

▶ Report of The Board of Commissioners



We appreciate all the efforts made to develop and move forward with these transformative strategic initiatives to take Danamon to the next level, resulting in higher productivity and, ultimately, better performance going forward.

Ng Kee Choe
President Commissioner

Dear Valued Shareholders,

In 2015, the Indonesian economy grew by 4.8%, down from 5% last year due to lower exports, investments, government spending and consumption.

Volatility in the currency markets continued into the third quarter of 2015, following China's Yuan devaluation and the ongoing uncertainty over the rise in interest rate in the U.S. The Rupiah depreciated throughout the year reaching IDR 14,700/USD at the end of September 2015, before stabilizing at around IDR 13,600/USD in October 2015. This adversely impacted trade, investments and private consumption.

Government efforts to reinvigorate the economy through public spending and greater support for private investments was initially delayed by the reorganization of the newly elected government and budget disbursement issues in the first semester of 2015. These issues were consequently resolved and the economy started to show growth in the last quarter of 2015.

The economic slowdown also impacted the banking sector's loan growth and quality. Our loan growth declined from 3% in 2014 to minus 7% in 2015, while Non Performing Loans (NPLs) rose from 2.3% in 2014 to 3% in 2015. These loans were not limited to the export commodity sectors, but included other economic sectors as well.

Against this backdrop, Danamon implemented several initiatives to strengthen the Bank including improving operating efficiency and productivity through organizational realignment and centralization of support services.

BOARD OF DIRECTORS PERFORMANCE REVIEW AND THE BASIS OF ITS ASSESSMENT

Danamon's total consolidated outstanding loans decreased by 7% to IDR 129.4 trillion, carrying a manageable consolidated NPL of 3%. Loans to Commercial and Small Medium Enterprises (SME) grew, but those to the Self Employed Mass Market ("SEMM") and automotive financing declined. Our Trade Finance and Retail portfolio advanced with potential for further growth.

On funding, total consolidated third party deposits declined slightly by 1% to IDR 115.15 trillion with Current and Savings Accounts (CASA) recording a decline of 14% year on year, and CASA ratio dropped from 49% to 42%. This followed our decision to reduce interest rates payable for CASA balances. Total consolidated funding (third party deposits plus structured funding) also declined by 4% to IDR 138.15 trillion, in line with lower demand for loans.

Danamon's regulatory Loan to Funding Ratio (LFR) at the end of 2015 was 87.53%, improving from 92.6% at the end of December 2014, whilst the consolidated Liquidity Coverage Ratio (LCR) was at a healthy level of 123.06% at the end of year 2015.

Danamon recorded a Net Profit After tax (NPAT) of IDR 2.4 trillion. Return on Adjusted Asset (ROAA) and Return on Adjusted Earnings (ROAE) were 1.2% and 7.4% respectively. Greater selectivity was exercised in credit extensions against the challenging economic environment. Operating expenditure was 5% better than planned due to initiatives to improve efficiency and streamline operations.

Danamon continued to be prudent in its capital management. Its capital position remained strong with a Capital Adequacy Ratio (CAR) of 19.8%, which is significantly higher than the minimum regulatory requirement of 9 -10% for banks soundness rating of '2'.

The Board of Commissioners recognizes the challenges faced by Management due to the economic slowdown and less favorable business environment. The Board of Commissioners is grateful for Management's efforts to closely monitor Danamon's credit standards and maintain asset quality, building a more diversified, stable and granular deposit base.

The Board of Commissioners would like to compliment Management's effort in formulating Danamon's strategic priorities for the next 3 years.

EVALUATION 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 Integrated 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 as well as its internal control and risk management systems. The Committee has effectively carried out its responsibility to ensure the integrity and accuracy of financial statements and adequacy of internal controls as well as ascertaining all significant issues have been properly addressed. Furthermore, the Committee has effectively evaluated the process and provided recommendations on the appointment of the Public Accountant.

Risk Monitoring Committee

The Risk Monitoring Committee monitors Danamon's risk management issues. Through prudent supervision coupled with constructive feedback from the Committee, Danamon was able to prudently manage its loan quality and all the risk aspects faced in the course of business.

Corporate Governance Committee

The Corporate Governance Committee exercised its function through continuous review and enhancement of good corporate governance practices at Danamon, which are important for Danamon'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 efforts have brought Danamon forward as one of the respected institutions in terms of good corporate governance.

