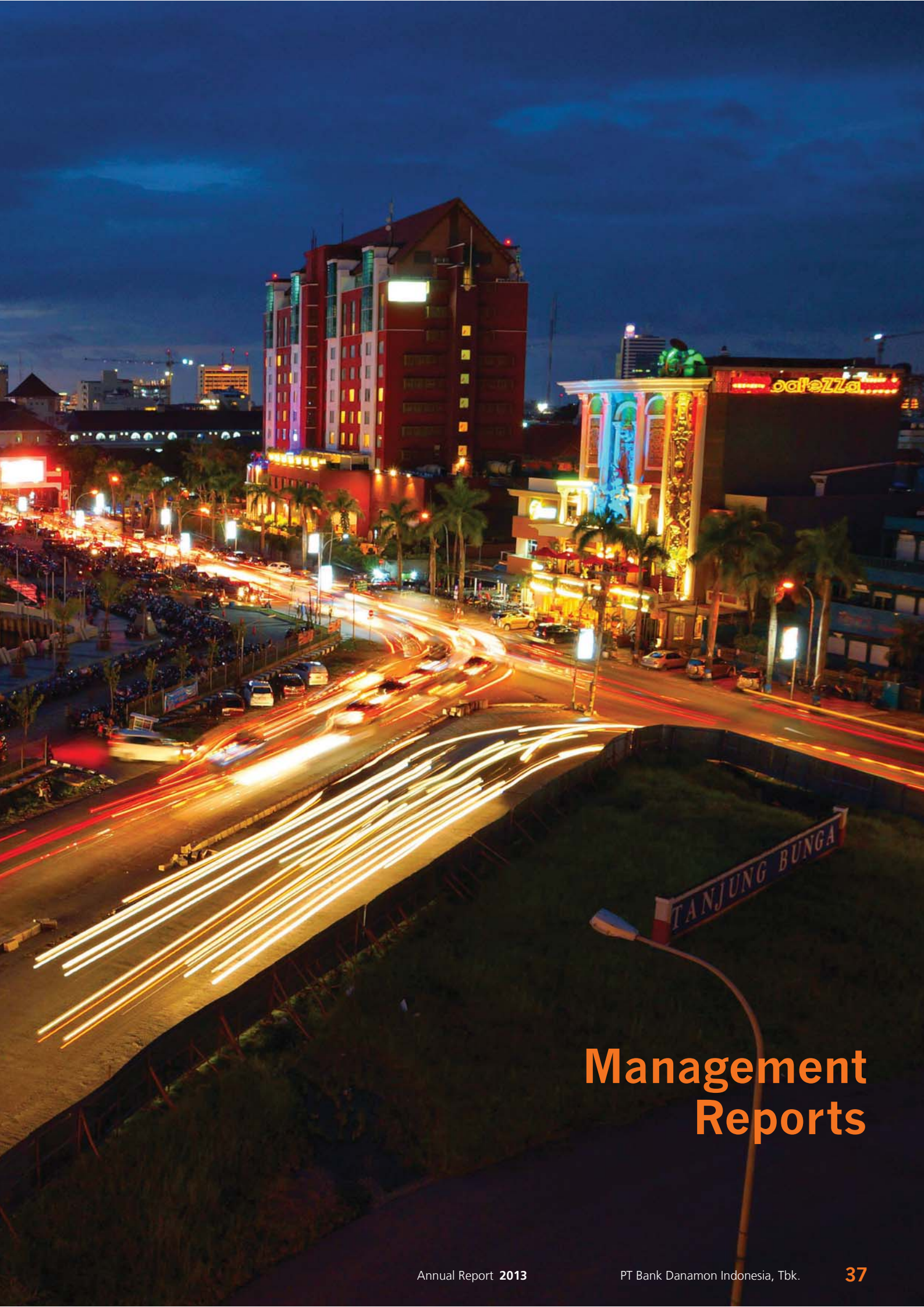




Makassar, a City of World (Makassar)

Irwansyah-Sukarana - CREM Division Regional IV< Makassar
2nd Winner Landmark Category - Danamon's Photography Competition



Management Reports

Report from the Board of Commissioners



The Board of Commissioners fully supports Danamon's strong focus on Human Resources competency enhancement, network optimization, and service quality improvement as appropriate strategic measures to support long-term growth amid tightening competition.

Ng Kee Choe
President Commissioner

Report from the Board of Commissioners

Dear Valued Shareholders,

Please allow me, and the Board of Commissioners, to express our appreciation for the successful achievements of the Board of Directors and the management team. Their leadership has guided Danamon through the challenges of 2013 and laid a firm foundation for business expansion in the coming years.

As we are all aware, the global economy did not recover in 2013 at the pace we expected, as financial crisis spreading through the European region impeded the process. However, beginning in the third quarter, several leading industrial countries including the United States, China, and Japan, started to exhibit economic revival. The signs of recovery played a role in the decision of the government of the United States to consider tapering off its stimulus, a policy that should commence at the onset of 2014.

It was this unfavorable global economic environment that exerted a dampening effect on Indonesia's own growth. Demands over mining and commodities slid, increasing deficit whilst depreciating the exchange rate. The Government and Bank Indonesia responded by increasing the benchmark interest rate. The combination of policies and several administrative measures to improve investment climate along with strong domestic demand helped grow the Indonesian economy by 5.8%, somewhat lower than 6.3% in 2012.

As a consequence of which, the banking industry saw an overall slowdown in loan growth, as liquidity tightened significantly with the rise in interest rates and cost of funds. The challenging business environment has invariably impacted Danamon's performance in 2013.

THE PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS

During the year, Danamon's outstanding loan grew by 16% to Rp135 trillion, contributed largely by loan growth in Small and Medium Enterprises (SME) and Wholesale Banking, while loan quality was improved with non-performing loans ratio (NPL) (gross) at 1.9% versus 2.3% in 2012. Danamon was able to grow its total deposits by 21%, reaching Rp139.8 trillion with current account and saving account (CASA) growing by 23% or Rp10 trillion, contributing 48% to total deposits in 2013. All these achievements led Danamon to an improved loan-to-deposit (LDR) ratio, from 100.7% to 95.1%.

