

Executive Report

Good Corporate Governance

PT. Bank Panin Tbk.

2010

Preliminary

In banking industry, corporate governance is an important factor in maintaining the trust and confidence of shareholders and customers. Good corporate governance is more and more important with the increasing business risks and challenges coped by the banking industry. By promoting good corporate governance and good risk management, Bank is expected to avoid the adverse impact of the global economic crisis.

Every business decision making includes uncertainty and risks. To address such matter, Bank Panin always manages risk through effective oversight and internal controls as part of good corporate governance principles. Integrated and comprehensive internal control structure can minimize these impacts. Actualization of CGG as part of internal processes always involves all stakeholders namely the Board of Commissioners, Directors, Senior Officers, leaders and all employees. This interaction forms a positive work culture and gives a competitive advantage to Bank Panin.

In implementing Good Corporate Governance, Bank Panin always be guided by the provisions stipulated in the Regulation of Bank Indonesia on Good Corporate Governance principles. The principle adopted is corporate governance that should be uphold with the highest standards in order to support the Bank's business objectives

namely growth, profitability and added value to all stakeholders. This is the key to supporting the sustainability of Bank Panin.

Bank Panin sets the business growth in accordance with the Annual Business Plan which refers to prudential banking and the implementation of Good Corporate Governance (GCG). The said implementation of GCG principles is based on 5 (five) basic principles of good corporate governance, namely transparency, accountability, responsibility, independency and fairness.

Internal Control in all Branch Offices has been the focus of Bank Panin in implementing the principles of good corporate governance in 2010. The focus of the implementation of such internal control should ensure:

1. Risks are identified and managed appropriately.
2. Important information on financial, managerial and operational have been presented accurately, reliable and timely.
3. The whole activities of Bank Panin are in accordance with the policies, standards, procedures and regulations and/or legislation in force.
4. Quality and continuous improvement have always been maintained with due regard to aspects of internal control.

The management of Bank Panin realizes that the application of good corporate governance principles is indispensable in every aspect of the

management of the Bank's business activities. The Board of Commissioners and the Board of Directors of Bank Panin, therefore, make a joint commitment to implement Good Corporate Governance in Bank Panin. The efforts made/activities conducted in order to implement the good corporate governance principles are, among others, as follows:

i. Public Expose

This activity is to meet the requirement of the capital markets in order to expose the company's performance to shareholders, investors, analysts, and media. The said activity has already been conducted on December 23, 2010 to present the Bank's performance.

ii. Road Show

To enhance the reputation and image of the Bank before the investors and international correspondent banks, Road Shows are conducted on a regular basis either bilaterally or in participation with securities companies.

iii. Compliance

Submission of reports in compliance with the requirements of Bank Indonesia (BI) which includes Commercial Bank Report, Commercial Bank Periodic Reports, reports to the Center for Financial Transaction Reports and Analysis Center (INTRAC),

which includes Cash Transaction Report (CTR) and Suspicious Transaction Report (STR), a report to Bapepam-LK covering Quarterly financial reports and publication of Annual Report and Financial Statements that are audited by public accountant periodically.

iv. Exposure of Business Plan and performance results to Bank Indonesia

The Business Plan of Bank Panin has always been established in realistic manner and take into account the market conditions. The results of the business plan monitoring reports are regularly reported to Bank Indonesia in accordance with Bank Indonesia Regulation Number 12/21/PBI/2010 on Business Plans of Commercial Banks.

v. Rating Agencies

Referring to Circular Letter of Bank Indonesia Number 10/30/DPNP on rating agencies and ratings approved by Bank Indonesia on the quantity and quality aspects, Bank Panin has been assessed by rating agencies recognized by Bank Indonesia on a regular basis.

I. Implementation of 7 (seven) Aspects of Good Corporate Governance Coverage

1. Implementation Duties and Responsibilities of the Board of Commissioners and the Board of Directors

A. The number, composition, criteria, and independence of the Board of Commissioners and the Board of Directors

1. Board of Commissioners

a. The Number and Composition of the Board of Commissioners

The Board of Commissioners consists of 4 (four) people, 2 (two) people (50%) of whom are Independent Commissioners. The number of members of the Board of Commissioners shall not exceed the number of members of the Board of Directors. All members of the Board of Commissioners are domiciled in Indonesia. The composition and structure of the Board of Commissioners by December 31, 2010 is as follows:

Name	Position	Effective as of (GMS)	Ended (GMS)
Drs. Johnny	President Commissioner	June 10, 2010	2012
Drs. H. Bambang Winarno	Vice President Commissioner (Independent Commissioner)	June 10, 2010	2012
Drs. Riyanto	Commissioner (Independent)	June 10, 2010	2012

	Commissioner)		
Suwirjo Josowidjojo	Commissioners	June 10, 2010	2012

b. Criteria for the Board of Commissioners

The Annual General Meeting of Shareholders (AGMS) which was held on June 10, 2010 approved the re-appointment of all members of the Board of Commissioners until the holding of the AGMS in 2012. The decision always observes the recommendation of the Committee for Remuneration and Nomination by taking into account the integrity, competence, professionalism and reputation of adequate financial in accordance with the requirements of the fit and proper test set by Bank Indonesia.

c. The independence of the Board of Commissioners

There is no concurrent positions of Bank Panin Board of Commissioners as Commissioners, Directors and Executive Officers of other banks or companies, except as permitted under the PBI No. 8/14/PBI/2006 on Amendment to Bank Indonesia Regulation Number 8/4/PBI/2006 on the Implementation of Good Corporate Governance (GCG) for commercial banks. To avoid conflicts of interest, none of the serving members

of the Board of Commissioners of Bank Panin has a family relationship to each other to the second degree with the fellow members of the Board of Commissioners and/or members of the Board of Directors.

