



# Management Discussion and Analysis

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## 2015 Economic and Banking Industry Review

The Indonesian economy grew by 4.8% in 2015, continuing moderate growth, though with a slowing trend which began in 2011. With, however, the global economy adjusting to its “new normal” and efforts of President Jokowi’s government beginning to re-energize the economy in the final quarter of 2015, it is expected that the Indonesian economy will rebound and grow by more than 5% in 2016. Risks remain in that global or domestic economic performance might fall outside the range of expectations.

The subdued growth of the Indonesian economy in the last few years is largely a reflection of weak demand for primary commodities stemming from the weak global economy. While the global economy did not significantly worsen in 2015, it still faced considerable challenges. Growth softened in the U.S. and the Euro area, while Japan entered a technical recession. China also underwent a slowdown, with a rebalancing of its economy towards domestic and service sector consumption as the desired engine of growth. Only India managed to post solid GDP growth in 2015.

Following the trend in the last few years, 2015 prices of Indonesia’s main export commodities continued to weaken, particularly crude oil, palm oil, copper, coal and rubber, impacting total export value. The magnitude of the decline in 2015, however, was particularly sharp as the US Dollar value of Indonesian exports fell by almost 15%, in comparison with reductions in the previous couple of years which had been less than 4%. The export value of goods and services in 2015 declined in real terms, making 2015 the first year this happened since the onset of the global recession in 2009.

The decline was experienced by all major categories of Indonesian exports and the biggest contraction came from the export values of mining and quarrying commodities, which fell by 15%. The impact of this significantly affected growth in the major mining and plantation regions of Sumatera and Kalimantan, whose GDPs grew by less than 4%. Both regions had also been impacted by forest fires and haze during the long dry-season, which is estimated by the World Bank to have cost Indonesia 1.9% of GDP. GDP per capita in Indonesia, which has been declining since 2012, and was down to US\$ 3,371 in 2015.

Many economic indicators however had begun to reverse their declining trends in the 3rd and 4th quarters of 2015. These came as the new government of President Jokowi started to perform faster realization of the state budget and speedier implementation of government projects. Government consumption rose to 6.6% in the 3rd quarter (from 2.1% in second quarter), and investment growth increased to 4.6% in the 3rd quarter (from 3.7%). This improvement is also reflected by other indicators, such as quarterly cement sales figures showing increased growth after the 2nd quarter of 2015, and after the decreasing growth and stagnation in the first two quarters.

There was a sharp uptick in global financial volatility in the 2nd and 3rd quarters of 2015, brought about by uncertainty surrounding the Chinese economic slowdown, its capital market performance and renminbi depreciation, in addition to the uncertainty and rising apprehension over the magnitude of US Fed interest rate “normalization” policies. This uncertainty impacted emerging markets, especially commodity exporting countries such as Indonesia through pressure from capital outflows and significant depreciation of their currencies.

Indonesia experienced significant net-selling by non-residents in the capital market in 2015, estimated at around Rp22 trillion, while Jakarta Stock Market Index declined 12.6% during the year to Rp4,593 at the end of 2015. The Rupiah exchange rate against the USD depreciated by 9.6% from Rp12,474 at the beginning of 2015 to Rp13,785 at the end of 2015.

Year		2015	2014	2013	2012	2011
<b>National Income Accounts</b>						
Real GDP Growth	%	4.8	5.0	5.8	6.26	6.49
GDP- Nominal		837	888	871	879	845
GDP/capital- Nominal (USD)	USD	3,371	3,500	3,490	3,596	3,509
<b>External Accounts</b>						
Exports		150.3	175.3	183.5	188.5	200.8
Imports		142.8	168.4	177.4	179.9	166.0
Balance of Trade	USD million	7.5	6.9	6.1	8.6	34.8
Int'l Reserve	USD million	105.9	111.9	99.4	112.8	110.1
IDR/USD	end of period	13,785	12,240	12,189	9,670	9,068
<b>Others</b>						
BI Policy Rate	% end of period	7.5	7.75	7.5	5.8	6.0
Consumer Price Index	% end of period	3.35	8.36	8.4	4.3	3.79
Jakarta Composite Index	end of period	4,593	5,227	4,274	4,317	3,822
S&P's Rating - FCY		BB+	BB+	BB+	BB+	BB+

### Banking Industry

As the economic growth continued to weaken, lending growth in the Indonesian banking industry in 2015 was impacted and grew at 10.4% through the year, slightly less than the 11.6% growth in 2014. Liquidity in the industry remained stable, while non-performing loans (NPL) maintained a relatively low level of 2.5%, rising slightly from 2.2% at the end of 2014. The overall capital position of Indonesian banks remained strong with a Capital Adequacy Ratio (CAR) of 21.4% at the end of 2015, increasing by 180 bps from 19.6% at the end of 2014, and much higher than the minimum level of 8%.

During the 2nd and 3rd quarters of 2015, Indonesian monetary authorities had to deal with heightened pressure against the Rupiah, as uncertainty in global financial markets escalated. Direct market interventions were conducted and several measures were taken by BI to stabilize the Rupiah. For stability, the BI benchmark interest rate was maintained at 7.5% throughout most of 2015. After financial markets regained stability in the 4th quarter, monetary measures were taken to accelerate growth and the Banking Primary Reserve Requirement was reduced by 0.5% to 7.5% in December 2015.

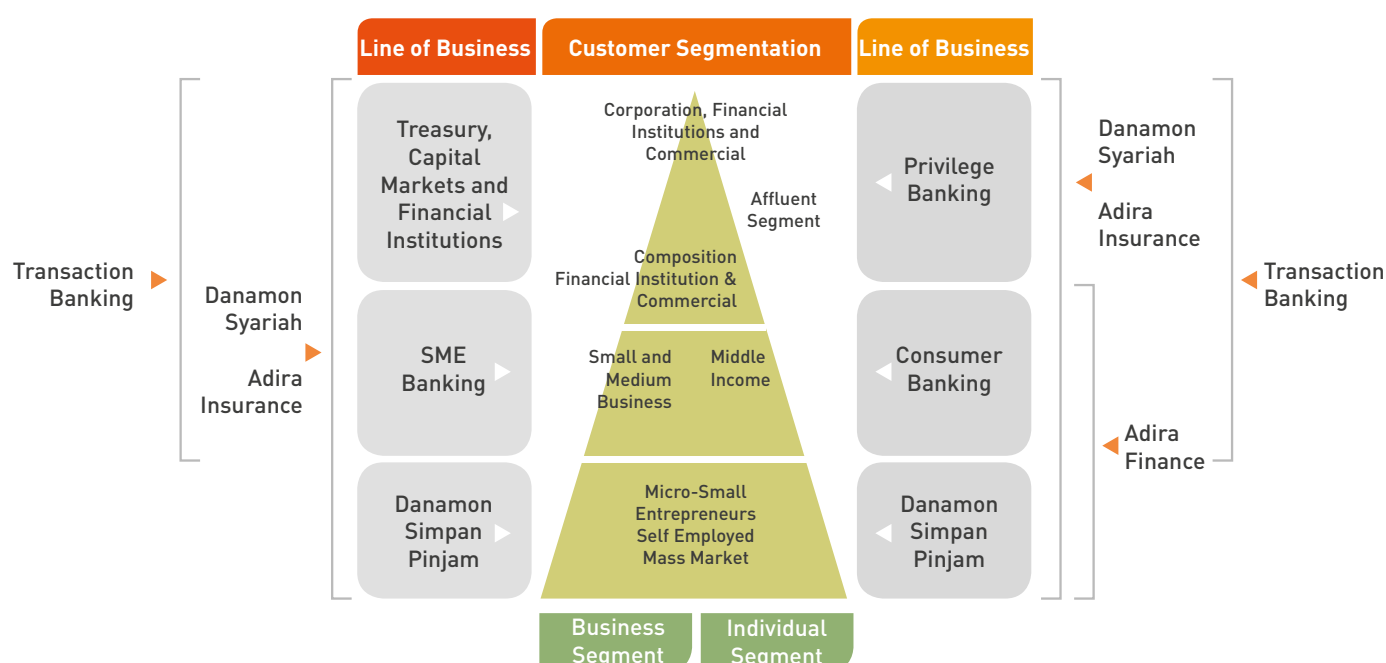
The total assets of the Indonesian banking industry grew by 9.2% to Rp6,132.6 trillion, a slower growth than 2014 (13.3%), with an industry Return on Assets (ROA) of 2.3% in 2015. The industry loan portfolio of Rp4,057.9 trillion consisted of 47.2% working capital loans, while total consumer and investment loans contributed 27.3% and 25.5% to the total loan portfolio, respectively. Working capital loans amounted to Rp1,916.3 trillion, an increase of 8.9% from the previous year, while consumer loans amounted to Rp1,105.8 trillion, an increase of 9.1%, and investment loans amounted to Rp1,035.9 trillion, an annual increase of 14.7% from the end of 2014.

In terms of deposits, third party funds grew at a rate slower than 2014, at 7.3%, and reached Rp4,413 trillion per December 31, 2015 from Rp4,114 trillion per December 31, 2014. The slower growth of third party funds largely resulted from slower growth in time deposits with total time deposit funds growing by 4.6% to Rp2,029.5 trillion by the end of 2015, while time deposit growth in 2014 was 20.9%. Current Account and Savings Account (CASA) funds posted an increase of 11% and 8.7% and reached Rp987.5 trillion and Rp1,396 trillion, respectively.

## Business Segment Review

In 2015, Danamon moved forward to improve competitiveness and business profitability, focusing across all customer segments on productivity and service improvements.

### Lines of Business: Customer Segmentation



### Business Segments Financial Highlights

Rp billion	2015					2014				
	Retail	Mid size	Wholesale	Others	Total	Retail	Mid size	Wholesale	Others	Total
Assets	70,952	38,500	54,931	23,675	188,057	79,491	39,814	49,834	26,681	195,820
Liabilities	63,631	23,277	59,420	7,514	153,842	71,077	27,487	47,517	17,094	163,174
Net Interest Income	10,268	2,242	1,138		13,648	11,008	1,869	803		13,680
Non-Interest Income	3,286	423	114		3,823	3,773	388	(205)		3,956
Income from Operations	13,554	2,665	1,252		17,471	14,781	2,257	598		17,636
Operational Expenses	(7,429)	(1,012)	(242)		(8,683)	(8,483)	(1,046)	(292)		(9,821)
Loan Expenses	(4,163)	(483)	(279)		(4,924)	(3,521)	(197)	(80)		(3,799)
Non-Operational Income & Expenses	14	(3)	-	(593)	(583)	(52)	(2)	-	(408)	(462)
Profit Before Tax	1,976	1,167	732	(593)	3,281	2,725	1,012	226	(408)	3,554
Income Tax Expenses	(447)	(309)	(205)	148	(812)	(649)	(268)	(56)	102	(871)
Net Income (Loss) After Tax	1,529	858	527	(445)	2,469	2,076	744	170	(306)	2,683

\* Note:

Retail Business consists of micro, retail, credit card, insurance, consumer financing, syariah.

Midsized Business consists of SME and commercial.

Wholesale Business consists of corporate banking, financial institutions and treasury.

Others: non-allocated assets.

Transaction Banking provides services to Corporate and Commercial Banking, Retail and SME segment.



## Micro Banking

**Micro Banking improved operational processes, enabling more effective and efficient operations, in an effort to remain competitive and profitable amidst challenges.**



Danamon Simpan Pinjam Customer

Danamon Simpan Pinjam, the Bank's micro banking unit, has a primary objective to enable millions to prosper by providing micro and small enterprises with working capital loans.

Defined as businesses with annual gross sales below Rp 2.5 billion, micro and small enterprises are estimated to number more than over 57 million in Indonesia, based on 2013 data by the Ministry of Cooperatives. Mainly operating in traditional markets, micro and small enterprises are the main recipients of DSP loan disbursements.

DSP promotes a unique value proposition by adopting a community approach that emphasizes ease, speed, and convenience. DSP units are normally located and operated in the midst of communities, enabling customers to readily access DSP services.

DSP offers customers a range of savings and loan services. Customers with credit loan accounts can access the DSP pickup service for loan repayments, freeing customers to attend to their businesses while conveniently meeting their obligations.

### 2015 Business Initiatives

In its 11th year of operations, DSP has been facing steadily increasing challenges. Competition and macroeconomic conditions have challenged business growth and credit loan quality. In addition, to maintain both competitiveness and business profitability, operational processes have needed improved effectiveness and efficiency. Consistent with the Bank's 2015 Business Plan, DSP formulated its strategies based on the following pillars:

#### 1. Business Alignment

- DSP objectives aim at healthy and sustainable growth. In 2015 DSP transformed its business through:

- Consolidating Secured and Un-secured Lending units (Pasar Model and Solusi Modal) enabling more efficient market penetration while closing inefficient units.
  - Developing the agribusiness section through cooperation with IFC (International Finance Corporation) of the World Bank Group. This cooperation covers service and support in implementing a rural business model towards measured development of an agribusiness portfolio whilst addressing inherent risk.
  - Enhancing collaboration with strategic partners that require micro banking services for their supply chain networks.
  - Increasing growth of the DSP savings portfolio in accordance with market potentials.
  - DSP strives to improve customer loyalty through:
    - Enhancing relationships with communities surrounding DSP units, connecting with existing and potential customers.
    - Improving the quality of the customer loyalty program by integrating marketing aspects with customer education on financial literacy.
    - Improving key customer loyalty through a referral program from existing debtors.
  - DSP consistently places human resources improvement as a top priority to support business growth and increase staff loyalty through:
    - Enhancing staff quality and competencies through systematic and comprehensive training programs.
    - Individual performance assessment scheme and fair incentives in accordance with corporate strategies.
    - Strengthening corporate values while enhancing and embedding accountability and a meritocracy-based culture.
  - DSP is also committed to expanding alternative distribution networks such as mobile, kiosks and DSP partners.
2. Controlled and disciplined loan collection processes through:
    - Segregating sales and credit approval functions.
    - Improving the quality of collection and recovery process of non-performing loans.
    - Refining early detection against fraud and fraud prevention processes, while focusing on educating customers.
    - Imposing clear and firm sanctions and penalties on employees who do not adhere to Company regulations.
  3. Effective and efficient operational processes, by improving effectiveness and efficiency of the distribution network and organization structure through:
    - Adjusting processes and organization structure to improve the quality of services and operational efficiency.
    - Reviewing and right sizing roles to ensure consistent value added and avoiding overlaps and redundant processes.
    - Focusing on developing units with growth and profitability potential, while closing units with little or no growth or profitability potential.

- Implementing shared services among the business lines from branches to head office in order to reduce, or eliminate, overlapping operational functions.
- Maximizing technology to achieve effective, efficient, and optimum operations.

### 2015 Business Performance

DSP offers credit and accumulates Third Party Funds (TPF). Due to Indonesia's macro-economic slow down and internal consolidation, as of end 2015, DSP recorded total outstanding loans of Rp14.61 trillion, a 23% decrease in comparison to the Rp18.97 trillion achieved in 2014. In 2015 DSP accumulated Rp830 billion in TPF, representing a 27.7% decrease compared to the Rp1,147 billion in TPF in 2014.

### 2016 DSP Plan

For 2016, DSP has a strategy which rests on the following pillars:

#### 1. Business Transformation

To ensure healthy and sustainable growth, the transformation of DSP is expected to continue through tight alignment of the distribution network, strengthening the funding base, developing alternative channels, collaborating with strategic partners, and enhancing relationships with loyal customers and communities.

2. There will be significant focus on internal digitization, leading to effective and efficient operational processes and accelerating customer turn-around time, aligning processes and organization, optimizing shared services and providing alternative payment channels.
3. Significant automation to make credit and collection processes faster, and more efficient and controllable by optimizing use of technology such as rule-based credit engine and aggressive centralization.
4. Focus on managing and preventing fraud through tighter processes, adopting fraud detection technology, improving human resources and embedding an operating culture based on accountability and meritocracy.
5. Improve human resources quality to support business growth and employee loyalty through strengthening of corporate values and culture, reinforcing synergy across units and developing employee competency through e-learning programs.



## Consumer Banking

Consumer Banking launched new customer acquisition programs focused on home loans in the secondary property market. For the affluent market, Consumer Banking unveiled a credit card product and expanded banking transaction features and convenience.



D-Mobile Feature

Danamon's Consumer Banking offers comprehensive services to individual customers, covering transaction services for both self-employed and salaried employees, bancassurance, home loans, and other lending facilities. This business unit contributed approximately 30% to the Bank's business growth.

Consumer Banking provides solutions to meet the needs of customers through savings, current, and deposit accounts as well as with credit cards, unsecured loans, home loans, and other financing schemes. Consumer Banking also provides bancassurance and investment products in partnership with insurance and asset management companies.

In 2015, Indonesia's economy faced a number of challenges, such as the slowdown of economic growth and tight banking liquidity, causing a decrease in Third-Party Funds by 11.1% or IDR 60.0 trillion in

2015. The growth of Third-Party Funds in 2015 at the industry level was 7.9%. Current and Savings Account (CASA) low cost funding decreased by 8.5% in 2015, equivalent to IDR 32.2 trillion, compared to IDR 35.2 trillion in 2014.

		YoY	2015	2014
Third Party Funds	Current	(1.4)	2.6	4
	Savings	(1.6)	29.6	31.2
	Deposits	(4.7)	27.7	32.4
	Total	(7.5)	60.0	67.5
Number of Accounts	Current	(859)	16,317	17,176
	Savings	35,208	1,272,117	1,236,909
	Deposits	9,014	112,540	103,526
	Total	43,363	1,400,974	1,357,611

Consumer Banking was able to increase acquisition of new Third Party Funding customers from 1.36 million accounts in 2014 to 1.40 million accounts in 2015 through initiatives put in place in 2015.

### Third-Party Funds Initiative and Performance, 2015

Consumer Banking introduced work campaigns that focused on attracting new customers and increasing account balances. Regular marketing campaigns included Community Marketing, banking expo (IBEX and GNNT) and Nonton Bareng (customer gatherings) to watch Manchester United FC matches. Campaigns were conducted through community banking, such as product bundles tailored to specific business sectors. Consumer Banking also provided

access to Adira Finance by enabling customers to open saving accounts through the Danamon Lebih – Adira scheme.

Consumer Banking also launched the Usage Scheme in June 2015 by introducing an online shopping payment service using Danamon's Online Banking. Activation of this scheme will increase transactions through D-Mobile and Danamon Online Banking's e-commerce promotion. The "Poin Lebih" pilot program was also introduced to increase customer loyalty.

Other initiatives taken in 2015 were re-branding Danamon Access Center (DAC) to Hello Danamon 1-500-090, and partnering with BCA and Rintis to issue the Danamon Flazz prepaid card or e-money to be launched in 2016. Additionally, Danamon optimized its branch network through relocations, closures, and reclassification of branch status.

### 2015 Home Loans and Unsecured Loan Initiatives

Realizing lower rates of home purchases and sales through developers, focus in 2015 was on the secondary market, the Balance Transfer Program, and Consolidated Loan products. An initiative was also taken to increase holding products through cross selling programs and adding sources of incoming applications through the Referral Program, Developers, Office Acquisition, Brokers, and Branch and Lead.

Considering the slowdown in economic growth and the increase in interest rates, Home Ownership Financing (KPR) decreased by 1.0% to IDR 3.67 trillion in 2015 compared to IDR 3.72 trillion in 2014. The Non Performing Loans (NPL) ratio increased to 1.9% in 2015 compared to 1.1% in 2014.

Uncollateralized Credit (KTA) financing decreased by 28.0% to Rp1.34 trillion in 2015 compared to IDR 1.86 trillion in 2014. NPLs increased to 6.5% in 2015 compared to 3.4% in 2014. However, in order to maintain the Uncollateralized Credit's portfolio quality, the Bank intensified its focus on promoting cross selling.

Product		YoY	2015	2014
KPR	Outstanding (bio.)	(39)	3,677	3,715
	NPL (%)	0.8	1.9	1.1
KTA	Outstanding (bio.)	(515)	1,341	1,856
	NPL (%)	3.0	6.5	3.4

Other than KPR Danamon, Consumer Banking also offers Apartment Ownership Financing (KPA), Ready-To-Build Property Credit (KSB), Home Renovation and Construction Credit (KPPR) and Multi Use Credit. KPR Danamon offers a flexible tenure of up to 20 years and a financing amount of up to IDR 15 billion, tailored to the customer's capability.

As for Uncollateralized Credit or Instant Cash, Consumer Banking offers cash loans without collateral to salaried and self-employed debtors who meet the conditions of a minimum income of IDR 2 million per month and are aged between 21 years and 60 years.

### Credit Card Initiative and Performance in 2015

Danamon's credit card business enjoyed continuous growth in 2015. The number of credit cards issued grew by 9.3%, equivalent to 872,700 cards. Asset value grew by 10.5%, equivalent to IDR 2.3 trillion.

	YoY	2015	2014
Ending Receivables - Nett (IDR bio.)	215	2,259	2,044
NPL% (90 days +)	0.8	2.1	1.3
Transaction Vol. (IDR trio.)	0.6	10	9.4
# Cards in Circulation	74,277	872,663	798,386

In 2015, Danamon made products more attractive to the affluent segment by introducing the World Elite Card.

Danamon is the only bank that issues the American Express card in Indonesia. The American Express card is a charge card without a pre-set spending limit which offers customers a convenient and enjoyable shopping experience. There are three types of charge card, Green, Gold, and Platinum. Each category specifically targets different segments of the affluent society.

Danamon also targets football fans by issuing the Manchester United credit card. The Manchester United credit card is the only card that offers Manchester United football fans an opportunity to watch football matches at Old Trafford through its Red Match Program.

Card holders are also treated to promotional schemes, in partnership with retail and food and beverage outlets. In 2015, Bank Danamon worked with over 200 partners at over 1,000 outlets, to offer benefits to customers. Offers from the WOW scheme included buy-1-get-1 promotions, special discounts of up to 50%, and Dine For Free, from participating partners.

Danamon's iconic points reward scheme, known as the "10x Reward Program" is on-going.

In order to penetrate specific card user segments, the Bank has issued credit cards with different categories and associated benefits. The cards are tailored to specific segments, such as Classic, Gold, Platinum, World, World Business and World Elite.

### Electronic Channel Initiative and Performance 2015

The main target of Consumer Banking in developing its electronic channel is to increase fee-based income, develop delivery channels and introduce new features that take into consideration customers' and non customers' needs while undertaking banking transactions through D-Mobile (mobile banking), Danamon Online Banking (internet banking), SMS Banking and ATM/CDM. Some of the services, such as ATM and D-Mobile can be enjoyed by non-customers for certain features.

In 2015, new ATM features included online payment for prepaid XL phone cards, Property and Home Tax, American Express Cash Advance, and Indosat Data Package.

Danamon Online banking has seen development by way of a faster and simplified system while continuing to pay attention to security. In line with the growth of commerce and industry, Bank Danamon developed "E-commerce Gateway" to work together with its e-commerce partners to increase transactions for online shopping payments.

Since the launch of the D-Mobile banking service in 2014, the number of transactions has risen significantly to 10 million transactions by the end of 2015. One of D-Mobile's main features is D-Cash, which allows customers to withdraw cash from an ATM without using a card. Due to its uniqueness, the number of transactions using D-Cash showed a significant increase.

Danamon still continues to innovate in expanding D-Mobile. In 2015, D-Mobile developed a feature called SosMEd D-Cash whereby customers are able to transfer a certain amount of funds using Facebook. Other developments include adding new billers, opening of online saving accounts, product simulation, and credit card activation services. These developments have made D-Mobile Danamon customers' leading mobile application choice.

In order to increase the number of electronic channel users, One Stop Service Frontliner was introduced at branches, to simplify registration for internet banking by allowing customers to activate SMS Tokens at SSO Counters without going to an ATM.

The signing ceremony with PRIMA network is part of Danamon's new strategy to appeal to customers when setting up new accounts and by adding new benefits in order to enhance customer loyalty. Test runs have been conducted since 2000 and the scheme was successfully launched in 2015.

### **Bancassurance Initiative and Performance 2015**

Bancassurance launched a work program designed to add new customers and holding products for existing customers through cross selling marketing. Manulife specialists were placed at Danamon branches to assist in acquiring new customers and

increasing product range. This year, the Bank has introduced six new insurance products to further accommodate customers needs.