The Bank's non-interest income rose by 11%, reaching Rp4.9 trillion. Overall, Danamon booked a net profit after tax of Rp4.04 trillion, or 1% higher than in 2012. Danamon's consolidated CAR improved to 17.9% as of 31 December 2013, far exceeding the 8% requirement; Return on Average Equity (ROAE) was at 14.5%; Return on Average Asset (ROAA) was at 2.5%, and earnings per share (consolidated) was at Rp 421.68.

Report from the Board of Commissioners

In terms of operations, Danamon undertook several service enhancements to complement its wide conventional network, Syariah and DSP networks, as well as increasing the number of ATMs and Cash Deposit Machines (CDMs) and refining its e-channel initiatives. These are comprehensive efforts to support the growth of customer acquisitions, increase the Bank's points of access, and position Danamon as the Bank of choice, ready to deliver the best banking services to all its customer segments.

The Board of Commissioners also recognizes the significantly stronger focus on employee capability enhancement from the management of Danamon, an important strategy to address the increasingly competitive environment. Continuous employee capability enhancement will enable Danamon to support the growth of small and middle enterprises through financial services, which will garner customers' loyalty in the longer term.

2013 HIGHLIGHTS

The theme of our 2013 report is "Enhancing Our Capability to Reach Out and Serve". As reflected in the accomplishments outlined above, prudent business implementation and steps taken in addressing the challenges of 2013 have yielded robust capital standing and created a strong balance sheet - allowing Danamon to take confident strides in the face of the macro-economic uncertainties in 2014. Danamon will continue to improve its service quality, in line with its Vision and Mission, thus maintaining customer loyalty and therefore ensure sustainable, long-term growth. Invariably, it is the Bank's vision to enable millions to prosper.

ENHANCING THE QUALITY OF CORPORATE GOVERNANCE IMPLEMENTATION

The Board of Commissioners are fully committed to work with the Board of Directors to continuously and upgrade the level of good corporate governance (GCG) across Danamon's entire operations, including our interaction with regulators, shareholders, employees, and other stakeholders.

We would therefore like to congratulate Danamon's management for notable achievement as the Best Overall Among the Top 10 Publicly Listed Company in Good Corporate Governance ASEAN Scorecard, awarded by Indonesian Institute for Corporate Directorship (IICD). This together with other awards pertaining to GCG is recognition of Danamon's commitment to strict and sustainable GCG practices.

CORPORATE SOCIAL RESPONSIBILITY IMPLEMENTATION

The Board of Commissioners fully supports the Board of Directors' efforts to augment the quality of corporate social responsibility (CSR) implementation carried out by Yayasan Danamon Peduli (YDP). YDP has initiated various programs in 6 key areas: Social and Community Development; Care for the Environment, Rapid Disaster Response; Regional Icon Preservation, Occupational Health, Safety and Environment; and Consumer Responsibility.

Report from the Board of Commissioners

In connection with improving the quality of GCG practices, the Board of Commissioners also expected the Board of Directors to further enhance synergy between CSR activities and Danamon's operational activities, in particular with micro, small, and medium enterprises through Danamon Simpan Pinjam and Danamon's SME Banking. We believe that the quality of our CSR programs need to be continuously improved by working with the private sector and local government to ensure maximum positive impact to the community.

CHANGES TO THE COMPOSITION OF THE BOARD OF COMMISSIONERS AND DIRECTORS

In 2013, there were no changes to the composition of the Board of Commissioners. At the Board of Directors, Ali Yong, Director of SME and Wholesale Banking tendered his resignation on 6 January 2014. The Board of Commissioners would like to take this opportunity to thank Ali Yong for his long years of services and contribution to Danamon.

PROSPECTS IN 2014

In its 2014 release of economy prospects, Bank Indonesia reaffirmed its readiness to continue implementing prudent macro-economy policies to foster stable economic growth with the support from a healthy banking industry.

As such, we are of the current view that Indonesia's economy will revert to strong growth on the back of domestic consumption. Banking credit is expected to grow at a more moderate pace, while competition for customer deposits and pressure on loan portfolio quality will be more intense.

In view of the above, Danamon has prepared a business strategy with a focus on risk management, for both credit and liquidity. Risk profile would be maintained at an acceptable level and growth opportunities will be prudently pursued.

Report from the Board of Commissioners

PERFORMANCE ASSESSMENT OF COMMITTEES UNDER THE BOARD OF COMMISSIONERS

Throughout 2013, the committees under the Board of Commissioners, which are Audit Committee, Risk Monitoring Committee, Nomination and Remuneration Committee, and Corporate Governance Committee, have conducted their respective roles and responsibilities with great results and have given significant and positive support in carrying out the Board of Commissioners' functions.

The Audit Committee's success is reflected in its success in ensuring adequate internal control, including in the financial reporting process. The Audit Committee has also undertaken its duty with great care in reviewing the effectiveness and compliance of the Public Accountant Office, providing recommendations for the appointment of the Public Accountant Office and reviewing the financial report and other financial information to ensure compliance with the prevailing standards and regulations.

Danamon's ability to manage risk is dependent upon the success of the Risk Monitoring Committee in performing its duties and responsibilities in reviewing and overseeing policies and implementation of Danamon's risk management procedures. Good loan portfolio quality, low nonperforming loan percentage, and composite risk profile level of "Low to Moderate" in 2013 are concrete results of prudent and sound risk management.

The contributions of the Nomination and Remuneration Committee were also significant in regards to evaluating the remuneration policy of the Board of Commissioner, Directors, Executive Officers, and employees as a whole as well as evaluating the performance of Directors. Additionally, the Nomination and Remuneration Committee also provided constructive inputs on the system and procedures to nominate/change members of the Board of Commissioners and the Board of Directors as well as independent parties that are nominees for the Committees' membership.

The Corporate Governance Committee has a role in ensuring the GCG principles have been implemented, including aligning to ASEAN CG Scorecard standards and best practices. Danamon's success in receiving Best Overall Award from the Indonesian Institute for Corporate Directorship (IICD) is recognition for sound corporate governance and is due to the active role of the Corporate Governance Committee.

Report from the Board of Commissioners

The Board of Commissioners is satisfied and would like to extend its deepest appreciation for the performance of these Committees. The Board of Commissioners hope that this good performance can be maintained and improved upon in the future, bringing Danamon to a higher level in the banking and financial industry and enabling the Bank to contribute more to the growth of the country's economy.

CLOSING

We would like to express our appreciation and thanks to the Board of Directors and all employees of Danamon. Their dedication and hard work has positioned Danamon in a strong position to continue to grow and take advantage of the opportunities in the banking industry.

