.X.M.1
B.040-Corp.Sec	4-Mar-08	Advertisement proof of Announcement of AGMS & EGMS	Bapepam Regulation No.X.I.1 & Bapepam Regulation No.X.K.1
B.041-Corp.Sec	4-Mar-08	Advertisement proof of Announcement of AGMS & EGMS	BEI Regulation No.I.E regarding compulsory information to disclose
B.049-Corp.Sec	11-Mar-08	Disclosure of certain shareholders	Bapepam Regulation No.X.M.1
B.054-Corp.Sec	18-Mar-08	PT Bank Danamon Indonesia, Tbk Annual Report	Bapepam Regulation No.VIII G.2
B.055-Corp.Sec	18-Mar-08	PT Bank Danamon Indonesia, Tbk Annual Report	BEI Regulation No.I regarding Listed Companies
B.056-Corp.Sec	19-Mar-08	Advertisement proof & invitation of Announcement of AGMS & EGMS	Bapepam Regulation No.X.I.1 & Bapepam Regulation No.X.K.1
B.057-Corp.Sec	19-Mar-08	Advertisement proof & invitation of Announcement of AGMS & EGMS	BEI Regulation No.I.E regarding compulsory information to disclose
B.058-Corp.Sec	14-Mar-08	Disclosure of certain shareholders	Bapepam Regulation No.X.M.1
B.066-Corp.Sec	28-Mar-08	Disclosure of certain shareholders	Bapepam Regulation No.X.M.1