	YoY	2015	2014
NOA	10.3%	190,861	173,069
Premium	21.2%	1,813,160	1,495,571
APE	25.8%	696,197	553,586

APE: Annualized Premium Equivalent (in mio. IDR)

Products offered to private individuals include: Traditional and Credit insurance, Travel insurance, and Unit Link Insurance. Corporate customers are offered Mass Medical Insurance and Pension Funds, Fire Protection Insurance, Travel Insurance, Transport Insurance and Heavy Equipment Transportation Insurance.

### **2016 Consumer Banking Plan**

In 2016, Third-Party Funds will continue with the schemes of the previous year:

1. Increase customer transactions by way of traditional and e-channels.
2. Offer product benefits in line with the characteristics of customer business segments through product bundling.
3. Develop customer loyalty and customer engagement with reward programs, aiming to increase account balances and numbers of transactions.
4. Improve efficiency in product development by creating partnerships with other banks and institutions.

Through the KPR and KTA Consumer Banking the Bank plans to engage with customers by building Customer Lifecycle capability, the use of D-Mobile application, and to continue to increase product range as a whole and strengthen the availability of

the recurring payment facility. In order to decrease NPLs and to improve the KTA portfolio quality, constant review of marketing strategy is essential as well as discontinuation of acquisition schemes that increase NPLs. The Bank will also focus on cross selling to existing Bank customers and be selective in offering schemes to existing Bank customers as well as intensifying the collection strategy for customers with overdue payments.

In 2016, the credit card business will focus on e-commerce by developing digital channel platforms and launching schemes to expand online transactions. To support the growth of card ownership, the Bank will intensify the issue of credit cards through cross selling to increase market share and will involve e-strategic partners to enhance lending product appeals. The Bank will also continue to maintain credit quality by implementing due diligence in providing credit, by segmenting the credit offerings and better handling of problematic loans.

E-Channels will have further developments with the latest features catering to customers with safe, convenient, and user friendly services by adding new channels such as UMB (USD Mobile Banking) and offering card based E-Money in partnership with BCA, and development of server based E-Money, known as an Electronic Wallet.

Bancassurance strategy in 2016 will focus on increasing these activities:

1. Continuing improvements in marketing staff quality and productivity in all segments
2. Launching new products that are more competitive and compatible with customers' needs and characteristics
3. Improving penetration of insurance policy holder markets and intensifying cross selling program to Danamon's existing customers by offering products to family members as well as to company employees
4. Initiating offer of basic and traditional products via e-channel.

## Small Medium Enterprise Banking (SME)

**SME Banking continued the business growth strategy by focusing on the high growth trading sector, the addition of new features on to existing products, an intensified community approach and optimized distribution network.**



Textile Factory of SME's Customer

Danamon's Small and Medium Enterprise (SME) Banking offers complete and easily accessible banking services for businesses with sales from Rp2.5 billion to Rp50 billion per year. Statistics reveal that there are around 57.9 million micro small and medium businesses in Indonesia. Only around 20% of that number uses any form of banking service to support their business operations.

### Business Initiatives 2015

To achieve sustainable business loan growth, SME Banking continued with previous strategies focusing on the trading sector at the distributor level such

as construction materials, basic food commodities, spare parts and automotive accessories, and electronic goods. At present, the trading sector still shows the highest business growth.

SME Banking has also added new features to existing products, increasing small business transactions for the benefit of clients. SME Banking also offers community programs such as Distributor Financing (DF), Financial Supply Chain (FSC), and CASA Value Chain (CVC) by working together with other business lines such as Wholesale Banking, Danamon Simpan Pinjam and the Adira Group, to meet the credit and deposit needs of customers.

SME Banking will pay special attention to sectors that are vulnerable to macro economic change, such as mining, minerals, commodities, and support businesses.

### Business Performance 2015

At the end of 2015, total credit channeled by SME Banking amounted to Rp22.17 trillion, a decrease of 1.3% compared to year end 2014. This was a result of a slowdown in national macro economic conditions in 2015, especially for industries vulnerable to change,



such as mining, minerals, commodities, and support businesses.

The above credit volume was accompanied by an NPL ratio of 4.2%, higher than the 2014 year end ratio of 2.5%. This increase was mostly caused by a decrease in heavy equipment credit quality, reflecting the downturn in the mining industry.

Third Party Fund sourcing for year-end 2015 was IDR 10.57 trillion, a decrease of 16.3% compared to year-end 2014. This was in line with the SME Banking strategy to focus on sourcing third party funds of a more granular nature and not to concentrate on a specific client group.

### 2016 Plan

In 2016, the potential for SME business growth looks to be promising.

SME Banking will re-focus on marketing mortgage products for commercial property and on increasing client business with Bank Danamon.

Business growth will continue to adopt a community-based approach with focus on the distribution network to increase small business transactions.

The SME Banking community based program plans to expand Distributor Financing (DF), Financial Supply Chain (FSC), and CASA Value Chain (CVC) programs. SME Banking will also increase efforts in product cross selling to establish SME Banking as a one-stop banking solution for customers.

Credit business growth will also be supported by continuous improvements in the credit initiation process, which should result in faster credit processing, accompanied by risk control improvements. The introduction of innovations will offer those essential solutions required by the business community. In this way, business growth can be achieved with a lower NPL than the 2015 NPL ratio.

For funding, the SME banking will continue its strategy to focus on sourcing third party funds of a more granular nature and not to concentrate on a specific client group.

## Syariah Banking

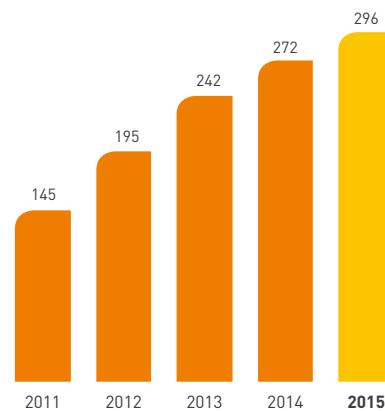
To achieve sustainable business growth, Danamon Syariah developed unique syariah products on offer through both conventional and syariah branches, all the while maintaining focus on growing its SME portfolio, particularly employee cooperative and Syariah Rural Banks (BPRS) financing.



Danamon Syariah Customer

The mission of Danamon Syariah is to develop an efficient and robust customer-oriented Islamic banking service as a solution for small and medium businesses and the retail segment, supported by reliable infrastructure and technology.

Indonesia, with a predominantly Moslem population of about 85%, offers significant growth potential for Syariah Banking. The Indonesian Banking Statistics Report issued by the Financial Services Authority (OJK) indicates that the growth of the Syariah Banking Industry over the last 5 years based on assets is as follows:



Danamon Syariah focuses on providing financing services to the retail segment, small and medium businesses, Employee Cooperatives, and Syariah-based rural banks with acquisition of third party funds focusing on the retail segment.

### Danamon Syariah Products and Services

Danamon Syariah offers a number of financing and funding products. Danamon Syariah flagship financing products include iB-financing for Employee Cooperatives, iB-financing for Syariah Rural Banks (BPRS), iB financing for working capital, and iB-financing for investment and leasing. In terms of

funding products, Danamon Syariah offerings include iB-Tabungan Qurban, a savings deposit to prepare for qurban rites, iB-Tabungan Umroh, a savings deposit to prepare for the Umrah pilgrimage and iB-Tabungan Bisa which simplifies transactions for customers.

Danamon Syariah also offers cash management services, Syariah-based trade finance transactions, and Proteksi Prima Amanah for the retail segment and for small and medium businesses.

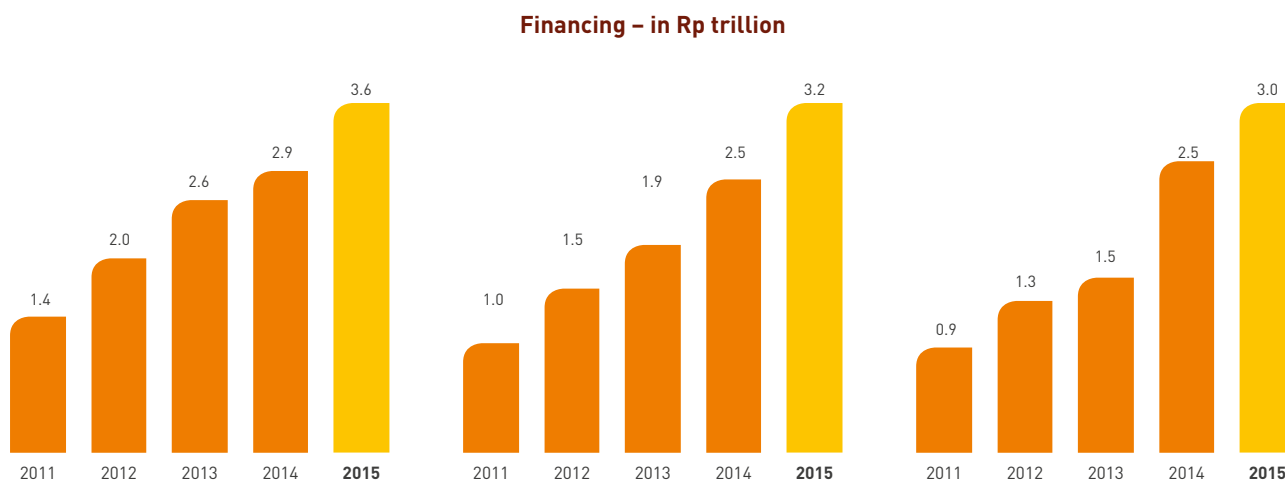
### 2015 Initiatives

Danamon Syariah carried out a number of initiatives in 2015 including:

1. Optimizing the Syariah branch network and office channeling to increase third party funding.
2. Developing unique Syariah-based products marketable through the parent-bank branch network.
3. Continuing to consolidate branch offices as part of business transformation.
4. Focusing on the growth of its portfolios, particularly the small and medium businesses portfolio, through financing for Employee Cooperatives and Syariah Rural Banks (BPRS).
5. Focusing on the growth of its commercial segment through financing of heavy equipment and trade finance, including structured trade and commodity finance.
6. Optimizing cash flows generated by financing through cash management.
7. Focusing on improving human resources productivity.

### 2015 Performance

Amidst the macro economic and industry slow down throughout 2015, Danamon Syariah maintained growth. Over the last 5 years based on assets, financing and funding were as follows:



In 2015, Danamon Syariah generated a net profit of Rp85 billion compared to Rp7 billion in the previous year, a twelve-fold increase. Such a significant increase is attributed to an increase in income of Rp206 billion after a distribution margin of 22%. In addition, in 2015 Danamon Syariah's operational expenses decreased by 13%, equivalent to Rp153 billion compared to Rp176 billion in the preceding year.

Danamon Syariah financing experienced a 28% increase, equivalent to Rp3.2 trillion compared to the preceding year. The growth of Syariah financing is due to financing of small and medium businesses, Employee Cooperatives, and Syariah Rural Banks (BPRS).

Complementing the growth in financing was an increase of third party funds by 22%, the equivalent of Rp3 trillion, compared to the preceding year.

In 2015, Danamon Syariah received a number of awards which included the Second Best Overall Performance of 2014-2015 Banking Service Excellence in the Syariah Business Unit category. In addition, Danamon Syariah was also honored as being Top Rank in the 2015 Infobank Digital Awards in the Syariah Business Unit category and Second in Rank in the 2015 Infobank Digital Awards in the Savings Products category.

In 2015, Danamon Syariah successfully introduced leading products, such as Tabungan Umroh which assists customers in financial planning for the umroh and Proteksi Prima Amanah, which is Syariah life insurance.

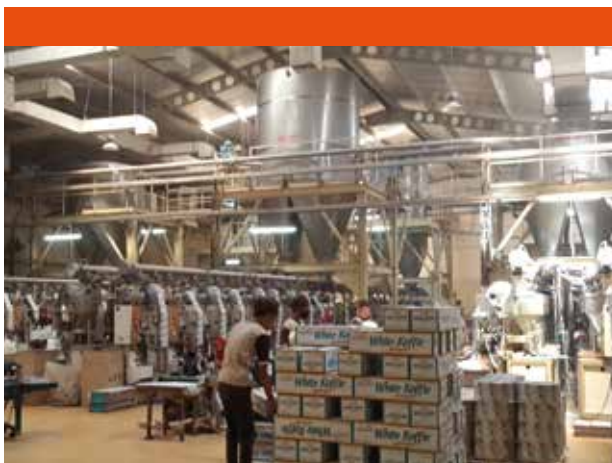
## 2016 Initiatives

2016 Danamon Syariah Initiatives are:

1. Maintain healthy market share growth based on Syariah principles and provide on-going service to the retail segment, and to small and medium business customers.
2. Optimize the entire infrastructure of its parent bank network to actively market Syariah-based products.
3. Build a strong funding structure by maximizing the use of its parent bank technology and distribution network.
4. Develop customer-oriented Syariah-based products.
5. Increase the productivity and improve the competency of its human resource talents for the betterment of the Syariah Banking Industry.
6. Increase efficiency through synergizing with the parent bank's support and operational units.
7. Continually improve risk management and corporate governance.

## Wholesale Banking and Financial Institution

**Wholesale Banking continued focus on loan quality by implementing a thorough early-stage selection process and by structuring loans to meet customer needs.**



Danamon Customer's Factory

The Commercial and Corporate Banking business lines were combined to form Wholesale Banking, following a reorganization in 2012. The commercial banking segment is defined as businesses with sales of under Rp500 billion/year (< US\$ 50 mio), or a non-public company with credit limit between Rp10 billion and Rp100 billion. The corporate segment has been set to serve customers with sales of over Rp500 billion/year ( $\geq$ US\$ 50 mio), or a non-public company with credit limit above Rp100 billion.

Wholesale Banking offers various products in line with the complexity of the required financial solution of the commercial and corporate customers covering cash management, trade finance, financial supply chain, loans and FX transactions. In addition, commercial and corporate customers are a basis for strengthening relationships between divisions within Danamon and its subsidiaries.

Financial Institution (FI) is a unit within Wholesale Banking that provides services to other banks, security companies, investment managers, pension funds, insurance companies, non-governmental institutions, as well as other non-bank institutions. Products offered include providing credit, cash management, custody service and trade finance as well as treasury services.

### 2015 Initiatives

In line with the 2015 Bank Business Plan, a series of initiatives and strategies were implemented including continuing initiatives and strategies which had been implemented successfully in the previous years:

1. Focus on credit quality through initial quality selection suited to customer needs and regular review of debtor's business activity are part of the responsibilities of account managing department. For liabilities, focus is on Third Party Funds to grow the CASA portfolio.
2. Continue developing Financial Supply Chain and cross selling products. To maximize the capital turnover, the Bank focuses on supply chain financing (corporate – commercial, commercial – SME) and also cross selling to other lines of business including subsidiaries.

3. Quality of Human Resources by focusing on strengthening each employee's self awareness as part of the team and by promoting transparency in measuring performance and productivity.
4. FI initiated service improvements to International Bank partners for cash pick-up, increased third party funding from the NBFi segment and fee based income. FI also developed a new product, the EDC Mobile Payment, marketed since February 2015. In addition, FI also introduced the Penerimaan Negara second generation system, called MPN G2 in June 2015.

### 2015 Performance

The initiatives outlined above have generated an increase in Wholesale Banking credit portfolio in 2015 by 4% to Rp37.18 trillion compared to Rp35.90 trillion in 2014. This was achieved by increasing corporate credit in 2015 by 4.4% to Rp16.6 trillion compared to Rp15.92 trillion in 2014. For the commercial sector, in 2015 credit decreased by 5.9% to Rp16.34 trillion compared to Rp17.37 trillion in 2014.

In Wholesale Banking credit quality, NPLs rose from 1.8% in 2014 to 2.8% in October 2015. In the corporate sector NPLs in 2015 were 1.08% compared to 1.09% in 2014. Commercial sector NPLs rose from 0.73% in 2014 to 1.73% in October 2015. The increase in NPLs was mainly caused by the mining industry, especially the coal sector.

For Third Party funding, given the slowdown in the economy in 2015, Wholesale Banking was able to maintain Third Party Funds at the previous years' level of Rp28.70 trillion.

### 2016 Plan

In 2016, Wholesale Banking will maintain its focus on increasing third party funds especially CASA to balance credit growth. Special attention will be shown to prudent credit approval process in order

to maintain high credit quality. Also, the Bank will improve supply chain and cross selling services, aiming to be the customer's first choice for Wholesale Banking transactions.

The main Wholesale Banking initiatives in 2016 are as follows:

- Credit growth focused on industries with growth potential, open to opportunities for supply chain and cross selling synergy.
- Trade Finance products, especially Off Balance Sheet transactions, will continue to be the key product for Wholesale Banking its effort to generate higher fee based income for the Bank. Cash Management products, financial supply chain marketing as well as Wholesale Banking's cooperation with SME Banking and DSP will continue to be intensified.
- Development and improvement of transaction services will continue to be implemented through the use of electronic channels such as EDC, internet banking and cash pick up service.
- Consistent approach to maintain Human Resources professionalism and competency as well as implementation of a contribution based compensation system. Human Resources competency will continue to be developed by specific Wholesale Banking training programs such as understanding of the financial supply chain and cross selling products.
- Initiatives to improve quality of the credit portfolio include account monitoring and regular review of business and credit risk/approval teams.
- FI will continue the 2015 strategy to increase market share in NBFi segment especially for custody and Fixed Income sector as well as the global expansion of the correspondent bank network to support the trade finance and treasury business lines.



## Treasury and Capital Market

**Treasury and Capital Market ensures that the Bank's liquidity remains healthy. It recorded significant growth through its cash pick-up service to multinational customers and boosted funding from non-bank financial institutions.**



Dealing room

The Treasury and Capital Market Division (TCM) is assigned by the Assets and Liability Committee to manage the liquidity risk of the Bank. In this case, TCM's role is to ensure the liquidity needs of the Bank in supporting business growth. Also, TCM is given the mandate to manage interest rate risk on the Bank's balance sheet.

TCM provides treasury products to meet corporate and individual customer needs as well as to take advantage of market opportunities through trading activities based on prudent banking principles. As a partner, TCM offers various products and services across Danamon's business units, and provides mitigation for foreign currency exchange risk and interest rate risk as required by the Bank's customers.

TCM also participates in activities such as trading in government bonds (Treasury Bills, Sukuk) and corporate bonds in the primary and secondary market. This is reflected in the appointment of Danamon by the Ministry of Finance as one of the major dealers in government bonds.

### Business Activities in 2015

In compliance with the Loan to Funding ratio (LFR) set by Bank Indonesia, TCM together with the related business units has implemented an initiative to obtain third party funds from onshore and offshore deposit sources to be included in the LFR. On a regular basis and as needed, TCM diversifies funding sources through capital market instruments including interbank transactions and Repurchase Agreements (Repo) as an alternative to swap transactions with Bank Indonesia.

In 2015, TCM continued implementing the second stage of the ALM system which includes Fund Transfer Pricing (FTP) and Dynamic Simulation Modules. Unlike implementation of the first stage in 2014 which used static analysis, the second stage provides TCM with the capability to conduct dynamic balance sheet simulation analyses in relation to liquidity and interest rate risk management.

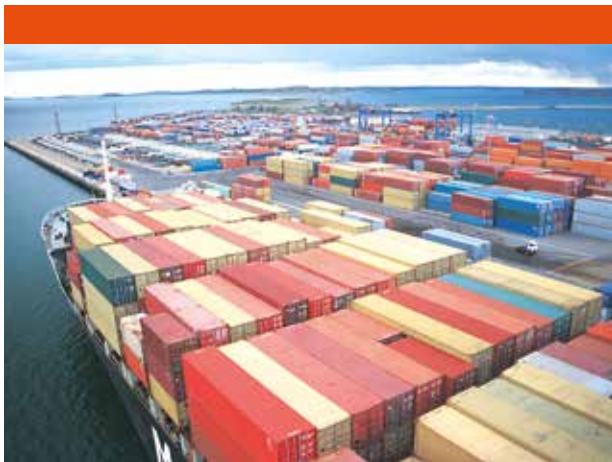
Foreign currency transactions (FX spot, FX forward, FX Swap, Cross Currency Swap) and bond transactions are still the main products in meeting customer needs as well as the Bank's trading activities.

In performing its business activities, TCM has always and shall continue to uphold the prudence principle in supporting the Bank's business growth.

To support volume transaction growth, Danamon continues to improve quality of service in terms of product features and service development.

## Transaction Banking (Cash Management, Trade Finance & Financial Supply Chain)

Transaction Banking improved service quality and speed and introduced services aimed at boosting utilization of trade finance.



View at Port

Amidst challenging market conditions, Transaction Banking continued to improve service quality and speed, develop new banking products and services and improve CASA concentration risk.

Transaction Banking focused on becoming a solutions integrator, collaborating with all Lines of Business (LOB) to achieve the Bank's revenue and volume targets. Transaction Banking also strived to increase cross-selling of the Bank's products and to increase low-cost CASA as well as to become a product expert for LOB and Sales & Distribution in providing integrated solutions. Transaction Banking product coverage includes Cash Management, Trade Finance and Financial Supply Chain.

### 2015 Initiatives and Business Performance

Strategies implemented in 2015:

- Improved CASA concentration risk and lowered cost of funds of Current Accounts.
- Strived to maintain CASA and Trade volumes.
- Focused on existing clients to increase Trade Finance utilization and provide solutions and other banking products.

In line with the 2015 Bank Business Plan, Transaction Banking launched the new EDC Mobile Payment product in February 2015. In June 2015, the second generation Penerimaan Negara system for Tax Payment called MPN G2 was launched. Transaction Banking has also started a project to revamp cash@work, Bank Danamon's Internet Banking for business, and to expand mechanisms to support customer transaction needs.

With the strategies and initiatives undertaken in 2015, the Bank managed to maintain growth in cash management transactions, which increased 14% to 11.9 million transactions compared to 10.5 million transactions in 2014 with transaction volume increasing by 5% to Rp443.0 trillion from Rp421.2 trillion in the previous year.

Trade assets decreased by 11% to Rp9,781 billion in 2015 compared to Rp10,996 billion in the previous year. Furthermore, fee-based income slightly declined 1% to Rp274.5 billion in 2015 compared to Rp277.1 billion in the previous year.