We would also like to thank our customers, shareholders, and the regulators for their trust and support they have given us to continue to carry out our responsibilities well. We remain committed and will strive to ensure that Danamon will continue to provide tangible contributions to Indonesia's economy development.

Jakarta, February 2014

On behalf of the Board of Commissioners

PT Bank Danamon Indonesia, Tbk.



Ng Kee Choe
President Commissioner

Board of Commissioners



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1. Ng Kee Choe

President Commissioner

2. J.B. Kristiadi

Vice President Commissioner/Independent Commissioner

3. B. Raksaka Mahi

Commissioner

4. Ernest Wong Yuen Weng

Commissioner

Board of Commissioners



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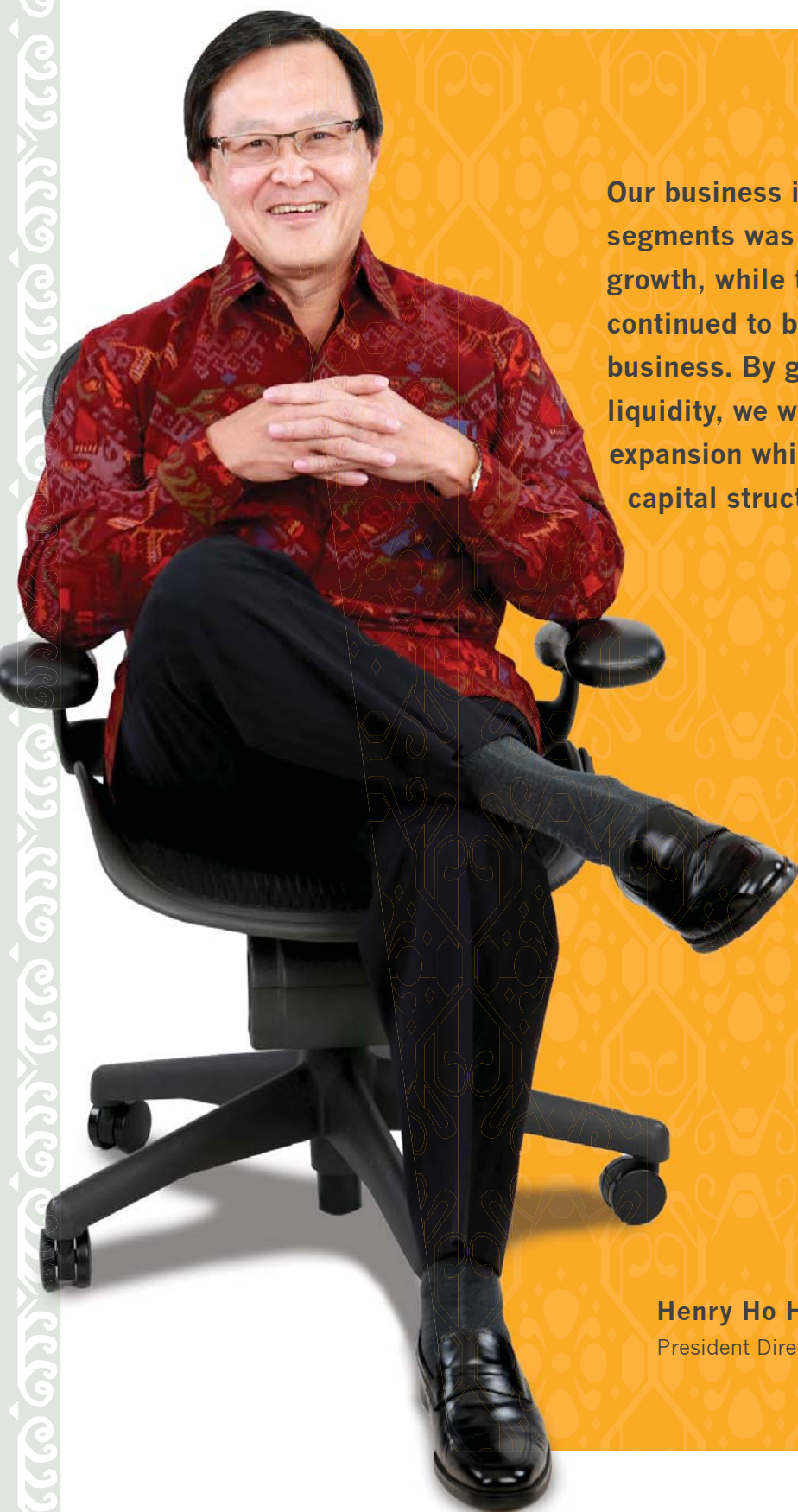
5. Gan Chee Yen
Commissioner

6. Milan R. Shuster
Independent Commissioner

7. Manggi T. Habir
Independent Commissioner

8. Harry A.S. Sukadis
Independent Commissioner

Report from the Board of Directors



Our business in the SME and Commercial segments was the major contributor to our growth, while the mass market segment continued to be a dominant part of our business. By giving close attention to liquidity, we were able to carry out credit expansion while maintaining our strong capital structure.

Henry Ho Hon Cheong
President Director

Report from the Board of Directors

Valued Shareholders,

It is our pleasure to announce that Danamon has concluded its journey through 2013, a year marked by market volatilities, with satisfactory results. As we know, economic growth was hampered, as global economic recovery in 2013 fell short of earlier predictions.

ECONOMY AND BANKING OVERVIEW

As financial downturn persisted, the European region had to step up efforts to fend off the crises; China and India experienced a drop-off in economic growth, while Japan attempted to boost its economy through fiscal and monetary stimulus. In the meantime, the United States showed signs of revival starting the third quarter, which drove the US Government to consider reducing its stimulus in 2014.

The uncertainty surrounding the global economy contributed to Indonesia's hindered economic growth. The country grew modestly by 5.8% last year versus 6.3% in 2012, on the back of domestic consumption that prevailed as the leading growth contributor. The sluggish economic growth of 2013 was the result of declining export volume of non-oil and gas commodity, as demand was low. Some of Indonesia's main export products affected were crude palm oil (CPO), coal, and other minerals. This condition also put pressure on the trade balance. Coupled with fuel subsidy that inevitably increased, the deficit in Indonesia's balance of payments steepened and eventually led to weakening rupiah exchange rate.