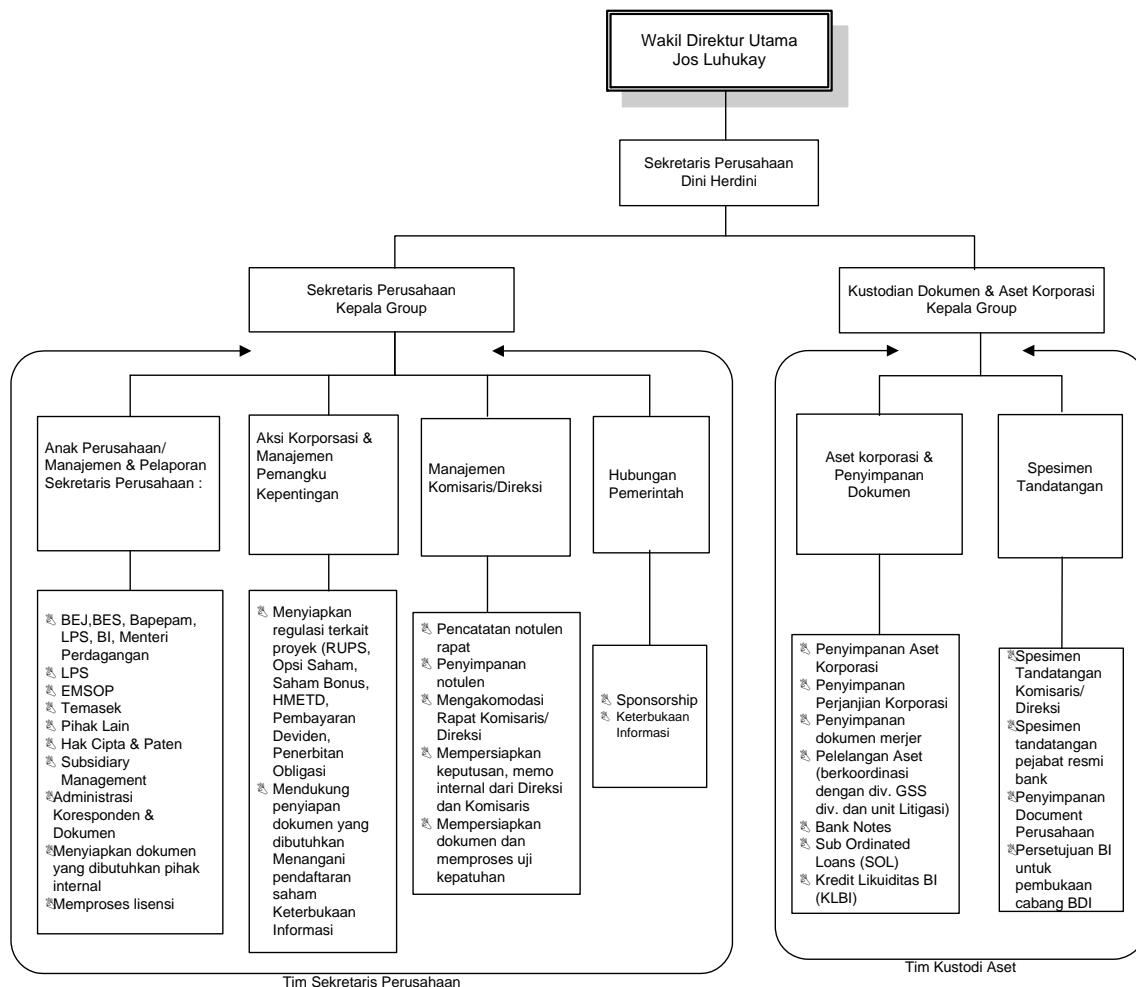


B.074- Corp.Sec	1-Apr-08	Disclosure of certain shareholders	Bapepam Regulation No.X.M.1
B.087- Corp.Sec	4-Apr-08	Change and Appointment of Corporate Secretary	BEI Regulation No.I.A regarding Listed Companies and I.E regarding compulsory information to disclose

The Corporate Secretary is also responsible for assisting the BoD regarding their accountability and responsibility as well as on issues related to good corporate governance and corporate social responsibility, thus commencing 3 April 2008; the Bank has appointed Dini Herdini as its Corporate Secretary. The Bank's Corporate Secretary curriculum vitae is as follow:

Dini Herdini, 43 years old, graduated from Trisakti University in 1987 with a Bachelor in Law. For almost 5 years she spent her career in legal services (legal aid institution and Law Firm) and 14 years in the Banking sector (joint venture bank, and private/local bank) until today. In 1999, she was seconded to Bank Indonesia as member of Team Implementation and Establishment of PT Bank Ekspor Indonesia (a credit export agency owned by Government), and the same year she was the Legal Coordinator for merger PT Bank PDFCI, Tbk and PT Bank Danamon Indonesia, Tbk. In 2003 Legal Auditor for Department of Finance Republic Indonesia on the performance audit of PT. TASPEN (Persero) and PT. Semen Gresik Tbk. (Persero). Her areas & experiences encompass the banking and capital market covering structuring/restructuring credit, project finance, merger & acquisition and other transaction related with capital market and finance. Currently, she is the General Legal Counsel of Bank Danamon and also holds a position as Corporate Secretary of the Bank. As an in-house counsel her role is giving a legal advise to all unit, advised on governance and regulatory issues, review legal aspects of the Bank's product and legal issues related with loan, trade financing, bank operation, and corporate action. Appointed as Corporate Secretary of the Bank since April 3, 2008 her task includes to communicate to all stakeholders in a timely and accurate manner and assist the BoD in respect to their obligations on corporate governance and corporate social responsibility issues and their implementation according to Capital Market Supervisory Board (Bapepam – LK0 regulation no. IX.I.4. Dini Herdini is registered and holds a license in Legal Consultant Association in Capital Market (HKHPM) and Certified Member of Indonesian Advocate Association (PERADI). She also holds the Certificate of Bank Risk Management (BSMR) Level 2.

## Corporate Secretary Organization Structure



The roles and responsibilities of the Bank's Corporate Secretary among others as follow:

- Keeping abreast of the capital market issues, especiall in relation to capital market regulations and socializing to the BoC, BoD amd stakeholders of the Bank.
- Providing service to public for any information pertaining the Bank's condition.
- Giving advice to the Bank's BoD in compliance with Law Number 8 year 1995 regarding capital market and the regulations of its execution.
- As a liaison officer between the Bank with the authorities (Bapepam-LK, Stock Exchange and others) and public.
- Monitoring and advising in relation to the Bank's compliance of the prevailing rules and regulations.
- Preparing and attending the BoC and BoD meetings, and ensuring the meeting's results have been documented properly in the minutes of meeting.
- Ensuring that all mandatory reports of the Bank to authority institutions and other

parties have been reported accordingly.

## **27. INVESTOR RELATIONS**

Investor Relations enables effective communication between the Bank, the financial community and other related bodies, aiming to achieve fair value of the Bank's securities.