Integrated Corporate Governance Committee

Integrated Corporate Governance Committee is a newly established Committee that helps to supervise the implementation of integrated corporate governance at Bank Danamon (Main Entity) and its subsidiaries. Integrated Corporate Governance

Committee has well performed its duties and responsibilities in evaluating the implementation of integrated governance through the assessment of the adequacy of internal controls. The Committee has provided recommendations to the Board of Commissioners of the Main Entity on the refinement of integrated corporate governance policies, and has reviewed the Integrated Corporate Governance Committee charter.

Remuneration Committee and Nomination Committee

The Nomination Committee updated the procedures relating to the selection 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. 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 members of the Board of Commissioners, Board of Directors, and Senior Management.

INTEGRATED CORPORATE GOVERNANCE AND RISK MANAGEMENT

Corporate governance and risk management systems and practices in Danamon and its subsidiaries were aligned during 2015. Danamon set up an Integrated Corporate Governance Committee comprising Independent Commissioners from the Bank and its subsidiaries as well as Independent Parties. The Committee's duties include the monitoring and reporting of the implementation of corporate governance matters in Danamon and its subsidiaries, including integrated risk management as well as audit and compliance issues.

In accordance with the issuance of the 2014 Financial Services Authority (OJK) regulations on the implementation of an Integrated Corporate Governance for Financial Conglomeration as well as Integrated Risk Management for Financial Conglomeration, adjustments to Danamon Group integrated structure and infrastructure has been completed, which among others, include membership and committee assignments, integrated corporate governance and risk policy and intra-group transactions policy.

GOOD CORPORATE GOVERNANCE

Danamon is strongly committed to the implementation of good corporate governance. Significant progress has been made with regards to good governance practices.

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.

Danamon has engaged an independent consulting company to assist in conducting the Board of Commissioners' evaluation that highlighted the Board of Commissioners' performance on several aspects such as Corporate Governance, Board Composition, Information Management, Board Committee Effectiveness, Risk Management and Internal Control, Commissioners' development and management, Board Processes/Board Roles and Functions, President Director and Board of Directors Succession Planning.

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

CORPORATE SOCIAL RESPONSIBILITY

The Board of Commissioners supports Danamon's corporate social responsibility (CSR) activities, which are carried out by Yayasan Danamon Peduli (YDP) and the Bank. YDP currently implements Danamon's CSR activities across two major programs: Market Revitalization (Pasar Sejahtera), and Natural Disasters Rapid Response in areas close to Danamon's branches. Danamon also promotes financial literacy programs as part of its role in bringing added value to its stakeholders and the country.

In 2015, Danamon has made further enhancements to improve the quality of its CSR programs, enabling it to be utilized as a model of positive engagement between the private sector and local governments.

2016 PROSPECTS

The performance of the global economy and its impact on Indonesia will remain challenging with ongoing uncertainty over the rise in US interest rates next year.

Danamon will continue its strategic initiatives to achieve a more streamlined model for micro credits; supporting growth in consumer, SME and the commercial banking segments; improved synergy between Danamon and its subsidiaries; productivity enhancement in human capital and operations as well as centralizing Human Resources and Finance functions. Danamon will continue its prudent risk management policy with a renewed focus on credit and liquidity risk as well tightly managing its risk profile.

CHANGES TO THE COMPOSITION OF BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

In 2015, there were changes to the composition of Bank's Board of Commissioners. Emirsyah Satar joined the Board of Commissioners as The Independent Commissioner. The Board of Commissioners has a majority of Independent Commissioners. Sng Seow Wah was appointed as President Director of Bank Danamon following the retirement of Henry Ho. The Board of Commissioners would like to welcome Emirsyah Satar and Sng Seow Wah, and thank Henry Ho for his services and contributions.

CLOSING STATEMENT

On behalf of the Board of Commissioners, I would like to express gratitude and appreciation to the Board of Directors, Management, and all Danamon and its subsidiaries' employees who have worked hard in discharging their duties and responsibilities.

We also like to thank our customers, shareholders, and our regulators for their trust and continuing support towards Danamon.

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name 'Ng Kee Choe'.

Ng Kee Choe
President Commissioner

▶ Board of Commisioners



Emirsyah Satar
Independent
Commissioner

Manggi Taruna Habir
Independent
Commissioner

Ng Kee Choe
President
Commissioner



Gan Chee Yen
Commissioner

Ernest Wong Yuen Weng
Commissioner

J.B. Kristiadi
Vice President
Commissioner/Independent
Commissioner

Made Sukada
Independent
Commissioner

▶ Report of the Board of Directors

We have formulated the Bank's strategic priorities to diversify portfolios, enhance engagement with customers, increase collaboration among divisions, utilize effective technology, and improve human capital.