The US plan to taper off the stimulus prompted a negative response, with investors moving their funds to the US, thus further depreciating the exchange rate. The Rupiah was closed at Rp12,170 per US\$, a 20.8% drop from 2012 position.

In addition, the Government cut back subsidy through fuel price adjustment. Thus, prices of goods in domestic market rose and led to high inflation in 2013. BI Data indicated 2013 inflation surged to 8.38% from 4.30% in 2012. To curb inflation and restrain Rupiah depreciation, Bank Indonesia raised the benchmark interest rate (BI Rate).

Report from the Board of Directors

In 2013, the industry's non-performing loans (NPL) ratio posted at 1.77%, a slight decrease from 1.87% at the end of 2012. Growth of credit lagged in 2013, reaching 21.6% from 23.1% in 2012. Market liquidity was another factor affected by a cloudy economy. Banking industry was compelled to spur third party funds (TPF), while cost of funds increased following rising BI Rate. By December 2013, TPF grew 13.6% compared to 2012. Tight liquidity thus limited room for expansion of the banking industry, as loan to deposit ratio (LDR) peaked at 89.7%.

2013 PERFORMANCE

Through persistent hard work, Danamon succeeded in bringing down the Loan Deposit Ratio (LDR) from 100.7% early in the year to 95.1% by the end of 2013. Danamon continued to use long term funding, to finance auto loans through Adira Finance. Current and savings account (CASA) grew by 23% or Rp10 trillion more than the same period last year, contributing 48% in Danamon's deposit composition. Moreover, Danamon booked a net profit after tax of Rp4.04 trillion – representing an increase of 1% from Rp4.01 trillion in 2012. Overall assets of Danamon also grew by 18% to year-end figure of Rp184 trillion, compared to Rp155.8 trillion in 2012. Moreover, Danamon has proved its sound management in asset quality, indicated by a decrease in non-performing loans (NPL) ratio from 2.3% in 2012 to 1.9%, while cost of credit (CoC) decreased from 2.8% to 2.6%.

Loan Growth

Danamon recorded total loans of Rp135 trillion, a 16% growth from Rp116 trillion in 2012, with a strong contribution in the non-mass market segments, which increased 30% over the previous year. The Bank also strongly improved in trade finance, with a robust growth of 45% and 76% for cash and non-cash loans, respectively.

The main contributors to this growth were non-mass market, Small Medium Enterprises and Commercial (SMEC), and wholesale segments. We have sharpened our focus on these segments in line with our long-term strategy to focus on business segments that are primary pillars of Indonesia's economic growth.

In 2013, the SMEC segment, which channeled lending to SME and commercial businesses, recorded an increase of 23%. Wholesale also grew strongly at 49%, encompassing lending for market-oriented industries, both domestic and export. Our strong focus, heavy-equipment loans and asset-based financing. We are pleased to report that our loans grew sustainably following the execution of this strategy.

To expand our credit market, particularly in micro, small and medium enterprise (MSME) segment, in March 2013 Danamon embarked on a strategic alliance with two international institutions, Wells Fargo and Overseas Private Investment Corporation (OPIC). This alliance provides Danamon with long-term loans that will be used to expand Danamon's credit portfolio for MSME segment. In November 2013, Danamon also obtained a loan of US\$50 million from

Report from the Board of Directors

International Finance Corporation (IFC). The loan will be disbursed to generate business opportunities for SMEs in Indonesia.

Loans to the automotive industry, were disbursed by our subsidiary, PT Adira Dinamika Multifinance Tbk (Adira Finance) and continued to contribute positively to Danamon's overall loan performance. We responded to the enactment of a regulation that affected demand for automotive loans, by intensifying loan disbursement on other business segments that play an equally important role and have showcased similar resiliency to economic volatility, which are Micro and SME sectors. At the same time, we increased our focus on wholesale segment. This strategy was indeed effective in counterbalancing the moderate 6% growth of mass market segment, which comprised mostly of loans to micro enterprises and automotive loans.

To ensure effective operations, risk management control was rigorously conducted, and we closely monitored asset quality, which steadily improved as evidenced by a significantly improved gross NPL from 2.3% to 1.9%, lower than the regulatory ceiling of 5%. Having controlled NPL, we were able to optimize the effectiveness of our fund utilization.

Competition In Third Party Funds

Stronger competition in the third party funds (TPF) has led to an increase of the cost of funds. Our strategy in this regard was to intensify third party funds from cost-effective products, Current Accounts and Savings Account (CASA). The effort was driven by champion products, acquisition strategy, and improved service. Another strategic initiative was the Financial Supply Chain (FSC),

which was developed to optimize funding capacity targeting principal down to distribution level, nationwide. We aimed to maintain our overall fund structure, as well as the cost of funds.

At the end of 2013, CASA, as cost-effective funding, indicated a 23% volume growth to Rp53 trillion. Our CASA achievement contributed to Danamon's improved TPF, and CASA by year's end accounted for 48% of Danamon's total deposits, up from 47% in the previous year.

Network Optimization and Product Feature Enhancements to Increase Fee Based Income

To support business performance, Danamon is committed to service improvements in both quantity and quality. We launched a variety of electronic channels, which enhanced our services to ensure customer transaction security and convenience, as well as to increase fee based income. In 2013, our fee based income rose from Rp4.4 trillion in 2012 to Rp 4.9 trillion.

To further enrich the range of services offered to our consumer banking customers, Danamon continued to expand service network supported by up-to-date information technology advances. In 2013, Danamon launched SMS Banking that introduced a new 'Favourite Menu' banking innovation. The internet banking experience has been enhanced with a new transfer facility and foreign currency exchange service. We also launched a 'Business Card', a consumer banking segment credit card designed for the convenience of entrepreneurs in conducting their business. The Business Card provides a facility for easy access to cash funds, ready to use anytime.

Report from the Board of Directors

For micro segment, our Mobile EDC (Electronic Data Capture) recorded a breakthrough, facilitating flexible service for Danamon Simpan Pinjam (DSP) customers, through which they can enjoy an enhanced experience of easy, safe, and convenient transactions. Payment of loan installments no longer requires customers' presence at any of the 993 DSP branch offices. Today, payment can be settled as easy as inserting an ATM card into an EDC machine carried by DSP officers when conducting customer visits.