2. Directors

a. The number and composition of the Directors

The Directors of the Company are fully responsible for the implementation of the management of the Company in accordance with the authority and responsibilities as stipulated in the Articles of Association and applicable laws and regulations. The Directors of the Company implement the principles of good corporate governance in each Company's business activities at all levels or stages of the organization and follow up on audit findings and recommendations of the Internal Audit Work Unit (SKAI), external auditors and the results of supervision of Bank Indonesia.

Bank Panin's Directors until December 31, 2010 consist of a total of 11 persons, they are one (1) President Director, two (2) Vice President Directors and 8 (eight) Directors. All members of the Board of Directors are domiciled in Indonesia.

The composition of the Board of Directors of Bank Panin by December 31, 2010 is as follows:

Name	Position	Effective as of (GMS)	Ended (GMS)
Drs. H. Rostian Sjamsudin	President Director	June 30, 2009	2012
Chandra R Gunawan	Vice President	June 30, 2009	2012
Roosniati Salihin	Vice President	June 30, 2009	2012
Ken Ng	Director	June 30, 2009	2012
Edy Heryanto	Director	June 30, 2009	2012
Lionto Gunawan	Director	June 30, 2009	2012
Hendrawan Danusaputra	Director	June 30, 2009	2012
Gunawan Santoso	Director	June 30, 2009	2012
Iswanto Tjitradi	Director	June 30, 2009	2012
Ahmad Hidayat	Director	June 30, 2009	2012
Antonius Ketut Dwirianto	Director (Compliance)	September 8, 2009	2012

b. Criteria of Directors

All members of the Board of Directors have high integrity, competence, reputation and experience, as well as a variety of skills, in which they have all passed the fit and proper test as stipulated in Bank Indonesia Regulation. The appointment/replacement of members of the Board of Directors has observed the

recommendation of the Committee for Remuneration and Nomination, as well as Bank Indonesia Regulation governing the assessment and appropriateness. All Members of the Board of Directors have had more than 5 (five) years experience in Banking as Executive Officers of Banks and have obtained certification in Risk Management.

c. Independence of the Directors

The majority of members of the Board of Directors have no family relationship with fellow members of the Board of Directors and members of the Board of Commissioners. The Directors are not authorized to give a general power to others which resulted in the transfer of duties and functions of the Directors.

Directors do not concurrently hold the position of Commissioner, Directors or Executive Officers of other banks, companies and or other financial institutions, except for other positions as permitted by PBI No. 8/14/PBI/2006 on Amendment to Bank Indonesia Regulation Number 8/4/PBI/2006 on Implementation of Good Corporate Governance for Banks. Member of Directors who serves concurrent position at this time is

Ms. Roosniati Salihin who doubles as the Commissioner of PT. Clipan Finance Tbk.

B. Duties and Responsibilities of the Board of Commissioners and the Board of Directors

1. Duties and Responsibilities of the Board of Commissioners

- a. Bank Panin's Board of Commissioners oversees and ensures that the principles of good corporate governance is always applied in each bank's business activities at various levels and stages of the organization, as per applicable regulations.
- b. The Board of Commissioners conducts a review of the performance of duties and responsibilities of the Directors periodically. Monitoring carried out, among others, through monthly meetings of the Board of Commissioners with the Directors or through reports submitted by the Internal Audit Work Unit, Audit Committee and Director of Compliance.
- c. The Board of Commissioners directs, monitors and evaluates the implementation of the strategic policy of the Bank, including the preparation and evaluation of the Corporate Plan and Bank Business Plan (RBB) and periodic evaluation.

- d. The Board of Commissioners is not involved in decision-making of operations of the Bank, except in terms of providing funds to related parties or the grant of loan greater than a certain amount and other matters as set forth in the articles of association of the Bank and/or existing laws and regulations in order to carry out the supervision duties and functions.

- e. The Board of Commissioners coordinates with the Audit and Compliance Unit. The Board of Commissioners ensures that relevant members of the Board of Directors have followed up audit findings and recommendations made by Internal Audit, External Auditors and the Report of Inspection of Bank Indonesia and/or the results of supervision of other authorities. The said follow up is done through efforts to make improvement according to the action plans implemented as a commitment made by the supervisor/auditor.

- f. To help the performance of its duties and meet the Bank Indonesia Regulation Number 8/14/PBI/2006 on Amendment to Bank Indonesia Regulation Number 8/4/PBI/2006 on Implementation of Good Corporate

Governance (GCG) for Commercial Banks, the Board of Commissioners has established:

1. Audit Committee
2. Risk Monitoring Committee
3. Committee for Remuneration and Nomination

Appointment of Committee members is made by the Directors based on the decision of the Meeting of Board of Commissioners.

- g. Meeting of the Board of Commissioners is conducted once a month, and the meeting was attended by all members of the Board of Commissioners.
- h. During 2010, according to the regulation set by Bank Indonesia Regulation no conflict of interest transaction was found.
- i. The Board of Commissioners has provided sufficient time to carry out the duties and responsibilities in an optimal way and takes an active role in drafting the manual for operation of the internal working units of the Bank by granting its approval/ratification.