Sng Seow Wah
President Director

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the 2015 Annual Report on the business and operation of PT Bank Danamon Indonesia, Tbk (“Danamon”) along with the audited accounts for the year ended December 31, 2015.

ECONOMIC AND BANKING OVERVIEW

Indonesia’s economy faced considerable challenges during 2015. The economy expanded by 4.8% as compared with 5% the year before, due to several factors, namely: the slow down of world economic growth, the volatilities of global financial markets, the decline in demand and prices of Indonesia’s major export commodities, and the relatively limited growth in domestic investments.

Pressures on the Indonesian Rupiah (IDR) also intensified, triggered by the uncertain timing of the Federal Reserve (Fed) rate hike, the depreciation of the Chinese Yuan, the rise in demand for foreign currencies to repay foreign currency corporate loans, and concerns regarding the sluggish domestic economy. The IDR weakened against United States of America Dollar (USD) to 14.700 in September before recovering and stabilizing at 13.600 in October. The IDR’s recovery was, in part, due to the rise in positive sentiments and growing optimism on Indonesia’s economic prospects as the Government announced its economic policy and exchange rate stabilization packages. The country’s Current Account Deficit dropped to a more manageable level and inflation was projected to stay below 5%. This allowed the Central Bank (BI) to keep the BI rate at 7.5%.

The business environment was impacted by the lethargic economy which in turn reduced the overall banking industry growth. Consequently, the overall industry’s loan growth was at 10.4%. Nonetheless, the banking system remained resilient, underpinned by adequate liquidity and capital position in the banks.

BUSINESS PERFORMANCE AND CHALLENGES FACED

Danamon experienced a decline of Net Interest Margin (NIM) by 18 basis points to 8.2%, and booked a lower consolidated Net Profit After Tax (NPAT) of IDR 2.4 trillion, a 9% decrease as compared to last year. Nevertheless, Danamon was able to contain its operating costs and improve pre-provision operating profit by 8% to IDR 8.5 trillion. Danamon’s consolidated total assets also experienced a decrease of 4% to IDR 188 trillion. Although Non Performing Loans (NPL) increased in certain lines of business, nonetheless, the overall asset quality was acceptable as indicated by the consolidated NPL that stood at 3%. In terms of liquidity, taking into account the business and market dynamics as well as regulatory requirement, Danamon prudently managed down its Loan to Funding Ratio (LFR) from 92.6% last year to 87.5%. Danamon’s capital structure also remained strong as reflected by an increase in CAR from 17.9% last year to 19.8%.

On our Syariah front, most of its business results were above the targets. Total asset and total financing grew significantly by 23% and 28%

respectively, reaching IDR 3.6 trillion and IDR 3.2 trillion respectively. Likewise, total funding expanded by 22% to IDR 3 trillion. Net Profit Before Tax (NPBT) was recorded at IDR 85 billion, a significant increase compared to last year.

Similar to most other banks, Danamon was faced with a very challenging business situation and tough competition that affected its performance. To overcome those challenges, Danamon shall work more collaboratively, adopt a flexible mindset to cope with the changing environment, be a better solution provider to our customers, and re-emphasize our corporate core values, including the practice of meritocracy within Danamon.

2015 LENDING PERFORMANCE & GROWTH OF THIRD PARTY FUNDING

Danamon's consolidated loan stood at IDR 129.4 trillion, lower by 7% year-on-year, mostly due to Mass Market loans that declined by 13% to IDR 61.2 trillion. Likewise, Retail Banking also declined by 3% to IDR 8.2 trillion. On the other hand, Small Medium Enterprises (SME) (including Syariah) and Wholesale Banking increased by 5% and 1% to IDR 22.4 trillion and IDR 17.7 trillion respectively, whilst Commercial Banking (including Syariah) remained flat at IDR 15.9 trillion.

Consolidated third party deposits decreased slightly by 1% year on year to IDR 115.1 trillion mostly due to the decline of Current Account balances. Current Account and Saving Account (CASA) balances decreased by 27% and 6% respectively, whilst Time Deposits increased by 11.5%, resulting in the drop

of CASA ratio from 49% in 2014 to 42% in 2015. The decrease in our CASA balances took place as we ceased paying high interest rates. Total consolidated funding (third party deposits plus structured funding) also decreased by 4% to IDR 138.15 trillion. A more disciplined approach was introduced to our funding franchise in order to build a more diversified, stable and granular deposits base. Danamon successfully managed down its cost of funds.

TARGET VERSUS REALIZATION

Total loans channeled and total third party deposits by the end of 2015 reached approximately 95% and 96% of the targets respectively.

The level of third party deposits achieved was adequate given the decline in loan demand. LFR was at 87.5%, a marked improvement over the target of 91.5%.