	YOY	2015	2014
Trade Assets (Rp billion)	-11%	9,781	10,966
Fee based income (Rp billion)	-1%	274.5	277.1
Number of cash@work customers	11%	12,062	10,894
Number of Cash Management Transactions (cash@work)	14%	11,946,706	10,506,422
Volume of Cash Management Transactions (Rp trillion) (cash@work)	5%	443.0	421.2

### 2016 Strategy and Business Plan

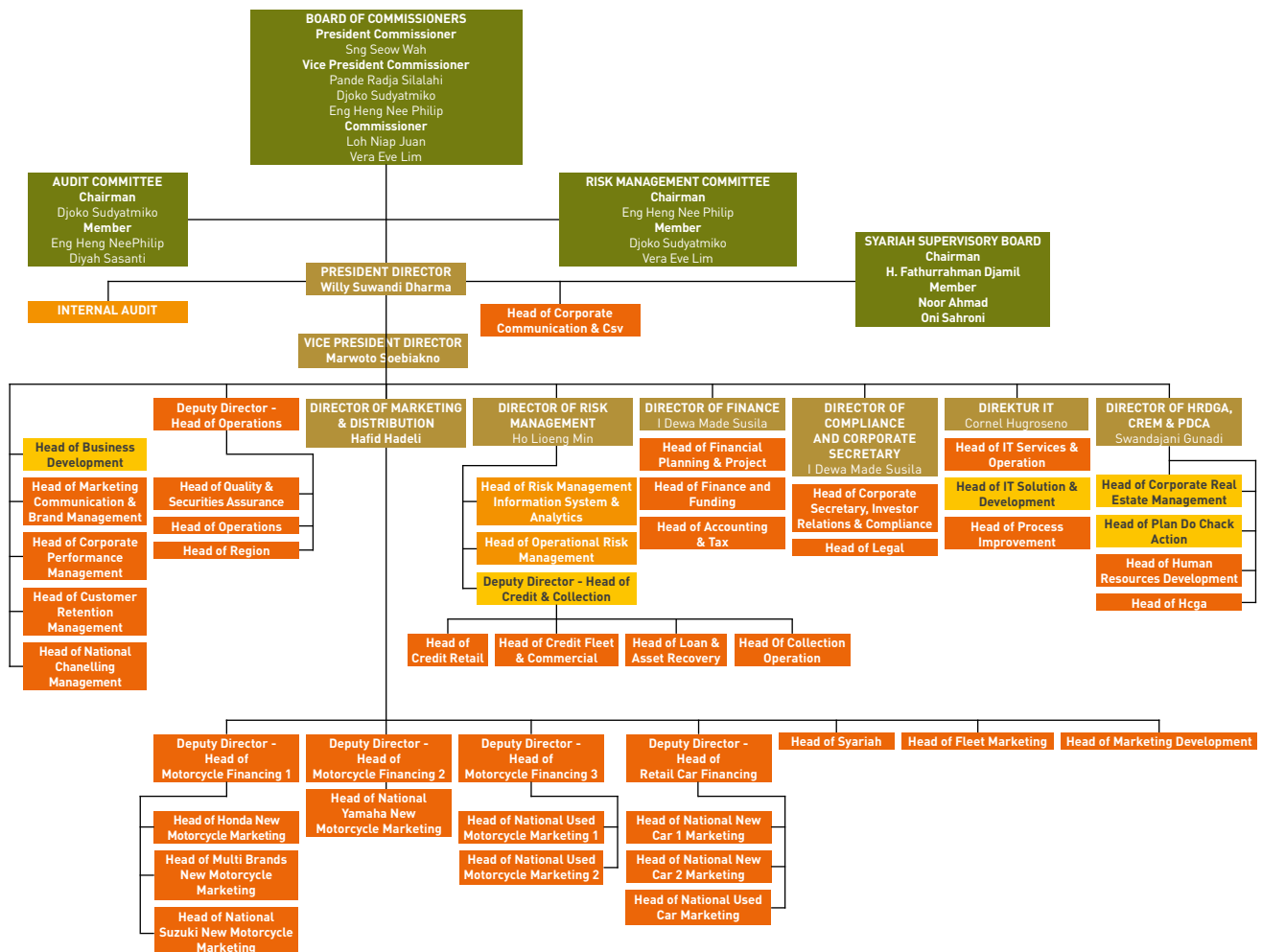
- Focus on granular deposits and provide solutions suitable to customer needs.
- Expand customer base through Trade Finance & Financial Supply Chain.
- Boost cross-selling of Bank's products & services as bundled solutions.
- Improve Trade asset quality.
- Enhance system capability and develop new products.
- Support Sales & Distribution and LOB as product experts.

## Subsidiary Business Review

# Adira Finance

Throughout 2015, Adira Finance disbursed financing for the purchase of 1.5 million motorcycles of Rp17.6 trillion, as well as financing for 111 thousand automobiles of Rp12.6 trillion.

### ADIRA FINANCE ORGANIZATION STRUCTURE



Adira Finance's vision is "Creating shared values for the sustainability of the company and the welfare of Indonesian society." This vision is being realized through the following missions:

- Provide a variety of products and services to serve every stage in a customer's life cycle;

- Provide beneficial and friendly experiences for stakeholders; and
- Enable communities to reach prosperity.

The Company is committed to building long-term partnerships with consumers and business partners by introducing its new logo and tagline, "Sahabat

Setia Selamanya.” The new logo is a manifestation of the Company’s long term business strategy to support sustainable performance.

With this new identity, Adira Finance seeks to serve consumers in all aspects of life to create a long-term relationship or customer for life. The Company hopes that consumers sense the presence of Adira Finance as a friend who is capable of providing the solutions they need, and seeks to work together in the “Sahabat Adira” concept. Sahabat in the philosophy of Adira Finance contains personalized values to be reflected to the consumers: intelligent, trustworthy, friendly, helpful, attentive, and committed.

Adira Finance’s key market segment is people with mid and mid to low income levels who need both two-wheeler and four-wheeler, new and used, motor vehicles primarily for productive purposes.

### Services and Products

In principle, the Company offers the following products and services:

No	Product and Services	Description
1.	Consumer Financing	Financing for the purchases of goods based on the needs of consumers with installment payments.
2.	Leasing	Financing provided as capital goods either through Finance Lease or Operating Lease for use for a certain period which is to be repaid through installments.
3.	Syariah-based Consumer Financing	Financing for purchases of goods based on the needs of consumers which is to be repaid through Syariah-based installments.

### Strategy and work program 2015

The Company applied the following strategy for 2015:

#### Improve the quality of relationships with and provide the best value for the company’s stakeholders

To improve the quality of relationships with stakeholders, Adira Finance conducted various programs and activities that stimulate active communication with its stakeholders. The programs to be implemented include partnerships with dealers and other corporate business partners, and encouragement and provision of facilities for consumers’ community activities.

#### Commitment to optimal service to consumers

Adira Finance will continue to optimally improve service to consumers, by enhancing the quality of both service infrastructure in the business network and human resources. By providing customer-oriented maximum services that meet their expectations, Adira Finance seeks to become a reliable provider of financial services and a key partner who is loyal to its consumers for their entire lives. In addition, the company continues to enhance its commitment to the highest level possible and seeks to build bonds with consumers.



### The Implementation of balanced risk management

To keep risks managed in a sustainable way, the company consistently improves the quality of its risk management both in terms of systems and human resources, and keeps it balanced with strict execution of the precautionary principles.

### Improving Operational effectiveness and efficiency

Adira Finance continues to increase operational effectiveness and efficiency by reorganizing business network systems, and upgrading information technology as well as other operating systems. Recently developed is the Mobile Collection System (MCS) that allows field officers to access a list of the company's customers online and input findings from visits to on-line customers without having to return to the office.

### Applied adaptive strategies of the latest developments

In response to the current business progress, the company remains flexible in continuously monitoring and adapting to current developments and maintains the principles of prudence while continuing to implement effective strategies in an effort to sustain business and create shared value for the community through the establishment of Keday and deeper relations with other partners.

### Performance in 2015

	Target 2015	2015	2014
New Financing (Rp billion)	5% Growth	30.5	34.1
Non Performing Loans(%)	2% Below	1.7	1.5

Throughout 2015, Adira Finance provided financing for the purchase of 1.5 million motorcycles, amounting to Rp17.6 trillion. Financing was also disbursed for the purchase of 111 thousand new cars, amounting to Rp12.6 trillion. Since May 2015, the Company provided financing for the purchase of durable goods as a strategy to offer a 'one-stop solution' to consumers, and financing for this new sector reached Rp270 billion.

At the national level, sales of new vehicles, of both new motorcycles and new cars were for the entire year were affected throughout 2015 by challenging business and economic conditions. Sales of new motorcycles fell 18% to 6.5 million units. Furthermore, sales of new cars were down 16% to 1.0 million units. This had an impact on Adira Finance's business as financing for new vehicles fell 20% to Rp18.6 trillion. However, Adira Finance managed to increase financing for used vehicles by 7% to Rp11.7 trillion. Thus, new financing was down only 10% to Rp30.5 trillion overall.

Syariah-based financing also increased by 90% to Rp4.5 trillion, representing 15% of new financing in 2015. Overall, Syariah-based financing contributed 12% to the financing receivables under management or Rp5.4 trillion at the end of 2015.

By the end of 2015, the amount of financing receivables under management reached Rp46.4 trillion. Through strong prudent credit management, NPF was maintained at 1.7%, and has remained stable since the first semester of 2015. This figure is well below the maximum limit of 5%.

### **Adira Finance Strategies and Plans for 2016**

Adira Finance still sees the current strategies as relevant to be implemented in 2016. Generally, Adira Finance's strategies are as follows:

#### **Focus on high-yield portfolio**

The company focuses on financing for assets with a high return rate and maintaining the quality of financing assets.

#### **Prudent implementation of risk management**

By conducting a thorough study of the financial ability of every potential customer and requiring minimum down payment.

#### **Commitment to productivity and efficiency**

Continuous improvement in systems and procedures to improve productivity, support financial activities and improve efficiency.

#### **Strong and close relationship**

The company seeks to maintain good relations and increase the confidence and satisfaction of both consumers and business partners.

#### **Optimization of business network**

The company continues to optimize the functionality and performance of its business network in order to provide the best services to consumers and business partners.

#### **IT and Human Resources Development**

The company continuously seeks to develop IT and Human Resources.

#### **Synergy with the parent company, PT Bank Danamon Indonesia Tbk**

Joint products, network expansion and the consumer-based business potential of PT Bank Danamon Indonesia Tbk has created a strategic business synergy.

#### **Balanced Diversification of funding sources**

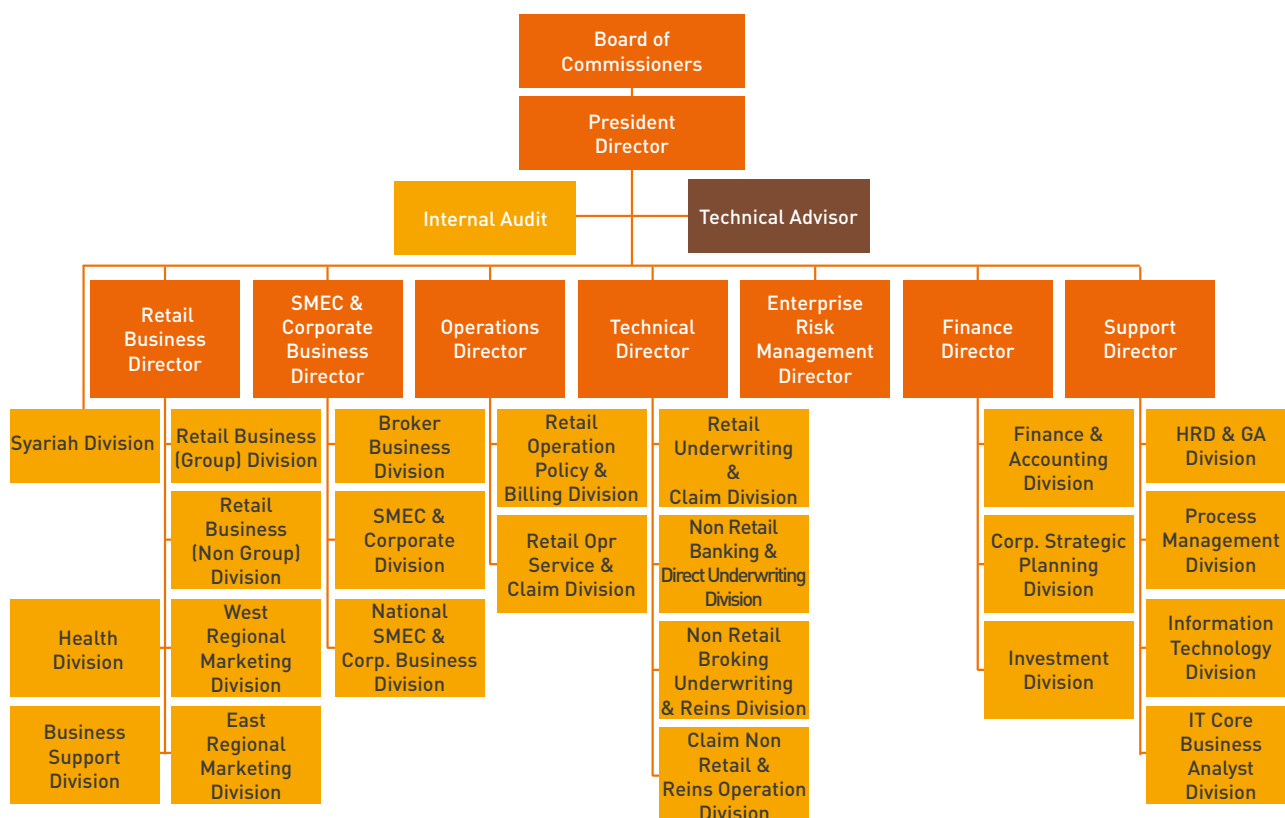
The company always seeks access to stable and competitive sources of funding to maintain sufficient funds for financing. Besides the full support from the Parent Company, Adira Finance is also moving towards diversification by accessing options available in the capital market in an effort to capture emerging business opportunities and maintain a balanced and effective capital structure.

## Subsidiary Business Review

# Adira Insurance

Adira Insurance implemented strategies in line with the Bank Business Plan, including innovative product development, distribution network expansion, and service innovation and excellence.

### ADIRA INSURANCE ORGANIZATION STRUCTURE



Adira Insurance is a company engaged in general insurance business and a member of the Danamon Group in which PT. Bank Danamon Indonesia, Tbk. has been the majority shareholder since 2004. The company was established in 2002, and after 14 years of operation, has assets of Rp4,903 trillion and capital of Rp1,556 trillion.

With the vision of “To be the Insurer of Choice”, at the end of 2015 the company manages nearly 10 million active policies comprising various

insurance products. The products available include conventional and Syariah based insurance. Leading products include motor vehicle insurance coverage such as Autocillin car insurance and Motorpro motorcycle insurance, Medicillin health insurance and Travelling travel insurance. The Company also provides other products such as Accident, Property, Heavy Equipment, Marine Hull, Engineering, Surety Bonds, Cargo, Litigation and other insurance products.



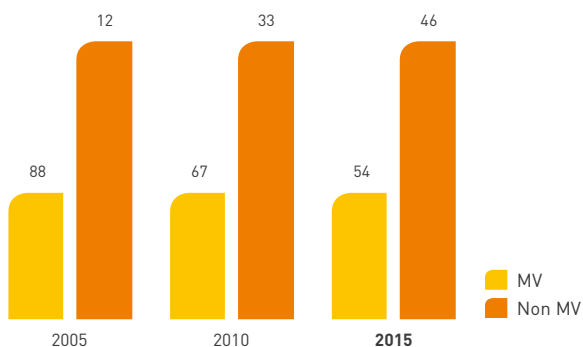
Adira Insurance's Employee and her Customer

### Business Initiatives 2015

As stated in the Bank Business Plan, the strategy and initiatives implemented by Adira Insurance in 2015 were:

- **Innovative Product Development**  
The company strived for a balanced business portfolio and innovative services that customers need as well as the expansion of the distribution network. The company not only developed and explored customer's needs in the automotive business line, but also focused on the needs of customers in the non automotive

#### Comparison of MV & Non-MV Portfolios in 2005, 2010 and 2015



sectors such as health, property, cargo and micro insurance.

- **Distribution Network Expansion**  
The distribution network is continually expanded in line with the development of digital based distribution. In 2015, the company opened new networks in cooperation with four digital based marketing places. Through these market places, the Company sold various products such as Dengue Fever (DBD) insurance, Typhoid insurance, Motorpro motorcycle insurance, Travellin travel insurance and Autocillin car insurance vouchers. The company also collaborated with online travel agents' customers to provide travel insurance for en route travellers.

Also, the company has expanded cooperation with various business partners including 532 certified agents, 83 dealers, 44 brokers, 15 leasing companies, and 14 banks. In addition, the company has also worked together with business partners in the energy, mining and various other industries.

- **Service Innovation and Service Excellence**  
Efficient processing utilizing technology has always been the method of achieving superior and effective service. In 2015, the company improved the quality of its website from just an information source to a website for generating transactions. With changes in appearance, new features and change in the website address to [www.asuransiadira.com](http://www.asuransiadira.com), the website offers customers the option to purchase on-line DBD insurance, Typhoid insurance, accident insurance (known as Proteku), motorcycle insurance, car insurance, and travel insurance (known as Travellin). Specifically for Travellin travel insurance, customers are able to purchase products and make insurance claims through the [www.travellin.co.id](http://www.travellin.co.id) website.

To meet customers' need for digital access, the Autocillin Mobile Claim Application and Medicillin Mobile Claim have been made as simple as possible. In relation to digital technology, in 2015, the Company also developed an integrated internal system to accelerate and improve customer service. Other than the internal system, an important undertaking was embedding a culture of service and caring in all of the company's employees enabling and encouraging them to provide the best possible service to customers.

### 2016 Strategy and Business Plan

The Company's strategy in 2016 is as follows:

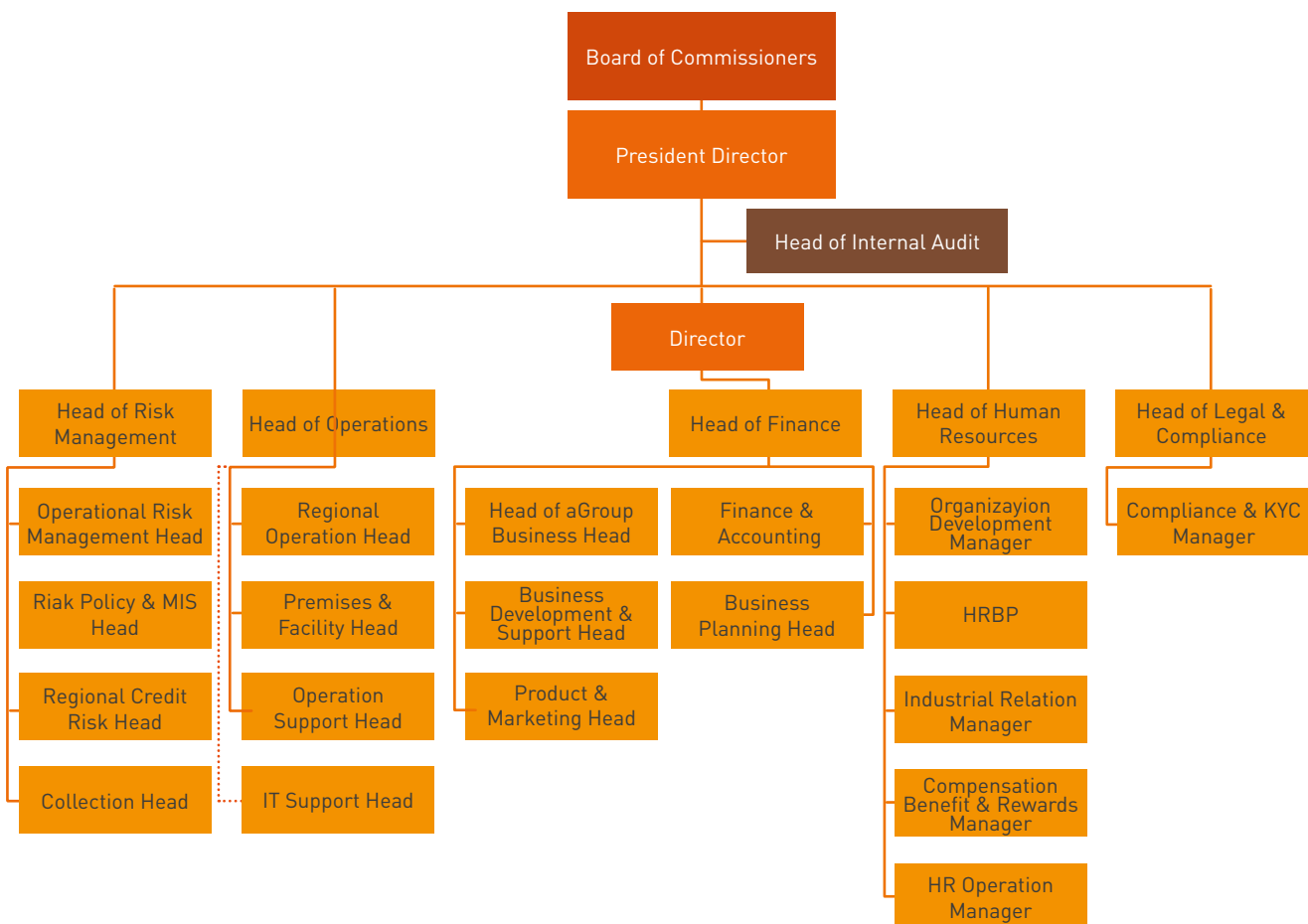
- Portfolio Balancing. Other than aspiring to become an automotive expert, the company also aims to become a professional player in the property and health industry as well as to strengthen the cargo business line to complement the Commercial and Small Medium Enterprises (SME) business sectors.
- Improve cooperation with the Danamon Group by collaborating with commercial, SME and consumer banking as well as Bank Danamon's branches to boost customer referrals to the company.
- Strengthen the main distribution network and build alternative networks as follows:
  - Continue investment outside the Danamon's distribution network, such as brokerage companies or other banks.
  - Develop the digital distribution network
  - Provide value added services to strengthen sales value to customers.

## Subsidiary Business Review

# Adira Kredit

Adira Kredit serves all consumer segments with unique values based on sales excellence and superior service, all in order to achieve the aspiration of becoming a leading and preferred financial institution.

### ADIRA KREDIT ORGANIZATION STRUCTURE



### Adira Kredit at Glance

PT. Adira Quantum Multifinance is a company that provides financing for purchases of consumer goods such as Electronics, Computers, Furniture and other Appliances with an office network covering major cities in Indonesia.



Better known as Adira Kredit, the company officially began operations on March 23, 2003. Adira Kredit has always been committed to providing quality service. Adira Kredit is fully supported by Bank Danamon as its major shareholder.

The company's vision of "We Care and Enable Millions to Prosper" has a meaning that employees at all levels will give deep attention with sincerity to the shareholders and all stakeholders. The company's mission is to move forwards to become a "Leading Financing Institution " in Indonesia with a strong market presence offering consistent service to all consumer segments through unique values based on sales excellence and superior service. Fulfilment of this will ultimately help realize the company's aspiration of becoming a leading and preferred financial institution, keen to work optimally, and an institution which borrowers, employees, shareholders, regulators and the local community hold in high respect.

### Services and Products

The need for quality items often cannot be met due to low purchasing power. It is for that reason that Adira Kredit has come to provide solutions and alternatives to the public to buy items on credit.

Adira Kredit offers financing facilities for purchases of consumer goods such as electronics, computers, furniture, appliances, tablets and mobile phones with installment payments.

### Strategy and Work Program in 2015

Consistent with its work program, the company in 2015 curtailed business and operational activities in

most areas while beginning to develop an alternative strategy for synergy with Adira Finance to study and identify possible new business models.

Adira Kredit operations will focus on financing in its 9 (nine) business outlets that have shown large contributions, namely Padang, Pekanbaru, Batam, Bandung, Surabaya, Banjarmasin, Balikpapan, Manado and Makassar, concentrating also on low-risk consumer segments.

All business outlets of Adira Kredit are still making collections while all of its existing payment channels can still serve customers and receive payments from them. Adira Kredit also continues to operate its centralized customer service through its Service Centre.

### Performance in 2015

	2015 Target	2015	2014
New Financing (in Billion Rupiah)	-1.3%	116.8	118.3
Non Performing Financing	10.4%	4,058	3,674

The strategy to significantly reduce business and curtail operational activities in 2015 led to a much lower target figure for new financing compared to the previous year.

Impairment of net receivables declined quite considerably due to the implementation of this strategy during 2015, and this has resulted in a higher ratio of non performing loans as the value of consumer financing receivables declined accordingly.

### Strategy and Plan for 2016

The strategy followed in the previous years will continue to be implemented in 2016, including:

#### Management Policy and Strategies

The company will continue to implement its restricted operational strategy, to effect pause on sales at all business outlets while developing new financing schemes with Adira Finance and enhancing efficiency in terms of labor costs and asset management.

Collection activities will continue to be carried out at Adira Kredit business outlets while all of its existing payment channels will continue to serve customers and receive installment payments from them. Services to customers will be provided through Customer Service, including handling of consumer complaints and providing information to remind consumers of the value and maturity of their installments.

The Company is also considering several options for business sustainability including the option for merger with Adira Finance to create synergy in sustainable business with the Company's other subsidiaries.

#### Risk Management and Compliance Functions

The Company will continue to implement the Risk Management function in accordance with the Company's provisions that are integrated with the Parent Company. The compliance function is implemented independently and is integrated with that of the Parent Company.

#### Development and Marketing Plans

Business development will be more directed towards co-financing jointly developed with Adira Finance.

## Marketing Strategy and Market Share

To provide better service for Danamon customers, Danamon's products and services were made more reliable and accessible. These initiatives were supported by brand equity led marketing strategy to enhance customer acquisition, build Danamon brand recognition and increase customer loyalty.