2. Duties and Responsibilities of Directors

- a. All members of the Board of Directors are fully responsible for the business development and risk management of banks by promoting the principle of prudential banking, increasing shareholder value and referring to applicable laws and regulations.
- b. The Directors establish and monitor business strategies and ensure the implementation of Good Corporate Governance by observing the prudential banking principles and adherence to Bank Indonesia Regulation and other applicable statutory provisions, in accordance with the vision/mission set.
- c. The Directors develop Business Plan and/or the revision, performs supervision and socialization to the officials of relevant work units, delivers to Bank Indonesia and then monitors the implementation from time to time.
- d. The Directors holds Annual Meeting to evaluate and set the Work Program.
- e. The Directors establish the organizational structure of the company, along with the appropriate job and authority descriptions according to each division.

- f. The Directors manages the Resources of the Company to optimize the performance of the company, studies everything related to business efficiency, make decisions, develop policies, carry out monitoring and verification as deemed necessary.
- g. The Directors supervise the management boards to ensure the accuracy and quality of the report and approve the financial data presented to public and shareholders.
- h. The Directors hold meetings at least once a month to discuss business development, problems encountered and ensure the implementation of risk management.
- i. The Directors establish internal control structure, ensure the implementation of Bank's internal audit function in each level of management and follow up the findings of internal audit in accordance with Bank policy or directive of the Board of Commissioners.
- j. The Directors shall be accountable for the performance of its duties to shareholders through the General Meeting of Shareholders.

k. The Directors do not employ personal advisor and/or professional services as a consultant, except for specific projects.

l. The Directors observes the reasonable interests of the stakeholders of Bank Panin.

C. Recommendation of the Board of Commissioners

During 2010, the Board of Commissioners of Bank Panin has issued 4 (four) Recommendation Letters as follows:

No	Memorandum No.	Date	Recommendation On	For
1	02/DKM/DIR/10	February 12, 2010	1. SK Dekom 01/SK-DK/010, 10-02-2010 on the Job Division of the Directors 2. SK Dekom 02/SK-DK/010, 12-02-2010 on the Authority and Approval Procedure of Committee of Loan of Directors Level	Directors
2.	07/DKM/DIR/10	April 7, 2010	Data/Information for GCG Report 2009.	Directors
3.	08/DKM/DIR/10	April 29, 2010	Appointment of members of Audit Committee and Risk Monitoring Committee: Lukman	Directors Attn. President Director
4.	09/DKM/EXT/10	May 14, 2010	Recommendation on the designation of Public	PT. Panin Life Tbk.

			Accountant	
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2. Completeness and Implementation of Duties of Committee

To support the implementation of the functions and duties of the Board of Commissioners, it has been established the Audit Committee, Risk Monitoring Committee and the Committee for Remuneration and Nomination.

1. Audit Committee

The main duties of the Audit Committee is to assist the Board of Commissioners in carrying out supervision functions, among others:

- 1) To assess the Financial Statements of the Bank;
- 2) To assess the effectiveness of the bank's internal control system;
- 3) To ensure the quality of the implementation of internal audits;
- 4) To provide independent and professional opinions about the reports and other information submitted by the Directors to the Board of Commissioners;
- 5) To identify other matters that require the attention of the Board of Commissioners.

All members of the Audit Committee is independent against the Directors as well as External Auditor, and Independent Commissioner shall be the Chairman of the Audit Committee.

- a. The structure, membership, expertise and independence of the members of the Audit Committee.

The Audit Committee consists of:

- | | | |
|--------------------------|----------|----------------|
| 1. Drs. Riyanto | Chairman | |
| 2. Ir. Syamsuar Halim | Member | (Independent) |
| 3. Dra. Adriana Mulianto | Member | (Independent) |
| 4. Lukman | Member | (Independent)/ |

(Effective 03-May-2010)

- b. Duties and responsibilities of the Audit Committee

The Audit Committee perform its duties, responsibilities and authorities based on a decision the Board of Commissioners, as outlined in the Decree of the Board of Commissioners.

- c. Frequency of Audit Committee Meetings

Audit Committee meeting holds meeting on a regular basis. Throughout 2010, the Audit Committee has carried out 4 (four) meetings with the attendance rate of the members reaching 100%. In every meeting, a minutes of meeting is drawn up that includes attendance list. The meetings were held on:

No.	Letter No.	Date	Agenda	Attendance
1.	01/KA/10	February 15, 2010	- Monitoring of Implementation of Audit. - Principles of audit results.	All members of the Committee
2.	02/KA/10	May 12, 2010	- Monitoring of Implementation of Audit. - Principles of audit results.	All members of the Committee
3.	03/KA/10	July 26, 2010	- Monitoring of Implementation of Audit. - Principles of audit results. - Compliance and Soundness of the Bank	All members of the Committee
4.	04/KA/10	October 25, 2010	- Monitoring of Implementation of Audit. - Principles of audit results. - Compliance and Soundness of the Bank	All members of the Committee

d. Work Program and the realization

1. The Committee conducted a study for the establishment of the Bank 2010-2012 Business Plan and prepares periodic relevant supervision reports.

2. Throughout 2010 the Committee monitored the Quarterly, Semi-Annually and Annual Financial Report of the Bank.
3. The Committee assessed the Bank's financial statements for fiscal year 2010 compared to the target/business plan of the Bank.
4. The Committee evaluates the effectiveness of the implementation of audit by external auditor, including reviewing the independence and objectivity of the external auditor and reviewing the adequacy of inspections done in order to ensure that all critical risks have been considered.