Danamon implemented discipline in expense management. Interest expense for 2015 was IDR 8.8 trillion which was better than the target of IDR 9.2 trillion. Similarly, operating expenses was IDR 9 trillion, 5% better than planned.

Cost of credit in 2015 was IDR 4.9 trillion or 20% worse than planned mostly due to the worsening performance of our micro financing segment (Self Employed Mass Market, or "SEMM").

Consolidated Net Operating Income was recorded at IDR 3.9 trillion and Consolidated Net Profit After Tax before restructuring was IDR 2.6 trillion.

MAJOR INITIATIVES IN 2015

Danamon reviewed its operating model for SEMM business segment. This involved an end to end review process, including marketing, credit processing function and technology utilization. Management expects the new target operating model to increase efficiency and productivity while at the same time also providing better asset quality.

Synergy between Adira Finance and Adira Kredit was carried out by utilizing Adira Finance's vast network. In 2015, Adira Finance had started to offer durable product financing, which was previously offered through Adira Kredit. Management expects durable product financing to grow significantly in 2016, albeit coming from a very low base.

Centralization of Finance and Human Resources function through shared services was rolled out, resulting in cost savings, better and more consistent delivery of information. In addition, automation in document processing related to administration process, including credit processing, led to better accuracy control and turn-around time.

The initiative to leverage conventional bank branches to market Sharia products had helped to grow our Syariah loans by 25%.

A new and better approach adopted via Danamon's Assets & Liabilities Committee (ALCO), brought about better discipline in our funding franchise and lower cost of funding.

ORGANIZATIONAL CHANGES IN 2015

To expedite decision making process and provide better service to customers, there were some changes in the structure of the organization. The changes include:

- Mr. Muliadi Rahardja had taken a role as the Vice President Director responsible for the Sales & Distribution Network. Previously, Mr. Muliadi was the Operation Director as well as Director of SME Banking and SEMM.
- Consumer Banking and SME Banking was combined under one leadership. Michellina Triwardhany, previously the Director of Consumer Banking, is now responsible for both lines of business.
- Transaction Banking that was previously reporting to the Director of Treasury and Capital Market is now a separate product group. Yen Yen Setiawan was appointed as the Head of Transaction Banking, reporting directly to the CEO. Transaction Banking will become an important part of Danamon's strategy as a solutions integrator across all lines of businesses.
- Herman Savio was appointed as Treasury and Capital Market Head, reporting directly to President Director. Apart from the usual treasury functions and roles, Herman will play a key member in the Bank's Assets & Liabilities Committee, and build a larger Treasury Sales team which is an important part of our sales and service proposition for the Bank's customers.
- Yanto Edy Umar was appointed as Wholesale Banking Head, reporting directly to President Director. Yanto assumed responsibility for the Bank's Commercial and Corporate Banking and Financial Institutions' segment of customers.

DANAMON'S SUBSIDIARIES' PERFORMANCE

New car and new motorcycle industry demand declined by 16% and 18%, respectively. The weak industry demand significantly impacted Adira Finance's performance. Loans channeled through Adira Finance (including the joint financing portion) decreased by 6% to IDR 46 trillion. These loans represented 36% of total loans of Danamon group. Adira Finance's NPAT was IDR 665 billion in 2015, a 16% decline compared to last year's result.

Adira Insurance performed well in 2015, and posted Rp 2.38 trillion of insurance premium income, including from sharia insurance. This was an increase of Rp 89 billion over 2014. Compared to 2014, Adira Insurance also booked an increase of 15% in net insurance underwriting income to Rp 611 billion.

STRATEGIES PRIORITIES

During the year, management was actively trying to define our strategic priorities for the next 3 years. In the past, Danamon's earnings depended on the mass-market segment through auto financing and micro financing businesses. We can no longer continue to do so. Beyond our strengths in the mass market, Danamon will focus on growing the other business segments including Consumer, SME and Commercial Banking. We will also invest more to enable Adira Insurance to build its general insurance activities as its products are very complementary to the needs of the aforesaid business segments. These strategic initiatives will enable us to pursue the growing opportunities in business banking and also cater to the needs of the growing middle-class consumers.

Our aim is to serve customers' needs more holistically. In this regard, Transaction Banking will play a key role as a solution integrator across products and lines of businesses. Mobile cash management, treasury and bancassurance products and others can be more easily accessed by our customers. In addition, Syariah and Treasury products will also leverage conventional bank's existing sales force to boost growth.