### A. MARKETING STRATEGY

An effective marketing strategy is crucial to fulfilling the Bank's mission. As a financial services provider, Danamon's and its subsidiaries' main priority is to focus on customer needs. The two main goals of Danamon's marketing strategy are to ensure its products and services deliver the targeted results, and to enhance Danamon's brand equity by way of:

#### 1. Boosting Customer Acquisition

Interesting and relevant marketing campaigns, targeted at particular customer segments via suitable media platforms, are essential to increase customer numbers.

#### 2. Strengthening Danamon Brand Recognition

Danamon has highlighted its brand promise of "Untuk Anda, Bisa" ("We Make it Happen for you") since 2008. This brand promise is what we want customers to experience everytime they use Danamon's products and services. This slogan is publicized on communication channels such as television and radio, as well as print, digital, outdoor, and social media to reinforce Danamon's brand recognition and public image. Danamon's marketing approaches use both above the line (ATL) and below the line (BTL) methods.

#### 3. Improving and Building Customer Loyalty

Danamon is committed to developing customer loyalty through service excellence and customer satisfaction, and by promoting the advantages of all Danamon's products and services. In addition, a key factor in maintaining customer loyalty is the Bank's immediate response to customer complaints and issues, via the Hello Danamon contact centre. Initiatives such as these will combine to build and foster a positive and strong relationship between Danamon and its customers.

Among the campaigns that promote the products and services of each business unit are "Danamon Lebih" (Danamon Plus) highlighting its five features, FlexiMAX for ease of transactions, Danamonline for online banking, D-Mobile for mobile banking, Tabungan Si Pintar (Smart Savings) for the micro business segment, Tabungan Bisa Umrah IB (Pilgrimage to Mecca Savings) for the Syariah segment, and customer services via Hello Danamon.

Growth of Danamon's brand equity is realized through the Danamon Social Entrepreneurship Award (DSEA) and Banking Education programs.

Service improvement efforts for Danamon's customers have been acknowledged with the following awards:

- Customer Satisfaction Award – Consumer Banking of the Year (Roy Morgan Research)
- WOW Service Excellence Monitor 2014/2015 (Marketing Research Indonesia)
- Customer Experience in Financial Services (CXFS) Asia Awards 2015 (Timetric)

### MARKETING STRATEGY RESEARCH

Danamon regularly conducts marketing strategy surveys, known as Banking Rapid Reaction Monitor (BRRM) in cooperation with leading survey institutions. The surveys assess areas of improvement covering Brand Equity, Brand Awareness and Advertising Awareness and indicate what is needed to build a strong brand. The survey is conducted in 9 large cities in Indonesia (Jakarta, Bandung, Semarang, Surabaya, Medan, Balikpapan, Palembang, Makassar and Denpasar).

### EXAMPLES OF MARKETING STRATEGY REALIZATION

A few example of marketing strategy implementation to support Danamon's line of businesses are as follows:

#### PRODUCTS AND SERVICES

Information on Products and Services can be viewed under "Company Data".

#### MARKETING CAMPAIGNS

Marketing campaigns in 2015 included improvement of some features of the online banking payment service (Danamon Online Banking); launching of E-Commerce payment service, Tabungan Bisa Umroh iB, Proteksi Prima Amanah iB, Mobil DSP, Heboh 1 Milyar D & P program as well as improvement in supply chain services and cross selling to customers of consumer, commercial, and corporate banking.

### Tabungan Danamon Lebih, Nabung Gak Pake Bocor!

There are five advantages:

1. No administration fee
2. 5% cash back
3. Competitive transfer fee
4. No cash withdrawal fee
5. Free life insurance

### Tabungan Fleximax

Fleximax offers ease of transactions and financial benefits:

- No RTGS/LLG clearing fees
- No administration fee
- Free overseas ATM cash withdrawals
- Higher interest rate (stepped interest rate in relation to balance)
- Fantastic prizes (in relation to balance)
- Free access to Executive Airport Lounges
- Free daily balance report via facsimile
- No queuing at counters

### D-Mobile, Danamon Mobile Banking

Danamon Mobile Banking offers ease and convenience when making transactions on smartphones.



Advantages include:

### Easy and Flexible

Download and install D-Mobile application. Activation can be done directly through the application of D-Mobile, without visiting a branch/ATM. Use your User ID and Password of DOB or Debit Card/ATM to register. If you do not have Danamon savings account, you can complete the activation through your Danamon Credit Card (Visa or MasterCard).

### Dynamic, Simple and Personalized

With D-Mobile, balance enquiries, transfers between banks, billing payments and purchases can be accessed using a smart phone. It also provides features such as Augmented Reality (an exciting way to search for discounts offered by Danamon's merchants), and SosMed D-Cash (a new way to transfer funds to Facebook friends). With D-Mobile, customers can change the image or photo icon of their account as they wish.

### Extensive and Fast Network

Access to secure data networks (GPRS/3G, EVDO-CDMA, WiFi) with international security standards such as EV SSL Certificate and HTTPS Host Security.

### E-Commerce Feature In Danamon Online Banking

In 2015, Danamon Online Banking augmented its features with the launching of E-Commerce payment service, an online shopping payment service, in line with the rise of the online - shopping lifestyle trend.

### Tabungan Bisa Umrah

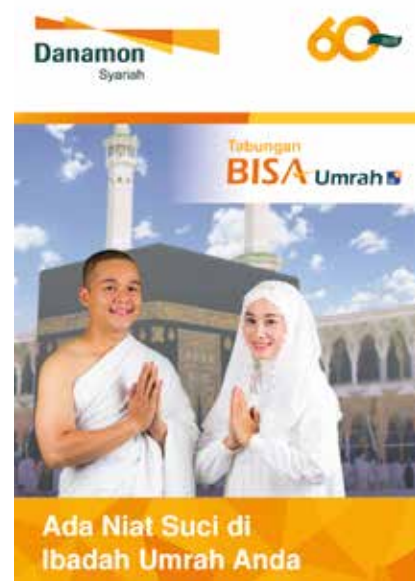
Danamon offers planned savings with the Syariah Mudharabah Contract account to assist customers in preparing funds for the Umrah pilgrimage, complemented with life insurance coverage. Customers can set the amount and period of savings.

### Proteksi Prima Amanah

Danamon offers a syariah term life insurance protection program that provides life protection and benefits at the end of the contract period.

### Mobile DSP

Danamon Simpan Pinjam (DSP) has launched Mobil DSP, a mobile banking unit using a vehicle equipped with banking products and services such as account openings and lending applications.



Example of marketing strategies to improve Danamon's brand equity are as follows:

### DANAMON SOCIAL ENTREPRENEURSHIP AWARDS

The Danamon Social Entrepreneurship Awards (DSEA) have been conducted since 2006. They are Danamon's highest recognition of social entrepreneurs who have continuously fostered entrepreneurship in their surrounding areas and were able to alleviate social issues in their respective areas, in line with Danamon's vision of "We care and enable millions to prosper."

### BANKING EDUCATION

In 2015 Danamon conducted Pojok Bisa (Banking Education Corner) in nine cities and at nineteen traditional markets located in six different provinces, for local market traders.

The recipients of the banking education program were Micro, Small and Medium Enterprise (MSME) traders and housewives. Danamon introduced them to and taught them about accounting records, and household finance management for housewives. The Bank also invited its successful MSME customers to share their tips for success in building up and maintaining a business.



## B. MARKET SHARE

In terms of third party funds and credit compared with the industry as a whole, Danamon managed to maintain its third party funds portion of 2.7% in 2015 compared with 2.9% in 2014. Meanwhile, as for Danamon credit portion compared with the industry as a whole, the Bank experienced a decrease to 3.2% in 2015 from 3.8% in 2014.

### Danamon Position in the Banking Industry

Rp trillion	YoY	2015	2014	2013	2012	2011
Danamon Third Party	-1.3%	116.8	118.3	110.8	91.7	88.1
Industry Third Party	7.3%	4,413	4,114	3,664	3,225	2,785
Danamon Loans	-7.0%	129.4	139.1	135.4	116.6	101.8
Industry Loans	10.4%	4,058	3,674	3,293	2,708	2,200

## Prospects and Business Development Strategy

**Going forward, Danamon will focus on growing the other business segments including Consumer, SME and Commercial Banking beyond our strengths in the mass market segment, while leveraging synergies with subsidiaries, in addition to putting greater focus on *talent development* and skills training as well as prudent risk management.**

Going forward, the impact of the global economy will remain a challenge for the Indonesian economy, as the outlook for the country's main exports is weak, compounded with persisting uncertainty in regards to a US interest rate hike in 2016.

Beyond our strengths in the mass market, Danamon will focus on growing the other business segments including Consumer Banking, 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.

We have defined a number of initiatives that will be implemented in 2016, including:

- In addition to its historical strengths in the mass market, Danamon Group will focus on developing other sectors, including SMEs, Commercial, Consumer, and Adira Insurance. Transaction Banking products will play an important role to improve Danamon's ability in attaining funds and fee based income. In addition, Syariah and Treasury will increase their sales forces to encourage growth.
- In early 2016, we will launch new Sales and Distribution (S&D) networks by integrating a Consumer and SME branch network into a single organization. S&D organization will improve skills of its branch office staff to offer customers the best products and bundled products. This initiative is expected to increase cross selling opportunities as well as encourage collaboration and accountability between the business lines and subsidiaries, ultimately improving customer service.
- The Bank will continue to enhance digital channels for consumer and business segments, and perform digitalized at the back-end processes. The Bank will also use data analysis to improve the ability to serve 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.
- Danamon Corporate University will be comprehensively developed to improve skills and increase employee productivity. 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.



## Financial Review

Amid a challenging business environment, Danamon maintained its operational costs and improved operating profit, sustaining a healthy capital adequacy ratio for the capital structure.



### COMPREHENSIVE INCOME

For the years 2013, 2014, and 2015, comprehensive income was Rp 4.0 trillion, Rp 2.7 trillion and Rp 2.5 trillion respectively, while net income for the same period was Rp 4.0 trillion, Rp 2.6 trillion, and Rp 2.4 trillion respectively.

### PROFIT/LOSS

Consolidated Statements of Income	Full Year					
	YoY	2015	2014	2013	2012	2011
Net Interest Income	0%	13,648	13,680	13,531	12,922	10,849
Net Underwriting Income	23%	527	427	487	464	392
Net Interest Income and Net Underwriting Income	0%	14,175	14,107	14,018	13,386	11,241
Other Operating Income	-6%	4,082	4,336	5,156	4,649	4,213
Other Operating Expense	0%	14,313	14,380	13,569	12,464	10,280
Net Operating Income	-3%	3,943	4,063	5,605	5,571	5,174
Non Operational Expense – Net	30%	662	510	75	84	623
Income Before Tax	-8%	3,281	3,553	5,530	5,487	4,551
Income Tax Expenses	-7%	812	870	1,371	1,370	1,149
Income After Income Tax Expense	-8%	2,469	2,683	4,159	4,117	3,402
Net Income Attributable to Non-Controlling Interest	-4%	76	79	118	105	108
Net Income Attributable to Equity Holders of the Parent Entity	-8%	2,393	2,604	4,041	4,012	3,294
Basic Earnings per Share	-8%	249.70	271.69	421.68	418.57	373.99
Comprehensive Income Attributable to Equity Holder of Parent Entity	-8%	2,459	2,683	3,961	3,978	3,260
Comprehensive Income Attributable to Non Controlling Interest	1%	78	78	115	103	113

Other Comprehensive Income	Full Year					
	YoY	2015	2014	2013	2012	2011
Actuarial profit (loss) on defined benefit plan	-146%	35	(76)	-	-	-
Income tax related to other comprehensive income	-147%	(9)	19	-	-	-
Foreign exchange difference from translation of financial statements in foreign currency	-	-	-	-	-	(2)
Available for sale financial assets:						
Profit (Losses) in current year	-125%	(59)	235	(124)	(16)	(65)
-Amount Transferred to Profit or Loss in Respect of Fair Value Change	-162%	8	(13)	(11)	(4)	(31)
Cash Flow Hedges:						
-Effective portion on fair value changes of derivative instrument for cash flow hedges	-235%	115	(85)	18	(17)	(2)
Income tax relating to components of other comprehensive income	950%	(21)	(2)	35	2	24
Other Comprehensive Income Net of Tax	-12%	69	78	(82)	(35)	(76)
<b>Total Comprehensive Income</b>	<b>-8%</b>	<b>2,538</b>	<b>2,761</b>	<b>4,077</b>	<b>4,082</b>	<b>3,326</b>

\* 2011 is restated due to the first time adoption of SFAS62, SFAS28 (R2012) and SFAS36(R2012) in subsidiaries

In 2015, the 8% declines in comprehensive income and net income were primarily due to a high decline of 6% (Rp 255 billion) in other operating income from Rp 4,336 billion in 2014 to Rp 4,081 billion in the previous year. While, net interest income declined slightly by Rp32 billion to Rp13,648 billion, compared to Rp13,680 in 2014.

## INCOME

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Interest Income	-2%	22,421	22,991	20,131	18,858	16,882
Premium Income	18%	1,761	1,492	1,258	1,152	958
Other Operating Income	-6%	4,082	4,336	5,156	4,649	4,213
<b>Total Operating Income</b>	<b>-2%</b>	<b>28,264</b>	<b>28,819</b>	<b>26,545</b>	<b>24,659</b>	<b>22,053</b>
Non Operating Income	120%	101	46	43	84	100
<b>Total</b>	<b>-2%</b>	<b>28,365</b>	<b>28,865</b>	<b>26,588</b>	<b>24,743</b>	<b>22,153</b>

Bank income is derived from interest income and other operating income, but it also consists of premium income and non-operating income.

The Bank's income in 2015 decreased by 2% or Rp500 billion to Rp28,365 billion, compared to Rp28,865 billion in 2014.

## Interest Income

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Loans	-4%	14,797	15,335	13,581	13,147	12,153
Government bonds	8%	352	326	232	231	290
Marketable securities and other notes receivable	0%	1,019	1,019	718	735	875
Consumer financing income	-1%	5,966	6,055	5,428	4,613	3,421
Placement with other banks and BI	12%	287	256	172	132	143
<b>Total</b>	<b>-2%</b>	<b>22,421</b>	<b>22,991</b>	<b>20,131</b>	<b>18,858</b>	<b>16,882</b>

Interest income of the Bank is mainly derived from loans and consumer financing. In 2015, interest income decreased by 2%, or Rp570 billion to Rp22,421 billion compared to 2014 which amounted to Rp22,991 billion. This decrease was due to the slowing growth in loans which led to the decline in the Bank's income.

## Other Operating Income

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Fees and commissions income	-9%	1,621	1,775	1,728	1,536	1,323
Fees	-16%	2,213	2,642	3,271	2,992	2,844
(Loss)/gain from changes in fair value of financial instrument	-106%	8	(127)	80	41	22
Realized gain (loss) from derivative instruments	1354%	189	13	208	(44)	(47)
(Expense) income from foreign exchange transactions	-343%	17	(7)	(139)	106	42
Dividend income	-0%	1	1	5	5	5
Gains on sale of marketable securities and Government bonds – net	-15%	33	39	3	13	24
<b>Total</b>	<b>-5,9%</b>	<b>4,082</b>	<b>4,336</b>	<b>5,156</b>	<b>4,649</b>	<b>4,213</b>

Other operating income mainly came from provisions & commissions and service fees.

In 2015, this post experienced a decrease of 5.9% or Rp254 billion to Rp4.082 billion compared to Rp4.336 billion in the previous year, due to a decrease of Rp429 billion in service fees and an increase of Rp176 billion in realized derivative instruments.

## Non-Operating Revenues

In 2015, there was an increase of 120% or Rp55 billion to Rp101 billion compared to Rp46 billion in 2014, primarily due to the recognition of restructuring cost, recording a surplus in the amount of Rp20 billion, income refund from debtors in the amount of Rp20 billion and return on building lease in the amount of Rp3 billion.

## EXPENSES

The Bank's expenses consist of operating and non-operating expenses.

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Interest Expense	-6%	8,772	9,312	6,600	5,936	6,033
Insurance Underwriting Expenses	16%	1,234	1,064	771	689	566
Other Operating Expense	0%	14,313	14,380	13,569	12,464	10,280
Total Operating Expense	-2%	24,319	24,756	20,940	19,089	16,879
Non-Operating Expense	37%	763	555	118	168	723
Total	-1%	25,082	25,311	21,058	19,257	17,602

Reclassification Other Receivables Allowance for Impairment Losses & Loss on sale of repo

The Bank's expenses decreased by 1% or Rp229 billion in 2015 to Rp25,082 billion, compared to Rp25,311 billion in 2014. The decrease in expenses in 2015 was affected by Operating Expenses, namely Deposit Interest Expense and non-operating expense.

### Interest Expense

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Deposits from customers	-6%	5,906	6,303	4,099	3,951	4,485
Borrowings and deposits from other banks	-5%	1,559	1,646	1,124	744	591
Securities issued	-6%	1,068	1,132	1,187	1,060	785
Deposit insurance guarantee expense	3%	239	231	189	181	172
Total	-6%	8,772	9,312	6,600	5,936	6,033

Interest expense in 2015 decreased by 6% or Rp540 billion to Rp8,772 billion, compared to Rp9,312 billion in 2014. This decrease was influenced by the decrease in customer deposit interest as a component of interest expense with the largest share of 6% or Rp397 billion to Rp5,906 billion in 2015 compared to Rp6,303 billion in 2014 due to the correction in the interest rate of customer deposits.

The weighted average effective interest rate in 2015 decreased to 4.75% compared to 5.59% in 2014. This decrease was due to the decline in the weighted average effective interest rate for current accounts to 4.63% in 2015 compared to 5.47% in the previous year, savings declined to 3.61% in 2015 compared to 4.30% in the previous year, and deposits declined to 6.88% in 2015 compared to 7.16% in the previous year, as well as from the call money - foreign currency decreased to 2.12% in 2015 compared to 4.82% in the previous year. The weighted average effective interest rate for call money - Rupiah increased to 6.49% in 2015 compared to 6.22% in the previous year.

Weighted Average effective interest rate per annum from other banks	2015	2014	2013	2012	2011
Current Accounts	4.63%	5.47%	4.75%	4.08%	4.61%
Savings	3.61%	4.30%	3.51%	3.99%	4.68%
Deposits & Deposits on Call	6.88%	7.16%	5.57%	5.87%	6.81%
Call Money - Rupiah	6.49%	6.22%	5.21%	4.57%	6.77%
Call Money - Foreign Currencies	2.12%	4.82%	2.00%	1.99%	1.18%
Weighted average	4.75%	5.59%	4.21%	4.10%	4.81%

## Other Operating Expense

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Salaries and employee benefits	-17%	4,834	5,811	5,713	5,163	4,413
General and administrative expenses	-6%	3,415	3,652	3,689	3,388	3,080
Allowance for impairment losses	27%	5,082	3,986	3,348	3,151	2,183
Fees and commissions expense	-20%	279	347	354	309	241
Others	20%	703	584	465	453	363
<b>Total</b>	<b>-1%</b>	<b>14,313</b>	<b>14,380</b>	<b>13,569</b>	<b>12,464</b>	<b>10,280</b>

Reclassification allowance for impairment losses of other receivables & Loss on sale of repo

Other operating expenses in 2015 decreased by 0.5% or Rp67 billion to Rp14,313 billion, compared to Rp14,380 billion in 2014. The largest component influencing operating expense is the provision for impairment losses expense, salaries and employee benefits expense, as well as General & Administrative Expenses.

### Allowance for Impairment Losses

In 2015, allowance for impairment losses was one of the largest components of other operating expenses with an increase of 27% or Rp1.096 billion to Rp5.082 billion in 2015 compared to Rp3.986 billion in the previous year.

The largest component of allowance for impairment losses came from loans due to a decline in credit quality, forcing the Bank to post an increase of 48% in Allowance for Impairment Losses (CKPN) or Rp1,134 billion to Rp3,472 billion compared to Rp2,338 billion in 2014.

Movements of Allowance for Impairment Losses	Amount (in billion Rp) 2015	Amount (in billion Rp) 2014
Beginning Balance - 1 January	2,800,918	2,312,387
Reclassification	-	-
Allowance	3,471,825	2,338,494
Recovery	746,945	814,004
Write Off	(3,426,298)	(2,431,278)
FX Difference	(233,457)	(232,689)
<b>Ending Balance - 31 December 2015</b>	<b>3,359,933</b>	<b>2,800,918</b>

### Salaries and Employee Benefits

Salaries and employee benefits expense decreased significantly by 17% or Rp978 billion to Rp4,834 billion in 2015 compared to Rp5,811 billion in 2014, due to adjustments to the calculation of bonus allowances & other facilities by 26% or Rp674 billion to Rp1,903 billion from Rp2,577 billion in 2014 which is in line with the decline in the income of the Company, and the reorganization transformation program to improve the productivity of the Bank which led to a reduction in the number of employees, subsequently decreasing the salary expense by 7% or Rp188 billion to Rp2,627 billion from Rp2,815 billion in 2014.

## General and Administration Expense

General and administrative expenses decreased by 6% or Rp237 billion to Rp3,415 billion in 2015 compared to Rp3,652 billion in 2014, due to a decrease in office expenses, advertising expenses, as well as more efficient branch rental costs and communication costs resulting from business network optimization.

## Non Operating Expense

In 2015, there was an increase of 37% or Rp208 billion to Rp763 billion from Rp555 billion in 2014, related to the continuing business transformation program as strategic consolidation measures were conducted by the Bank.

## Dupont Analysis

Rp billion	Full Year				
	2015	2014	2013	2012	2011
Operating Income	9.3%	9.0%	10.0%	11.1%	10.5%
Operating Expense	-4.8%	-5.0%	-5.3%	-5.7%	-5.4%
Cost of Credit	-2.6%	-1.9%	-1.7%	-1.9%	-1.9%
Net Operating Income	1.9%	2.1%	3.0%	3.6%	3.2%
Non Operating Income (Expense)	-0.2%	-0.3%	-0.1%	-0.1%	-0.1%
Taxes	-0.4%	-0.4%	-0.7%	-0.9%	-0.8%
Asset Turnover	1.3%	1.3%	2.2%	2.6%	2.3%
Leverage	5.9X	6.5X	6.6X	6.3X	7.4X
ROAE	7.5%	8.6%	14.5%	16.2%	17.2%

## BALANCE SHEET

### Assets

Rp billion	Full Year										
	YoY	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
Cash	-4%	2,728	1%	2,856	1%	2,944	2%	2,457	2%	1,895	1%
Current accounts with Bank Indonesia	-7%	9,511	5%	10,268	5%	9,261	5%	7,718 <sup>a)</sup>	5%	7,760 <sup>a)</sup>	5%
Current accounts with other banks	-20%	3,866	2%	4,858	2%	5,335	3%	3,717	2%	2,640	2%
Placements with other banks and Bank Indonesia – net	86%	17,983	10%	9,675	5%	7,399	4%	6,361	4%	13,232	9%
Securities	-28%	6,392	3%	8,888	5%	7,727	4%	7,307	5%	4,820	3%
Loans – net	-8%	124,891	66%	135,110	69%	132,143	72%	113,526 <sup>b)</sup>	73%	99,143 <sup>b)</sup>	70%
Government bonds	5%	6,916	4%	6,605	3%	5,598	3%	4,063	3%	3,947	3%
Fixed assets – net	3%	2,559	1%	2,490	1%	2,384 <sup>d)</sup>	1%	2,096	1%	1,899	1%
Others	-12%	13,211	7%	15,071 <sup>e)</sup>	8%	11,547 <sup>d)</sup>	6%	8,546 <sup>c)</sup>	5%	6,956 <sup>c)</sup>	5%
Total	-4%	188,057	100%	195,821	100%	184,338	100%	155,791	100%	142,292	100%

\*) Including consumer financing receivables

Note: All figures are presented in net amounts

Notes:

a) Reclassification Prefund clearing BI

b) Reclassification other receivables

c) Reclassification other receivables & Prefund clearing BI

d) Reclassification fixed Assets to others

In 2015, the Bank's assets decreased by 4% or Rp7.764 billion to Rp188,057 billion, compared to Rp195,821 billion in 2014. Based on percentage, the major decline is derived from securities which decreased by 28% or Rp2.496 billion to Rp6,392 billion in 2015 compared to Rp8,888 billion in 2014. Loans, which is the largest portion of the component, namely 66% of total assets, experienced a decrease of 7% or Rp10,219 billion to Rp124,891 billion, compared to Rp135,110 billion in 2014 due to slowing economic growth.

