



Morning Shock (Keriuhan Pasar Pagi)

Harry Husnan Kurniawan - Alternate Channel Division, Jakarta
Finalist - Traditional Market Photography Competition



Management Reports



Report from the Board of Commissioners

We focused our efforts on strengthening foundations, prudently managing loan risk, and improving services to deliver sustainable growth.



Ng Kee Choe
President Commissioner

Dear Valued Shareholders,

On behalf of the Board of Commissioners, I would like to convey our appreciation to the Board of Directors and the management team for their achievements amidst the challenges of 2014.

In 2014, Bank Danamon focused much of its efforts to further strengthen its foundation. Steps had been taken to significantly improve operational efficiency and increase service network productivity through business processes centralization, consolidations, and reinforcing synergy between the Bank's business units. These steps, along with decisions to prudently manage loan risk and to improve customer service will help the Bank to better secure its sustainable long-term growth.

It is important for a bank to ensure its ability to operate from a position of strength when times are favorable and limit any adverse effects when times are more challenging.

REVIEW OF THE BANKING INDUSTRY AND ECONOMY IN 2014

In 2014, the Indonesian banking industry saw the economy slowing down further. The country's economy grew by 5.1%, a slower pace than 5.8% a year ago.

Another challenge was the tight liquidity in the domestic money markets. The US Federal Reserve's decision to "normalize" its monetary policy resulted in an outflow of funds from emerging markets. This along with an increase in subsidized fuel prices, which raised inflationary pressures, lead to Bank Indonesia (BI) raising its benchmark interest rate twice in the last 2 years.

In 2014, Indonesian commodity exports still faced a weak global economy, a trend that was experienced by many emerging economies since 2011. Although recent US economic indicators have picked up, the recovery has yet to be shared by other major markets for primary commodities, such as, Japan, Europe and China.

The banking industry had to cope with unfavorable economic conditions following the end of the export commodity boom period. The presidential and legislative elections held during the year went well and were orderly, but business investment decisions had been put on hold temporarily.

Given this backdrop, we support the Board of Directors decision to grow prudently and prioritize loan quality. Going forward, this will strengthen Danamon's capacity to expand its market in the near future and contribute to the economic recovery.

Indeed, by the end of 2014 there were seen positive improvements in Indonesian exports, and the new government has shown its political willingness to cut fuel subsidies in return for more infrastructure development.

BOARD OF DIRECTORS PERFORMANCE ASSESSMENT AND ITS BASIS

Business Achievement

In the midst of a challenging environment, we are satisfied with the overall results delivered by the Board of Directors. Danamon's total outstanding loans increased by 3% to Rp139 trillion, carrying a manageable non-performing loan ratio (NPL) of 2.3%. The Management's approach to grow its loans prudently and

prioritize loan quality is noted and appreciated. Loan growth mostly came from mid-size Commercial customers (including Syariah) and the SME businesses. There was also strong growth in Trade Finance, and the Retail segment.

On the funding side, total funding grew by 4% to Rp145.7 trillion with current and savings account (CASA) deposits recording growth of 10% yoy, while the CASA over total funding ratio increased to 49%. Regulatory Loan to Deposit ratio at the end of 2014 was 92.6%, improving from 95.1% at the end of December 2013, and below our industry's (BUKU 3 banks) LDR of 99.6%.

Rentability

For 2014, Danamon made a normalized* consolidated net profit after tax (NPAT) of Rp3.453 trillion, while the reported NPAT is at Rp2.604 trillion. Reported profitability ratios of ROAA and ROAE were 1.4% and 8.6% respectively.

Initiatives to carefully manage operating expenditures have positively impacted Danamon's bottom line. The increase of operating expenditures was kept at 2%, during the year of more than 8% inflation rate. This has been important in a situation where management tend to be very selective in loan

*Normalized NPAT is the figure before the application of the OJK regulation on insurance fee impacting Adira Finance's fee income recognition and before restructuring cost.

disbursements. Danamon also benefited from having a diversified financial service portfolio, where the insurance business continued to grow and its health and personal accident businesses were further developed. This has contributed to consolidated revenue and profit.

Capital

Strong capital management is reflected in CAR of 17.9% which is significantly higher than the minimum requirement (9%-10%). The Bank's capital management is supported by a strong capital planning.

Risk Profile

The Board of Commissioners evaluated that the Board of Directors has implemented a sound risk management. Risk management covered 8 (eight) risks inherent in the Bank's and subsidiaries' activities. The Bank and consolidated risk profiles were determined at Low to Moderate (2).

The Board of Directors' initiatives in risk management related to internal control include the continuous socialization of operational procedures, enhancement of customers education, firm sanctions imposed on fraudsters, development of fraud control function at each business units. These initiatives have contributed positively toward minimizing incidents of fraud.