2. Risk Monitoring Committee

Risk Monitoring Committee which was established by the Board of Commissioners is responsible for evaluating the formulation and implementation of policies in risk management with the scope of duties including:

- 1) To provide input to the Board of Commissioners on risk management issues and to take measures to anticipate the risks;
- 2) To evaluate the risk management systems and internal controls;

- 3) To evaluate and review and provide opinions to the Board of Commissioners regarding risk management policies implemented by the Directors;
- 4) To monitor the key risks faced by the Bank and ensure that the Directors have taken necessary steps to identify, measure, monitor, and control the risks;
- 5) To evaluate, monitor and provide input to the Board of Commissioners on the Bank's business plan, long-term plan, work plan and budget of the Bank.

The Risk Monitoring Committee continues to make efforts to improve the implementation of its functions, duties and responsibilities. The main focus carried out during 2010 includes an evaluation of risk management, including evaluation of internal reports of the Directors, Risk Management Work Unit and Report of Results of Bank Indonesia Inspection.

- a. Structure, membership, expertise and independence of members of the Risk Monitoring Committee.

The appointment of the Committee members is conducted by the Directors based on the decision of the Meeting of Board of Commissioners with the Chairman of the Risk Monitoring Committee is the Independent Commissioner.

The Risk Monitoring Committee consists of:

- | | | |
|--------------------------|----------|----------------|
| 1. Drs. Riyanto | Chairman | |
| 2. Ir. Syamsuar Halim | Member | (Independent) |
| 3. Dra. Adriana Mulianto | Member | (Independent) |
| 4. Lukman | Member | (Independent)/ |
- (Effective 03-May-2010)

b. Duties and Responsibilities of Risk Monitoring Committee

Risk Monitoring Committee carries out their duties as follows:

1. To evaluate the conformity of the risk management policies and the implementation of those policies.
2. To carry out monitoring and evaluation of the performance of the duties of Risk Management Committee and Risk Management Work Unit.
3. To provide advices and or recommendations to the Board of Commissioners.
4. To establish Guidelines and Work Codes of Conduct.
5. To provide inputs and suggestions on the implementation of monitoring of exposure of bank major debtors.

c. Frequency of Risk Monitoring Committee Meeting

During 2010, the Risk Monitoring Committee has conducted four (4) meetings with members attendance rate reaching 100%. In every meeting, it is always drawn

up a minutes of meeting including the attendance list. The agenda of the meeting are as follows:

No.	Letter No.	Date	Agenda
1.	01/KR/10	February 25, 2010	- Monitoring of Implementation of Risk Management. - Risk Profile of Quarter IV-2009.
	02/KR/10	April 28, 2010	- Monitoring of Implementation of Risk Management. - Risk Profile of Quarter I-2010.
3.	03/KR/10	July 26, 2010	- Monitoring of Implementation of Risk Management. - Risk Profile of Quarter II-2010.
4.	04/KR/10	October 25, 2010	- Monitoring of Implementation of Risk Management. - Risk Profile of Quarter III-2010.

d. Risk Monitoring Committee Work Program and the realization

Risk Monitoring Committee carries out monitoring and evaluation of policies, strategies and implementation of risk management of the Bank and the implementation of duties of Risk Management Committee and Risk Management Work Unit through coordination meetings held on regular basis. The results of these evaluations are made as a means of monitoring of the performance of the management and as a basis for recommendations to the

Board of Commissioners regarding the steps required in performing its duties.

3. Committee for Remuneration and Nomination

Committee for Remuneration and Nomination has authorities, among others:

- 1) To evaluate the Bank's remuneration policy;
- 2) To establish the criteria and nomination procedures for members of the Board of Commissioners, Directors and Executive Officers;
- 3) To provide recommendations to the Board of Commissioners regarding the remuneration policy for The Board of Commissioners and the Board of Directors to be submitted in the GMS, as well as the remuneration policy for Executive Officers

a. The composition of the members of Committee for Remuneration and Nomination is as follows:

- | | |
|----------------------------|----------|
| 1. Drs. H. Bambang Winarno | Chairman |
| 2. Drs. Riyanto | Member |
| 3. Suwirjo Josowidjojo | Member |
| 4. Yusak Zefanya | Member |

b. Duties and responsibilities of the Committee for Remuneration and Nomination

The Committee has duties of designing and evaluating the remuneration for the Board of Commissioners, Directors and Executive Officers as well as nominate the candidates of Bank management.

c. Frequency of Meetings

The Committee for Remuneration and Nomination has throughout 2010 called 2 (two) meetings. In every meeting it is always drawn up a minutes of meeting including the attendance list held on:

No.	Memorandum No.	Date	Agenda
1.	001/KRN/10	March 30, 2010	Evaluation of the remuneration of Directors and Officers of Retail Banking Group.
2.	002/KRN/10	April 5, 2010	Remuneration Policy 2010.

d. Work Program

1. Delivering the proposed remuneration package of members of Directors and Board of Commissioners to the Board of Commissioners and provide inputs regarding the remuneration of candidate members of Directors to the Board of Commissioners to be decided in the GMS.

2. Establishing guidelines for remuneration and nomination of the Bank.

3. Application of compliance, internal audit and external audit functions.

A. Compliance Function

Compliance work unit is a work unit monitoring the activities of the Bank in meeting all applicable rules and regulations, both internal and regulatory policies, and ensuring the Bank's obligations in the delivery of regular reports to Bank Indonesia, Bapepam, INTRAC and other externals. The Compliance work unit is responsible directly to the Director of Compliance.