The component of assets which experienced a significant increase is placements with Other Banks and Bank Indonesia, which increased by 86% or Rp8.308 in 2015 to Rp17,983 billion, compared to Rp9,675 billion in 2014. Government bonds also increased by 5% in 2015 to Rp6,916 billion compared to Rp6,605 billion in year 2014.

### Current Assets

The Bank manages its liquidity with prudence by constantly maintaining liquid assets at an adequate level. Other than liquid funding sources from cash and placements with Bank Indonesia and other banks, the securities portfolio presented in the available for sale account is also included in the liquid asset portfolio.

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Cash	-4%	2,728	2,856	2,944	2,457	1,895
Current accounts with Bank Indonesia	-7%	9,511	10,268	9,261	7,718 <sup>a)</sup>	7,760 <sup>a)</sup>
Current accounts with other banks - gross	-20%	3,866	4,858	5,335	3,717	2,640
Placements with other banks and Bank Indonesia – gross	86%	17,983	9,675	7,399	6,361	13,232
Marketable securities – available for sale and trading	-28%	6,176	8,620	7,347	6,811	4,173
Government bonds – available for sale and trading	5%	6,916	6,605	5,598	4,063	3,947
<b>Total Current/Liquid Assets</b>	<b>10%</b>	<b>47,180</b>	<b>42,882</b>	<b>37,884</b>	<b>31,127</b>	<b>33,647</b>

Note: a) Reclassification Prefund clearing BI

In 2015, total current assets increased by 10% or Rp4,298 billion to Rp47,180 billion, compared to Rp48,882 billion in 2014. The increase was mainly due to the increase in placements with other banks and BI by 86% or Rp8,308 billion to Rp17,983 billion compared to Rp9,675 billion in the previous year. The reason was an increase on time deposits in currency at Bank Indonesia of Rp8.669 billion. An increase was also experienced in government bonds available for sale and trading.



## Loans

Classification of credit is based on business segment, category, economic sector, region, and interest & currency.

### Loans by Segment

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Wholesale	1%	18,494	18,391	18,828	12,663	12,532
SME&Commercial	-3%	38,500	39,814	37,606	30,544	24,241
Consumer *)	3%	11,174	10,847	9,178	7,371	5,692
Mass Market *)	-13%	61,199	70,005	69,771	66,005	59,394
Total	-7%	129,367	139,057	135,383	116,583	101,859

Notes:

all amounts are gross amounts

\*) Previously Pawnbroking classified as Mass Market, in 2014 classified as Consumer

Outstanding Loans in period to 2015 amount Rp129.367 billion are include loan loss provision, consumer financing, and rental financing are amount Rp4.476 billion

In 2015, the loan portfolio decreased by 7% to Rp129,367 billion, compared to Rp139,057 billion in 2014.

The Bank maintains a healthy balance sheet and loan quality by running a prudent strategy in loan disbursements and anticipating economic trends as well as market developments in order to obtain profitability and a healthy and sustainable assets growth.

The Mass Market loans are loans disbursed to the micro business segment through Danamon Simpan Pinjam (DSP) and consumer financing that consists of automotive financing through its subsidiary Adira Finance as well as electronics and household appliance financing through Adira Kredit. The Mass Market portfolio is a predominant component that accounts for 47% of Danamon's overall lending portfolio.

In 2015, the mass market credit portfolio decreased by 13%, or Rp8,806 billion to Rp61,199 billion, compared to Rp70,005 billion in 2014. The decrease is due to a decline in auto loans by 6% or Rp3,198 billion to Rp46,421 billion, compared to Rp49,619 billion in the previous year and a decline in micro credit and financing for household appliances which decreased respectively by 23% and 88% compared to the previous year.

SME & Commercial loans for medium-scale business segments contributed a portion of 30% of total loans and in 2015 decreased by 3% or Rp1,314 billion to Rp38,500 billion compared to Rp39,814 billion in 2014.

Wholesale loans increased by 1% or Rp103 billion to Rp18,494 billion, compared to Rp18,391 billion in 2014.

Consumer loans increased by 3% or Rp327 billion to Rp11,174 billion, compared to Rp10,847 billion in 2014.

## Lending by Loan Category

Rp billion	Full Year												
	YOY	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
Consumption*	-22%	46,545	36%	59,917	43%	58,506	43%	54,811	47%	48,634	48%	36,834	45%
Working Capital	4%	52,378	40%	50,474	36%	49,288	36%	39,718	34%	34,737	34%	32,127	39%
Investments	11%	28,073	22%	25,206	18%	24,314	18%	20,238	17%	17,152	17%	12,530	15%
Export	-43%	1,951	2%	3,437	2%	3,248	2%	1,801	2%	1,323	1%	1,156	1%
Loans to Commissioners and Senior Management	1726%	420	0%	23	0%	27	0%	15	0%	13	0%	11	0%
<b>Total</b>	<b>-7%</b>	<b>129,367</b>	<b>100%</b>	<b>139,057</b>	<b>100%</b>	<b>135,383</b>	<b>100%</b>	<b>116,583</b>	<b>100%</b>	<b>101,859</b>	<b>100%</b>	<b>82,658</b>	<b>100%</b>

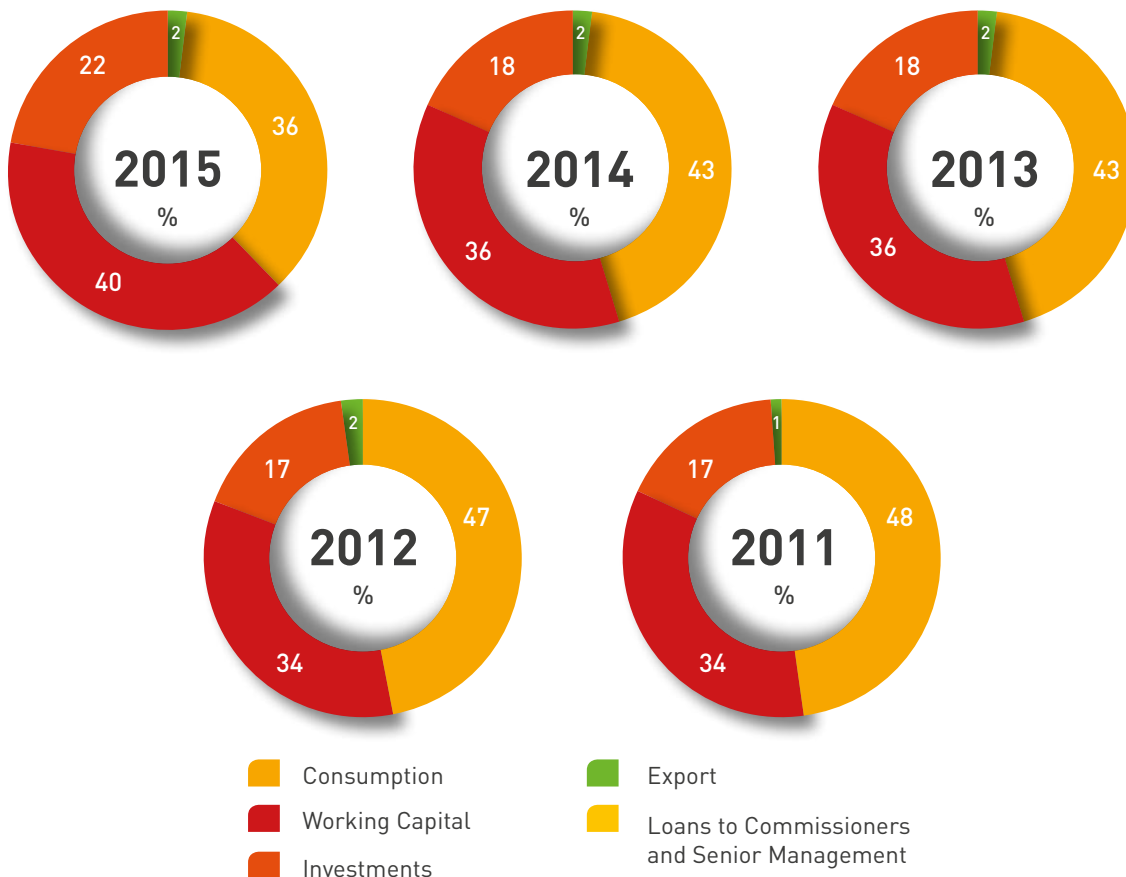
\*] Including consumer financing receivables and leasing for customers of Adira Finance

Note:

a) Reclassification other receivable Rp24.966,87 billion

b) Reclassification Leasing Rp1.557,06 billion

## Lending by Loan Category



Based on the category of use, working capital loans and consumption loans contributed the major portion of 40% and 36% of total loans followed, investment loans, and export loans respectively by 22% and 2%.

In 2015, the working capital loan portfolio increased by 4% or Rp1,904 billion to Rp52,378 billion, compared to Rp50,474 billion in 2014. Investment loans increased by 11% or Rp2,867 billion to Rp28,073 billion, compared

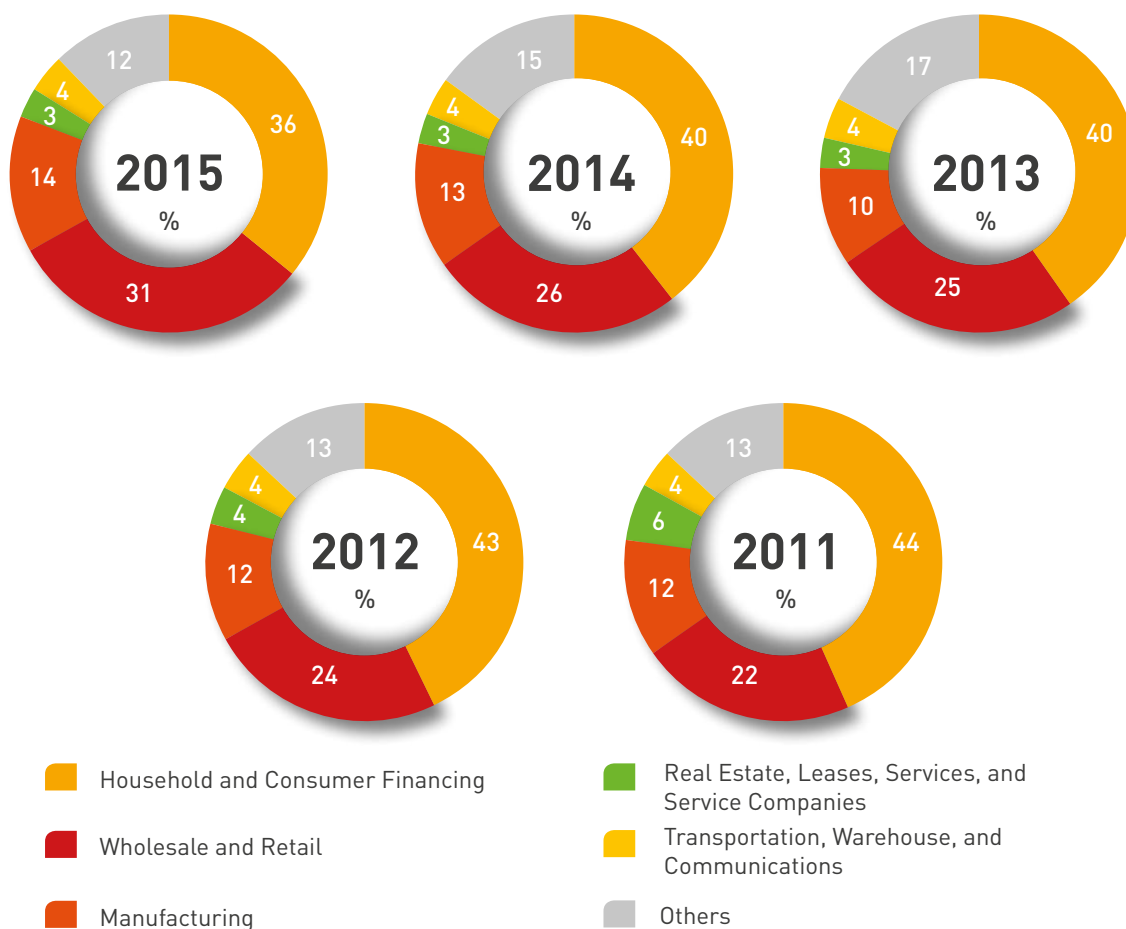
to Rp25,206 billion in 2014. Credit experienced a significant decrease of 22% or Rp13,372 billion to Rp46,545 billion, compared to Rp59,917 billion in 2014. Export loans decreased by 43%, or Rp1,486 billion to Rp1,951 billion compared to Rp3,437 billion in 2014.

### Loans by Economic Sector

Rp billion	Full Year										
	YOY	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
Household and Consumer Financing	-16%	46,935	36%	55,953	40%	54,021	40%	49,920	43%	44,352	44%
Wholesale and Retail	12%	39,838	31%	35,465	26%	33,889	25%	27,932	24%	22,369	22%
Manufacture	-5%	17,521	14%	18,354	13%	13,124	10%	13,966	12%	12,201	12%
Real Estate, Lease, Services, and Service Companies	-15%	3,575	3%	4,228	3%	4,725	3%	4,655	4%	6,101	6%
Transportation, Warehouse, and Communications	14%	5,582	4%	4,890	4%	6,052	4%	4,450	4%	3,588	4%
Others	-21%	15,916	12%	20,167	15%	23,572	17%	15,659	13%	13,248	13%
Total	3%	129,367	100%	139,057	100%	135,383	100%	116,583	100%	101,859	100%

Note: a) Reclassification other receivables & Leasing

### Loans by Economic Sector



Based on the economic sector, household loans and consumer financing provided a major contribution of 36% of total loans, followed by the wholesale and retail, manufacturing, others, and transport, storage and communication, as well as real estate, leases, services and service companies respectively by 31%, 14%, 12%, 4% and 3%.

### Loans by Region

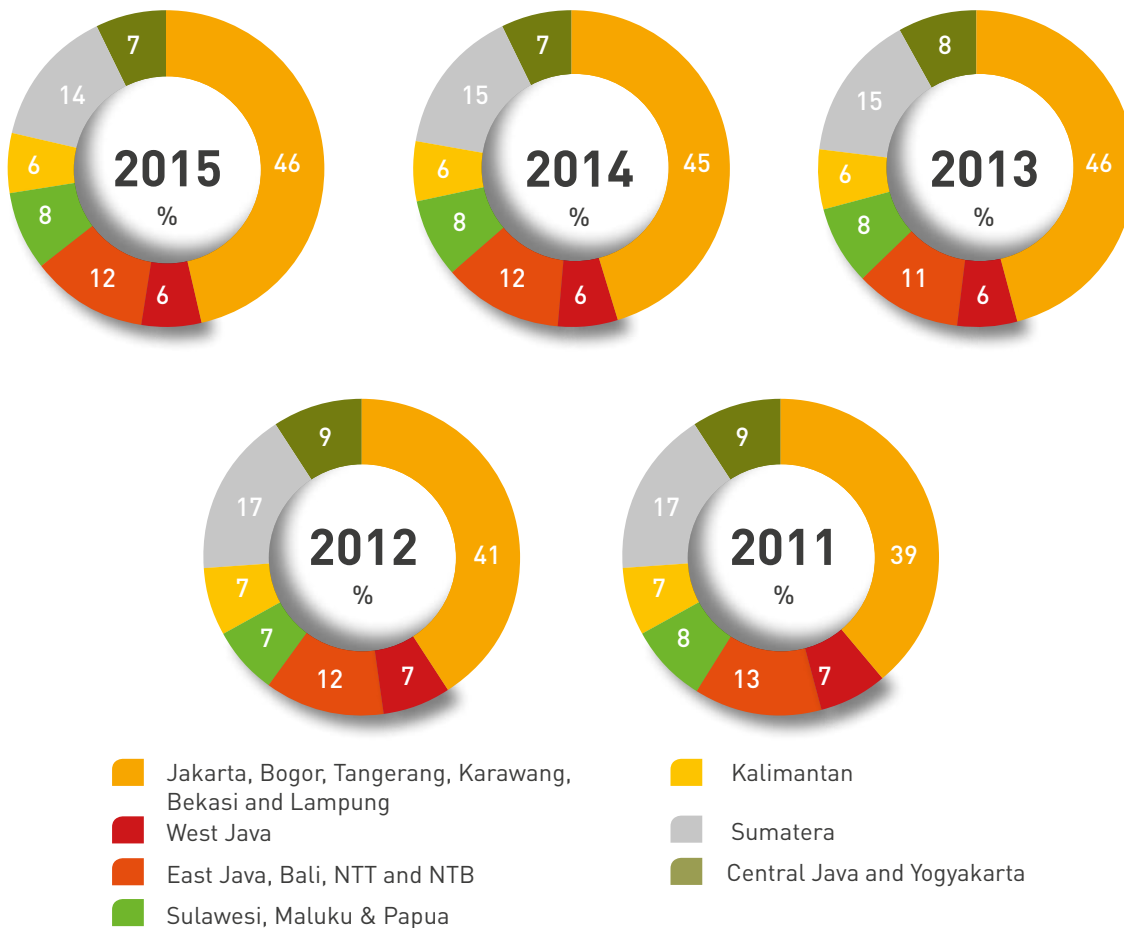
Rp billion	Full Year												
	YOY	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
Jakarta, Bogor, Tangerang, Karawang, Bekasi and Lampung	-4%	47,636	46%	49,812	45%	48,505	46%	38,479	41%	34,295	39%	28,794	38%
West Java	-1%	6,615	6%	6,710	6%	6,459	6%	6,066	7%	6,139	7%	6,062	8%
East Java, Bali, NTT and NTB	-2%	12,556	12%	12,844	12%	11,748	11%	10,914	12%	11,401	13%	11,366	15%
Sulawesi, Maluku & Papua	-7%	8,029	8%	8,625	8%	8,139	8%	7,656	7%	7,016	8%	5,304	7%
Kalimantan	-14%	6,109	6%	7,066	6%	6,727	6%	6,400	7%	6,139	7%	4,546	6%
Sumatera	-10%	14,680	14%	16,307	15%	16,121	15%	15,459	17%	14,909	17%	12,124	16%
Central Java and Yogyakarta	-12%	7,218	7%	8,211	7%	8,082	8%	8,207	9%	7,893	9%	7,577	10%
<b>Total</b>	<b>-6%</b>	<b>102,843</b>	<b>100%</b>	<b>109,575</b>	<b>100%</b>	<b>105,781</b>	<b>100%</b>	<b>93,181</b>	<b>100%</b>	<b>87,793</b>	<b>100%</b>	<b>75,773</b>	<b>100%</b>

Note: Exclude CFR (Consumer Financing Receivables)

a) Reclassification of receivables savings

Total Loans of Danamon gross

### Loans by Region



The Bank's portfolio is concentrated in Jabodetabek, Karawang, and Lampung, which account for 46% of the portfolio. The Bank seeks to develop the loan portfolio from other areas in accordance with their economic growth.

### Loans by Interest Rate and Currency

Based on interest rate, Danamon's loans are dominated by fixed-rate loans that contribute 62% of total loans. Fixed-rate loans are mainly disbursed to the Mass Market segment as the leading segment of Danamon's loans. Meanwhile, floating rate loans accounted for 38% of Danamon's total loans in 2014, mainly disbursed to SME, Commercial, and Wholesale segments.

Based on currency, because the largest part of Danamon's loans is disbursed to the Mass Market customers, Rupiah-denominated lending has a higher contribution compared to foreign currency lending and in 2014 contributed 93% and 7% to Danamon's total loans, respectively. Loans disbursed in foreign currency are largely provided to Commercial and Wholesale customers.

In 2015, the slowing down of Indonesian economic growth and high interest rates generated strong pressures on the asset quality of the banking industry. The NPL ratio of the banking industry increased by 30 bps compared to the same period in the previous year. This number is still considered relatively good and is still far from the upper limit of 5% set by Bank Indonesia.

In 2015, the Bank experienced a decline in its "current" loans to 86.8% of total loans compared to 2014 which amounted to 88.4%, while the composition of loans classified as Special Mention and Non-performing loans increased to 10.2% and 3% respectively, from 9.3% and 2.3% respectively in 2014.

### Non-Performing Loans

#### NPL by Segment

NPL by Segment	2015	2014	2013	2012	2011
Wholesale	1.0%	1.0%	1.0%	3.3%	2.6%
SME & Commercial	3.1%	1.7%	0.9%	1.5%	2.3%
Consumer	2.3%	1.6%	1.3%	1.5%	2.0%
Mass Market	3.7%	3.1%	2.6%	2.6%	2.5%
Consolidated	3.0%	2.3%	1.9%	2.3%	2.5%

The Bank's Non-performing loans increased to 3% or Rp3.895 billion in 2015 from 2.3% or Rp3.235 billion in the previous year. This is due to an increase of NPLs in the SME & Commercial to 3.1% or Rp1.216 billion in 2015 compared to 1.7% or Rp697 billion in the previous year.

Except for the wholesale segment, the Bank succeeded in maintaining NPL at 1%.

### Special Mention Loans by Segment

(Rp billion)

Segment	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
Wholesale	599	5%	645	5%	325	3%	332	3%	383	4%
SME & Commercial	849	7%	729	6%	244	2%	221	2%	192	2%
Consumer	392	3%	389	3%	282	3%	332	3%	192	2%
Mass Market	11,226	86%	10,424	86%	10,027	92%	10,171	92%	8,817	92%
Total	13,066	100%	12,187	100%	10,877	100%	11,055	100%	9,584	100%

Special mention loans (DPK) of the Bank increased by 7% or Rp879 billion to Rp13,066 billion in 2015 compared to Rp12,187 billion in the previous year. Mass Market Loans dominates the DPK portion at 86%, increasing to Rp11,226 billion in 2015 compared to Rp10,424 billion in the previous year. DPK quality of SME & Commercial and Consumer loans experienced a slight increase compared to the previous year.

Aside from the wholesale segment, DPK Loans decreased to Rp599 billion in 2015 compared to Rp645 billion in the previous year.

### Fixed and Other Assets

In 2015, the amount of fixed assets and net Other assets experienced a slight change, in which fixed assets increased by 3% or Rp69 billion to Rp2.559 billion compared to Rp2.490 billion in 2014 due to the increase in building construction activity and procurement of two-wheel vehicles for the mass market business, while net other assets decreased by 12% or Rp1.860 billion in 2015 compared to 2014, for the reason of reducing acceptance receivable amount Rp2.498 billion.

### Prime Lending Rate

In line with Bank Indonesia's efforts to boost the performance of the economy, Danamon strives to maintain the prime lending rate at a reasonable level, among others by decreasing the Prime Lending Rate when Bank Indonesia lowered the Rupiah Statutory Reserve from 8% to 7.5% in December 2015. The Bank continuously manages the contributing factors to interest rates, such as cost of funds, premium risk, and overhead cost.

	Prime Rupiah Lending Rate Based on Business Segment				
	Corporate Loans	Retail Loans	Micro Loans	Consumption Loans	
				Mortgage	Non Mortgage
<b>Prime Lending Rate</b>	<b>12.10%</b>	<b>13.00%</b>	<b>20.49%</b>	<b>12.25%</b>	<b>17.50%</b>

## Description:

- Prime lending rate is used to determine the interest rate that the Bank imposes on customers. Prime lending rate does not include the estimation of premium risk, which depends on the Bank's assessment on risk profile for each debtor or group of debtors. Therefore, the interest rate imposed on debtors may differ from prime lending rate
- Corporate loans include loan disbursement to corporate and commercial customers
- Prime Lending Rate does not include loans with cash collateral
- Prime lending rate on micro loans is prime lending rate on loans with collateral as required by prevailing regulations
- Prime lending rate on consumption loans for non-mortgage loans mainly represent prime lending rate for two-wheel financing that was facilitated through joint financing scheme and excludes fund appropriation through credit card and unsecured loans
- Information on the current prime lending rate is accessible in the Bank's branches publication and/or on the website ([www.danamon.co.id](http://www.danamon.co.id))
- If necessary, the Bank may at any time change the information on prime lending rate.