EVALUATIONS OF COMMITTEES UNDER BOARD OF COMMISSIONERS' SUPERVISION

The Committees under the Board of Commissioners' supervision are the Audit Committee, the Risk Monitoring Committee, the Corporate Governance Committee, the Nomination Committee, and the Remuneration Committee. Based on the Board of Commissioners' evaluation, the Committees have carried out their responsibilities well and have contributed in assisting the Board of Commissioners.

Audit Committee

The Audit Committee has successfully accomplished its function as the reviewer of the Bank's financial statements, business and audit processes, internal control system, and compliance risk management process. The Committee has effectively carried out its responsibility to ensure the integrity and accuracy of financial statements and adequacy of internal control as well as ascertain all significant matters have been properly addressed. Furthermore, the Committee has effectively evaluated the process and provides recommendations in regards to the appointment of the Public Accountant.

Risk Monitoring Committee

Attribution should also be given to the Risk Monitoring Committee, which monitors the Bank's risk management issues. Through the exercise of prudent supervision coupled with constructive feedback from the Committee, Danamon was able to exhibit well managed loan quality, a relatively low non-performing loan ratio, and a good composite risk profile.

Corporate Governance Committee

The Corporate Governance Committee exercised its function through continuous review and enhancement of good governance practices at Danamon which are critically important for the Bank's sustainability and enhanced valuation. The Committee actively monitors and provides advice on the implementation of various corporate governance initiatives. The Committee's and Management's relentless efforts have brought Danamon forward as one of the respected institutions in terms of good governance.

Remuneration Committee and Nomination Committee

For better governance, the previous Remuneration and Nomination Committee has been separated into two Committees, namely: the Nomination Committee and the Remuneration Committee. The Board of Commissioners is of the opinion that the Nomination Committee has done a very good job in terms of reviewing, assessing, and recommending systems and procedures relating to the selection, changes, and appointment of Members of the Board of Commissioners, Members of the Board of Directors, and Independent Parties for the relevant Committees under the Board of Commissioners. Similar with the Nomination Committee, the Board of Commissioners appreciates the Remuneration Committee's contributions in terms of independent evaluation and recommendation on the structure and policy of remuneration for the Board of Commissioners, Board of Directors, and Senior Management, as designed fairly based on agreed upon target and objectives.

GOOD CORPORATE GOVERNANCE

Danamon is a company that is strongly committed to the implementation of good corporate governance. The Board of Commissioners views that the Bank has made significant progress with regards to good governance practices in its daily operations.

Danamon has implemented a variety of key initiatives such as: GCG Self-Assessment, Alignment with ASEAN CG Scorecard, Consumer Protection Policy, Proper Composition of Committees, and Improvement on Board of Commissioners and Committees' Charters, Related and Affiliated Party List, Expense Policy, Risk Modeling and Integrated Negative List.

Both the Board of Commissioners and Board of Directors strongly believe that implementing good corporate governance practices plays an important role in attaining shareholders', stakeholders' and public trust and acceptance, which ultimately will enhance company valuation.

CORPORATE SOCIAL RESPONSIBILITY

The Board of Commissioners supports Danamon's corporate social responsibility (CSR) activities, which is carried out by Yayasan Danamon Peduli (YDP) and the Bank. YDP currently implements Danamon's CSR activities across four major programs: Market Revitalization (Pasar Sejahtera), Natural Disasters Rapid Response, Environmental Care Month (Bulan Kepedulian Lingkungan) and Preservation of Regional Icons. The Bank also promotes financial literacy programs as part of its CSR activities across the country.

In 2014, the Bank has made enhancements to improve the quality of its CSR programs so it can be used as a model of positive engagement between the private sector and local government.

BOARD OF COMMISSIONERS VIEW ON THE BUSINESS PROSPECTS AND BASIS FOR CONSIDERATION

The newly elected government of Indonesia has expressed its strong commitment to address many structural issues, and turn the government budget into a major driver of economic growth. On the external side, the performance of the global economy and its effects in Indonesia remains mixed, owing to the current weakness in the Indonesia's major export markets and uncertainty over the US Federal Reserve monetary policy.

Accordingly, Danamon will continue its strategies through a new target operating model for micro credits, expand market share in small, medium enterprises and corporates, better synergy between Danamon and Subsidiaries, productivity enhancement in human capital and centralization of HR and Finance functions.

In addition, Danamon will continue prudential risk management with focus on credit and liquidity risk as well managing its risk profile.

The Board of Commissioners have evaluated the Board of Directors 2015 business targets including the accompanying strategies and initiatives and view that Management will be able to deliver the expected results and performances through proper execution.