We have in early 2016, established a new Sales and Distribution (S&D) organization to empower and enable our branches to serve customers better and improve the productivity of our entire branch network. This S&D organization enables branch staff to offer the best products or product bundles to match customers' personal and business needs. This initiative will provide more cross-selling opportunities, drive collaboration with shared goals and accountabilities across line of businesses and subsidiaries, as well as improve customer experience.

Establishing a better digital strategy is also a key aspect of our strategic priorities. With a young demography, the Indonesian population has rapidly adopted the use of technology in their daily lives. To provide more customer convenience, Danamon will invest in enhancing digital channels for both consumer and business segments. Through technology, it is our desire to empower customers to utilize our services at the time and place of their choosing. Technology will also enable us to improve productivity and efficiency.

The strategic priorities and direction will also enable us to prioritise the allocation of our resources from the operations, risk management and human capital aspects. We have commenced reviewing our risk and credit processes to enhance our ability to manage and control the risks as we emphasize coverage to our Consumer, SME and Commercial Banking customer segments.

Human capital is the most important resource of Danamon. Therefore we will put greater focus on talent development and skills training. Our Danamon Academy will be comprehensively enhanced to continuously upgrade the skillsets and productivity of our employees. Finally, Danamon adheres to the principle of meritocracy by rewarding people based on performance. All these will help us to continue attract and retain talented staff.

OPPORTUNITIES AND CHALLENGES IN 2016

With the growing middle class in Indonesia, prospects for banking remains exciting. We aim to increase our penetration in the market and we will serve more customers in all type of segments with additional focus on the Consumer middle-income, SME and Commercial segments. Through Adira Finance, we will tap more durable product financing markets. Danamon still has plenty of room to grow in this segment. We also aim to increase our market share in the insurance industry. While maintaining our strength in auto insurance, we will grow the other segments of general insurance such as health, personal accident, property and casualty, and cargo. The success of our strategy depends very much on developing our human capital, as well as our ability to groom and attract new talent.

CORPORATE GOVERNANCE

The Board of Directors is confident that consistent implementation of high standard corporate governance will improve performance, deepen the investors' confidence and trust, protect the interests of stakeholders and make a positive contribution to the banking industry. The Board of Directors is continuously applying the good corporate governance practices based on transparency, accountability, responsibility, independency and fairness in carrying out the business activities of Danamon.

Throughout 2015, the Board of Directors focused on improving and refining the implementation of corporate governance. Various efforts have been made, including the refinement of corporate governance implementation based on Financial Service Authority Guidelines and ASEAN Corporate Governance Scorecard. Governance related policies were prepared or updated including Board of Commissioners and Board of Directors Nomination Policy, Anti-Gratification Policy, Board of Commissioners and Board of Directors Performance Assessment Policy and Board of Commissioners and Board of Directors Diversity Policy. Furthermore, Danamon has improved the information disclosure on Danamon's website to provide an opportunity for shareholders and other stakeholders to obtain easy access to information about Danamon.

As the Main Entity, Danamon also implemented the Integrated Corporate Governance and Integrated Risk Management via our integrated structure and infrastructure. Among others, it includes: the establishment of Integrated Corporate Governance Committee and the Integrated Risk Management

Committee, the preparation of the Integrated Corporate Governance Policy and Integrated Risk Management Policy, the adjustment of duties and responsibilities of the Board of Directors and Board of Commissioners, as well as the adjustment of duties and responsibilities of Internal Audit Unit, Compliance Unit and Risk Management Unit.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The establishment of Yayasan Danamon Peduli (YDP) as a separate entity that implements our CSR is a reflection of our commitment to the community that we serve. YDP engages in activities that help improve the overall livelihood of people in the communities that we serve. Through YDP, we transform our visions and values into action.

In 2015, YDP focused on the market revitalization (PASAR SEJAHTERA) and rapid disaster response. YDP provided technical assistance to the market community and stakeholders. In addition, YDP also launched and organized 'market expedition' through market festivals in six people's markets on Java Island with the objective of promoting the people's market's existence. Through Rapid Disaster Response, YDP responded to disasters, both natural and man-made, such as earthquake, flood, landslide, or fire around Danamon/Adira branches through mobilization of employee volunteers. Furthermore, YDP facilitated disaster mitigation and preparedness trainings for communities in 7 regions where nine markets and 500 market communities (staff and merchants) participated.

EVALUATION OF COMMITTEES

In performing its duties and responsibilities, the Board of Directors is assisted by several Committees, namely: Risk Management Committee, Asset & Liability Committee, Information Technology Steering Committee, Fraud Committee, Compliance Committee, Operational Risk Management Committee and Integrated Risk Management Committee.