To create effective and permanent implementation of compliance function as part of the compliance policy, the Bureau of Compliance carries out monitoring of certain matters related to the prudential banking principle, that is the fulfillment of the bank Statutory Reserves, Net Exchange Position, Lending Limit, Internal Control, Application of Anti Money Laundering (APU) and the Prevention of Terrorism Financing (PPT), as well as improving the quality and timeliness in submitting reports to Bank Indonesia.

In order to fulfill the good corporate governance (transparency) principles as a public company, the Compliance Work Unit ensures that all reports are met by constantly making matrix of report so that the timeliness and accuracy of data can be delivered properly. The report referred to include reports to Bank Indonesia, Center for Financial Transaction Reports and Analysis Center (INTRAC) as well as external agencies/other regulators.

As efforts in performing the monitoring of customer transactions then the Customer Identification Unit (UKPN Center) develops an APU & PPT information system, which includes:

1. Withdrawal of data of High Risk category customer from ICBS system so it can be further analyzed the pattern of transactions.
2. Withdrawal of data of customer who does unusual transaction from ICBS system so it can be further analyzed the pattern of transactions.
3. Reporting of cash financial transactions of Rp. 500 million or greater by withdrawing data from the ICBS system. The data is analyzed and uploaded to TRACES website of INTRAC.

B. Internal Audit Function

Internal Audit Unit (SKAI) is an independent unit and report directly to the President Director and Board of Commissioners.

The position, authority, responsibilities, professionalism, organization, and scope of duties of SKAI refers to the Internal Audit Standards Function (SPFAIB) stipulated in Bank Indonesia Regulation Number 1/6/PBI/1999 dated September 20, 1999 on the Assignment Compliance Director and Application of Standards of Internal Audit Function of Commercial Banks.

Supervision and inspection activities are carried out on aspects of compliance with rules and SOP, risk evaluation and the effectiveness of risk control system so that to fulfill the Good Corporate Governance principles.

In carrying out its duties, Internal Audit is granted with authorities according to the Guidelines and Audit Charter which established, among others, to access all functions, records, data and employees of the Bank according to the audit assignment.

During 2010, the Internal Audit Unit has conducted supervision and inspection of:

1) The audit at the Head Office (4 Activities)

- Panin Credit Cards & Express Credit (in the Retail Banking Group)
- BISSSS (at Custodian - Division of Capital Market)
- BI-RTGS (BTI and Settlement)
- SKNBI (BTI and KCU Senayan)

2) Audit in Branch Offices (13 KCU)

- Banjarmasin
- Bandar Lampung
- Solo
- Serang
- Kuta-Bali
- Jakarta Menara Imperium
- Ambon
- Banda Aceh
- Pekanbaru
- Yogyakarta
- Padang
- Pontianak
- Bandung

3) Audit in the KCU and KCP assisted by Branch Internal Control & Audit Unit (UPI) (41 KCU of total 48 KCU)

- Medan
- Pematang Siantar
- Padang
- Pekanbaru
- Jambi
- Palembang
- Bandar Lampung
- Batam
- Pangkal Pinang
- Pontianak
- Palu
- Kendari
- Manado
- Bandung
- Cirebon
- Sukabumi
- Tasikmalaya
- Purwokerto
- Tegal
- Semarang
- Surabaya Cendana
- Malang
- Kuta Bali
- Jakarta Senayan
- Jakarta Palmerah
- Jakarta Menara Imperium
- Jakarta Kopi
- Jakarta Pecenongan
- Jakarta CBD Pluit

- Samarinda
- Yogyakarta
- Jakarta Sangaji
- Balikpapan
- Solo
- Gading Serpong
- Banjarmasin
- Bojonegoro
- Bogor
- Makassar
- Surabaya Coklat
- Serang

In 2010, SKAI conducted audits and monitoring for the occurrence of frauds in the Branch Offices, namely:

1. Branch Office Jakarta Menara Imperium - KCP I Mampang
2. Branch Office Lampung – KCP Bandar Jaya
3. Branch Office Yogyakarta

As to the measures taken by the Internal Audit were as follows:

- Coordinating with the Directorate and relevant Bureau/Division/Group at the Head Office, in disclosing the irregularities of bank operations, developing preventive measures, providing recommendations of updating of operating provisions and guidelines and effective internal controls so that the same does not happen again.
- Socializing to the Internal Audit staffs (BPP and UPI Branch) of the deviations and continually updating the audit techniques and procedures to fit the operational

development of the bank as a risk mitigation measures so that similar incidents can be detected immediately.

- Reviewing and ensuring the adequacy of existing operating risk control systems at KCU and KCP in accordance with the procedures and internal controls that have been outlined in the procedure.

C. External Audit Function

Based on the decision of the Annual General Meeting of Shareholders dated June 10, 2010, the Directors have appointed Osman Bing Satrio and Partners, a member of Deloitte Touche Tohmatsu as independent auditor of Bank Panin in 2010. The independent auditor appointed has declared that no conflict of interest in the audit assignment. The appointment of the Independent Auditors has conformed to the applicable provisions, namely not more than 5 consecutive years.

In implementing the External Audit Function, KAP has been able to work independently, meet professional standards of public accounting and employment agreements as well as the scope of the audit set. The independence of public accountants in auditing the financial statements 2010 has

been in compliance with the Auditing Standards established by Indonesian Association of Accountants.