CHANGES AND REASON FOR CHANGES TO THE COMPOSITION OF THE BOARD OF COMMISSIONERS

In 2014, there were changes in the Board of Commissioners composition. Milan R. Shuster, Harry AS Sukadis and B. Raksaka Mahi were unwilling to be reappointed at the Bank's 2014 Annual General Meeting of Shareholders (AGMS). Made Sukada and Andriaan Laoh were appointed as the Bank's new Independent Commissioners. JB Kristiadi and Manggi Taruna Habir were reappointed as Independent Commissioners. Later in the year, Andriaan Laoh decided to resign from Danamon to pursue his personal interests. The Board of Commissioners would like to thank Milan R. Shuster, Harry AS Sukadis and B. Raksaka Mahi for their services and contribution as Commissioners.

RETIREMENT OF THE CURRENT PRESIDENT DIRECTOR

On 9 December 2014, Henry Ho Hon Cheong announced his plan to retire as the President Director of Danamon. His retirement and the appointment of the new President Director will be tabled for shareholders' approval in the Extraordinary General Meeting of Shareholders (EGMS) to be convened on February 27, 2015.

On behalf of the Board of Commissioners, I would like to thank and convey our appreciation to Henry Ho Hon Cheong for his contribution and dedication to the Bank over the last 5 years.

CLOSING STATEMENT

We owe our sincere thanks and appreciation to the Board of Directors and all Danamon employees, whose diligence, hard work and dedication has made it possible for Danamon to maintain a strong balance sheet and a good loan portfolio quality.

We would also like to thank our customers, shareholders, and the regulators for their trust and support.

To all of our stakeholders, we would like reiterate our commitment to do our utmost to make certain that Danamon continues to deliver a sustained and meaningful contribution to Indonesia's economic growth and prosperity.

Jakarta, January 2015

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



Ng Kee Choe
President Commissioner

Board of Commissioners



Made Sukada
Independent Commissioner

Ernest Wong Yuen Weng
Commissioner

J.B. Kristiadi
Vice President Commissioner/
Independent Commissioner



Manggi Taruna Habir
Independent Commissioner

Ng Kee Choe
President Commissioner

Gan Chee Yen
Commissioner

Report from the Board of Directors

We implemented a prudent approach to maintain stronger balance sheets and took strategic steps to enhance productivity.



Henry Ho Hon Cheong
President Director

Dear Valued Shareholders,

On behalf of the Board of Directors, it is with pleasure that I present the PT Bank Danamon Indonesia, Tbk 2014 Annual Report.

As we all are aware, the banking industry had to cope with a very challenging environment in 2014. Economic growth slowed down, the interest rate was high, liquidity was tight, and margins were compressed.

In the midst of this difficult environment, Danamon decided to implement a cautious and prudent approach in conducting its business. Management has proactively begun initiatives to manage costs efficiently by centralizing and consolidating business processes. We have also maintained a stronger balance sheet and have taken necessary steps to transform our business model to enhance productivity. Management has adopted a selective and cautious approach in growing the Bank's business to maintain high credit quality standards.

We are confident that our approach and initiatives will strengthen Danamon's capacity and readiness to grow at the appropriate time going forward.

2014 BUSINESS PERFORMANCE AND CHALLENGES FACED

For 2014, Danamon posted a consolidated reported net profit after tax (NPAT) of Rp2.6 trillion. However, this year, income is calculated based on a new ruling (No SE-06/D.05/2013) from the Financial Services Authority (OJK), which changes the method of income recognition for commission on motor-vehicle insurance. Removing the impact of this method of recognizing income and restructuring cost, the Bank's normalized* consolidated NPAT would amount to Rp3.45 trillion, a 15% drop from the 2013 NPAT of Rp4.04 trillion.

We acknowledge that Indonesia's slower economic growth this year did not provide the banking industry many opportunities and room to grow its business. The industry's Net Interest Margin (NIM) narrowed by 65 basis points to 4.2% from 4.9% a year earlier. For Danamon, our NIM declined by a larger 120 basis points to 8.4% from 9.6% in 2013.

While our business performance was impacted by the challenging business environment, the Bank's balance sheet remained sound, with its LDR, capitalization and asset quality kept at a manageable and healthy level.

*Normalized NPAT is the figure before the application of the OJK regulation on insurance fee impacting Adira Finance's fee income recognition and before restructuring cost.

The Bank improved its LDR to 92.6% from 95.1% at the end of 2013. This trend is a continuation from the 2012 LDR which was at 100.7%. This was achieved by the management team through application of prudential principles in lending decisions.