Risk Management Committee has fulfilled its oversight responsibilities with regard to the Bank's risk appetite, risk management framework, and supporting risk governance structure. The Committee periodically reviewed the risk management policies and oversaw the operation of the risk management framework, which shall be commensurate with the structure, risk profile, complexity and activities of the Bank.

Asset & Liability Committee has made noticeable contribution as a Committee that is responsible for balance sheet planning and management from a risk-return perspective and strategic management of interest rate and liquidity risks. The Committee determined policies and guidelines for liquidity risk, interest rate risk and capital management for Danamon that reflected adequate liquidity and capital, stable and diversified funding profile, with compliance to all regulatory requirements.

Information Technology Committee has served well as an oversight committee on matters of information technology. The Committee oversaw major information technology related strategies, projects and technology architecture decisions and monitored whether the Bank's information technology programs effectively supported the Bank's business objectives and strategies.

Fraud Committee has assisted the Board of Directors in reviewing and determining sanctions to employees that committed fraud, based on Internal Audit's fraud investigation reports and recommendations as well as taking into account the Bank's policy, collective labor agreement, code of ethics and corporate values.

Compliance Committee has performed well in assisting the Board of Directors with regards to compliance aspects of the Bank. The Committee reviewed the implementation of the Bank's compliance to the prevailing laws and regulations, and the fulfillment of commitments to Regulators on audit findings. In addition, the Committee socialized new compliance regulations to relevant parties, reviewed the integrated internal audit organization and evaluated the compliance policy of subsidiaries.

Operational Risk Management Committee has successfully performed its function in identifying, measuring, managing, reporting and controlling operational risk. The Committee documented sound practices to help ensure that operational risk is managed and measured in an effective and consistent manner across Danamon.

Integrated Risk Management Committee is a newly set up Committee. Integrated Risk Management Committee was established by Danamon in order to enable proper and aligned integrated risk management implementation across the entities that are members of Danamon's financial group. The Committee has provided recommendations with regards to the preparation of the integrated risk management policy and recommended improvements on the practices of integrated risk management.

HUMAN CAPITAL

Management launched the Bank's Balanced Scorecard in 2015 to provide a stronger sense of purpose and clarity of direction. The new dimensions i.e. Franchise Building, Risks and Controls and Human Capital are emphasized in the Balance Scorecard to ensure that Danamon continues to invest and build in a way that will provide more consistent and sustainable financial results. During the year, Danamon introduced meritocracy ("SIPASTI") – Sistem Penghargaan Sesuai Kontribusi. This system will create fairness and bring about a more robust performance management system and lay the foundation for our policy of paying for performance. The application of SIPASTI was widely communicated and supported through a number of socialization and training programs. It covered 1,086 employees starting from senior management down to 4 levels below.

Danamon's corporate values are as follow:

1. Caring
2. Honesty
3. Passion to excel
4. Teamwork
5. Disciplined Professionalism

Corporate values reinforcement has become one of Danamon's focus points to build a common ground for employees and managers. Danamon activated a number of campaigns and initiatives, kicked off at Board level and cascading down to Senior Management and employees at the regional level. Corporate values are also embedded in the performance management system.

Danamon has conducted an Employee Engagement Survey to understand our employees' concerns and aspirations. This is an important initiative among others in engaging our staff and addressing their issues. 38,554 employees or 97% of Danamon permanent staff participated.

The dynamic development of the Banking industry and markets require Danamon to make some adjustments in the area of customer centricity. Danamon initiated a centralization approach to its business model, known as Sales and Distribution organization. This new organization consolidates the role of management in our regional and Branch levels across our different regions to ensure better service to customers, facilitate cross selling and cross functional collaboration to maximize customers' experience in banking with Danamon. This transformation is being implemented in stages to be completed in 2016. Danamon did a series of orientation and communication programs to prepare our impacted employees for the changes.

Employee development program remains Danamon's focus and was manifested through 2,580 development programs that covered 64,216 employees and a total of 157,056 training man-days. The majority of training was in the area of functional expertise to support employees in meeting the required standard performance levels.

CHANGES IN THE BOARD OF DIRECTORS COMPOSITION

In 2015, there were changes to the composition of Danamon's Board of Directors. Henry Ho retired and Sng Seow Wah was appointed as Danamon's President Director, whilst Muliadi Rahardja was appointed as the Vice President Director, at the Extra-ordinary Shareholders' Meeting conducted earlier in the year. In addition, Pradip Chhadva and Kanchan Nijasure resigned as Directors of Danamon to pursue other interest.