The assignment of audit to Public Accountant and Public Accountant Firm has satisfied the following aspects:

- The capacity of the designated Public Accounting Firm;
- Legality of employment agreements;
- The scope of the audit;
- Professional standards of public accountants, and
- Communication of Bank Indonesia with the Public Accountant Firm in question.
- Appointment of not more than 5 (five) consecutive years.

4. Application of risk management including internal control systems.

A. Active Supervision of the Board of Commissioners and the Board of Directors

The Board of Commissioners perform pro-active supervision towards the implementation of the Bank risk management policies and the strategies.

The Board of Commissioners is actively involved in the policy as follows:

- Approving and evaluating the risk management policies through the ratification of handbooks and the revisions/updates.
- Evaluating the duties and responsibilities of the Directors in implementing risk management policies through the evaluation of report of the Risk Management Unit and Risk Management Committee.
- Evaluating and making decision on the proposal of the Directors relating to transactions which require the approval of the Board of Commissioners.
- Conduct monitoring of Individual Risk Profile (bank) and Consolidated Risk Profile (Subsidiary).

Directors are required to:

- Perform supervision of compliance with the target of fulfillment of Business Plan/Work Plan of the Bank.
- Review risk assessment, the accuracy of risk management policies. Adequacy of MIS implementation.
- Provide an assessment of New Risk Products and Activities.
- Provide quality resources to complete the risk management duties that may be conducted by:

- a. Establishment of Risk Management Division as well as the placement and development of human resources dedicated to managing the Bank's risks.
 - b. Regeneration of human resources in the field of Risk Management.
 - c. Sending personnel for training and seminars.
- Develop Risk Management methodology and tools, such as LGD, PD.

Active supervision of the Directors is conducted through work units of each Director.

B. Adequacy of Procedures Policy and Limit Set

The Bank has a risk management policy according to the size and complexity and business risks. Risk-based procedures have covered all risk-containing products/activities. Risk limits have been set by each Director and evaluated as necessary.

C. Adequacy of the identification, measurement, monitoring and risk control process and risk management information system.

The Bank identifies, measures, monitors and controls Bank risks against new activities and products to be launched in accordance with the regulation of Bank Indonesia and other regulators.

D. Internal Control System

The Bank has maintained guidelines for internal control system that includes active supervision by the Board of Commissioners, Directors, Division/Bureau/Group and related working units, in which each of them and the main control functions are attached to each of the officials (risk owners) in stages.

5. Provision of Funds To Related Parties and Provision of Bulk Funds

Basically in the provision of loan facilities to debtors, Bank Panin always refers to the applicable provisions in this case Bank Indonesia Regulations, particularly regarding the Lending Limit (LLL). During 2010 there were no violations and/or overrun of the LLL of providing good funds to Related Parties and Parties Not Related to Bank Panin, Tbk.

NO.	PROVISION OF FUNDS	TOTAL	
		DEBTORS	NOMINAL (IN MILLION RUPIAH)
1.	To Related Parties *	72	943.479,00
2.	To Core Debtors		
	a. Individual **	60	10.947.683,00
	b. Group ***	45	12.992.331,00

- * Consists of: Subsidiary Companies, Shareholders and Core Management with the total tray debit number of the Related Parties.
- ** Debtor (single applicant) for a total tray debit of Non Related Parties.
- *** Debtor Group (Group) for a total tray debit of Non Related Parties.

6. Bank Strategic Plan

The Bank develops short, medium, and long term Strategic Plan in line with the vision and mission that has been established, namely:

- To make Bank Panin as a leading bank in Consumer and Business Banking in Indonesia, and
- To increase the corporate value for the interests of all stakeholders, through the implementation of good corporate governance and effective risk management to achieve sustainable Bank performance.

The Bank Business Plan 2010-2012 has been developed in a realistic, comprehensive way, including a strategy to realize the plan, a plan to improve business performance and plan to fulfill the prudential requirements in accordance with targets and time frame. The Bank also analyzes the assumptions and in macro

way and the condition of the real sector, especially the retail segment which is the focus of the Bank's business.

With a mature business plan it is expected that the Bank will be able to apply risk management in particular mitigation against effective strategic risks, especially during the implementation phase of the Business Plan.

The Bank Business Plan developed by the Directors is proposed to the Board of Commissioners. Furthermore, the Board of Directors communicate the Corporate Plan and Bank Business Plan to Shareholders in the GMS. Socialization to all levels of the organization is done through the Annual GMS. In accordance with the applicable provisions, the Bank Annual Business Plan is submitted to Bank Indonesia through a presentation by the Directors and the implementation is reported on a monthly, quarterly and annual reports that describe the achievement or deviation as well as strategic measures taken by the Bank.

7. Transparency of financial and non-bank financial

The Bank submits reporting of financial and non financial condition to stakeholders and public, among others, through the quarterly Published Financial Report and annually audited report, public expose, road shows, press releases and GMS. The Bank develops and presents the financial statements according to the

4	Suwirjo Josowidjojo	-	-	-	-	-	-	-	-
5	Drs. H. Rostian Sjamsudin	-	-	-	-	-	-	-	-
6	Chandra R Gunawan	-	-	-	-	-	-	-	-
7	Roosniati Salihin	-	-	-	-	-	-	-	-
8	Lionto Gunawan	-	-	-	-	-	-	-	-
9	Edy Heryanto	-	-	-	-	-	-	-	-
10	Ken Ng	-	-	-	-	-	-	-	-
11	Iswanto Tjitradi	-	-	-	-	-	-	-	-
12	Gunawan Santoso	-	-	-	-	-	-	-	-
13	Hendrawan Danusaputra	-	-	-	-	-	-	-	-
14	Ahmad Hidayat	-	-	-	-	-	-	-	-
15	Antonius Ketut Dwirianto	-	-	-	-	-	-	-	-

Note:

- A : PT. Bank Panin Tbk
- B : Other Banks
- C : LKBB
- D : Other Companies
- DN : Domestic
- LN : Foreign

III. Financial and family relationship of members of the Board of Commissioners and the Board of Directors with fellow members of the Board of Commissioners, Directors and/or Controlling Shareholders of the Bank.