At the end of 2014, Danamon consolidated assets amounted to Rp195.7 trillion, an increase of 6.2% from Rp184.2 trillion a year earlier. Asset quality remains well managed as indicated by a fairly low Non-Performing Loan ratio of 2.3%, while the capital structure remains strong with consolidated Capital Adequacy Ratio (CAR) at 17.9%.

Although Danamon and the banking industry experienced a slowdown in its rate of growth, the same thing cannot be said for some of its business and subsidiary units. Danamon Syariah posted a significant lending growth rate of 34% to Rp2.4 trillion, while Adira Insurance showed a remarkable result, where its gross insurance premium rose 20% to Rp2.15 trillion in 2014.

2014 LENDING PERFORMANCE

The Bank's outstanding loans increased 3% to Rp139 trillion from the previous year, with the largest contribution coming from the SME and Commercial segments, which grew 6% to Rp39.8 trillion. Although Retail displayed a higher growth of 18%, the segment started from a smaller base of Rp9.1 trillion in 2013 to reach Rp10.8 trillion this year.

The strongest loan portfolio growth was delivered by Trade Finance, which grew 25% to Rp25 trillion from Rp20 trillion last year. Both cash loans and non-cash loans of trade finance consistently showed strong performance in the previous 3 years, resulting in an almost 40% annual expansion of the trade finance (non cash) portfolio. The growth of trade finance largely carried loans of sound quality, producing a very low non-performing loan ratio of 0.5%.

A significant part of asset quality issues arose due to declining commodity exports in the last 3 years. Asset quality of corporate and commercial loans was well managed with an NPL ratio of less than 1%. Nevertheless, it can be noted that most of the non-performing loans came from the mining and quarrying sector, where the marginal exposure to Danamon is at 1.7%. For SME banking, growth was accompanied by NPL of 2.5% in 2014. This is better than the industry performance, whose NPL rose to 4% in 2014, from 3.9%. It should

also be noted that the increase in Danamon's SME NPL is primarily caused by smaller ticket SME in the commodities sector.

The segment that is most affected by the economic slowdown and stiffer competition is the mass market segment. The Bank's DSP loans only showed a very slight increase from Rp69.8 trillion last year to Rp70 trillion. Another business which showed moderate growth is Adira Finance, whose portfolio consists of loans to the automotive industry. In 2014, its outstanding loans increased 3% to Rp49.6 trillion and improved its market share in the industry. To improve this segment's productivity, Danamon has introduced several significant changes in its operational and marketing strategies. Among them is the consolidation of their physical network, modifying and centralizing its operating model, adding service channels and expanding to the upper end of the market.

2014 GROWTH OF THIRD PARTY FUNDS

Amidst intense competition within the country's banking industry, Third Party Funds (TPF) at Danamon grew 7% to Rp118 trillion. Current and Savings Account (CASA) funds rose 10%, while the contribution of CASA to total deposits was slightly up from 48% in 2013 to 49%. The banking industry in Danamon's segment (BUKU 3 banks) showed a declining contribution of CASA to total deposits of 40%.

The growth of CASA is a result of our persistent efforts to maintain and expand our customer base as well as improve the quality of interactions between Danamon with each customer. For both these efforts, several key strategies were improved or initiated this year. Among them are;

- Expanding product cross-selling between Danamon and its subsidiaries. For example between Adira Finance and Danamon Simpan Pinjam (DSP). The rise in cross-selling was conducted as pilot projects at 4 Adira Finance branches, which will be rolled out across all Adira Finance branches.
- Improving Financial Supply Chain (FSC) where Danamon's service network facilitates financial transactions conducted between a principal and its distributors across various regions in Indonesia. FSC is a program operated jointly by Wholesale, SME and Adira Finance. Currently, it serves 36 principals and their 370 distributors.
- Enhancing Danamon's service network, such as branch offices, ATMs and on-line services. We have improved the design of Danamon internet banking website (Danamon Online Banking) and re-launched the service. In addition, Danamon introduced Danamon Mobile Banking (D-Mobile), an online banking application for smartphone users on either Blackberry, Android or iOS platforms. D-Mobile has also introduced several new innovative services to complement regular banking transactions, such as funds transfer and payment of bills.

TARGET VERSUS REALIZATION

Danamon's targets were established through a comprehensive process of "bottom-up" inputs and "top-down" directions, and by taking into account shareholders expectation, company strategic priorities, as well as the business and market dynamics.

Management set its 2014 consolidated lending target at Rp148 trillion and managed to deliver an achievement rate of 93% or Rp139 trillion. In view of the tough challenges faced by the banking industry due to rising interest rates, slowing down on business growth, and increasing trend of credit risk, Management has deliberately taken on a selective and vigilant approach in the loan expansion, and prioritized more in maintaining a high standard of loan quality in order to avoid adverse effect on the loan portfolio.