AWARDS AND RECOGNITION

Recent awards received by Danamon were the 50 Best Publicly Listed Companies in Southeast Asia, and the 3 Best Publicly Listed Companies in Indonesia in Good Corporate Governance at the ASEAN Corporate Governance Award 2015 organized by ASEAN Capital Market Forum (ACMF). Danamon was also awarded the "Best Overall" in the 7th Indonesian Institute for Corporate Directorship (IIICD) Corporate Governance Conference and Award 2015. Furthermore, Danamon also received First Runner Up in the Financial Services Category of Sustainability Report Awards 2015 organized by the National Center for Sustainability Reporting (NCSR).

CLOSING REMARKS

On behalf of the Board of Directors, I would like to convey our sincere thanks to the Board of Commissioners for providing its full support and invaluable advice and guidance to the management throughout the year. I am also grateful for the commitment, support and effort of my fellow Board of Directors members, our senior management and employees. I would like to emphasize the importance of the role that our banking regulators play in helping create a conducive and stable environment so that customers and banks can go about their business with confidence.

To all of our other stakeholders, we would like to re-emphasize our commitment to do our best in delivering sustainable performance and bringing about significant contribution to Indonesia's economic development.



Sng Seow Wah
Board of Directors

▶ Board of Directors



Muliadi Rahardja
Vice President Director

**Michellina Laksmi
Triwardhany**
Director

Fransiska Oei Lan Siem
Director

Herry Hykmanto
Director



**Satinder Pal Singh
Ahluwalia**
Director

Sng Seow Wah
President Director

Vera Eve Lim
Director

▶ Board of Management



Herman

Treasury & Capital
Market Head

Marta Jonatan

Human Resources
Head

Antony Kurniawan

Operations Head

Yen Yen Setiawan

Transaction
Banking Head

Yanto Edy Umar

Wholesale Banking Head

▶ Syariah Supervisory Board



Dr. Hasanudin, M. Ag.
Member

Prof. Dr. H. M. Din Syamsuddin
Chairman

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

▶ Report from the Syariah Supervisory Board

Assalamu'alaikum Wr. Wb. Bismillahirrahmanirrahiim

Praise be to Allah SWT for His favors and blessings bestowed upon us, and blessings and praise to the Prophet Muhammad SAW.

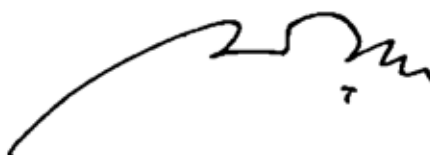
The Syariah Supervisory Board (DPS) of Danamon Syariah Business Unit (UUS), being entrusted with supervising that all products and business processes have been carried out according to Syariah principles, in accordance with the prevailing rules and charter of the DPS, has performed its function and duties in supervising and providing opinions overall on new products of Danamon UUS.

The DPS of Danamon UUS considers that the Syariah banking activities conducted by Danamon UUS throughout 2015 have conformed to the rulings (fatwa) of the National Syariah Board - Indonesian Ulama Council (DSN-MUI) as well as the opinions issued by DPS Danamon UUS.

On this occasion, we would like to convey our appreciation for the cooperation and support from the Board of Directors and management team at Danamon, in their excellent performance in 2015 as well as their efforts to maintain the consistent implementation of Syariah principles in the Bank's activities. We hope that going forward, Danamon UUS will lead at the forefront of Syariah banking.

Wassalamu'alaikum Wr. Wb.

For and on behalf of the Sharia Supervisory Board



Prof. Dr. H. M. Din Syamsuddin
Chairman

▶ 2015 – 2016 Plan and Strategy Discussion

In 2015, Indonesia's economy faced considerable challenges. The country's economy expanded by only 4.8% due to several factors, namely the slowdown of world economic growth, the instability of global financial markets, the declining demand and prices of Indonesia's major export commodities, and the relatively limited domestic investment growth.

The business environment was affected by the slowing down of the economy and this has in turn reduced the overall banking industry growth. Banks chose to be more selective and cautious in disbursing loans, resulting in an overall industry's loan growth of 10.4%. Nonetheless, the banking system was resilient, underpinned by manageable credit, adequate liquidity, and strong capital adequacy ratio.

With these challenges, Danamon developed a 2015-2016 strategy with an implementation phase that extends to 2017. The strategy is based on a number of planned initiatives that aim to bring forth positive and significant changes for Danamon and its subsidiaries.