## LIABILITIES

Rp billion	Full Year										
	YoY	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
Deposits from customers	-1%	115,141	75%	116,495	71%	109,161	71%	89,897	71%	85,979	74%
Deposits from other banks	-25%	1,826	1%	2,426	1%	1,695	1%	2,824	2%	2,814	2%
Securities sold under repurchase agreements	-100%	-	0%	750	0%	759	0%	1,049	1%	1,140	1%
Bonds issued	-18%	9,714	6%	11,893	7%	12,112	8%	12,347	10%	11,278	10%
Borrowings	-10%	13,086	9%	14,497	9%	16,069	10%	11,020	9%	6,917	6%
Subordinated debts	-	-	0%	-	0%	-	0%	0	0%	-	0%
Others	-18%	14,075	9%	17,113	10%	13,303	9%	9,921	8%	8,455	7%
<b>Total</b>	<b>-6%</b>	<b>153,842</b>	<b>100%</b>	<b>163,174</b>	<b>100%</b>	<b>153,099</b>	<b>100%</b>	<b>127,058</b>	<b>100%</b>	<b>116,583</b>	<b>100%</b>

In 2015, the largest composition of liabilities was customer deposits with a share of 75%, followed by 6% in bonds issued, 9% in received loans, with the remaining 10% being other liabilities.

In 2015, liabilities decreased by 6% or Rp9,332 billion to Rp153,842 billion compared to Rp163,174 billion in 2014; however, customer deposits only declined by 1% or Rp1.355 billion to Rp115,141 billion compared Rp116,495 billion in 2014.

Bonds issued decreased by 18% or Rp2,179 billion compared to the previous period. In addition loans received decreased by 10% or Rp1,411 billion to Rp13,086 billion in 2015 compared to Rp14,497 billion in 2014 and other liabilities decreased by 18% or Rp3,037 billion to Rp14,076 billion compared to Rp17,113 billion in 2014.



## Third Party Funds

### Third Party Funds consist of Customer Deposits and Deposits from Other Banks

Rp Billion	YoY	2015	2014	2013	2012	2011
Third Party Funds						
Current Accounts	-27%	15,905	21,827	19,776	14,364	11,670
Savings	-6%	32,853	34,913	31,885	27,142	23,371
Time Deposits	11%	66,383	59,756	57,500	48,391	50,937
<b>Total Customer Deposits</b>	<b>-1%</b>	<b>115,141</b>	<b>116,495</b>	<b>109,161</b>	<b>89,897</b>	<b>85,979</b>
Deposits from Other Banks	-25%	1,826	2,426	1,695	2,824	2,814
<b>Total Third Party Funds</b>	<b>-2%</b>	<b>116,967</b>	<b>118,921</b>	<b>110,856</b>	<b>92,721</b>	<b>88,793</b>

In 2015, Customer Deposits experienced an insignificant decline of 1% or Rp1.354 billion to Rp115.141 billion compared to Rp116.495 billion in 2014. This decline was influenced by an increase in outstanding Time Deposits by 11% or Rp6.627 billion and a decrease in Current Accounts by 28% or Rp5.992 billion, as a result of the economic growth slow down and low inflation rate.

Deposits from Other Banks declined by 25% or Rp600 billion to Rp1.826 billion compared to Rp2.426 billion in the previous year.

The management views the composition of Third Party Funds as a fairly good achievement considering the increasingly tighter competition resulting from stringent liquidity followed by the raise of benchmark interest rate (BI Rate). Amid the relatively unstable capital market, consumers and investors were expected to opt for products which would generate optimum returns instead of instruments with moderate to high risk profile.

In order to increase CASA composition in funding, especially in third party funds, Danamon consistently improved service to customers by adding product features that meet customers' needs.

### Other Liabilities

Other Liabilities consist of accrued expenses, acceptance payables, deferred premium income, unearned premium reserves, derivative liabilities, taxes payables, and other liabilities.

Other Liabilities declined by 18% or Rp3,038 billion to Rp14,075 billion, compared with Rp17,113 billion in 2014. The decline was attributable to Acceptance Payables that declined by 32% or Rp2,442 billion to Rp5,113 billion compared with Rp7,555 billion in 2014. The decline was also due to the decline in accrued expenses and other liabilities by 6.5% or Rp448 billion to Rp6,441 billion from Rp6,889 billion in 2014.

## Long Term Liabilities

Rp billion	Full Year					
	Yoy	2015	2014	2013	2012	2011
Danamon Bonds	-100%	-	23,157	21,132	15,854	2,800
Adira Dinamika Multi Finance Bonds	-13%	9,714	11,170	11,363	6,839	5,940
PT. Bank Pan Indonesia Tbk.	-100%	-	1,000	750	750	-
PT. Bank Central Asia Tbk.	-100%	-	41	534	348	-
Citibank. NA, Jakarta Branch	-	-	248	-	-	181
The Hongkong and Shanghai Banking Corporation Ltd. Indonesia	-	-	-	-	-	-
PT. Bank DKI	-100%	-	100	373	253	-
PT. Bank Victor International Tbk.	-	-	-	-	-	-
PT. Bank Commonwealth	-	-	-	-	-	-
PT. Bank BCA Syariah	-100%	-	10	-	-	-
Borrowing from other banks/other financial institutions	-	-	-	-	-	-
PT. Bank Pembangunan Daerah Jawa Barat dan Banten Tbk.	-	-	-	-	250	-
International Finance Corporation	-17%	683	818	913	-	551
Wells Fargo Bank	-100%	-	617	595	-	-
PT. Bank BNI Syariah	-	-	-	-	25	-
PT. Bank Panin Syariah Tbk.	-	-	-	-	25	-
Channeling Loans	-	-	-	-	-	-
PT. Permodalan Nasional Mandiri	-	-	-	-	-	-
Bankers Acceptance Loans	-	-	-	-	555	-
Australian and New Zealand Banking Group Ltd	-100%	-	368	-	-	-
DBS Bank (Singapore) Ltd.	-	-	-	-	-	-
Letter of Credit	-	-	-	-	-	-
The Bank of Tokyo-Mitsubitshi UFJ Ltd.	-	-	-	-	60	132
Bank BNP Paribas (Singapore)	-48%	1,614	3,111	304	-	-
Bank Indonesia	-	-	-	-	-	-
<b>Total</b>	<b>-35%</b>	<b>12,011</b>	<b>18,403</b>	<b>15,750</b>	<b>10,023</b>	<b>9,604</b>

As part of the liquidity and funding strategy, Danamon controls the difference of liquidity and interest rate risk through the management of long-term borrowings with maturity date of over one year. In 2015, Danamon's long-term borrowings were provided by the bonds issuance from Adira Finance with total funds received amounting to Rp9,714 billion, a decline of 13% or Rp1,456 billion compared to 2014 at Rp11,170 billion.

The decrease in long-term borrowings in 2015 derived from a decrease in borrowings from Bank BNP Paribas (Singapore) with a decrease of Rp1,497 billion or 48% compared to the previous year and the decrease in IFC borrowings by 17% or Rp135 billion compared to 2014.

## CASH FLOWS

Rp billion	Full Year			
	YoY	2015	2014	2013
Net Cash flows from (used in) operating activities	64%	8,995	5,501	3,672 *)
Net Cash flow from (used in) investing activities	-240%	2,757	(1,966)	(2,607) *)
Net Cash Flows from (used in) financing activities	92%	(5,166)	(2,697)	3,420
Net (decrease) increase in cash and cash equivalents	686%	6,586	838	4,486
Cash and cash equivalents at beginning of the year	3%	25,357	24,519	20,033
Cash and cash equivalents at end of the year	26%	31,943	25,357	24,519

\*) December 2013 reclassification from other assets to assets in progress

Cash and cash equivalents of the Bank at the end of 2015 increased by 26% to Rp31,943 billion, compared to Rp25,357 billion in 2014. This is due to placements with other banks and Bank Indonesia with maturity up to 3 months from the date of acquisition increasing by Rp8,464 billion compared to the previous year.

### Net Cash Flows From (Used In) Operating Activities

Total net cash flow generated by operating activities increased significantly by 64% to Rp8,995 billion in 2015 compared to Rp5,501 billion in 2014. This significant increase occurred as consumer financing transactions decreased by 14% or Rp2,877 billion, and placements with other banks and Bank Indonesia with maturity more than 3 months from the date of acquisition increased by Rp1,477 billion compared to the previous year.

### Net Cash Flows From (Used In) Investment Activities

Total net cash flow used in investment activities is more than the cash flows derived from investment activities. The cash flows used for investments decreased by 240% to Rp2,757 billion in 2015 compared to Rp1,966 billion in 2014 due to increased revenues from sold and matured securities and government bonds.

### Net Cash Flows From (Used In) Financing Activities

Total net cash flow from financing activities increased significantly by 92% or Rp2,469 billion to Rp5,166 billion in 2015 compared to Rp2,697 billion in 2014. This is primarily due to the component of loan payments in the co-financing framework which increased by 35% or Rp3,747 billion to Rp14,335 billion, compared to Rp10,588 billion in 2014 and bond principal payments which recorded an increase by 53% or Rp1,759 billion to Rp5,090 billion, compared to Rp3,331 billion in 2014.

## FINANCIAL RATIOS

### SOLVABILITY & COLLECTIBILITY

The ability of the Bank to meet all its debts, cannot be separated from several factors: liquidity, solvency, and profitability.

In 2015, 81% of Danamon's total long-term liabilities, or a sum of Rp9,714 billion came from the issuance of bonds, which is 100% derived from Adira Finance Bonds.

Danamon and its subsidiary Adira Finance are able to meet the schedule of principal and interest payments, and various requirements for the payments of their long-term liabilities from other banks, as set forth in each credit agreement.

Discussion on the Bank's liquidity management is comprehensively presented under sub chapter of management of liquidity risk.

In conjunction with its ability to pay debts, the Bank manages its liquidity through long term and short term cash flow payment, based on maturity dates. Measurement on cash flow is monitored on a daily basis by Market & Liquidity Risk unit, using MCO (Maximum Cumulative Outflow) as a parameter to ensure the availability of cash flow under normal and stress scenarios. On December 31, 2015, the Bank's MCO showed a positive cash flow, under normal and stress scenarios.

Another important liquidity ratio in the management of liquidity risk is the Loan to Funding Ratio (LFR). Based on BI Regulation No. 17/11/PBI/2015 dated 25 June 2015, the regulator changed the indicators used to monitor liquidity of the Bank. Loan to Deposit

Ratio (LDR) was changed into Loan to Funding Ratio (LFR) effective August 2015. In calculating of LFR, the definition of funding includes not only deposits but also securities issued by the bank; therefore, the Bank can access public funds more freely in the form of securities. The Bank conducts LFR measurements and monitoring on a daily basis as required by the regulator, with limits defined internally. In order to perform better monitoring, internal LFR distinguishes LFR in Rupiah (IDR) and LFR in foreign currency (FCY) aiming to get a balanced liquidity management of Rupiah and foreign currency.

On December 31, 2015, the liquidity of Danamon and its subsidiaries had an increasingly better LFR, standing at 87.53% compared to December 31, 2014 which was 92.6%. The average LFR in 2015 was 90.1%. These indicators are in line with requirements of regulators.

Danamon's ability to meet its short-term and long-term liabilities is fairly good as reflected in the reports from external rating agencies. Pefindo gave a corporate rating of idAAA, while Fitch gave viability rating bb+ with Long-Term IDR Rating and Short-Term IDR Rating of BB+ and B respectively. Not much different from PEFINDO and Fitch, Moody's gave a rating of Baa3/P-3 for Bank Deposits and baa3 and Baa2 (cr)/P-2(cr), for the Adjusted Baseline Credit Assessment and Counterparty Risk Assessment respectively. The Outlook given by those three agencies is stable.

Adira Finance also shows a strong capability to fulfill liabilities. PEFINDO gave a rating of idAAA with stable outlook; idAAA and idAAA(sy) respectively for the Bank's rating, bonds and sukuk Mudharabah.

## Liquidity

By the end of 2015, the Bank's liquid current assets consisted of cash, demand deposits with Bank Indonesia and other banks, placements with Bank Indonesia and other banks, available-for-sale securities and government bonds amounting to USD 47,180 billion.

## Current Assets

Rp billion	Full Year					
	YoY	2015	2014	2013	2012	2011
Cash	-4%	2,728	2,856	2,944	2,457	1,895
Current Accounts in Bank Indonesia	-7%	9,511	10,268	9,261	7,718 <sup>a</sup>	7,760
Current Accounts in other Banks	-20%	3,866	4,858	5,335	3,717	2,640
Other placements in other Banks and Bank Indonesia - gross	86%	17,983	9,675	7,399	6,361	13,232
Securities Held for Sale and Trading - gross	-28%	6,176	8,620	7,347	6,811	4,173
Government Bonds - Held for Sale and Trading	5%	6,916	6,605	5,598	4,063	3,947
<b>Total Current Assets</b>	<b>10%</b>	<b>47.180</b>	<b>42.882</b>	<b>37.884</b>	<b>31.127</b>	<b>33.647</b>

Note:

a) Reclassification Prefund Clearing BI

CONSOLIDATED RATIOS		2015	2014	2013
<b>CAR</b>				
Capital Adequacy Ratio (CAR)		19.67%	17.78%	17.86%
<b>Profitability</b>				
1	Return on Average Assets (ROAA)	1.20%	1.40%	2.50%
2	Return on Average Equity (ROAE)	7.43%	8.58%	14.52%
3	Net Interest Margin (NIM)	8.25%	8.42%	9.60%
4	Cost to Income	51.66%	55.69%	52.52%

## Loan Collectability

The Bank's Collectability Ratio of Non-Performing Loans in 2015 was 3% or Rp3.895 billion, this ratio is higher than 2014's 2.3%, or Rp 3.235 billion due to declining credit quality, particularly SME & Commercial of Rp519 billion.

Loan Collectability	YoY	2015	2014	2013	2012	2011
NPL	20%	3,895	3,235	2,535	2,659	2,479
Special Mention	70%	13,066	12,187	10,877	11,055	9,584
Current	-9%	112,406	123,635	121,971	102,869	89,796
<b>Total Loans</b>	<b>-7%</b>	<b>129,367</b>	<b>139,057</b>	<b>135,383</b>	<b>116,583</b>	<b>101,859</b>

## CAPITAL

### Capital Adequacy

Rp billion	Bank						Consolidated					
	Yoy	2015	2014	2013	2012	2011	Yoy	2015	2014	2013	2012	2011
<b>Capital Components</b>												
a. Core Capital (Tier 1)	11%	28,212	25,422	23,051	21,050	19,391	7%	31,292	29,224	27,280	24,370	21,868
b. Complementary Capital (Tier 2)	-13%	1,155	1,323	1,183	986	903	-12%	1,336	1,523	1,392	1,144	1,000
Total Core and Complementary Capital (a+b)	-2%	29,367	26,745	24,234	22,036	20,294	-5%	32,628	30,747	28,671	25,514	22,868
Investments (-/-)		2,645	2,645	2,645	2,645	2,645		1,400	1,175	970	849	706
Total Core and Complementary Capital (a+b)	-2%	26,722	24,100	21,588	19,391	17,649	-5%	31,228	29,572	27,702	24,665	22,162
Risk Weighted Assets after Calculations of Credit Risk, Market Risk and Operational Risk	-4%	128,229	133,354	123,510	105,500	106,741	-5%	158,766	166,294	155,140	130,486	125,264
<b>CAR</b>	<b>45%</b>	<b>20.84%</b>	<b>18.07%</b>	<b>17.48%</b>	<b>18.4%</b>	<b>13.4%</b>	<b>19%</b>	<b>19.67%</b>	<b>17.78%</b>	<b>17.86%</b>	<b>18.9%</b>	<b>17.6%</b>

As of December 2015, consolidated CAR was at 19.67%, an increase compared to the end of 2014. Standalone CAR rose to 20.84% from 18.07 in December 2014. In the last 5 years, both standalone and consolidated CAR were well above BI's required level of 9%-10% (for BUKU 3 Banks).

The Capital Structure table above shows the position of risk-weighted assets (RWA) by calculating the credit, market, and operational risks at Rp128,229 billion, or a 4% decrease from 2014.

### Capital Policy

As part of the formulated Risk Appetite Statement (RAS), Danamon has set a minimum limit of capital that needs to be maintained.

To ensure Danamon's ability to sustain operations amid various business pressure scenarios, following Bank Indonesia's regulation on minimum Tier I capital and total CAR, the buffer of Available Financial Resources (AFR) has determined the required capital buffer level. Moreover, Danamon has also utilized various sources of funding under the liabilities category to meet the required working capital, other than utilizing equity to support the capital needs.

The primary objectives of Danamon in capital management is to ensure the Bank's capital adequacy to support the Bank's business strategy in addition to satisfying the requirements of capital adequacy defined by regulatory authorities. Thus, it is necessary to have a strong capital structure which serves as a buffer against loss potentials motivated by both internal and external factors.

### Bank Capital Structure

In accordance with Bank Indonesia Regulation No. 14/18/PBI/2012 dated 28 November 2012 and PBI No. 15/12/PBI/2013 on the Minimum Capital Adequacy Ratio for Commercial Banks, capital consists of:

#### Core Capital (Tier 1)

Comprises paid-up capital of common shares and disclosed reserves which consists of additional paid up capital, general reserve, prior year's profit, current year profit (50%), calculating the deduction factors which consists of shortage in regulatory provision over allowance for impairment losses for productive assets, regulatory provision on non-productive assets and Bank's investment in subsidiaries (50%).

#### Supplementary Capital (Tier 2)

Comprises the regulatory provision general reserve on productive assets (maximum of 1.25% from RWA for credit risk) including deduction factor of Bank's investment in subsidiaries (50%).

As of 2015, the minimum requirement of Minimum Capital Adequacy Ratio is 8% in addition to an add on which is in accordance with the risk profile, while starting in 2016, the following factors will be added:

- Capital Conservation Buffer
- Countercyclical Buffer
- Domestic SIB

### Capital Management Strategy

Pursuant to BI regulation No. 14/18/PBI/2012 dated 28 November 2012 on Minimum Capital Adequacy Ratio for Commercial Banks, PBI No. 15/12/PBI/2013 on the Minimum Capital Adequacy Ratio for Commercial Banks and BI Circular Letter No. 14/37/DPNP dated 27 December 2012 on Capital Adequacy Ratio (CAR) in accordance with Risk Profile and Fulfillment of Capital Equivalency Maintained Assets (CEMA), Danamon is required to calculate its minimum CAR based on risk profile and to implement the Internal Capital Adequacy Assessment Process (ICAAP). In assessing

its adequacy capital, Danamon ensures capital adequacy based on Minimum CAR requirement set by Bank Indonesia and internal capital adequacy, that is by ensuring sustainable capital adequacy to support the continuity of the Bank's operations.

### Internal Capital Adequacy Assessment Process

Internal Capital Adequacy Assessment Process (ICAAP) is a self assessment from Danamon as specified in Pillar 2 Basel & Financial Services Authority (OJK) regulation, where the Bank not only considers capital adequacy from basic risks that occur in Pillar 1 (Credit, Market & Operational Risk) but also to cover other risks. In addition to capital adequacy calculation based on Risk Profile Rating as mandated by OJK, Danamon also uses internal ICAAP Framework to derive each of the risk components:

- Credit concentration risk
- Interest Rate Risk in the Banking Book
- Liquidity risk
- Impact of Stress Test.

Pursuant to regulations from Bank Indonesia, ICAAP implementation in Danamon is ensured by active monitoring by the Board of Commissioners and the Board of Directors, of the capital adequacy assessment process, monitoring and reporting of the Bank's risk profile, and adequate internal control. Danamon's Internal Audit annually reviews the ICAAP process independently.

### Stress Test

Danamon performs a stress test to predict the potential impact from an extreme event on revenues and capital. The outcome of this stress test is also integrated into Danamon's ICAAP framework.

The Economist Team prepares a number of scenarios which may trigger problems to Danamon at different levels of severity. These scenarios will be formulated into parameters and approved by the management.



Each line of business and types of risk such as credit risks, market risks, and liquidity risks will use these scenarios. The outcome of the stress tests will be analyzed and reported to the Board of Directors and Board of Commissioners.

### Composition Of Funding On Danamon's Assets

	Yoy	2015	2014	2013	2012	2011
<b>Assets</b>	<b>-4%</b>	<b>188,057</b>	<b>195,821</b>	<b>184,338</b>	<b>155,791</b>	<b>142,292</b>
Liabilities	-6%	153,842	163,174	153,099	127,058	116,583
Equity	-5%	34,215	32,647	31,239	28,733	25,709
<b>Structure</b>						
Deposits from customers	-1%	115,141	116,495	109,161	89,897	85,979
Borrowing (Short term and long term)	-10%	13,086	14,497	16,068	11,020	6,917
Others Liabilities	-20%	25,615	32,182	27,869	26,141	23,686
Equity	-5%	34,215	32,647	31,239	28,733	25,709
<b>Total Assets</b>	<b>-4%</b>	<b>188,057</b>	<b>195,821</b>	<b>184,338</b>	<b>155,791</b>	<b>142,292</b>
<b>Composition</b>						
Deposits from customers	3%	61%	60%	59%	58%	60%
Borrowing (short term and long term)	-6%	7%	7%	9%	7%	5%
Others Liabilities	-17%	14%	16%	15%	17%	17%
Equity	9%	18%	17%	17%	18%	18%
<b>Total Assets</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

This strategy is reflected from the composition of funding on Danamon's assets in 2015, where 82% of Danamon's assets were funded by liabilities. Equity-backed assets contributed only 18%. The composition moved slightly from the positions in 2014, where the contribution of liabilities to assets was 83% but the liabilities composition was slightly different, due to the decreasing role of short and long term borrowings and other liabilities.

In 2015, assets and liabilities decreased by 4% and 6% respectively, while equity increased by 5%. The increase in equity was primarily due to an increase in retained earnings (total retained earnings) by 7.8%.

## Share Ownership Composition

### Share ownership composition as of 31 December 2015:

SHARE OWNERSHIP COMPOSITION			
SHAREHOLDERS	Number of Shares Issued and Fully Paid	Percentage of Ownership	Nominal Value
<b>A Series shares ( Nominal value Rp. 50.000 (full amount) per share)</b>			
Public (ownership interest below 5% each)	22,400,000	0.23%	1,120,000
<b>B Series shares ( Nominal Value Rp. 500 (full amount) per share)</b>			
Asia Financial (Indonesia) Pte. Ltd.	6,457,558,472	67.37%	3,228,779
JPMCB - Franklin Templeton Investment Funds	652,800,388	6.81%	326,401
Public (ownership interest below 5% each)	2,435,298,929	25.42%	1,217,649
Commissioners and Directors:			
Ng Kee Choe	94,275	0.00%	47
Sng Seow Wah	1,371,200	0.01%	686
Muliadi Rahardja	6,405,515	0.07%	3,203
Herry Hykmanto	502,256	0.01%	251
Vera Eve Lim	5,403,400	0.05%	2,702
Satinder Pal Singh Ahluwalia	382,900	0.01%	191
Fransiska Oei Lan Siem	1,426,130	0.01%	713
Michellina Laksmi Triwardhany	999,900	0.01%	500
Total of Shares Series A and Series B	9,584,643,365	100%	5,901,122

Both Series A and Series B shares carry equal voting rights. Danamon's capital structure and policies concerning capital structure are presented in detail in Danamon's Articles of Association No. 134, made before Meester Raden Soedja, SH and approved by the Minister of Justice of the Republic of Indonesia's Decision No. J.A.5/40/8 dated 24 April 1957, and was last amended by notarial deed No. 27 dated 30 March 2011, made before P. Sutrisno A. Tampubolon, SH, M.Kn, a notary in Jakarta and No. 12 dated 12 October 2011, made before Fathiah Helmi SH, a notary in Jakarta.