In terms of consolidated third party funding, the achievement rate was relatively high at 96%. Management aimed its 2014 target at Rp123 trillion and was able to perform well through a booking of Rp118 trillion despite the relatively tight liquidity in the market. The current account and saving account (CASA) ratio improved to at 49% compared to 47% last year. In growing third party deposits, Management always endeavors to provide preeminent services in order to create customer deposit stickiness rather than to compete solely on pricing, which is not sustainable in the long run.

In the midst of an unfavorable business environment, ensuring high standard of credit portfolio through tight monitoring of underlying risks has become one of Management's focuses

and targets in 2014. This was successfully achieved as exhibited by a relatively low non-performing loan ratio at 2.3%. In addition, loan to deposit ratio was ideally maintained on average at 91.7%, which was well within the target or maximum limit of 95%.

The intensifying competition, the rising cost of doing business, and the trending down of business margins have put pressure on the financial industry's profit in 2014. Danamon also recorded a lower consolidated Net Profit After Tax (NPAT) at Rp2.604 trillion. This NPAT figure was lower than last year; nonetheless, if compared to target, the achievement rate of 84% was within an acceptable range. In terms of stand-alone result, the net profit after tax of the Bank was recorded at Rp4.36 trillion, or exceeding the target by 2.31%. This accomplishment of stand-alone Bank's NPAT was partly due to Management's ability in bringing down operating expenses to become Rp353 billion, which was 7.42% better than the target.

2015 BUSINESS PRIORITIES AND PROSPECTS

Danamon maintains its focus on the micro as well as small and medium enterprises sectors by increasing the productivity of its business operational model, while implementing new initiatives to promote better efficiency within Danamon and its subsidiaries.

Danamon developed its 2014-2015 strategy with implementation phases that extends until 2016. This strategy is based on a number of planned initiatives that are aimed to bring forth positive and significant changes to Danamon

and its subsidiaries. In 2014, Danamon has identified a number of initiatives to improve the the Bank's profitability and ensure sustainable business growth. These initiatives are as follows:

- A new Target Operating Model for Micro Lending business. The focus is on increasing efficiency and productivity by remodeling the end-to-end business operations of Danamon's micro lending unit, Danamon Simpan Pinjam (DSP). This involves increasing loan growth including from the agriculture sector through partnership with co-operatives, intensifying co-operations with communities, seeking strategic partnerships for supply chains, and exploring different forms of service networks.
- Implement a new Target Operating Model, which is more focused on customers as opposed to products. This is done by leveraging on multichannel distribution and a centralized back office function, with a more streamlined process.
- Automation of manual processes, such as document administration and especially in disbursing loans. This is also aimed at improving controls, accuracy, time efficiency, and service to customer.
- Synergy between Adira Finance and Adira Kredit to leverage on Adira Finance's extensive network and its experience as the leading multi-finance company. Through this synergy, Adira Finance will offer durable goods financing, which is previously offered by Adira Kredit.
- Centralized Finance and Human Resource Function through Shared Service. This operational model is expected to be more efficient in responding to the Bank's needs.

- Implement an Enterprise Data Warehouse (EDW) application that integrates data from IT and IT functions in the business lines. This will allow Danamon to perform more accurate and powerful customer analytics.

With the above initiatives, Danamon plans to target the following achievements in 2015:

- 9%-12% growth for total loans.
- 7%-9% growth for loans to the micro enterprises sector.
- 13%-15% growth for non-mass market loans, driven by higher market share in the SME sector.
- 18%-20% growth for trade finance.
- 90%-92% loan-to-deposit ratio.

HUMAN RESOURCES DEVELOPMENT

One of the Bank's most important investments is our investment in human capital. Danamon's continuous efforts to develop its human capital carries three objectives; obtaining the best talents, enhancing their capacity, and providing them with a rewarding work environment so they can realize their potential.

Danamon pays a special attention to human resource management, from recruitment, training, competency development, provision of fair compensation, health insurances, and other welfare package scheme.

In seeking the best talents from all disciplines, we partner with many leading universities across the country to expose promising students on the banking industry and on Danamon. One major program is the annual Danamon Young Leaders Award, which started in 2007. This is a program for university students, who are selected for their leadership skills and knowledge in business as well as their awareness about social issues.

Talent management comprises activities of Talent Review for senior and critical positions in Danamon and are expected to be a means for identifying high potential employees and selecting appropriate employee development and retention programs.

Talent management is expected to improve employee engagement, which at the end, generates the best contribution for the Bank.