STRATEGIC FOCUS FOR 2015-2016

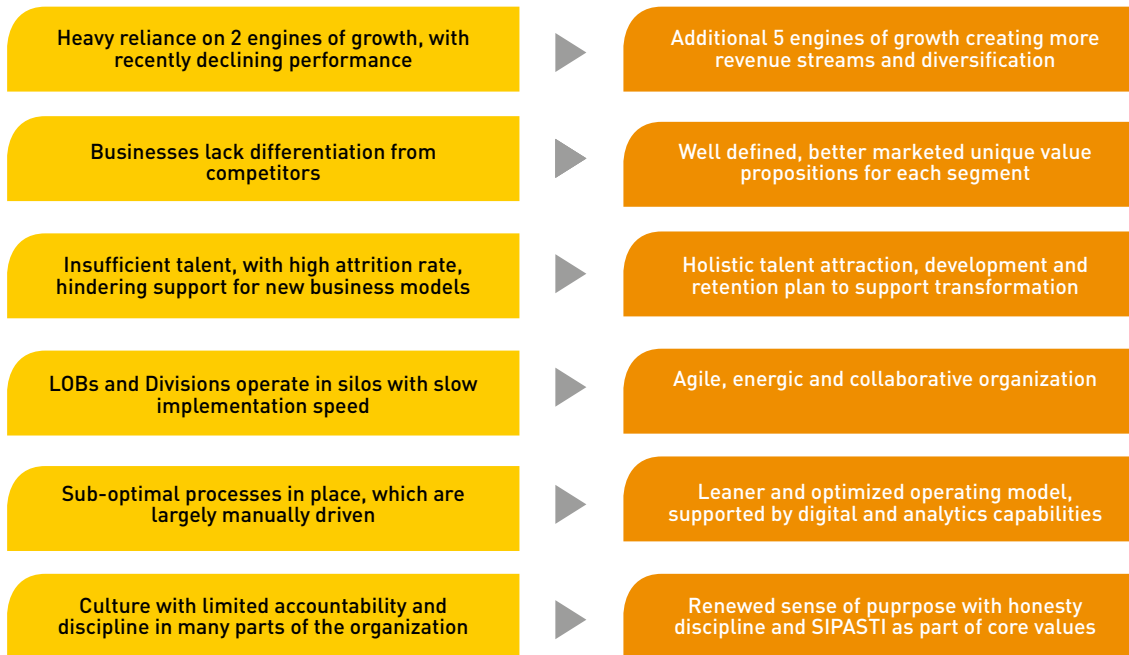
Beyond our strengths in the mass market, Danamon will focus on growing the other business segments including Consumer, SME and Commercial Banking. We will also invest more to enable Adira Insurance to build its general insurance activities. In addition, Danamon will increase Human Resources productivity by putting greater focus on talent development and skills training. Danamon will continue to conduct prudent practices in risk management with a focus on credit and liquidity risks.

2016 INITIATIVE

The Bank has defined a number of initiatives that will be implemented in 2016, including:

- Focus on developing mass market, SME, Commercial Banking, Consumer Banking, and Adira Insurance. Transaction Banking products will play an important role in improving Danamon's ability to generate funds and fee based income. In addition, Syariah and Treasury products will increase their conventional bank sales force to encourage growth.
- In early 2016, the Bank will launch new Sales and Distribution (S&D) networks by integrating new Consumer and SME branch networks into a single organization. The S&D organization will improve the ability of our branches to offer customers the best products or product bundle. This initiative is expected to increase cross selling opportunities, encourage collaboration and accountability among business lines and subsidiaries, and improve customer service.
- The Bank will continue to enhance digital channels for consumer and business segments, and digitalized the back-end processes. The Bank will also use data analytics to improve service to customers.
- Danamon have commenced reviewing our risk and credit processes to enhance our ability to manage and control the risks as we emphasize coverage to our Consumer, SME and Commercial Banking customer segments.
- The Danamon Corporate University will be developed comprehensively to improve skills and increase productivity of employees. Moreover, Danamon adheres to the principle of meritocracy by rewarding people based on performance. All these will help us to continue attract and retain talented staff.

Current Situation



Impact of Changes

3-Year Strategic Direction



▶ Responsibility for Annual Reporting

Board of Commissioners' and Board of Directors' Statement on the Responsibility for the 2015 Annual Report of PT Bank Danamon Indonesia, Tbk.

We, the undersigned, testify that all information contained in the 2015 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, 1 March 2016

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 Taruna Habir
Independent Commissioner



Made Sukada
Independent Commissioner



Emirsyah Satar
Independent Commissioner

Board of Directors



Sng Seow Wah
President Director



Muliadi Rahardja
Vice President Director



Vera Eve Lim
Director



Herry Hykmanto
Director



Fransiska Oei Lan Siem
Director



Michellina Laksmi Triwardhany
Director



Satinder Pal Singh Ahluwalia
Director