Investor Relations communicates the Bank's financial strategy and its broad strategic direction ensuring that the image of the Bank is maintained in a cohesive fashion.

Investor Relations communicates the Bank's information in a variety of communication events and publications; events such as public expose, conference calls, one-on-one meetings with investors and publications such as quarterly financial reports, annual report and the Bank's website.

Event	Frequency/duration	Remarks
Analyst Meeting/Public Expose	4 times	Quarterly meeting between senior management and analysts/investors where strategic direction against current and upcoming issues facing the Bank is presented.
Financial Reports	4 times	Unaudited information about the financial position, performance and changes in financial position of the Bank.
Annual Report	1 time	Comprehensive report on the Bank's activities throughout the preceding year including audited financial performance issued by an independent external auditor.
Non Deal Roadshows	8 days	Meeting with foreign institutional investors and where routine Bank's performance updates are presented including macro economic conditions, market development, regulatory issues and current affairs.
One-on-one meetings and conference calls	140 times and nine days of domestic conference	Meeting with a small group of analyst and/or investor to discuss financial results of a reporting period. Conference call is provided for foreign participants to address particular subjects.

## **28. PUBLIC AFFAIRS**

The Bank's relationship with its internal and external stakeholders is managed through the Public Affairs division. The division also provides support in the execution of external and internal events as well as corporate branding guidelines. In general, the division is grouped into four subdivisions: Internal Communication, Event Management, Brand Management and External Affairs.

## 28.1. Internal Communication

The Internal Communication is responsible to ensure availability as well as circulation of information for employees including subsidiaries and maintain internal control consisting of:

- Intranet Portal

Intranet facility which can be accessed by all employees – currently not including subsidiaries – is connected through email facility. This Intranet Portal serves employees with information relating to their welfare and benefit as well as providing required information to support their daily work. Through such facility all kinds of related information regarding the company can be accessed including policies archives and published memos. Recently the portal facility was replaced with the 2nd Generation Portal which was launched on 12 March 2009.



- Spirit Magazine

Spirit Magazine is an internal magazine circulated each month. Such magazine has 10,000 circulations every month and is distributed for all employees in the Head Office, Regional Offices and the Bank's branches and Adira Finance, Adira Insurance and Adira Quantum Offices.

- E-mail Blasts

E-mail Blasts is a mass information circulation that can be delivered, both to all employees as well as to certain groups of employees. During 2008, over 249 email blasts were sent to the employees.

- Internal Communications Forum

Internal Communication (IC) forum serves as a communication forum among the appointed Person in Charge (PIC) of each division/unit circulation of information which needs to be acknowledged by each unit and/or need to be shared with other units. The Forum was established in mid 2008 and as of end of 2008 held three events.

- **Skip Level Meetings**  
Skip Level Meeting is a monthly meeting between the President Director and the senior officers of various units. Skip Level Meeting is to facilitate open communication through question and answer sessions. During 2008, 6 Skip Level meetings were organized and attended by 115 senior officers.
- **Weekly Regional Corporate Officers Teleconference**  
Regional Corporate Officers (RCO) are officers appointed as representative of the Bank in relation to:
  - (i) External parties, including namely the government, media, etc. in responding to enquiries regarding performance as well as matters related to the organization;
  - (ii) Internal parties, including in each regions. In this capacity, the RCO represents the Head Office Management in conveying various information as well as responding to current issues and ensuring that all employees receive nformation from official source of data approved of the bank. Realizing the importance of this function, since November 2005. Weekly communication meetings have been conducted with all RCO through teleconference, which are guided directly by the President Director..

## **28.2. External Affairs**

External Affairs manages communications with the Bank's stakeholders through maintaining relationship with the media to ensure a desired image of the Bank is formed. The following activities were conducted by External Affairs:

- **Media Relations**  
Regular contact with media representatives were conducted to asses the public perception of the bank. Various activities were carried out to build and maintain relationship with the press through workshops, conferences, briefings and media visits.
- **Managing Communications**  
In 2008, the Bank initiated the development of a bankwide Standard Operational Procedure for Communications, to establish normal busienss condition and crisis communications guidelines. Workshops to familiarize senior officers and spokespersons were conducted to build capacity in media management. Seven senior officers were appointed as regional spokespersons to act on behalf of Danamon.
- **Perception Management**  
Based on a-review coverage in approximately 40 leading printed and electronic media, Danamon was covered in 2,857 articles in 2008. Most of these media

reported with direct and indirect mention of Danamon, including its products and services were noted as neutral tone (73.5%). Positive-toned and negative-toned media reporting coverage made up 21.2% and 5.3% of total coverage, respectively.