GOOD CORPORATE GOVERNANCE

The Board of Directors strongly believes in the importance of transparency, accountability, responsibility, independency, as well as fairness and equality in managing our Bank. These good corporate governance principles, when applied appropriately, will ensure the trust and support from shareholders, stakeholders, and the public at large, which eventually will increase the value of the Bank.

The Board of Directors will continually implement and improve good corporate governance principles in the Bank's daily activities. A number of enhancement initiatives have been put in effect namely: GCG Self-Assessment, Alignment with ASEAN Corporate Governance Scorecard, Consumer

Protection Policy, appropriate Composition of Committees, and Improvement on BoC and Committees' Charters, Related and Affiliated Party Policy, Expense Policy, Risk Modeling, and Integrated Negative List.

Moreover, the Bank continues to reemphasize their commitment to Zero Tolerance on Fraud and create a fraud-free environment as well as ensure fraud prevention programs are effective and sustainable. The Board of Directors and staff are active in preventing fraud by adhering to the code of ethics and regulations, control mechanisms and conducting the 4K principles.

CORPORATE SOCIAL RESPONSIBILITY

In line with Danamon's vision, which is to care and enable millions to prosper, Danamon continuously strives to improve its CSR activities, either by enhancing its existing programs through Yayasan Danamon Peduli or by exploring new areas of social investment. Seeing that Danamon's main business is in the mass-market segment in which the traditional market trader is a large part of this rapidly growing segment, Danamon's main CSR focus is in revitalizing the traditional 'wet' markets throughout the country.

Danamon through Yayasan Danamon Peduli has implemented its market revitalization programs (Pasar Sejahtera) in seven locations, which are Pasar Ibu Kota Payakumbuh, Pasar Grogolan Kota Pekalongan, Pasar Bunder Kabupaten Sragen, Pasar Baru Kota Probolinggo, Pasar Semampir Kabupaten Probolinggo, Pasar Sindangkasih Kabupaten Majalengka, and Pasar Kemuning Kota Pontianak.

In 2014, Yayasan Danamon Peduli is adding three more markets to its market revitalization program, which includes Pasar Lambocca in Bantaeng, South Sulawesi.

Consistent with our focus on micro enterprises, Danamon is also intensifying its financial literacy program in cooperation with the Financial Services Authority, especially in areas still untouched by financial services, such as the Eastern part of Indonesia.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

In 2014, there was a change in the Board of Directors' composition due to the resignations of Ali Yong (Director of Small and Medium Enterprises, Commercial and Corporate Banking) and Minhari Handikusuma (Director of Micro Banking). The responsibilities for Micro Banking and Small and Medium Enterprises were assumed by Muliadi Raharja while Commercial and Corporate Banking was assumed by myself.

On behalf of the Board of Directors and staff of Danamon, I would like to thank and convey our appreciation to two Directors of the Bank, Ali Yong and Minhari Handikusuma, for all their years of contribution and dedication to the Bank.

AWARDS AND RECOGNITIONS

Throughout 2014, the continuing dedication and hard work of employees across all levels at Danamon and Adira have been recognized by various organizations among others:

- Listed in Forbes Global 2000, as one the world's largest public companies in 2014

- Infobank Award as the Bank with very good rating in terms of its financial performance
- Asiamoney Foreign Exchange (FX), as the Best Domestic Provider for FX Services, FX Products and Services, FX Options, FX Research and Market coverage
- Indonesia WOW Brand 2014, Silver Champion for Banking Industry, Mortgage Products
- Annual Report Award (ARA), 1st winner of ARA 2013 in category of Private Financial of Listed Companies
- First Runner Up - Sustainability Reporting Award 2014 in Financial Services in the 10th Sustainability Award organized by The National Center for Sustainability Reporting (NCSR).

For these outstanding achievements and on behalf of the Board of Directors and Management of Danamon, I convey my gratitude to everyone for their invaluable contribution.

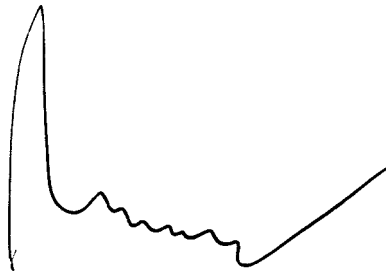
CLOSING REMARKS

In closing 2014 and on behalf of the Board of Directors, I would like to convey our gratitude to the Board of Commissioners for the unfaltering support and generous advice to the Board of Directors and management team throughout the year. In addition, all our employees, whose dedication and hard work are indispensable for reaching our achievements, deserve our most sincere appreciation.

Our ongoing contribution to economic growth and prosperity is made possible only by the continuing patronage of our customers and the support and cooperation of regulators and financial authorities. For all of their trust and support, we are sincerely grateful.