On 8 December 1989, with Minister of Finance License No SI-066/SHM/MK.10/1989 dated 24 October 1989, Danamon conducted an Initial Public Offering (IPO) of 12,000,000 shares with par value of Rp1,000 per share (full amount). The shares were listed on 8 December 1989 at the Jakarta Stock Exchange (now Indonesia Stock Exchange (IDX) after its merger with Surabaya Stock Exchange). Subsequently, the Bank has increased its listed shares through bonus shares, Limited Public Offerings with Pre-emptive Rights (Rights Issue) I, II, III, IV and V, and through Employee/Management Stock Option Program ("E/MSOP").

The following is the summary of Danamon's correspondence with Bapepam-LK regarding the Rights Issues with Preemptive Rights:

Effective Letters from Bapepam-LK	
No. S-2196/PM/1993 dated 24 December 1993	Rights Issue I
No. S-608/PM/1996 dated 29 April 1996	Rights Issue II
No. S-429/PM/1999 dated 29 March 1999	Rights Issue III
No. S-2093/BL/2009 dated 20 March 2009	Rights Issue IV
No. S-9534/BL/2011 dated 24 August 2011	Rights Issue V

### Capital Planning

Pursuant to BI Regulation No. 14/18/PBI/2012 dated 28 November 2012 on Minimum Capital Adequacy Requirement For Commercial Banks and BI Circular Letter No. 14/37/DPNP dated 27 December 2012, on the Minimum Capital Requirement based on Risk Profile and fulfillment of Capital Equivalency Maintained Assets, Danamon is required to have a minimum CAR calculation based on risk profile and to conduct Internal Capital Adequacy Assessment Process (ICAAP).

The assessment results show that Danamon is able to comply with the minimum CAR based on risk profile, for the Bank as well as for the consolidated. Based on the internal capital adequacy assessment process (ICAAP), Danamon will have the availability of financial resources to meet the capital needs of both Pillar 1 and Pillar 2 for the next three years.

Furthermore, the above PBI also regulates the obligation of the Bank to establish additional capital as a buffer in stages starting 1 January 2016 to 1 January 2019. The regulation also sets adjustments to capital components as well as increasing the minimum core capital (Tier 1) ratio from 5% to 6%, effective from 1 January 2014.

Danamon supports policies issued by BI and seeks to prepare itself to meet the newly issued provisions in order to realize a sustainable business growth. Danamon will always strive to fulfill all the provisions related to capital to support its business growth, both Danamon as an entity, as well as at the consolidated level.

### Market Risk

Danamon has since November 2007 implemented a standardized approach to manage market risk pursuant to BI Regulation No. 9/13/PBI/2007 dated 1 November 2007 and Circular Letter No. 9/33/DPnP dated 18 December 2007 and its amendment, Circular Letter No. 14/21/DPnP dated 18 July 2012.

### Credit Risk

In accordance with BI Circular Letter No. 13/6/DPnP dated 18 February 2011, Danamon adopted the standardized approach to manage its credit risk effective from 1 January 2012. Effective from 1 January 2015, the Bank has also implemented a standard approach to managing credit risk in the Syariah Business Unit which refers to OJK Regulation No. 21/POJK.03/2014 which regulates the application of the approach in managing credit risk in the Syariah business.

### Operational Risk

In managing operational risk, Danamon applies the basic indicator approach in accordance with BI Circular (SE) No. 11/3/DPnP dated 27 January 2009. Based on the aforementioned SE, capital charges for operational risk are equivalent to 15% of the average gross income in the last three years, effective 1 January 2011.

### CAPITAL INVESTMENT AND MATERIAL COMMITMENT FOR CAPITAL EXPENDITURES

Danamon has invested in its fixed assets to improve the Bank's efficiency.

#### CAPITAL EXPENDITURES

Rp Million	Full Year					
	YoY	2015	2014	2013	2012	2011
Land	-65%	52,104	148,518	18,303	3,456	256
Buildings	-66%	33,568	98,655	34,833	23,632	19,393
Office Equipment	-8%	189,215	204,570	281,921	369,751	335,960
Motor Vehicles	26%	220,356	175,305	288,532	244,956	232,782
Construction in Progress	95%	194,734	100,102	184,101	115,013	12,529
Total	-5%	689,977	727,150	807,690	756,808	600,920

In 2015, Danamon did not have any special commitments in capital expenditures. The commitments made were the usual contracts in Rupiah between the producer and/or distributor and the Bank.

Commitments in capital expenditures in 2015 are mostly in the procurement of two-wheeled vehicles used in the micro business activities, procured through financing by Adira Finance, increasing by 26% or Rp45 billion to Rp220 billion, from Rp175 billion in 2014. Construction in progress consists of new construction and renovations in progress, which increased by 95% or Rp95 billion to Rp195 billion, from Rp100 billion in 2014.

Meanwhile, capital expenditures on other assets declined by 39% or Rp177 billion to Rp275 billion, compared with Rp452 billion in 2014.

### IMPACT OF CHANGES IN INTEREST RATES AND IN EXCHANGE RATE ON THE PERFORMANCE OF DANAMON

#### Impact on Changes in Interest Rates

In carrying out its business activities, Danamon actively monitors external conditions that could potentially affect the overall performance of the Bank.

Danamon periodically conducts sensitivity analysis to measure the impact of changes in interest rate by calculating interest rate gap from the earnings perspective, as well as from the economic value perspective. Both calculations are equipped with assumptions and scenarios relevant normal and stress conditions.

Based on the results of these measurements, the Bank and its subsidiaries are able to anticipate the impact of changes in interest rate on the Bank's performance as a whole. The strategy in managing Interest rate risk in the banking books, can also be executed through the process of measuring, monitoring and controlling internal limits.

## Impact of Changes in Exchange Rate

Changes in exchange rate against foreign currencies (Foreign Exchange), especially against the USD in 2015 was anticipated by Danamon through sensitivity analysis.

The means for controlling risk includes sensitive market risk measurement against changes in exchange rates and is supported by Danamon's excellent market risk control processes. Internal parameters measurement and regulatory requirements are periodically monitored in the banking books as well in the trading books on a daily basis.

Regular monitoring and control have a positive side to the achievement of Treasury's performance, particularly regarding foreign currency portfolio, amidst the increasing volatility of the Rupiah. Meanwhile, the significant weakening of the Rupiah against the US dollar in 2015 shows no excessive impact on Danamon's FX position bankwide. Danamon's Net Open Position (NOP) remains well below 20%, the maximum limit required by the regulator.

## INFORMATION ON SIGNIFICANT INCREASE OR DECREASE IN SALES/NET INCOME

All transactions that Danamon made during 2015 were considered fair. The increases or decreases as a result of all transactions were reasonable achievements of a normal business and not caused by specific conditions which led to a significant increase and/or decrease in results, except for the one-off expense in business restructuring undertaken by the Bank in 2014 and 2015.

## ACHIEVEMENT OF TARGETS 2015

### Comparison of Targets and Actual Achievement in 2015

In Billion Rupiah	2015		Actual vs Target
	Actual	Target	
Total Assets	188.057	197.159	-5%
Loans	129.367	135.017	-4%
Total Funding	116.776	115.983	1%
CAR	19,67%	18,80%	1.89%
Net Interest Income	13.648	15.262	-11%
Non Interest Income	3.823	4.017	-5%
Operating Expenses	(9.033)	(9.498)	5%
Loss Provisioning Expenses	(4.925)	(3.769)	-31%

Throughout 2015, the impact of slower economic growth of 4.8% caused Danamon to post a weaker performance compared with the previous year, meaning also that the Bank's 2015 achievements were on average below the stated targets.

Actual loans disbursed in 2015 were 4% or Rp5.650 billion above target, and led to actual net interest revenue of only 89% of the stated target of Rp15,262 billion for 2015. During the year in review, Danamon Bank also pursued a strategy to focus attention on loan quality.

On the other hand, non-interest income was a relatively better figure with 95% or Rp3,823 billion achievement of the stated target of Rp4,017 billion. Actual operational expense was 5% below or Rp465 billion more efficient than the projected Rp9,498 billion.

The Bank's financial ratios in 2015 were however above the specified maximum.

## TARGET PLAN 2016

### Strategic Focus 2016

At the end of 2015, Danamon had defined 3-year strategic priorities with the overall goal of diversifying its portfolio, enhancing engagement with customers, increasing collaborations among divisions, and effective technology utilization. These will include:

#### I. Implementation of Sales and distribution Network

The new Sales and Distribution Network integrates Consumer and SME branch network into one organization. The S&D organization enables branch staffs to serve customers holistically by offering the best products or product bundles. Therefore this initiative will:

- a. Provide more cross-selling opportunities with sector and demographic specific product bundles,
- b. Drive collaboration with shared goals and accountabilities across lines of business and subsidiaries, and
- c. Improve customer experience.

#### II. Transaction banking as a solution Integrator

- a. Enhance the Bank's transaction banking products and digital platform,
- b. Integrate transaction banking solutions into LOB's product offerings to strengthen client relationships and improve low cost funding.

#### III. Focus on improving SME and Commercial Segments

- a. Enhance the credit process to provide a better overall service,
- b. Develop industry expertise and industry specific offerings as key differentiations,
- c. Capture small SMEs with scalable business model.

#### IV. Continue with micro business revamp

While it is diversifying its growth engine, Danamon maintains its focus on the mass market. Danamon will continue revamping the DSP business with the following initiatives:

- a. Enhancement in credit process and collection process in order to improve asset quality.
- b. Increase efficiency in operations through automation of manual processes.
- c. Continue to review and rationalize the distribution network.
- d. Renewed focus on people quality through continuous training and mentoring.

#### V. Implementation of Digital strategy and data analytic

- a. Enhance digital channel for consumer and business customers
- b. Digitalization of the back end process to improve efficiency
- c. Application of Enterprise Data Warehouse (EDW) which will combine data from IT Head Office Danamon and IT at business lines Danamon.

Utilize data analytic in order to improve, product offerings, customer services and marketing.

## **INFORMATION AND MATERIAL FACTS THAT OCCURRED AFTER THE DATE OF THE ACCOUNTANT'S REPORT**

Material Information and Facts Subsequent to Date of Accountant's Report.

## **EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS**

### a. Divestment of ADMF

The Bank on January 25, 2016 divested 2.93% of its ownership of shares in ADMF to meet the regulatory decision of Indonesia Stock Exchange Board of Directors No. Kep-00001/BEI/01-2014 regarding the minimum share percentage of 7.5% of the shares that are not owned by controlling and major shareholders.

### b. Bank Tax Audit in 2008

In response to the tax audit on the Bank as described in Note 25c, dated January 13, 2016, regarding the proposal to reconsider corporate income tax and income tax article 26, the Supreme Court has issued a decision through its official website which accepts the proposal in part for a further review of corporate income tax and income tax article 26 in the amount of Rp30,615 million and Rp46,396 million. The remaining income tax of article 26 of income in the total amount of Rp15,465 million is still in under review.

## **DIVIDEND POLICY AND THE ALLOCATION OF NET INCOME**

Danamon's dividend policy has been approved by the BoC, BoD, and shareholders. The procedure of decision making for the Bank's dividend policy is based on the organizational structure under which the BoD shall propose dividend distribution to the BoC. The proposal shall be based on the Bank's performance during a certain period.

The proposal shall be presented to the General Meeting of Shareholders (AGMS) for approval on condition that the retained earnings are considered

sufficient. Upon approval, the Annual General Meeting shall set the time and method of payment in accordance with the regulations of the Indonesia Stock Exchange (IDX), including the record date when shareholders are entitled to dividends or when the authority is given to the Board of Directors.

If approved by the BoD Meeting and Annual General Meeting, the Bank may pay interim dividends prior to the end of the fiscal year.

In addition, the Annual General Meeting is also authorized to determine the allocation of net profit (including dividend distribution and general reserve and mandatory), the remuneration of BoD and BoC (salary and the bonus), the appointment of public accountant, and the approval for financial statements. Prior to 2008, bonus was part of the allocation of net profit.

In addition to approval by the Annual General Meeting, the dividend policy shall take into account all applicable regulations, such as long-term and short-term capital requirements and Danamon's projected profit growth and market conditions.

Danamon has complied with a long-term loan agreement on restrictions on the distribution of dividends. Danamon also ensures that the policy does not violate dividend distribution restrictions as set forth in the Bank's long-term agreements. The decision also takes into account the management of capital planning, expected earnings growth and market conditions.

The Annual General Meeting of Shareholders held on April 7, 2015, approved the proposed cash dividend distribution for fiscal 2014 at 30% of net income or a total of approximately Rp781,205 million or Rp81.50 (full amount) per share for Series A and Series B and the establishment of common and mandatory reserves of Rp26,040 million.

Based on the Register of Shareholders on April 17 2015, which was the date of registration of the list of shareholders entitled to dividends, there were 9,584,643,365 shares in circulation, so the dividend per share to be distributed on May 8, 2015 was Rp81.50 (full amount) per share of A series and B series, meaning that the total amount of cash dividend was Rp781,149 million.

The Annual General Meeting of Shareholders held on May 7, 2015 approved the proposed cash dividends distribution for the fiscal year 2013 at 30% of net income or a total of approximately Rp1,212,505 million or Rp126.50 (full amount) per share for Series A and Series B and the establishment of common and mandatory reserves in the amount of Rp40,417 million.

### General and Mandatory Reserves

On December 31, 2015, the Bank set general and compulsory reserves of Rp302,618 (2014: Rp276,578). General and mandatory reserves refer to the Law of the Republic of Indonesia No. 1/1995, which was amended by Law No. 40/2007 effective August 16, 2007 regarding Limited Liability Companies, which requires companies to set aside general reserves of at least 20% of the issued and fully paid capital. The law does not further specify the time period for the reserves.

### ALLOCATION OF NET INCOME

Based on the Register of Shareholders dated 4 September 2014 which is the date of registration of the list of shareholders entitled to dividends, there were 9,584,643,365 shares in circulation as of September 4, 2014, so the dividend per share to be distributed on September 18, 2014 was Rp126.50 (full amount) per share of Series A and Series B, meaning that the amount of cash dividend was Rp1,212,457 million.

Profits from Year	Date of AGMS	% Net Income	Dividend per Share for Series A and Series B (Rp full amount)	Total Dividend Payment (Rp million)	Date of Cash Dividend Payment	General & Statutory Reserves (Rp million)
2014	7 April 2015	30%	81.50	781,149	8 April 2015	26,040
2013	7 May 2014	30%	126.50	1,212,457	18 June 2014	40,417
2012	10 May 2013	30%	125.58	1,203,640	19 June 2013	40,118
2011	27 March 2012	30%	104.43	1,000,924	8 May 2012	33
2010	30 March 2011	35%	119.87	1,009,197	10 May 2011	29

### EMPLOYEE SHARE OWNERSHIP PROGRAM (ESOP/MSOP)

The Bank has launched the new special program which was awarded to the Directors and Senior Executives selectively with total 7,633,200 shares at the price of Rp3,602 per share and has been granted on 10 September 2015.

Eligible employee is allocated a certain predetermined amount of cash and directly used to purchase the Banks stocks. The stocks are purchased under the individual employee's name with three years holding periode and it is put under an independent custodian.

### INFORMATION ON ALLOCATION OF PUBLIC OFFERING

In 2015, Danamon as the parent company did not conduct any public offering, neither bonds nor shares.



In 2015, Adira Finance, a subsidiary of the Bank, held a second public offering for the issuance of bonds in the amount of Rp2,416 billion and issued 1 Mudharabah bond in the amount of Rp500 billion:

- Two issuance of bonds each with a fixed interest rate, namely Adira Finance's Sustainable Bond III Phase I in 2015 and Adira Finance Sustainable Bond III Phase II in 2015; and
- Adira Finance Sustainable Mudharabah Bond II Phase I in 2015.

Reporting date to Financial Services Authority	Effective Date	Type of Public Offering	Amount of Public Offering (in million IDR)	Net results of Public Offering (in million IDR)	Plan uses of funds (in million IDR)	Realization of uses of funds (in million IDR)	Remaining amount of Public Offering result (in million IDR)	Report to AGMS
13 July 2015 and 30 July 2015	25 June 2015	Adira Finance's Bond III Phase I 2015	979,000	973,900	973,900	973,900	0	Plan for AGMS to be held in May 2016
13 July 2015 and 30 July 2015	25 June 2015	Sustainable Sukuk Mudharabah II Adira Finance Phase I 2015	500,000	497,590	497,590	497,590	0	
14-Sep-15	25 June 2015	Adira Finance's Bond III Phase II 2015	1,437,000	1,467,794	1,467,794	1,467,794	0	

The three offerings generated funds of Rp2,916 billion. The proceeds have been used to finance motor vehicles.

### **MATERIAL INFORMATION ABOUT INVESTMENT, EXPANSION, DIVESTMENT, BUSINESS MERGER/ CONSOLIDATION, ACQUISITION OR DEBT/CAPITAL RESTRUCTURING**

During 2015, there was no material transactions related to investment, expansion, divestment, business merger/consolidation, acquisition or debt/capital restructuring.

### **MATERIAL INFORMATION ABOUT TRANSACTIONS THAT CONTAIN CONFLICT OF INTEREST AND/ OR RELATED PARTY TRANSACTIONS**

#### **Conflict of Interest**

For the year ended December 31, 2015, there were no conflict of interest transactions with related parties. The mechanism for conflict of interest transaction is stipulated in the Policy for Transactions with Affiliated Parties, Related Parties and Transactions, which contains Conflict of Interest as elaborated in the Bank's GCG Report as part of this Annual Report.

#### **Transactions with Related Parties**

In its business activities, Danamon makes many transactions with related parties that do not contain conflict of interests. All transactions with related parties are made in a fair manner in accordance with normal commercial terms like those made with unrelated parties.

The nature of relationships and transactions between Danamon and related parties is shown in the table below:

## RELATED PARTIES

No.	Parties with Special Relations with the Bank	Relationship with the Bank	Type of Transaction	Value of Transaction
1	Standard Chartered Bank PLC	Owned by the same shareholders	Placement	174,299
2	PT Bank Permata Tbk	Owned by the same shareholders	Placement	3,426
3	PT Bank Permata Tbk	Owned by the same shareholders	Effects	15,302
4	PT Bank DBS Indonesia	Owned by the same shareholders	Placement	308
5	PT Bank DBS Indonesia	Owned by the same shareholders	Premium Receivables	659
6	PT Bank Permata Tbk	Owned by the same shareholders	Bill Acceptance	3,115
7	PT Bank DBS Indonesia	Owned by the same shareholders	Bill Acceptance	3,149
8	Development Bank of Singapore, Ltd	Owned by the same shareholders	Placement	12,429
9	Development Bank of Singapore, Ltd	Owned by the same shareholders	Effects	483
10	Board of Commissioners, Board of Directors and Key Employees	Key Executives and Employees	Loan Disbursed	423,266
Total				636,436

<sup>1)</sup> The above figures are presented before the established PPAP is deducted.

## CHANGES OF REGULATIONS WITH SIGNIFICANT IMPACTS ON THE COMPANY

### REGULATION CHANGES

New Banking Regulations issued by Bank Indonesia Effective in 2015		
Regulation	Description	Impact on Danamon
Regulations on Net Open Position for Commercial Banks through PBI No.17/5/PBI/2015 dated May 29, 2015 regarding the 4th Amendment of PBI No. 5/13/PBI/2003	The key amendment in the regulation is the removal of the requirement to maintain Net Open Position in every 30 (thirty) minutes.  This Bank Indonesia Regulation came into force on June 1, 2015.	The provision provides adequate space for the Bank to manage foreign exchange exposure
Regulations on Foreign Exchange Transactions Against Rupiah between Banks and Domestic Parties through BI Regulation No.16/16/PBI/2014 and BI Circular Letter No.16/14/DPM as last amended through BI Regulation No.17/15/PBI/2015 dated October 2, 2015 and BI Circular Letter No.17/49/DPM dated December 21, 2015	In principle, additions and/or amendments in the regulation include: 1. The addition of activities that must be the underlying for foreign exchange transaction against Rupiah: a. Transactions of trade in goods and services and investment, as well as income and expense estimation. b. Ownership of fund in foreign currency in the country and abroad like savings, current accounts, and Negotiable Certificate of Deposit (NCD), specifically for the sale of foreign exchange transactions against the rupiah through forward transactions (forward sale) 2. Investments in Securities of Bank Indonesia in foreign currency cannot be used as the underlying for purchase of foreign currency against Rupiah neither through spot nor other derivative transactions. 3. Amendment in the threshold amount of foreign exchange transactions against the rupiah per Customer to the Bank is required to have the underlying: a. Foreign currency purchase transactions against the rupiah, which is done through: - Monthly spot transactions in the amount of USD 25 thousand or its equivalent. - Monthly derivative Transactions of USD 100 thousand or its equivalent. b. FX sales transactions against the rupiah, which is done through: - Forward transaction of USD 5 million or its equivalent per transaction. - Option Transactions of USD 1 million or its equivalent per transaction.	Compliance with the provisions by making and socializing written SOP policies, and socialization  Education to customers is given directly by both the front liners and through coordination with Bank Indonesia
This BI Regulation came into force on October 7, 2015		

## New Banking Regulations issued by Bank Indonesia Effective in 2015

Regulation	Description	Impact on Danamon
<p>Regulations on the calculation of Statutory Reserves in rupiah for Commercial Banks and in foreign currency for Conventional Commercial Banks</p> <ul style="list-style-type: none"> <li>• BI Regulation No.17/11/PBI/2015 on Changes on PBI NO. 15/15/PBI/13</li> <li>• PBI No.17/21/PBI/2015 dated November 26 2015 on the 2nd Amendment to PBI No 15/15/2013</li> <li>• BI Circular Letter No.17/47/DKEM dated November 20, 2015 on the Amendment to BI Circular Letter No. 17/17/DKMP dated June 26, 2015</li> </ul>	<p>In principles amendments contained in this regulation are:</p> <ol style="list-style-type: none"> <li>1. Reserve Requirement (RR) of 7.5% of Third Party Funds (DPK) in Rupiah than previously 8%.</li> <li>2. Smaller portion of Current Account in that gets BI current account services is: <ul style="list-style-type: none"> <li>- 2.5% of DPK in Rupiah → gets an annual interest payment 2.5%</li> <li>- 5% of DPK in Rupiah → does not get interest on current account</li> </ul> </li> <li>3. Incentives for banks that have conducted merger or consolidation in the form of 1% reduction on Primary statutory reserve for a period of 1 (one) year since the merger or consolidation becomes effective (Primary RR in Rupiah for the Bank becomes 6.5%).</li> </ol> <p>This BI Regulation came into force on December 1, 2015.</p>	<p>This regulation is relaxation for the Bank. Danamon has fulfilled the primary RR of 7.5% in Rupiah since December 1, 2015</p>
<p>Regulations on Prudence about the National Economic Stimulus for Commercial Banks through POJK No 11/POJK.03/2015 dated August 21, 2015</p> <p>Regulations on Prudence about the National Economic Stimulus for Syariah Banks and Syariah Business Units through POJK No. 12/POJK.03/2015 dated August 21, 2015</p>	<p>Policies that support economic growth stimulus are made for:</p> <ol style="list-style-type: none"> <li>1. Changes in weight of Credit Risk Weighted Assets: <ol style="list-style-type: none"> <li>a. For home-backed mortgage: <ol style="list-style-type: none"> <li>i. Minimum 35% for credit/loan for consumptive purposes for purchases of houses or apartments; credit/loan for consumptive purposes secured by a house or apartment as collateral.</li> <li>ii. Minimum 20% for consumer loans for purchases of houses under the Indonesian Government's programs in accordance with predetermined criteria.</li> </ol> </li> <li>b. Credit/Loan for SMEs secured by a guarantee institution or insurance with BUMD status is stipulated to have risk weight of 50%.</li> </ol> </li> <li>2. Changes in the criteria for the determination of credit/loan quality that can only be based on the timely payment of principal and/or interest on loans are: <ol style="list-style-type: none"> <li>a. Credit/loan to one debtor or one project with loan value ≤ Rp5 billion</li> <li>b. Credit/loan to SMEs (excluding restructuring and a bank's 50 biggest debtors) with loan value: <ol style="list-style-type: none"> <li>i. Rp 5 billion &lt; X ≤ 20 billion: for banks that have strong predicate of credit risk KPMR</li> <li>ii. Rp 5 billion &lt; X ≤ 10 billion: for banks that have satisfactory predicate of credit risk KPMR</li> </ol> </li> </ol> </li> <li>3. Amendment in the determination of the quality of restructured loans: <ol style="list-style-type: none"> <li>a. Loans classified as doubtful or loss will get the highest status of less current after restructuring;</li> <li>b. Loans classified as current will get the same status of special mention or less current after restructuring.</li> <li>c. A certain credit quality will be considered current when it has no arrears for three (3) consecutive periods of installments for principal and/or interest based on Debt Restructuring Agreement.</li> <li>d. In the event that the debtor does not meet the criteria and/or requirements in the Debt Restructuring Agreement, the Credit quality will be assessed as follow: <ol style="list-style-type: none"> <li>i. the timely payment for principal and/or interest for Restructured Loan with a value of ≤ Rp5 billion;</li> <li>ii. Business prospects, debtor's performance and the ability to pay for Restructured Loan with a value of &gt; Rp5 billion.</li> </ol> </li> </ol> </li> <li>4. The determination of the quality of restructured loans with extended due dates for principle payment</li> <li>5. The requirement for composite rating of soundness for banks that have made placements</li> </ol> <p>This FSA Regulation came into force on August 24, 2015 and will be valid for up to 2 (two) years from the date of enactment</p>	<p>This regulation has no significant impact on the Bank.</p>