The serving members of the Board of Commissioners of PT. Bank Panin Tbk, have no financial relationship or family relationship

until the second degree with fellow members of the Board of Commissioners and/or members of the Board of Directors.

The majority members of the Board of Directors have no family relationship with fellow members of the Board of Directors and members of the Board of Commissioners. The members of the Board of Directors are not authorized to give a general power to others which resulted in the transfer of duties and functions of the Directors.

IV. Remuneration package/policy and other facilities for The Board of Commissioners and the Board of Directors are as follows:

Type of Remuneration and other facilities	Total Received in 1 year			
	Board of Commissioners		Directors	
	People	Million Rupiah	People	Million Rupiah
Remuneration (salary, bonus, Regular allowances, tantiem, and other facilities in non natural terms)	4	2.483	11	24.357
Other facilities in natural terms (housing, transport, health insurance and others) in Rupiah equivalent that:				
a. may be possessed	-	-	-	-
b. may not be possessed	2	327	11	4.531
- housing				
- transport				

- insurance				
Total		2.810		28.888

The members of the Board of Commissioners and the Board of Directors who earn an annual remuneration package based on the number of income ranges, are as follows:

Total remuneration per person in 1 year received in cash	Members of Board of Directors	Members of Board of Commissioners
Above Rp. 2 billion	4 peoples	- people
Above Rp. 1 billion until Rp. 2 billion	7 peoples	1 person
Above Rp. 500 million until Rp. 1 billion	- people	1 person
Rp. 500 million and below	- people	2 persons

V. Shares Option

In 2010 Bank Panin did not granted stock options either to the Board of Commissioners, Directors or to the employees.

VI. The ratio of highest and lowest salary

The ratio of the highest and lowest salary in comparison remuneration per month is as follows:

a. the ratio of the highest and lowest salary of the employees is

39: 1

- b. the ratio of the highest and lowest salary of the Directors is 3: 1
- c. the ratio of the highest and lowest salary of the Commissioners is 4: 1
- d. the ratio of the highest salary of the Directors and the highest salary of the officers is 3: 1

VII. Frequency of the Meeting of Board of Commissioners

Regular meeting of the Board of Commissioners during 2010 were as follows:

No	Month	Date	Attendance			
			Johnny President Director	Bambang W Vice President Director	Suwirjo J Commissioner	Riyanto Commissioner
1	January	27	✓	✓	✓	✓
2	February	22	✓	✓	✓	✓
3	March	24	✓	✓	✓	✓
4	April	28	✓	✓	✓	✓
5	May	26	✓	✓	✓	✓
6	June	23	-	✓	✓	✓
7	July	28	✓	✓	✓	✓
8	August	30	✓	✓	✓	✓
9	September	29	✓	✓	✓	✓
10	October	27	✓	✓	✓	✓
11	November	29	✓	✓	✓	✓
12	December	29	✓	✓	✓	✓

In every meeting it is always drawn up a minutes of meeting including the attendance list.

VIII. The number of internal fraud over Rp 100 million rupiah.

The Bank continues to develop policies and procedures for the handling of fraud as part of operating risk management. Fraud risk management program consists of fraud prevention program, detection program and reporting & investigation program. As for the handling of operating risk, fraud risk management and the prevention is the responsibility of all employees at all levels of positions.

The table below exposes and explains the irregularities/fraud committed by management, permanent and Non-Permanent employees (honorary and outsourcing) with the work processes and operating activities of the Bank of which the impact is greater than Rp100 million.

	Management		Permanent Employees		Non Permanent Employees	
	2009	2010	2009	2010	2009	2010
Total Fraud	-	-	2	3	-	-
Settled	-	-	1	2	-	-
In the process of settlement in internal bank	-	-	-	-	-	-
No settlement effort	-	-	-	-	-	-

Followed up with legal proceedings	-	-	1	1	-	-
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Explanations

Fraud	Total (Rp)	Remarks
Customer Fund Embezzlement (May 2009)	1,300,000,000	Committed by official/permanent employee and has been processed according to the applicable provisions.
Manipulation of Foreign Exchange Transaction (June to July 2009)	692,229,587	Committed by official/permanent employee and has been processed according to the applicable provisions.
Total (2009)	1,992,229,587	

Transfer transaction using instruction media by fax (April 2010) <i>KCP Mampang I (KCU Menara Imperium)</i>	(USD 49,314.- and Rp 280 Million) Total = 760,000,000.00	Committed by official/permanent employee and has been processed according to the applicable provisions.
Cash theft (April 2010) <i>KCP Bandar Jaya (KCU Lampung)</i>	1,961,976,000.00	Committed by official/permanent employee and has been processed according to the applicable provisions. (legal proceedings)
Manipulation of transaction by way of	4,709,374,724.93	Committed by official/permanent employee

debiting the GL of Deposit Interest Costs (P/NB) and credited to the Saving account of the person concerned/ his wife (October 2010) <i>KCU Yogyakarta</i>		and has been processed according to the applicable provisions.
Total (2010)	7,431,350,724.93	