On 9 December 2014, I have announced my plan to retire as the President Director of the Bank, which will become effective once approved by shareholders on the 27 February 2015 Extraordinary General Meeting of Shareholders (EGMS). I would like to use this opportunity to express my deepest appreciation to the shareholders, Board of Commissioners, Directors and all employees of Danamon and its subsidiaries who have been very supportive in my five years as President Director. I have been fortunate to be surrounded by great people who made my years enjoyable and memorable. I wish you all the best and will always cherish my memories with Danamon. I believe the Bank will continue to make a significant mark and contribution to the Indonesian financial industry. Bersama Kita Bisa!

Jakarta, January 2015
On behalf of the Board of Directors
PT Bank Danamon Indonesia, Tbk.



Henry Ho Hon Cheong
President Director

Board of Directors



Herry Hykmanto
Director

Muliadi Rahardja
Director

Michellina Laksmi Triwardhany
Director

Vera Eve Lim
Director



Henry Ho Hon Cheong
President Director

Kanchan Keshav Nijasure
Director

Fransiska Oei Lan Siem
Director

Satinder Pal Singh Ahluwalia
Director

Pradip Chhadva
Director

Report from the Syariah Supervisory Board

Assalamu'alaikum Wr. Wb.
Bismillahirrahmannirrahim

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

The Syariah Supervisory Board (DPS) of Syariah Business Unit (UUS) Danamon in accordance with the established DPS Charter, has conducted its functions and tasks of

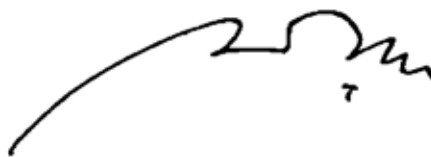
performing supervision and giving opinions on overall new products of UUS Danamon.

DPS has considered that the banking activities undertaken by the UUS Danamon in 2014 in general are in accordance with the National Syariah Board-Indonesian Ulama Council (DSNMUI) fatwas as well as our opinions.

On this occasion, we would like to convey our appreciation on the cooperation and the support of the Board of Directors and management team, in their endeavour to maintain the implementation consistency of syariah principles in the Bank's activities. And going forward, we hope for continuous improvement toward a most trusted syariah bank.

Wassalamu'alaikum Wr. Wb.

For and on behalf of the Syariah Supervisory Board



Prof. Dr. H. M. Din Syamsuddin
Chairman

Syariah Supervisory Board's Profile



Dr. Hasanudin, M. Ag.
Member

Prof. Dr. H. M. Din Syamsuddin
Chairman

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

Prof. Dr. H.M. Din Syamsuddin
Chairman

H.M. Din Syamsuddin has been the Chairman of the Supervisory Board of Syariah, Syariah Business Unit of Danamon since 2002. He obtained his bachelor degree from IAIN Syarif Hidayatullah, Jakarta, and he also achieved the M.A and Ph.D degree from the University of California Los Angeles (UCLA).

Positions:

1. Professor of the Politics of Islam, of UIN Jakarta;
2. Chairman of PP Muhammadiyah;
3. Chairman of MUI;
4. Vice Chairman of the Advisory Board of Central ICMI;
5. President of the 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 Civilizations (CDCC);
9. Chairman, DPS of Bank Syariah Bukopin.

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

H. Karnaen A. Perwataatmadja has been a member of the Supervisory Board of Syariah, Syariah Business Unit of Danamon since 2010. He obtained his economics bachelor degree from of Gadjah Mada University, and achieved a Master in Public Administration degree from Syracuse University, Maxwell School, United States of America.

Positions:

1. Chairman of Islamic Economic High Education (STEI) of Husnayain;
2. Lecturer at postgraduate program at the University of Indonesia;
3. Lecturer at postgraduate program at the Trisakti University;
4. Lecturer at postgraduate program at the Islamic University of As Syafi'iyah;
5. Plenary member of the National Syariah Council (DSN) – MUI;
6. Member of Economy and Financial Institutions of MUI;
7. DPS at BPRS Harta Insan Karimah, Bintang Insurance Syariah Unit and Manulife Insurance Syariah Unit.

Dr. Hasanudin, M. Ag.
Member

Dr. Hasanudin has been a member of the Supervisory Board of Syariah, Syariah Business Unit of Danamon since 2002. He obtained his bachelor degree, M. Ag. and Doctorate degree from of Gajah Mada University, and a Master in Public Administration degree from IAIN Syarif Hidayatullah, Jakarta.