Our ATM innovations are founded on the idealism that "Danamon's ATMs are doors to Indonesia's banking system, opened for everyone (customers and non customers) to enter." Danamon's flexible services and ATM features are thus not only accessible for our own customers, but also for those of other banks. This includes cash withdrawal via ATM by non-Danamon customers. In addition to elaborating ATM features, by the end of 2013 we have increased the number of ATMs to 1,483 units.

TARGETS VS. REALIZATION AND CHALLENGES FACED

As the actual condition of the Indonesian economy in 2013 diverged from early predictions, the Bank's business plan was revised. At mid year, a revision was made and we have obtained approval from Bank Indonesia.

Considering the challenges faced by banking industry in the second quarter of the year, particularly due to rise in interest rates and a weakening currency, Danamon performed positively. In lending, Danamon's loans grew 16%, which is close to the 17% target stated in

the plan. Third party funds also grew 21% higher than the 14% set in the business plan. Moreover, we are pleased to report that Danamon managed to deliver 23% of CASA growth, higher than 18% growth in 2012.

We view these achievements as exceptional accomplishments, particularly considering the context of Quantitative Easing policy that resulted in capital outflow from Indonesian markets and a consequent liquidity strain in foreign markets. As we know, tight liquidity leads to stringent competition in collecting deposits and banks are forced to expend more.

We fully realize that substantial costs are required for third party funds, and that business growth needs to be accompanied by appropriate measures and prudently controlled risks as well as strong management of liquidity. As a result of which, LDR declined from 100.7% in December 2012 to 95.1% in 2013. Going forward, Danamon will have ample room for credit expansion, while capital structure is well-maintained.

HUMAN RESOURCES CAPACITY ENRICHMENT

To Danamon, employees are an invaluable asset for the Bank's business. Danamon is fully committed to enhance the competency of its employees, through a variety of employee capacity enhancement programs. Danamon Corporate University (DCU), established in 2008 is the learning center for every Danamon employee on the path to become a competent banker. We have six academies in DCU: Retail

Report from the Board of Directors

& SME Banking School, Microfinance School, Wholesale Banking School, Risk Management School, Operation & Technology School, and Innovation Center. The academies deliver capable, dedicated leaders with strong moral principles.

Danamon Corporate University also offers extensive training programs covering 70 subjects. Danamon Leadership Academy is acknowledged as one of the best leadership development programs in Indonesia. Not only do we equip participants of these programs with all-round knowledge that would benefit their careers as bankers, we also offer a self-development program to help them create a healthy, balanced lifestyle.

Further, to recruit the best talents from all disciplines, we continue to expand our partnership with universities. We have conducted Danamon Young Leaders Award (DYLA), Danamon leadership training program for best university students from several leading universities. We select participants based on their aptitude during a learning period and in relation to the uniqueness of their innovative ideas for Danamon's organizational development solutions.

IMPROVING CORPORATE GOVERNANCE IMPLEMENTATION

The rapid growth of banking industry is often followed by increasing complexity of banking activities, which magnifies business risks. The implementation of good corporate governance is therefore vital in business endeavors. Danamon's entire management team fully acknowledges that

without good corporate governance, the Bank may not be able to accomplish its goals. We are very committed to establish the values of good corporate governance as pillars of the Bank's undertakings.

For the advancement of the Bank's performance, in the best interest of our stakeholders, and to increase compliance with regulations and codes of conduct, Danamon consistently upholds the principles of corporate governance in its activities. Our dedication compels us to continually improve the practices of our good corporate governance. Aside from adhering to corporate governance best practices and standard in Indonesia, Danamon also observes corporate governance standard at the ASEAN level.

In our course to enhance corporate governance practices, Danamon periodically conducts a self-assessment program, evaluating the adequacy of its implementation. The result is compiled into a report, so that we will be able to take immediate action should any violation occur.

Danamon has also formulated a Code of Ethics as a ground rules for management and the employees. The Code of Ethics will be their guidance in the execution of duties and responsibilities. Everyone in the organization, from management to the employees, is required to accept, comprehend, and adopt the Code of Ethics as their moral guidance. The Code of Ethics will benefit the people in the organization to successfully contribute to the growth of Danamon.

Report from the Board of Directors

In accordance with good corporate governance implementation guidelines, Danamon has developed a work protocol to be adhered by all lines in the organization. In addition, Danamon has established standard operating procedures for all of our divisions, to guide them during the execution of Danamon operations and business activities.

Part of Danamon's focus in corporate governance is the prevention of and countermeasures against fraud cases, as fraud is one of the major hindrances in the banking industry. We have thus issued an anti fraud policy, which includes prohibition of our employees to receive any reward from any party, particularly from suppliers/vendors. We have also socialized this policy with Danamon's suppliers/vendors, and to ensure their compliance, we hold an annual evaluation of these business partners.

Our hard work has not gone unnoticed. Danamon has earned considerable recognitions, including as "Best Overall among Top 10 Publicly Listed Company in Good Corporate Governance ASEAN Scorecard" from Indonesian Institute for Corporate Directorship (IICD). ASEAN Corporate Governance Scorecard is the corporate governance benchmark for publicly listed companies in South East Asia and was initiated by the ASEAN Capital Market Forum. This acknowledgement demonstrates Danamon's strong commitment in improving the quality of its good corporate governance implementation, among others in transparency and social responsibility.

In addition, Danamon has succeeded in earning ISO 22301:2012 – BCMS certification following an audit process conducted by a team from British

Standard Institution (BSI) Group Indonesia. BSI Group is the world's leading certification institution, with operations in 120 countries and 100 years of experience.

The BCMS certification is an international recognition for institutions that demonstrate excellence in implementing continuous improvements and conducting a Business Continuity Management System (BCMS). Evaluation comprises the fulfillment of a number of quality standards, including compliance with prevailing regulations, products, and services quality; management commitment, and other supporting functions that are part of Danamon's business continuity. Danamon is the first company in Indonesia, and the first bank in South East Asia, that has earned this certification.

CORPORATE SOCIAL RESPONSIBILITY

Our Corporate Social Responsibility (CSR) programs are drawn from the understanding that Danamon is part of the local community and can only succeed with the support of the community. At the heart of Danamon's CSR activities is a partnership with our stakeholders, including local governments to forge a genuine relationship that will generate sustainable benefits for the people of Indonesia and their environment.