- **Website**  
The website [www.danamon.co.id](http://www.danamon.co.id) serves not only as a service portal but also as a provider of information updates to external parties, both to the public and the investors. In 2008 the Bank embarked to build a new corporate website, to enhance content management and better provide the public information on the Bank's products and service as well as other information such as Highlights, Investor Relations and Career Opportunities.
- **Other Communication Channels**  
As a public listed company, the Bank highly upholds the transparency and fairness principles by continuously providing updates to all stakeholders, through various communication channels, both print and electronic. The Bank records complaints submitted online which are promptly addressed. The claims are actively monitored by the Bank from front office to Head Office and used as feedback to improve the Bank's performance.

During 2008, a variety of communication events and publications were held including:

1. Press Conference (4 times)
2. Press release (25 times)
3. Media coverage (2,857 news)
4. Media meeting (72 times)
5. Annual and Extraordinary Meetings of Shareholders (one time)

#### Press Releases

Month, Year	Activity
February 2008	<ul style="list-style-type: none"> <li>- 13 February Official opening of the Bank's new Syariah branch in Merdeka street, Bandung, and seven office channeling units providing Syariah banking services across West Java.</li> <li>- 14 February Announcement of the Bank's 2007 Full Year Results to the media and analysts.</li> <li>- 19 February Danamon and Bank Jabar Banten signed a strategic working agreement in relation to the sale of <i>Obligasi Retail Negara</i> (ORI). Bank Jabar Banten will act as the sub-agency (ORI seller) for Danamon in 2008.</li> <li>- 25 February The Bank announced that its majority shareholder (FFH) decided not to choose the merger option for the Bank and Bank International Indonesia (BII).</li> </ul>
March	- 1 March

2008	<p>Danamon Peduli Foundation working with Ramako Peduli, Baznas, Bazis DKI dan Pelni Petamburan Hospital held Dengue Fever Prevention initiatives in one day simultaneously in five locations in Jakarta with high occurrence level of dengue fever after flooding, including Kembangan, Muara Baru, Kampung Melayu, Petamburan dan Pasar Minggu.</p> <p>- 10 March The Bank announced Anton Gunawan as Chief Economist and Head of Economics and Markets Research, in Treasury and Capital Markets &amp; Financial Institutions (TCM &amp; FI) division of the Bank.</p> <p>- 29 March The Bank and MasterCard Worldwide launched premium credit card namely Arsenal MasterCard (Arsenal Card) and Liverpool MasterCard (Liverpool Card).</p> <p>- 31 March Danamon Peduli completed Aceh/Nias reconstruction program following the tsunami, earthquake and flood disaster by providing the master plan, shop unit facilities and and Upah market management office, Aceh Tamiang, on Thursday 27 March 2008.</p>
April 2008	<p>- 3 April The Bank held its Annual General Meeting of Shareholder which approved The BOD's Annual Report and the Bank's financial report for 2007.</p> <p>- 8 April End of last year, Ministry of Culture and Tourism of the Republic of Indonesia signed a Memorandum of Understanding with the Bank which amongst others identified American Express as the Official Card Partner for the Visit Indonesia Year 2008 Program.</p> <p>- 10 April Sragen Head of Regency, Untung Wiyono, invited 70 head of regency from across Indonesia to see, learn and replicate organiz fertilizer processing unit, which is market-waste based, in Bunder Market, Sragen. Through such Danamon Peduli sought to identify other head of regency/head of municipality who has a commitment to be a pioneer in community-based development efforts. Danamon Peduli allocated Rp 4.5 billion for replication programs in 2008.</p> <p>- 11 April The Bank and Adira Insurance and together with MasterCard Worldwide launched Autocillin Card.</p> <p>- 22 April The Bank announced first quarter 2008 result.</p>
May 2008	<p>- 5 Mei The Bank launched American Express Gold Credit Card, introducing new design and benefits.</p>
June 2008	<p>- 3 June Danamon launched 2008 Danamon Award. The program aims to identify and give the highest appreciation to members of the community who fight for the improvements of the community's welfare.</p> <p>- 7 June Sri Sultan Hamengkubuwono X opened five cultural workshop and two cultural stages in seven strategic locations across Yogyakarta areas, which were built by Danamon Peduli Foundation and Forum Merti Dusun.</p>