Positions:

1. Lecturer at the UIN Syarif Hidayatullah;
2. Vice Secretary of DSN-MUI;
3. DPS of BNI Syariah, Tugu Pratama Insurance, Reindo Reinsurance, Toyota Astra Finance Services;
4. Member of Work Unit of KPJKS-OJK (Islamic Financial Services Development Committee-Financial Services Authority);
5. Member of DSAS-IAI (Syariah Accounting Standards Council-Accounting Association of Indonesia).

2014 – 2015 Plan and Strategy Discussion

Danamon maintains its focus on the micro, small, and medium enterprises sector by improving its business operational model to increase productivity, while implementing new initiatives to promote better efficiency within Danamon and its subsidiaries.

2014 presented a number of key developments in the Indonesian economy. The most notable development is the fuel price hike, which was followed by an increase in Bank Indonesia's benchmark interest rate to 7.5%.

With the lowered net interest margin (NIM) due to intensifying competition among banks, especially in the micro sector, compounded with the rise in interest rate, the banking industry are faced with a challenge to maintain profitability at a satisfactory level.

With these challenges, Danamon developed a 2014-2015 strategy with implementation phase that extends until 2016 that is based on a number of planned initiatives that are aimed to bring forth positive and significant changes for Danamon and its subsidiaries.

STRATEGIC FOCUS FOR 2014-2015

Danamon has identified a number of initiatives in 2014 to improve the Bank's profitability and ensure sustainable business growth. The initiatives are as follows:

NEW MICRO LENDING BUSINESS TARGET OPERATING MODEL

- a) Focus on increasing efficiency and productivity by remodeling the business operations of Danamon's micro lending unit, Danamon Simpan Pinjam (DSP) from end-to-end, increase lending growth including from the agriculture sector through partnership with co-operatives, intensify co-operations with communities, seek strategic partnership for supply chains, and explore different forms of service network.
- b) Implement a new Target Operating Model, which is more focused on customers as opposed to products by leveraging on multichannel distribution and centralized back office function with a more streamlined process.

- c) Automation for manual processes, such as document administration and especially in disbursing loans. This is also aimed at improving controls, accuracy, time efficiency, and service to customers.

SYNERGY BETWEEN ADIRA FINANCE AND ADIRA KREDIT

- a) The synergy between two of Danamon's financing subsidiaries, PT Adira Dinamika Multi Finance (Adira Finance) and PT Adira Quantum Multi Finance (Adira Kredit) is implemented to leverage on Adira Finance's extensive network and its experience as the leading multifinance company. Through this synergy, Adira Finance will offer durable goods financing, which was previously offered by Adira Kredit.
- b) Meanwhile, efficiency is implemented within Adira Kredit operations through integration of business and operational network with Adira Finance, as both companies possess similar operational characteristic and back office, allowing for synergy.

CENTRALIZED FINANCE AND HUMAN RESOURCE FUNCTION THROUGH SHARED SERVICE

Through the implementation of the shared service model, finance and human resources functions that are spread in Danamon's lines of businesses will be combined into the head office's finance and human resource functions. This operational model is expected to be more efficient in responding to the Bank's needs. A centralized model will also reduce data inconsistency and miscommunications.

ENTERPRISE DATA WAREHOUSE

Implement an enterprise data warehouse (EDW) application to integrate data from IT and IT functions in the business lines, thereby allowing us to perform more accurate and powerful customer analytics.

Responsibility for Annual Reporting

BOARD OF COMMISSIONERS' AND BOARD OF DIRECTORS' STATEMENT ON THE RESPONSIBILITY FOR THE 2014 ANNUAL REPORT OF PT BANK DANAMON INDONESIA, TBK.

We, the undersigned, testify that all information contained in the 2014 Annual Report of PT Bank Danamon Indonesia, Tbk. has been presented in its 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, 16 January 2015

Board of Commissioners



Ng Kee Choe
President Commissioner



J.B. Kristiadi
Vice President Commissioner/
Independent Commissioner



Ernest Wong Yuen Weng
Commissioner



Gan Chee Yen
Commissioner

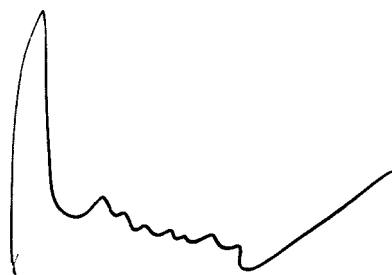


Manggi T. Habir
Independent Commissioner



Made Sukada
Independent Commissioner

Board of Directors



Henry Ho Hon Cheong
President Director



Muliadi Rahardja
Director



Vera Eve Lim
Director



Kanchan Keshav Nijasure
Director



Herry Hykmanto
Director



Fransiska Oei Lan Siem
Director



Pradip Chhadva
Director



Satinder Pal Singh Ahluwalia
Director



Michellina Laksmi Triwardhany
Director