Danamon's CSR programs are conducted by "Yayasan Danamon Peduli" (YDP), a non-profit and independent foundation. Established in 2006, YDP works to ensure that our programs reach our target beneficiaries in a meaningful way. We are pleased to report that, through YDP, Danamon has been able to reach more communities, delivering well-centered development-oriented programs.

Report from the Board of Directors

In 2010, YDP redefined its focus and moved toward its social investment approach. This choice of focus has allowed us to view our activity as sustainable, long-term programs. In 2013, YDP has accomplished a number of social investment projects, notably the opening of Pasar Sejahtera Sindangkasih Majalengka and the culminating event of Caring for the Environment program (Bulan Kepedulian Lingkunganku/BKL). BKL in 2013 was centered on 49 locations across Indonesia, encompassing 2,073 branch offices of Danamon and our subsidiary, Adira Finance.

YDP also executed preservation activities in Marunda. Danamon Syariah contributed to the program by allocating social funds, Qordhu Hasan. Participation of Danamon Syariah signified our support for “Gerakan Ekonomi Syariah” (GRESI/Islamic Economy Movement) launched by Pusat Komunikasi Ekonomi Syariah (PKES/ Communications Center of Islamic Economy), whose goal is to build community’s awareness to the benefits and advantages of Islamic economy. As part of our CSR program, Danamon has also published its second Sustainability Report that is certified with Global Reporting Initiative (G4) standard. This Sustainability Report, published alongside the Annual Report, chronicles Danamon’s achievements and improvements in implementing its sustainability policy and initiatives.

CHANGES TO THE BOARD OF DIRECTORS

There were no changes in the composition of the Board of Directors in 2013. In 2014, Ali Yong, Director of SME and Wholesale Banking tendered his resignation on 6 January 2014. The Board of Directors would like to take this opportunity to thank Ali Yong for his long years of services and contribution to Danamon.

AWARDS AND ACCOLADES

Allow us to take this opportunity to report the recognition that Danamon received throughout 2013. The hard work and dedication of all employees has made 2013 a memorable year for Danamon and Adira, with the following awards and accolades, among others:

1. Danamon

- a. Listed in Forbes Global 2000 of 2013 – an annual listing comprises 2,000 public companies around the world published by Forbes Magazine (US)
- b. Digital Brand of the Year 2012 in Credit Card category from Infobank
- c. Banking Efficiency Award 2013 in Foreign Exchange Commercial Bank Category from Bisnis Indonesia
- d. ISO 22301:2012-BCMS Certification from British Standard Institution (BSI)
- e. Second Winner of Annual Report Award 2012 in Listed Private Financial Company category
- f. Best Overall Award – ASEAN Corporate Governance Scorecard from Indonesian Institute of Corporate Directorship (IICD)
- g. Commendation for First Time Report 2012/ Runner Up 2 Award, Best Sustainability Reporting 2012 Category Financial Service - the 9th Sustainability Reporting Award by the National Center for Sustainability Reporting (NCSR).

2. Adira

- a. Adira Finance, “Best of the Best” and “Best Employer for Generation Y” awards in AON Hewitt Best Employers Indonesia 2013 held by AON Hewitt
- b. Adira Finance, Third Winner Annual Report Award 2012 Listed Private Financial Company

Report from the Board of Directors

- c. Adira Insurance, Insurance Award 2013 as “Best General Insurance” in “Above Rp3 trillion Assets” category from Investor Magazine
- d. Adira Kredit, Top Brand Award 2013 in Electronics & Furniture Leasing category from Marketing & Frontier.

Danamon and Adira received several number of other awards in 2013. For this outstanding achievement, on behalf of the Board of Directors and Management team of Danamon, I express my sincere gratitude to everyone in Danamon and Adira for your excellent contribution to our company.

2014 OUTLOOK AND STRATEGY

In 2014, we expect Indonesia’s economy will revert to strong growth on the back of domestic consumption. Banking credit is expected to grow at a more moderate pace, while competition for customer deposits and pressure on loan portfolio quality will be more intense.

Taking on this outlook, Danamon has prepared strategic steps to continue its business growth. A focus on lending, especially auto lending through subsidiary Adira Finance, is still relevant to Indonesia’s economy, and shall remain so for several years ahead. Danamon will also bolster

the performance of other subsidiaries, Adira Insurance and Adira Kredit. We need to strengthen synergy with our subsidiaries in terms of business strategy and operational alignment, as well as in the implementation of technology-backed services. Continuing the momentum of business performance in the mass market segment, we will also expand distribution networks by optimizing our electronic channels such as EDC Mobile, adding more ATMs, and creating new innovative features in mobile and internet banking services.

Danamon will also maintain focus on Micro, Small and Medium Enterprises (MSME) segment, which has been exhibiting rapid growth. We will continue to develop products and services in this segment and through our financial supply chain method, we hope to enhance our credit penetration.

In regards to the regulatory environment, we expect 2014 to bring a smoother relationship with regulators, in particular due to the assignment of the Financial Services Authority (OJK) as Indonesia’s banking authority. Danamon views this as a positive transition since the supervision will be more focused and integrated with other financial institutions, since Danamon also provides multi-finance, insurance, and consumer goods financing through its subsidiaries.

Report from the Board of Directors

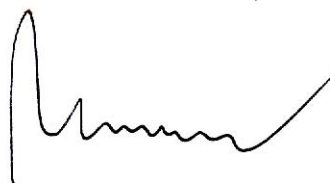
The execution of our strategy indeed requires capable human resources (HR). We will continue various trainings for people competency enhancement, and monitor the progress through surveys, especially related to the Bank's service performance. With this, we hope to realize human resources that we envision – competent, with integrity and moral values suitable to our industry.

CLOSING

As we move forward, on behalf of the Board of Directors I give heartfelt thanks to our customers, shareholders, regulators, and all our stakeholders. Their trust sustained us through the challenges in 2013 and we were able to create achievements. To all employees of Danamon, on behalf of the Directors I commend you for your hard work, dedication, cooperation, and sincerity. Let us make the lessons of our experience in 2013 the fuel to propel our future endeavors.

Jakarta, February 2014

On behalf of the Board of Directors
PT Bank Danamon Indonesia, Tbk.