July 2008	<p>- 17 July The Bank announced net profit after tax (NPAT) of Rp 1,16 trillion for the first semester 2008 results.</p> <p>- 29 July 2008 Danamon Award Committee announced the first phase of 2008 Danamon Award selection process where 30 participants were selected.</p>
August 2008	<p>- 8 August 2008 Danamon Award Committee announced that the independent judge panel of 2008 Danamon Award has selected 15 participants.</p> <p>- 14 August 2008 Danamon Award Committee announced five recipients of 2008 Danamon Award.</p> <p>- 29 August Compost from Danamon Peduli's program in Bantul Market has successfully increased harvesting results of 17 acres of red onion plantation by 30% in Bulak Ngepet, Srigading, Sanden, Bantul.</p>
September 2008	<p>- 11 September The Bank signed working agreement with PT Bina Media Tenggara, publisher of The Jakarta Post, to provide credit facilities and banking services for the company's employees.</p>
October 2008	<p>- 15 October The Bank announced first nine months 2008 results.</p> <p>- 29 Oktober Danamon Peduli Foundation opened market waste processing unit which converts market waste to high quality organic fertilizer in TPA Wonoreju, Wonosobo, Central Java.</p>
November 2008	<p>-10 November Coinciding with Patriot Day (<i>Hari Pahlawan</i>), Ministry of Research and Technology, Danamon Peduli Foundation, and Open Source Indonesia Association and PT Telkom signed Working Agreement in order to increase the technology of less-developed schools.</p>
January 2009	<p>- 21 January The Bank announced its result for the year ending 31 December 2009 to analysts.</p>
February 2009	<p>- 12 February Announcement of 2008 Danamon Full Year Results to media and analysts.</p>

## 29. THE SYARIAH SUPERVISORY BOARD REPORT

The Bank's Syariah unit is supervised by an independent Syariah Supervisory Board with its member's determined by the National Syariah Board (DSN), a board under *Majelis Ulama Indonesia (Indonesia Islamic Council)*. All funding, lending products and operational guidelines must be approved by the Syariah Supervisory Board to assure conformity with Syariah principles.

The Responsibility of Sharia Supervisory Board:

- Supervises and monitors the Bank's operational activity to ensure compliance with rulings issued by DSN – MUI;



- Assess and approves Syariah features in each product manual and the Bank's operations;
- Provides opinion regarding Syariah compliance on all operational activities and notes record it in the financial publication report;
- Review new products and services which are not yet regulated in existing rulings issued by DSN – MUI; and records it in the Supervisory Report, which is submitted every 6 months

**29.1. Syariah Supervisory Board Report in 2008 covers:**

- Comments and opinions regarding products and Syariah service to assure these are inline with the rulings of the National Syariah Board;
- Comments and opinions regarding the whole operational charter and product manuals noted in the Syariah Supervisory Report, sent to Bank Indonesia each semester in 2007;
- Routine meetings discussing developments and other matters relating to Syariah practice.

**29.2. Members of the Syariah Supervisory Board consist of:**

1. Prof..Dr. H.M. Din Syamsuddin MA (Chairman)
2. Drs. H. Hasanudin M.Ag (Member)
3. Ir. H. Adiwarman A.Karim, SE, MBA (Member)

**29.3. Remuneration for the Syariah Supervisory Board of 2008**

Remuneration of Syariah Supervisory Board

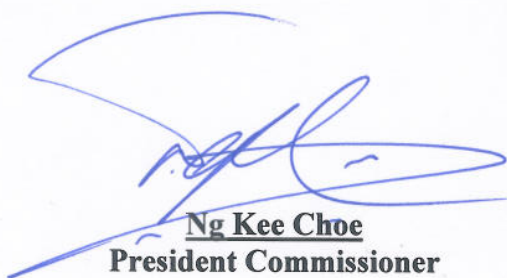
Remuneration type and other facilities	Amount received in 1 year
	Syariah Supervisory Board
Remuneration (salary, bonus, routine allowance, tantiem and other facility in non-natura)	Rp 415,450,000