New Banking Regulations issued by Bank Indonesia Effective in 2015		
Regulation	Description	Impact on Danamon
<p>Regulation on Transparency and the Publication of Report of Banks:</p> <ul style="list-style-type: none"> <li>• POJK No.6/POJK.03/2015 dated March 31, 2015</li> <li>• FSA Circular Letter No.11/SEOJK.03/2015 which regulates Conventional Commercial Banks dated April 17, 2015</li> <li>• FSA Circular Letter No.18/SEOJK.03/2015 that governs Syariah Banks and Syariah Business Units dated June 8, 2015</li> </ul>	<p>These regulations annul previous regulations pertaining to report to be published by Banks. In principle, the amendments are about:</p> <ol style="list-style-type: none"> <li><b>1. Monthly Reports:</b> <ol style="list-style-type: none"> <li>a. The report should cover Balance Sheet, Income Statements, and Other Comprehensive Income Statement and Statement of Commitments and Contingencies. CAR and Earning Assets Quality do not need to be reported in the Monthly Report.</li> <li>b. Besides online reporting through LKPBU, the report shall be uploaded on a Bank's website by the end of the month following the end of the reporting month.</li> </ol> </li> <li><b>2. Quarterly Reports:</b> <ol style="list-style-type: none"> <li>a. For Syariah Business Units and Syariah Banks, a format change has been made for Balance Sheet, Income Statement and Statement of Commitments and Contingency and Calculation of Financial Ratios.</li> <li>b. Additional disclosure of capital (Basel III) for banks in the BOOK 3 and BOOK 4, first applied in December 2015 and published on the Bank's website.</li> <li>c. Extended deadline for Announcement and submission:               <ul style="list-style-type: none"> <li>- On the 15th of the second month after the reporting month to report a bank's position in March, June, and September;</li> <li>- At the end of March of the following year to report a Bank's position in December</li> </ul> </li> </ol> </li> <li><b>3. Publication of Annual Report:</b> <ol style="list-style-type: none"> <li>a. The deadline of AR submission to the FSA and the announcement on the Bank's website is four months after the end of the fiscal year in review.</li> <li>b. Management Letter on the audit of the Annual Financial Report shall be submitted concurrently with the Annual Report.</li> </ol> </li> </ol> <p>This FSA regulation came into force on April 1, 2015.</p>	<p>Danamon has announced and submitted a report in accordance with this new regulation.</p>
<p>Regulation on the Implementation of Integrated Governance for Financial Conglomeration through SE OJK No.15/SEOJK.03/2015 dated 25 May 2015</p>	<p>Steps for Integrated Risk Assessment Profile to assess and determine levels of inherent risks and the Quality level of Integrated Quality Risk Management.</p>	<p>Adjustments to GCG structures including integrated policies, committees, duties, and responsibilities of BoC and BoD</p>
<p>FSA Regulation No.21/POJK.04/2015 On Implementation of Code of Corporate Governance of Public Companies.</p> <p>No 32/SEOJK.04/2015 On GCG Code of Public Companies.</p>	<p>Aspects of GCG for Public Companies include:</p> <ol style="list-style-type: none"> <li>a. The Relationship between Public companies With Shareholders In Ensuring the Rights of Shareholders;</li> <li>b. The function and role of BoC</li> <li>c. The function and role of BoD</li> <li>d. Stakeholder participation; and</li> <li>e. Disclosure of Information</li> </ol>	<p>Adjustments to GCG structures including integrated policies, committees, duties, and responsibilities of BoC and BoD</p>
<p>Regulation on Loan to Value Ratio (LTV) or Financing to Value Ratio (FTV) for Property Loan or Financing and Down Payment for Auto Loan or Financing:</p> <ul style="list-style-type: none"> <li>• PBI No.17/10/PBI/2015 dated June 18, 2015</li> <li>• BI Circular Letter No.17/25/DKMP dated October 12, 2015</li> </ul>	<p>The principles of this regulation are:</p> <ol style="list-style-type: none"> <li><b>1. The ratio of LTV for Property Loan and the ratio of FTV for Syariah Property Loan:</b> <p>Requirements that must be fulfilled in the implementation of LTV/FTV for Property Ownership:</p> <ol style="list-style-type: none"> <li>a. Gross NPL/total NPF Ratio of Loan/Financing &lt;5%; and</li> <li>b. Gross NPL/NPF Ratio of Loan/Financing for property &lt;5%</li> </ol> </li> <li><b>2. The amount of the down payment for Auto Loan/Financing:</b> <p>Requirements that must be met in the implementation of Auto Down Payment:</p> <ol style="list-style-type: none"> <li>a. Gross NPL/NPF ratio of Total Loan/Financing &lt;5%; and</li> <li>b. Gross NPL/NPF ratio of Total Auto Loan/Financing &lt;5%</li> </ol> </li> <li><b>3. Banks can only provide loan/financing for properties that are still not fully constructed if:</b> <ol style="list-style-type: none"> <li>a. The loan is the first of property loan for the debtor</li> <li>b. Developers have agreements with banks to complete the construction of the financed property</li> <li>c. Developer or other parties gives guarantee to Banks</li> </ol> </li> </ol> <p>This regulation came into force on June 18, 2015, while the first report was to be submitted to Bank Indonesia on November 20, 2015.</p>	<p>Danamon has submitted monthly report of Property Loan/Financing and Auto Loan/Financing to Bank Indonesia under these provisions.</p>

## New Banking Regulations issued by Bank Indonesia Effective in 2015

Regulation	Description	Impact on Danamon															
Regulation on Integrated Capital Adequacy For the Financial Conglomerates through POJK No.26/POJK.03/2015 dated December 4, 2015	<p>The principles of this OJK Regulation are:</p> <ol style="list-style-type: none"> <li>Financial conglomerate shall provide an integrated capital of 100% of Total Capital Adequacy Ratio for Financial conglomerates.</li> <li>Integrated Capital Adequacy shall be done by calculating the Integrated CAR: <math display="block">\text{Integrated CAR} = \frac{\text{TMA (aggregate net equity)}}{\text{TMM (aggregate regulatory capital requirement)}}</math> </li> <li>The provisions for TMA and TMM for each LJK (Financial Services Institution):</li> </ol> <table border="1"> <thead> <tr> <th>LJK</th> <th>TMA</th> <th>TMM</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>Core Capital plus Additional Capital</td> <td>Minimum Capital depending on Risk Profile</td> </tr> <tr> <td>Financing Companies</td> <td>Adjusted Capital is Actual</td> <td>Adjusted Capital is Minimum</td> </tr> <tr> <td>Insurance/Reinsurance Companies</td> <td>The actual value of the difference between allowable asset with liabilities;</td> <td>The minimum value of the difference between allowable asset and liabilities</td> </tr> <tr> <td>Securities Company</td> <td>Actual Adjusted Net Working Capital (MKBD)</td> <td>The minimum value of Adjusted Net Working Capital (MKBD)</td> </tr> </tbody> </table>	LJK	TMA	TMM	Bank	Core Capital plus Additional Capital	Minimum Capital depending on Risk Profile	Financing Companies	Adjusted Capital is Actual	Adjusted Capital is Minimum	Insurance/Reinsurance Companies	The actual value of the difference between allowable asset with liabilities;	The minimum value of the difference between allowable asset and liabilities	Securities Company	Actual Adjusted Net Working Capital (MKBD)	The minimum value of Adjusted Net Working Capital (MKBD)	Danamon will start to develop Integrated Capital Adequacy Reports for December 2015 position
LJK	TMA	TMM															
Bank	Core Capital plus Additional Capital	Minimum Capital depending on Risk Profile															
Financing Companies	Adjusted Capital is Actual	Adjusted Capital is Minimum															
Insurance/Reinsurance Companies	The actual value of the difference between allowable asset with liabilities;	The minimum value of the difference between allowable asset and liabilities															
Securities Company	Actual Adjusted Net Working Capital (MKBD)	The minimum value of Adjusted Net Working Capital (MKBD)															
BI Regulation No. 17/22/PBI/2015, dated December 28, 2015, regarding Mandatory Countercyclical Buffers	<p>Highlights of this regulation are:</p> <ol style="list-style-type: none"> <li>Countercyclical Buffer (CB) is additional capital that serves as buffer against expected loss arising from excessive bank loan/financing growth that potentially disrupt the stability of the financial system</li> <li>The obligation of the Bank to form CB per January 1, 2016, with the amount set at 0% - 2.5% of risk weighted assets <b>to start with</b>, CB is set at 0% of risk weighted assets <b>from January 1, 2016</b>.</li> <li>The requirement to form CB shall be obliged with Common Equity Tier 1, after CET 1 is allocated to meet the obligation to provide, minimum common equity tier 1, minimum tier 1, minimum Capital Requirement based on Risk Profile.</li> <li>Bank Indonesia to evaluate the amount of CB, at least 1 time in 6 months</li> </ol>	No impact yet on Bank's capital															
Regulation on the Obligation to Meet Liquidity Adequacy Ratio (Liquidity Coverage Ratio) for Commercial Banks based on POJK No. 42/POJK.03/2015 dated December 23, 2015	<p>Highlights of this regulation are:</p> <ol style="list-style-type: none"> <li>Liquidity Coverage Ratio (LCR) as follows: <math display="block">\text{LCR} = \frac{\text{HQLA}}{\text{Total net cash out flow within 30 days ahead}}</math> <p>HQLA = High Quality Liquid Asset, are cash and/or financial assets that can be easily converted into cash to meet liquidity needs of the Bank during the period of the next 30 days under a stress scenario.</p> </li> <li>Stages for the fulfillment of minimum LCR ratio is as follows:</li> </ol> <table border="1"> <thead> <tr> <th>Minimum LCR ratio</th> <th>BUKU 3</th> <th>BUKU 4</th> </tr> </thead> <tbody> <tr> <td>70%</td> <td>30 June 2016</td> <td>31 December 2015</td> </tr> <tr> <td>80%</td> <td>30 June 2017</td> <td>31 December 2016</td> </tr> <tr> <td>90%</td> <td>31 December 2017</td> <td>31 December 2017</td> </tr> <tr> <td>100%</td> <td>31 December 2018</td> <td>31 December 2018</td> </tr> </tbody> </table>	Minimum LCR ratio	BUKU 3	BUKU 4	70%	30 June 2016	31 December 2015	80%	30 June 2017	31 December 2016	90%	31 December 2017	31 December 2017	100%	31 December 2018	31 December 2018	<to be check with Market Risk>
Minimum LCR ratio	BUKU 3	BUKU 4															
70%	30 June 2016	31 December 2015															
80%	30 June 2017	31 December 2016															
90%	31 December 2017	31 December 2017															
100%	31 December 2018	31 December 2018															
Regulations on Determination of Systemically Important Banks and Capital Surcharge through POJK No. 46/POJK.03/2015 dated December 23, 2015	<p>Highlights of the OJK regulation are:</p> <ol style="list-style-type: none"> <li>Capital Surcharge for Systemically Important Bank (SIB) is additional capital to mitigate negative impacts on the stability of the financial system and economy in case of failure of SIB through increasing the Bank's ability to absorb losses.</li> <li>Banks designated as SIB by the OJK, shall establish Capital Surcharge for SIB. The determination of SIB and Capital Surcharge by OJK is conducted every semester on: <ol style="list-style-type: none"> <li>In March using data of the position in December the previous year.</li> <li>In September using data of the position data in June</li> </ol> </li> </ol> <p>Determination of SIB and Capital Surcharge was first conducted in January 2016 using data from the position in June 2015.</p>	Currently the bank is waiting for the OJK to determine SIB and Capital Surcharge bucket.															

## CHANGES OF TAX REGULATIONS IN 2015

Changes of tax regulations in 2015 that significantly impacted the Bank's performance is the Minister of Finance of the Republic of Indonesia Regulation Number 207/PMK.010/2015 dated November 20, 2015 concerning the requirement of tax id number of debtors for loan amount aboved Rp50 million which can not be collected, then it can be deducted from gross income.

## Accounting Standards Issued but Not Yet Effective

The following is the summary of the Statement of Financial Accounting Standards (SFAS) and Interpretations of Financial Accounting Standards (ISAK) issued by the Financial Accounting Standards Board (DSAK) and the Syariah Accounting Standards Board (DSAS) that are not yet effective for the consolidated financial statements ended December 31, 2015.

The following table presents accounting standards issued and will be effective on or after 1 January 2016.

No	Accounting Standard	Transitional Rules	Previous Rules	Changes	Potential Impact to Danamon	Potential Impact to Danamon and its Subsidiaries
1	IFAS No. 1 (Revised 2015) "Presentation of Financial Statements on Disclosure Initiative"	Prospective application on or after 1 January 2017 and earlier application is permitted.	Do not regulate materiality and the incorporation of information in the financial statements and the information presented in the statement of financial position or the statement of income and other comprehensive income.  Determine the structure of notes of financial statements in certain circumstances.  Provide guidance for disclosure of accounting policies by considering the nature of its operations.	Regulate materiality and the incorporation of information in the financial statements and the information presented in the statement of financial position or the statement of income and other comprehensive income.  Clarify that entity has flexibility concerning the systematic sequence of notes of financial statements.  Write off the guidance for disclosure of accounting policies by considering the nature.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
2	IFAS 4 (Revised 2015), "Separate Financial Statements"	Prospective application on or after 1 January 2016 with retrospective condition	Do not permit the use of the equity method for recording investments in subsidiaries, associated entities and joint ventures;  The fair value of subsidiaries is used as the default acquisition cost at the time of the parent entity ceases to be an investment entity;  Do not regulate recording of dividends from subsidiaries, associated entities and joint ventures using the equity method.	Permit the use of the equity method for recording investments in subsidiaries, associated entities and joint ventures;  The fair value of subsidiaries is used as innate benefits transferred at the time the parent entity ceases to be an investment entity;  Clarify the regulation for dividends recording of subsidiaries, associated entities and joint ventures using the equity method.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.

No	Accounting Standard	Transitional Rules	Previous Rules	Changes	Potential Impact to Danamon	Potential Impact to Danamon and its Subsidiaries
3	IFAS 5 (Revised 2015), "Operating Segment"	Prospective application on or after 1 January 2016 and earlier application is permitted.	<p>Do not regulate the disclosure requirements concerning the merger of operating segments;</p> <p>Do not regulate requirements for the disclosure of the reconciliation of the total assets of segments;</p> <p>SFAS 5 (Revised 2014) determines the word:</p> <p>a. "Reportable segments of the entity"; and</p> <p>b. "based on differences in products and services".</p>	<p>Regulate the disclosure requirements concerning the merger of operating segments;;</p> <p>Regulate requirements for the disclosure of the reconciliation of the total assets of segment;</p> <p>SFAS 5 (Revised 2014) makes amendment on the word:</p> <p>a. " Reportable segments of the entity" to "Reportable segments belongs to the entity"; and</p> <p>b. " based on differences in products and services " to " based on the differences of products and services."</p>	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
4	IFAS 7 (Revised 2015), "Related Party Disclosures"	Prospective application on or after 1 January 2016 and earlier application is permitted.	<p>No requirements for related parties if an entity, or a member of a group to which the entity is part of the group, providing services from key management personnel of the reporting entity or to the parent of the reporting entity;</p> <p>Do not regulate the requirements for disclosure on benefits paid to employees or directors of the managing entity and to the managing entity for the services rendered by the key management personnel provided by managing entity.</p>	<p>Add requirements for related parties if an entity, or a member of a group to which the entity is part of the group, providing services from key management personnel of the reporting entity or to the parent of the reporting entity;</p> <p>Regulate the requirements for disclosure on benefits paid to employees or directors of the managing entity and to the managing entity for the services rendered by the key management personnel provided by managing entity.</p>	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
5	IFAS 15 (Revised 2015), "Investment in Associates and Joint Ventures"	Application on or after 1 January 2016	Do not regulate the application of equity method by investment entity, association entity or joint venture on subsidiaries in which the investment entity, association entity or joint venture share interests.	Regulate the application of equity method by investment entity, association entity or joint venture on subsidiaries in which the investment entity, association entity or joint venture share interests.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
6	IFAS 16 (Revised 2015), "Fixed Asset "	Prospective application on or after 1 January 2016	<p>No explanation on expected future impairment of goods produced by using an asset indicating the estimation of the technical or commercial obsolescence of the asset.</p> <p>No explanation on the depreciation method based on the income generated by activities using specific asset.</p>	<p>Provide explanation on expected future impairment of goods produced by using an asset indicating the estimation of the technical or commercial obsolescence of the asset.</p> <p>Provide explanation that the depreciation method based on the income generated by activities using specific asset cannot be used.</p>	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.

No	Accounting Standard	Transitional Rules	Previous Rules	Changes	Potential Impact to Danamon	Potential Impact to Danamon and its Subsidiaries
7	IFAS 19 (Revised 2015), "Intangible Asset"	Prospective application on or after 1 January 2016	<p>No explanation on expected future impairment of goods produced by using an asset indicating the estimation of the technical or commercial obsolescence of the asset.</p> <p>No explanation on the depreciation method based on the income generated by activities using specific asset.</p> <p>No explanation for the basis of selecting the method of amortization.</p> <p>No explanation for the most dominant inherent limiting factor as the right basis for amortization.</p>	<p>Provide explanation on expected future impairment of goods produced by using an asset indicating the estimation of the technical or commercial obsolescence of the asset.</p> <p>Provide explanation that the depreciation method based on the income generated by activities using specific asset cannot be used.</p> <p>Provide explanation for the basis of selecting the method of amortization.</p> <p>Provide explanation for the most dominant inherent limiting factor as the right basis for amortization.</p>	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
8	IFAS 22 (Revised 2015), "Business Combination"	Prospective application on or after 1 January 2017 and earlier application is permitted.	<p>Do not regulate restrictions on the application of SFAS 22 on the accounting for joint arrangement.</p> <p>Do not regulate the classification and measurement of contingent benefit.</p>	<p>Regulate restrictions on the application of SFAS 22 on the accounting for joint arrangement.</p> <p>Regulate the classification and measurement of contingent benefit.</p>	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
9	IFAS 24 (Revised 2015), "Employee Benefit"	Prospective application on or after 1 January 2016 with retrospective condition.	Regulate contributions from employee or service cost curtailment from third parties (if related to services) is attributable at service period as negative rewards.	Regulate contributions from employee or third parties will be depended on whether such contribution is determined based on total service year or not.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
10	IFAS 25 (Revised 2015), "Accounting Policies, Changes in Accounting Estimates and Errors"	Prospective application on or after 1 January 2016	Regulate the implementation of new policies, applied retrospectively from the earliest practicable period	Regulate the implementation of new policies, applied prospectively from the earliest practicable period	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
11	IFAS 53 (Revised 2015), "Share Based Payment"	Prospective application on or after 1 January 2016 and earlier application is permitted.	Defining performance conditions as vesting performance conditions and service conditions as vesting service conditions.	Clarify the definition of vesting conditions and separately define performance and service conditions.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.



No	Accounting Standard	Transitional Rules	Previous Rules	Changes	Potential Impact to Danamon	Potential Impact to Danamon and its Subsidiaries
12	IFAS 67 (Revised 2015), "Disclosure of Interests in Other Entities"	Prospective application on or after 1 January 2016	Do not regulate the preparation of financial statements of the parent entity as investment entity and its subsidiaries is measured at fair value through profit or loss	Provide explanation concerning the preparation of financial statements of the parent entity as investment entity and its subsidiaries is measured at fair value through profit or loss	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
13	IFAS 68 (Revised 2015), "Fair Value Measurement"	Prospective application on or after 1 January 2016	Do not regulate the terms of fair value measurement of financial assets group and financial liabilities on a net basis or with offsetting positions in market risks or counterparty credit risk.	Regulate the terms of fair value measurement of financial assets group and financial liabilities on a net basis or with offsetting positions in market risks or counterparty credit risk.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS..
14	IFAS 30, "Collection"	Prospective application on or after 1 January 2016	Do not regulate the accounting for a liability to pay a levy, whose timing and amount is certain and within the scope of SFAS 57	Regulate the accounting for a liability to pay a levy, whose timing and amount is certain and within the scope of SFAS 57.	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.
15	IFAS No. 110 (Revised 2015), "Accounting for Sukuk"	Prospective application on or after 1 January 2016	<p>Upon initial recognition, investor may classify investment of sukuk as:</p> <ol style="list-style-type: none"> <li>1. Recognized at fair value</li> <li>2. Measured at amortized costs</li> </ol> <p>Do not regulate measurement after initial recognition</p> <p>The fair value of sukuk investment is determined by reference to the following order:</p> <ol style="list-style-type: none"> <li>(a) quoted market prices in an active market, or</li> <li>(b) the current transaction market price incurred if quoted market prices in an active market does not exist.</li> <li>(c) similar instrument fair value if there is no quoted market prices in an active market or no current transaction market price incurred.</li> </ol>	<p>Upon initial recognition, investor may classify investment of sukuk as:</p> <ol style="list-style-type: none"> <li>1. Recognized at fair value through profit or loss;</li> <li>2. Recognized at fair value through other comprehensive incomes</li> <li>3. Measured at amortized costs</li> </ol> <p>For sukuk investment recognized at fair value through other comprehensive incomes, the difference between fair value and the carrying amount is recognized in other comprehensive incomes</p> <p>The fair value of investment is determined by reference to the following order:</p> <ol style="list-style-type: none"> <li>(a) quoted market (unadjusted) in an active market, or</li> <li>(b) inputs other than quoted prices included within Point</li> <li>(c) that are observable.</li> </ol>	The Bank has performed assessment and preparation related to implementation of this SFAS.	The Bank and Subsidiaries has performed assessment and preparation related to implementation of this SFAS.

## INFORMATION ON BUSINESS CONTINUITY

As already mentioned in the Business Prospects section, Indonesia's economic growth in 2015 weakened to the lowest level in the last six years. GDP grew 4.8%. If the downward trend persists, this has the potential to have significant impact on the banking industry's sustainability. A weaker economy will impact the ability of companies to repay loans they have borrowed. In addition, people's purchasing power has also weakened as evidenced by the recent declines in sales of motor vehicle units.

The impact of this weaker economic activity was indicated by an increase of NPLs from 2.3% in 2014 to 3.0% in 2015. Meanwhile, weaker purchasing power was evident from a decline of 6% for this year in Adira Finance's loan portfolio.

Danamon has undertaken initiatives and made assessments to keep its business sustainable during times of economic slowdown. The first is to set more rigorous credit criteria to maintain asset quality. Danamon also has a Risk Management framework that concentrates on per-industry limits. For some industries considered as having higher limit level, Danamon has lowered the upper limit and applied more stringent monitoring approach.

In addition, Danamon continues to maintain its capital adequacy ratio. The Bank's consolidated Capital Adequacy Ratio (CAR) as per the end of 2015 was 19.7%, well above the minimum limit set by regulators.

Danamon also periodically conducts Stress Test whether it be Credit Stress Test, Market Stress Test and Liquidity Stress Test. The results of the assessments, which have reported to OJK, showed the Bank's ability to survive in this less favorable economic condition.