IX. Legal Issues

Regarding the character of the banking industry, Bank Panin must from time to time face the possibility of non-performance credit and other legal issues. The number of legal problems coped by Bank Panin relating to the operating activities and has been filed with the Court during the period of 2010 are as follows:

	Civil	Criminal
Settled	14	2
In the process of settlement	117	2
TOTAL	131	4

X. Transactions Containing Conflict of Interest

In accordance with the Regulation of Bapepam-LK. IX.E.1 on Affiliate Transactions and Conflicts of Interest of Certain Transactions, as lastly amended by Decision of the Chairman of Bapepam-LK. Kep-413/BL/2009, dated November 25, 2009, during 2010 there were no reports of transactions by the Board of

Commissioners, Directors, Executive Officers that contain conflict of interest.

XI. Shares Buy-Back and Buy Back Bonds Bank

During the period of 2010 there were no Buy Back of Shares or Buy Back of Bonds by the Bank.

XII. Giving Fund for Social and Political Activities

Bank Panin's policy explicitly prohibits the provision of aid to political activities. However, Bank Panin gives donations on regular basis as part of the corporate social responsibility. During the period of 2010 Bank Panin divided into 3 (three) areas of activity, namely Education, Social-Religious, and Disasters.

The details of these activities are as follows:

No	FUND RECEIPT/AREA OF ACTIVITIES	TOTAL
1.	Education	Rp. 100.000.000
2.	Social – Religious	Rp. 3.460.768.000
3.	Disaster	Rp. 18.000.000

**XIII. The Results of Self-Assessment of Implementation of Good
Corporate Governance PRINCIPLES**

**SUMMARY OF CALCULATION OF COMPOSITE VALUE
GOOD CORPORATE GOVERNANCE SELF ASSESSMENT**

NO	ASPECT BEING ASSESSED	WEIGHT (a)	RATINGS (b)	VALUES (a) x (b)	REMARKS *)
1	Performance of Duties and Responsibilities of the Board of Commissioners	10.00 %	2	0.200	Number, composition, integrity and competency of the members of the Board of Commissioners conform to the provisions
2	Performance of Duties and Responsibilities of the Board of the Directors	20.00 %	2	0.400	Number, composition, integrity and competency of the members of the Directors conform to the provision
3	Completeness and Performance of Duties of the Committee	10.00 %	2	0.200	Composition and competency of the members of the Committee conform to the provisions
4	Handling of Conflict of Interests	10.00 %	1	0.100	The Bank has maintained the Conflict of Interest Handling policy according to the Articles of Association of the Bank
5	Application of Bank Compliance Function	5.00 %	2	0.100	The implementation of duties and independence of the Compliance Director and Compliance Unit work effectively and conform to the provisions.
6	Application of Internal Audit Function	5.00 %	2	0.100	Implementation of internal audit function works.

NO	ASPECT BEING ASSESSED	WEIGHT (a)	RATINGS (b)	VALUES (a) x (b)	REMARKS *)
7	Application of External Audit Function	5.00 %	1	0.050	Implementation of audit by registered KAP.
8	Application of Risk Management and Internal Control Function	7.50 %	2	0.150	Effective in identifying and controlling Bank risks.
9	Provision of Funds to Related Party and Large Exposures.	7.50 %	2	0.150	Has maintained complete policies for the provision of funds to related party or core debtors. No infringement of LLL.
10	Transparency of Bank Financial and Non-Financial Condition, Report on the Implementation of GCG PRINCIPLES and Internal Report	15.00 %	1	0.150	Transparent in presenting financial and non financial information to public.
11	Bank Strategic Plan	5.00 %	1	0.050	Business plan and Corporate plan is in line with the vision and mission set.
	Composite Value	100.00 %		1.650	Good

* : Explanation on why the assessors give ratings as in (b)

Composite Value = NK

- | | |
|--------------------------|------------------------------|
| 1. < 1.5 = Excellent | 4. 3.5 ≤ NK <4.5 = Less Good |
| 2. 1.5 ≤ NK < 2.5 = Good | 5. 4.5 ≤ NK <5 = Poor |
| 3. 2.5 ≤ NK < 3.5 = Fair | |

That the implementation of GCG at Bank Panin, by taking as the basis the aspects of transparency, accountability, responsibility, independence and fairness as a form of efforts to improve the quality of bank management.

The Bank has provided adequate, clear, accurate, easily accessible information to stakeholders, and implemented a check and balance system in the management of the Bank. In addition the Bank has also held the prudential banking practices principle and avoid any conflict of interest and apply the principles of equality and fairness (equal treatment).

Good corporate governance practices can be used as a means to identify and anticipate the potential for future losses that may occur and at the same time as a way out that can be taken being a very critical measures in building public trust and bring long term investment stability. Some improvement steps towards the implementation of bank compliance function, application of external audit function, reporting regarding transparency of financial and non financial condition as well as the bank's strategic plan have been made to meet all aspects of corporate governance.

Based on the results of the self-assessment, it can be concluded that the composite value for the implementation of the Good Corporate Governance (GCG) principles in Bank Panin for the reporting period of December 2010 is 1650 or predicated "GOOD".

Jakarta, May 11, 2011

Drs. Johnny

President Commissioner

Drs. H. Rostian Sjamsudin

President Director