666 2005



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**PT Bank Danamon Indonesia Tbk.,**

  
**Ng Kee Choe**  
**President Commissioner**

  
**Sebastian Paredes**  
**President Director**

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**PT Bank Danamon Indonesia Tbk**  
Menara Bank Danamon  
Jl. Prof. Dr. Satrio Kav. E 4 No.6  
Mega Kuningan, Jakarta 12950  
Phn: 62 21 5799 1001-03  
Fax: 62 21 5799 1161  
[www.danamon.co.id](http://www.danamon.co.id)

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**Appendix to Good Corporate Governance Implementation Report PT. Bank Danamon Indonesia, Tbk. Year 2008****The Announcement of Resolutions of the Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders of PT Bank Danamon Indonesia Tbk (the “Company”)**

The Company announces the resolutions of the Annual General Meeting of Shareholders (“AGMS”) and the Extraordinary General Meeting of Shareholders (“EGMS”) convened on Thursday, 3 April 2008, in Jakarta, substantially as follows:

**AGMS****First Agenda:**

- a. To approve the Annual Report of the Board of Directors of the Company for the fiscal year ending on December 31, 2007;
- b. To ratify the financial statements of the fiscal year ending on December 31, 2007 which was audited by the Public Accountants Office of Siddharta, Siddharta & Widjaja, a member firm of KPMG International as stipulated in the Independent Auditor’s Report of February 6, 2008 Number L.07—3351-08, with an unqualified proper opinion;
- c. To ratify the Supervisory Report of the Board of Commissioners of the Company for the fiscal year ending on December 31, 2007 and
- d. To acquit and discharge (acquite et decharge) the Board of Directors and the Board of Commissioners of the Company for their management and supervision in the fiscal year that ended on December 31, 2007.

**Second Agenda:**

To approve the appropriation of the Company’s net profit for the fiscal year which ended on December 31, 2007 amounting to Rp. 2,116,915,000,000 detailed as follows:

- a. 1% of the net profit or Rp. 21,169,150,000 to be set aside for the reserve fund to comply with Article 70 of Law Number 40 of 2007 on Limited Liability Companies (“Company Law”);
- b. 50% of the net profit or Rp.1,058,457,500,000 or ± Rp.208.40 per share (by estimating that the total shares issued by the Company do not exceed 5,078,612,200 shares), to be distributed as dividend for the fiscal year 2007, with the following provisions:

- 
- i. The dividend shall be paid to the shareholders whose names are registered in the Shareholders' Register on a date to be stipulated by the Board of Directors of the Company ("Recording Date");
    - ii. The total dividend to be paid shall be based on the total shares issued by the Company on the Recording Date as mentioned in point (i) above, including the total shares issued by the Company in the frame of the Employee / Management Stock Option Program up to and inclusive such date;
    - iii. On said dividend for the fiscal year 2007 the Board of Directors shall deduct dividend tax according to the prevailing tax regulations in respect of shareholders;
    - iv. The Board of Directors is hereby empowered and authorized to stipulate matters regarding or relating to the implementation of dividend payment for the fiscal year 2007, amongst others (however not limited to):
      - To determine the Recording Date in order to determine the shareholders of the Company who are entitled to receive payment of dividend for the fiscal year 2007; and
      - To determine the distribution date of dividend for the fiscal year 2007, everything without prejudice to the regulations of the Stock Exchange where the shares of the Company are registered;
  - c. The amount of Rp.56.048.850.000 shall be distributed as tantieme to the members of the Board of Directors and the Board of Commissioners of the Company who were in function during the fiscal year 2007 and as profit sharing to the certain senior management officers of the Company (Operating Committees members) who were in function/employed by the Company during the fiscal year 2007, as shall be stipulated by the Board of Commissioners of the Company pursuant to a recommendation from the Nomination and Remuneration Committee;  
to empower and authorize :
    - i. the Board of Commissioners of the Company to determine the distribution of tantieme between the members of the Board of Directors of the Company and the profit sharing distribution between certain senior management officers (Operating Committee's members) of the Company.
    - ii. President Commissioner of the Company to determine the distribution of tantieme between the members of the Board of Commissioners of the Company Pursuant to recommendation from the Nomination and Remuneration Committee.
  - d. The balance of the Net Profit appropriation which is not determined amounting to Rp. 981,239,500,000 shall be recorded as retained earning of the Company.