Henry Ho Hon Cheong

President Director

Board of Directors



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1. Henry Ho Hon Cheong

President Director

2. Fransiska Oei Lan Siem

Director

3. Vera Eve Lim

Director

4. Muliadi Rahardja

Director

5. Herry Hykmanto

Director

6. Khoe Minhari Handikusuma

Director

Board of Directors



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7. Kanchan Keshav Nijasure
Director

8. Ali Yong
Director

9. Pradip Chhadva
Director

10. Michellina Laksmi Triwardhany
Director

11. Satinder Pal Singh Ahluwalia
Director

Report from the Syariah Supervisory Board

Bismillahirrahmanirrahim

Assalamu'alaikum Wr. Wb.

Praise be to Allah who has bestowed favors and blessings to us all, and shalawat and special greetings to our great Prophet Muhammad SAW.

In 2013, the Syariah Supervisory Board (DPS) of Syariah Business Unit (UUS) Danamon has conducted regular and periodical inspection and supervision. Several new products have been published along with the publication of several DPS Opinion with regards to the assets growth of the Bank's UUS.

DPS has considered that the banking activities undertaken by the Bank's UUS in its business activities, operations and products launched in 2013 in general are in accordance with the National Syariah Board-Indonesian Ulama Council (DSN-MUI) fatwas as well as our opinions. We are grateful and expressed appreciation to the management for the performance in 2013. God willing, the targets set for 2014 can be achieved by management.

Report from the Syariah Supervisory Board

May Allah always protect and guide us all in carrying out banking activities with His blessings, and hopefully God Almighty always gives taufiq, and inayah so that we can be more successful in the years to come. Amen.

Wassalamu'alaikum Wr. Wb.

For and on behalf of the Syariah Supervisory Board



Prof. Dr. H. M. Din Syamsuddin
Chairman

Syariah Supervisory Board Profile



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1. Prof. Dr. H. M. Din Syamsuddin
Chairman

2. Dr. Hasanudin, M. Ag.
Member

3. Drs. H. Karnaen A. Perwataatmadja, MPA, FIIS
Member

Prof. Dr. H. M. Din Syamsuddin**Chairman**

H.M. Din Syamsuddin has been a member of Danamon's Syariah Supervisory Board since 2002. He graduated from IAIN Syarif Hidayatullah and obtained his M.A. and PhD degrees from University of California, Los Angeles (UCLA).

Position :

1. Islamic Political Professor, UIN Jakarta
2. General Chairman of PP Muhammadiyah
3. Vice General Chairman of MUI
4. Vice Chairman of Advisory Board of ICMI Headquarter
5. President of Asian Conference on Religions for Peace (ACRP)
6. Co-President, World Conference on Religions for Peace (WCRP)
7. Chairman, World Peace Forum (WPF)
8. Chairman, Center for Dialogue and Cooperation among Civilization (CDCC)
9. Syariah Supervisory Board in Bank Syariah Bukopin (Chairman)

Drs. H. Karnaen A. Perwataatmadja, MPA, FIIS**Member**

H. Karnaen A. Perwataatmadja has been a member of Danamon's Syariah Supervisory Board since 2010. He received his Sarjana degree in Economics from Gadjah Mada University and his Master in Public Administration from Syracuse University, Maxwell School, U.S.

Position :

1. Chairman of *Sekolah Tinggi Ilmu Ekonomi Husnayain*
2. Lecturer of Universitas Indonesia
3. Lecturer of Universitas Trisakti
4. Lecturer of Universitas Ibnu Khaldun
5. Member of DSN - MUI
6. Member of Economy & Finance Institution MUI
7. Syariah Supervisory Board in BPRS Harta Insan Karimah Bekasi, Asuransi Bintang, Asuransi Manulife.

Dr. Hasanudin, M. Ag.**Member**

Hasanudin has been a member of Danamon's Syariah Supervisory Board since 2002. He received his Bachelor's, M.Ag. and Doctorate degrees from IAIN Syarif Hidayatullah, Jakarta.

Position :

1. Lecturer of UIN Syarif Hidayatullah
2. Vice Secretary of DSN - MUI
3. Assistant Director of Postgraduate Program IIQ Jakarta
4. Syariah Supervisory Board in BNI, Asuransi Tugu Pratama, Asuransi Reindo

2013 – 2014 Plan and Strategy Discussion

Danamon maintains its focus on growing the Micro, Small and Medium Enterprise (SME) segment by developing segmented products and services and applying Financial Supply Chain (FSC) to broaden market penetration

The year 2013 will be recorded as a dynamic year, firstly for its economic volatility in the global financial market resulted from the negative sentiment spurred by the reduction of monetary stimulus plan or referred to as tapering off by the United States of America. Secondly for the pressure on Indonesia's Balance of Payment (IBP) in 2013. The current account deficit rate reaches 3.3% of Gross Domestic Product (GDP) which is higher than the deficit in 2012 of 2.8%. The higher pressure on Indonesia's Balance of Payment (IBP) was triggered by the depreciated exchange rate and its high volatility. They have curbed the surplus in capital and financial transaction.

However, this challenging year is eventually concluded with a positive note. Despite being lower than the previous year, the Indonesia's economy still experienced a growth of 5.8%. At the beginning of Q4 2013, the economic stability returned to a controllable stance while the inflation is kept at well-maintained position. Some improvements are also noted in the current transaction as well as in the capital and financial account.

The global and regional economic growth also indicates better performance. The industrial and consumer sectors in the US and Europe gradually shifts into a positive trend. Japan and China start to show recovery driven by their performance in manufacturing sector. India also indicates better growth as a result from its export and industrial sector's performance.

Danamon has successfully navigated the year of 2013 with hard work to face the challenges. The Bank has to make some adjustments at around mid-year to optimize the growth based on the existing conditions. Eventually, Danamon's decision is deemed effective with the results as reflected in the year end's performance.

On funding side, the strategy of Financial Supply Chain is proved effective in boosting the CASA ratio to 48% in 2013. Meanwhile, on lending front, the non-mass market contribution has significantly increased, indicating that both SME and large scale businesses continues to extend their confidence to Danamon. The performance of the Bank's subsidiaries that manage automotive finance, insurance and consumer goods also indicate sustainable growth and results.

Danamon capitalizes these improved conditions by drawing them into strategic plans that are geared toward the rebound against the adjustments taken in mid 2013.

2013 – 2014 Plan and Strategy Discussion**STRATEGIC PLANNING 2014**

The improved condition in financial economic sector has helped the growth of domestic consumer sector. This growing sector has increased the numbers of middle class population, thus presenting an opportunity for the banking sector to grow both of funding and lending businesses.