**Third Agenda:**

- a. To accept the resignation of Jerry Ng as a Vice President Director of the Company effective from 10 October 2007, with the expression of thanks for the services given by him during his tenure as Vice President Director of the Company ;
- b. To accept the intentions of Hendarin Sukarmadji as a Director of the Company not to be reappointed effectively since the closing of this Meeting, with the expression of thanks for the services given by him during his tenure as Director of the Company;
- c. To accept the intentions of Anika Faisal as a Director of the Company not to be reappointed effectively since the closing of this Meeting, with the expression of thanks for the services given by her during her tenure as Director of the Company;
- d. To appoint the members of the Board of Commissioners and the Board of Directors of the Company with the following composition:

**Board of Commissioners**

President Commissioner	: Ng Kee Choe
Vice President Commissioner (Independent)	: Professor Doktor Johanes Berchmans Kristiadi Pudjosukanto
Commissioner (Independent)	: Milan Robert Shuster
Commissioner (Independent)	: Harry Arief Soepardi Sukadis
Commissioner	: Gan Chee Yen
Commissioner	: Victor Liew Cheng San
Commissioner (Independent)	: Manggi Taruna Habir
Commissioner	: Krisna Wijaya

**Board of Directors**

President Director	: Juan Eugenio Sebastian Paredes Muirragui
Vice President Director (Compliance Director)	: Joseph Fellipus Peter Luhukay
Director	: Muliadi Rahardja
Director	: Ali Rukmijah (Ali Yong)
Director	: Vera Eve Lim
Director	: Sanjiv Malhotra
Director	: Herry Hykmanto
Director	: Kanchan Keshav Nijasure

Effective as of the adjournment of this Meeting until 1 day prior to the issuance date of the notice receipt on the amendment of the Articles of Associations by the Minister as described in paragraph (3) of Article 21 of the Company Law, with the exception of Krisna Wijaya, Joseph Fellipus Peter Luhukay, Herry Hykmanto, and Kanchan Keshav

Nijasure shall be effective as of the moment that Bank Indonesia approves of their several appointments.

- e. To appoint and stipulate the composition of the Sharia Supervisory Board as of the adjournment of this Meeting until the adjournment of the Annual General Shareholders Meeting of the Company for the fiscal year ending on 31st December 2010, which shall be held at the latest in June 2011, with the following composition :

Chairman	: Prof. Dr. HM Syamsuddin
Member	: Drs Hasanuddin M.Ag
Member	: Ir. H. Adiwarman A Karim, SE MBA

- f. To authorize the Board of Directors of the Company to sign the deeds necessary in connection with the resolutions of this Meeting and the provisions required by the authorized agencies.

**Fourth Agenda:**

- (i). To approve the total amount of the remuneration and other allowances for members of the Board of Commissioners of the Company to amount to Rp.15.129.424.571;
- (ii). To approve to authorize the President Commissioner of the Company to determine the salary and allowance for each member of the Board of Commissioners of the Company for the fiscal year 2008, pursuant to the recommendation of the Nominations and Remunerations Committee;
- (iii). To approve the delegation of authority to the Board of Commissioners to determine salary and other allowances of Sharia Supervisory Board, for the fiscal year 2008, pursuant to the recommendation of the Nominations and Remunerations Committee No.B.005-KRN dated 24 March 2008.

**Fifth Agenda:**

- a. To approve the delegation of authority to the Board of Commissioners of the Company to determine the remuneration and other allowances of the members of the Board of Directors of the Company, in observance of the recommendation of the Nomination and Remuneration Committee to the Board of Commissioners of the Company number B.006-KRN dated 25 March 2008 regarding the determination of the remuneration and other allowances of the members of the Board of Directors of the Company;
- b. In accordance with paragraph 5 and 6 of article 92 of the Company Law, the Company hereby informs the shareholders that the delegation of roles and responsibilities of the members of the Board of Directors shall be determined pursuant to a Decree of the Board of Directors.