Having reviewed this condition, Danamon has set up strategic steps for its business growth. The Bank will keep focusing on lending growth particularly on automotive loans. Capitalizing from the high national consumption and anticipating the opportunities arise from the upcoming General Election, the market penetration and expansion for consumer goods need to be refined. The opportunity in consumer goods and automotive businesses is also well-anticipated by Adira Insurance through the offering of aggressive products and better services.

Other efforts are focused on the synergized improvements among the Bank's subsidiaries on business strategy and operational alignment, as well as the application of technology-based service. The mobile technology approach is expected to boost the operational efficiency as well as to provide clients with more convenience and personal experience, as such the clients can feel that they are trusted.

Danamon will also continue its focus on growing its SME segment by developing the segmented products and services and applying the Financial Supply Chain (FSC) to broaden market penetration.

To improve the performance in the mass market, the focus in 2014 will be emphasized on network development through electronic channels optimization such as EDC mobile, ATM networks, and new features on mobile and internet banking.

The development on Human Resources will be emphasized on competency improving trainings and seminars. The development process will be meticulously monitored particularly in the service performance. Danamon creates competent, high integrity and high moral standard Human Resources as instrumental requirements for the Bank's development.

2013 – 2014 Plan and Strategy Discussion

STRATEGIC FOCUS FOR 2014

Danamon's performance in 2013 is deemed satisfactory. The Bank's achievements in 2013 are evaluated and factored in into the strategic focus to anticipate the new challenges in 2014. The strategic focus for each Bank's business and operational segment in 2014 are as follows:

LENDING

In 2014, Danamon will grow the total loan through emphasized financing in the SME business, commercial, trade finance and automotive finance segments. The strategy consists of:

- a. Improving market penetration in mass market segment and followed by investment including developing sustainable business model to reach broader market.
- b. Aligning growth with sustainable profitability.
- c. Focusing on efficiency and productivity.
- d. Improving market penetration in the micro, commercial and corporate at reasonable risk adjusted return.
- e. Improving fee-based income.

FUNDING

In order to support lending's growth Danamon will improve both long term funding and public fund through clear and focused marketing strategy in acquiring and maintaining clients by offering premium products and maximizing existing Bank's networks. Through synergized efforts in funding acquisition, Third Party Funds is projected to grow with a focus on Current and Saving Accounts growth while putting best effort to achieve LDR by end of the year.

ASSET QUALITY

In 2014, in keeping pace with risk management improvement Danamon emphasizes its asset quality through:

- a. Maintaining prudence principle in loan origination and client selection criteria.
- b. Enhancing fraud prevention measures.
- c. Improving the capacity of loan collection and recovery.
- d. Introducing quantitative ranking model and applying rule-based engine to reduce the processing time of loan approval.

PRODUCTIVITY AND EFFICIENCY

Maintaining the operational principles on productivity and efficiency over the year by:

1. Improving efficiency on numbers of HR required by the business units and other supporting teams.
2. Improving efficiency on operational business and productivity.
3. Ensuring an optimum utilization of IT investment.

CUSTOMER SERVICE EXCELLENCE

As one of the Bank's front liners, customer service quality will be continuously improved, by the followings:

- a. Excellent service management to improve sales volume and client loyalty.
- b. Improving client service performance by providing courteous, prompt, responsive and effective services.
- c. Creating service excellence culture by offering clients with heartfelt and genuine service so the Bank can earn their loyalty.
- d. To be in the Top 3 of BSEM (Bank Service Excellence Monitor) and to achieve "Above 4" Index in the Customer Engagement Survey.

2013 – 2014 Plan and Strategy Discussion**NETWORK**

In 2014, Danamon plan to expand its networks by opening new branches, increasing the numbers of ATMs or other channels to support the business, to improve the service for the clients and to reach broader market.

In addition to network expansion, in 2014 the Bank also plans to reorganize the existing office networks in order to improve the efficiency and productivity while staying focused on channeling loan to SME sector.

HUMAN RESOURCES

The HR development in 2014 is geared toward the creation of integrated HR. This will be carried out through competency development programs to support the dynamic and business growth. Other effort will be the implementation of sustainable leadership and talented management programs that can create future leaders.

GOVERNANCE

As a company that implements the Good Corporate Governance principles, Danamon is consistently complied with the prevailing policy and regulation. With the transfer of banking supervisory role from Bank Indonesia to Financial Service Authority, the Bank has equipped itself with more stringent coordination and better awareness to comply with the prevailing policy and regulation.

Danamon will bring its working theme of “Can Do Attitude” to a higher level in 2014. The Bank believes that team’s hard work and individual’s best contribution will propel Danamon to achieve excellent performances in 2014 and years to come.

Responsibility for Annual Reporting

BOARD OF COMMISSIONERS' AND BOARD OF DIRECTORS' STATEMENT ON THE RESPONSIBILITY OF THE 2013 ANNUAL REPORT OF PT BANK DANAMON INDONESIA, TBK.

We, the undersigned, testify that all information contained in the 2013 Annual Report of PT Bank Danamon Indonesia, Tbk. have been presented in their entirety, and assume full responsibility for the accuracy of the contents of the company's annual report.

This statement is hereby made in all truthfulness.

Jakarta, 5 February 2014

Board of Commissioners



Ng Kee Choe
President
Commissioner



J.B. Kristiadi
Vice President Commissioner/
Independent Commissioner



Milan R. Shuster
Independent Commissioner



Ernest Wong
Commissioner



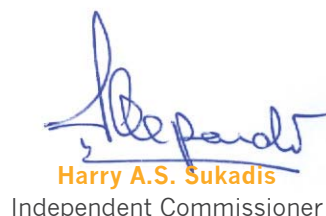
Gan Chee Yen
Commissioner



B. Raksaka Mahi
Commissioner



Manggi Taruna Habir
Independent Commissioner



Harry A.S. Sukadis
Independent Commissioner

Responsibility for Annual Reporting

Board of Directors



Henry Ho Hon Cheong
President Director



Muliadi Rahardja
Director



Vera Eve Lim
Director



Kanchan Keshav Nijasure
Director



Ali Yong
Director



Herry Hykmanto
Director



Fransiska Oei Lan Siem
Director



Pradip Chhadva
Director



Satinder Pal Singh Ahluwalia
Director



Michellina Laksmi Triwardhany
Director



Khoe Minhari Handikusuma
Director