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**Sixth Agenda:**

To authorize the Board of Commissioners of the Company to appoint a Public Accountant who is registered at the Supervisory Agency of the Capital Market and Financial Institutions (BAPEPAM-LK) to audit the financial report of the Company for the fiscal year 2008 and to stipulate the amount of fee and other requirements for the appointment of such Public Accountant, taking into consideration the recommendation of the Audit Committee.

At the final AGMS agenda the Company reported the composition of Audit Committee of the Company in accordance with the Bapepam Regulation No. IX.1.5, the recommendation of the Nomination and Remuneration Committee No.B.003 KRN dated 11 March 2008, the Circular Resolutions of The Board of Commissioners in Lieu of Resolutions Adopted at a Meeting of The Board of Commissioners of PT Bank Danamon Indonesia Tbk No.KSR-Kom.Corp.Sec.-010 dated 17 March 2008 and the Decree of the Board of Directors No.SK-Dir.Corp.Sec.-005, dated 2 April 2008, as follows:

Chairman	: Manggi Taruna Habir
Members	: Liew Cheng San Victor Gan Chee Yen Harry Arief Soepardi Sukadis Amir Abadi Yusuf Felix Oentoeng Soebagjo

**EGMS****First Agenda:**

1. To approve that as of the EGMS closing date, the adjustment to the Company's Articles of Association shall be in the following manners :
  - a. amendments to certain articles of the Articles of Association in accordance with the Article 21 paragraph (2) of the Company Law; and
  - b. amendments to the Articles of Association in its entirety (other than of what are stipulated in point a above) in accordance with the Article 21 paragraph (3) of the Company Law;
2. To grant power of Attorney to the Board of Directors and the Board of Commissioners of the Company to at any time make readjustments which are considered necessary toward the adjustment of the existing Articles of Association, if the Capital Market and Financial Institution Supervisory Agency (BAPEPAM and LK) issue the provisions on the amendments to the articles of association for the public company.
3. To authorize the Board of Directors of the Company to sign the deeds which are considered necessary in accordance with the resolution of the Meeting and provisions which are required by the competent authorities.

**Second Agenda:**

1. To stipulate the members of the Board of Commissioners and the members of the Board of Directors of the Company, with the following composition :

**Board of Commissioners**

President Commissioner	: Ng Kee Choe
Vice President Commissioner	: Professor Doktor Johanes Berchmans (Independent)
	Kristiadi Pudjosukanto
Commissioner (Independent)	: Milan Robert Shuster
Commissioner (Independent)	: Harry Arief Soepardi Sukadis
Commissioner	: Gan Chee Yen
Commissioner	: Victor Liew Cheng San
Commissioner (Independent)	: Manggi Taruna Habir
Commissioner	: Krisna Wijaya

**Board of Directors**

President Director	: Juan Eugenio Sebastian Paredes Muirragui
Vice President Director (Compliance Director)	: Joseph Fellipus Peter Luhukay
Director	: Muliadi Rahardja
Director	: Ali Rukmijah (Ali Yong)
Director	: Vera Eve Lim
Director	: Sanjiv Malhotra
Director	: Herry Hykmanto
Director	: Kanchan Keshav Nijasure

Shall be effective since the validity of the Company's Articles of Association which have been adjusted to the Company Law, except for Krisna Wijaya, Joseph Fellipus Peter Luhukay, Herry Hykmanto, Kanchan Keshav Nijasure their term of office shall be effectively valid since obtaining approval from the Bank Indonesia of their respective appointment, with the term of office which shall come to an end up to the AGMS closing date of the Company for the financial year which ended on December 31, 2010, which will be held/convened at the latest on June 2011, without prejudice to the rights of a GMS to dismiss or discharge them at any time.

2. To authorize the Board of Directors of the Company to sign the deeds which are considered necessary in connection with the resolution of the Meeting and provision which are required by the competent authorities, after the amendment to the Company's Articles of Association is effectively valid.

Jakarta, 7 April 2008  
The Board of Directors  
**PT BANK DANAMON INDONESIA Tbk.**