



**THE EXPLANATION ON THE AGENDA OF
ANNUAL GENERAL MEETING OF SHAREHOLDERS OF
PT BANK DANAMON INDONESIA, Tbk.**

In relation to the Annual General Meeting of Shareholders (“**AGMS**”) plan of PT Bank Danamon Indonesia Tbk (the “**Company**”) which will be held at day/date Tuesday, April 7, 2015, the Company announced via daily newspapers, namely Bisnis Indonesia, Investor Daily, and the Jakarta Post:

- The announcement of AGMS plan at February 27, 2015,
- The invitation to attend a AGMS at March 16, 2015.

Furthermore, with respect to:

- Indonesia Financial Services Authority Regulation Number 32/POJK.04/2014 on Plan and Implementation of the General Meeting of Shareholders of the Public Company, and
- ASEAN Corporate Governance Scorecard issued ASEAN Capital Market Forum related to the rights of shareholders and the disclosure and transparency principles,

the Company hereby submit the explanation on each AGMS agenda as follows:

Agenda 1

- i. **Approval of the Annual Report of the Company for the year ended December 31, 2014;**
- ii. **Ratification of the audited Financial Statements of the Company for the year ended December 31, 2014; and**
- iii. **Ratification of the Annual Supervisory Report of the Company's Board of Commissioners for the year ended December 31, 2014;**

1.1. Background

In compliance with Article 20 paragraph 2 letter (b) of the Company's Articles of Association in conjunction with article 70 and article 71 of the Law No.40 year 2007 regarding the Limited Liabilities Company ("**Company Law**").

1.2. Explanation/Opinion of Board of Directors and Board of Commissioners

The Annual Report of Board of Directors

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

The Bank's outstanding loans increased 3% to Rp 139 trillion from the previous year, with the largest contribution coming from the SME and Commercial segments, which grew 6% to Rp 39.8 trillion. Although Retail displayed a higher growth of 18%, the segment started from a smaller base of Rp 9.1 trillion in 2013 to reach Rp 10.8 trillion this year.

Amidst intense competition within the country's banking industry, Third Party Funds (TPF) at the Company grew 7% to Rp 118 trillion. Current and Savings Account (CASA) funds rose 10%, while the contribution of CASA to total deposits was slightly up from 48% in 2013 to 49%. The banking industry in The Company's segment (BUKU 3 banks) showed a declining contribution of CASA to total deposits of 40%.



Ensuring high standard of credit portfolio through tight monitoring of underlying risks has become one of Management's focuses and targets in 2014. This was successfully achieved as exhibited by a relatively low nonperforming loan ratio at 2.3%. In addition, loan to deposit ratio was ideally maintained on average at 91.7%, which was well within the target or maximum limit of 95%.

For 2014, the Company posted a consolidated reported net profit after tax (NPAT) of Rp 2.6 trillion. However, this year, Income is calculated based on a new ruling (No. SE-06/D.05/2013) from the Financial Services Authority (OJK), which changes the method of income recognition for commission on motor-vehicle insurance. Removing the impact of this method of recognizing Income and restructuring cost, the Bank's normalized* consolidated NPAT would amount to Rp 3.45 trillion, a lower 15% drop from the 2013 NPAT of Rp 4.04 trillion.

The Board of Director will continually implement and improve good corporate governance principles in Bank's daily activities. A number of enhancement initiatives have been put in effect namely: GCG Self-Assessment, Alignment with ASEAN Corporate Governance Scorecard, Consumer Protection Policy, appropriate composition of Committees, and Improvement on BoC and Committees' Charter, Related and Affiliated Party Policy, Expense Policy, Risk Modeling, and Integrated Negative List. Moreover, the Company continues to reemphasize their commitment to Zero Tolerance on Fraud and create a fraud prevention programs are effective and sustainable. The Board of Directors and staff are active in preventing fraud by adhering to the code of ethics and regulations, control mechanisms and conducting the 4K principles.

In 2014, there was a change in the Board of Directors' composition due to the resignations of Ali Yong (Director of Small and Medium Enterprises, Commercial and Corporate Banking) and Minhari Hadikusuma (Director of Micro Banking). The Board of Directors would like to thank and convey our appreciation to two Directors of the Company, Ali Yong and Minhari Handikusuma, for all their years of contribution and dedication to the Company.

In closing 2014 the Board of Directors would like to convey our gratitude to the Board of Commissioners for the unfaltering support and generous advices to the Board of Directors and management team throughout the year. In addition, all our employees, whose dedication and hard work are



indispensable for reaching our achievements, deserve our most sincere appreciation.

The Supervisory Report of Board of Commissioners

The Board of Commissioners appreciates for the success of the entire Board of Directors and staff in bringing the Company to face challenges in 2013 and laid a strong foundation to support business development in times to come.

In the midst of a challenging environment, we are satisfied with the overall results delivered by the Board of Directors. The Company's total outstanding loans increased by 3% to Rp 139 trillion, carrying a manageable non-performing loan ratio (NPL) of 2.3%. The Management's approach to grow its loans prudently and prioritize loan quality is noted and appreciated. Loan growth mostly came from mid-size Commercial customers (including Syariah) and the SME businesses. There was also strong growth in Trade Finance, and the Retail segment. On the funding side, total funding grew by 4% to Rp 145.7 trillion with current and savings account (CASA) deposits recording growth of 10% yoy, while the CASA over total funding ratio increased to 49%. Regulatory Loan to Deposit ratio at the end of 2014 was 92.6%, improving from 95.1% at the end of December 2013, and below our industry's (BUKU 3 banks) LDR of 99.6%

The Board also gave specific assessment to focused in significantly improve operational efficiency and increase service network productivity through business processes centralization, consolidations, and reinforcing synergy between the Bank's business units. These steps, along with decisions to prudently manage loan risk and to improve customer service will helo the Company to better secure its sustainable long-term growth.

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

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



Sukadis and B. Raksaka Mahi for their services and contribution as Commissioners.

We owe our sincere thanks and appreciation to the Board of Directors and all The Company employees, whose diligence, hard work and dedication has made it possible for The Company to maintain a strong balance sheet and a good loan portfolio quality. We would also like to thank our customers, shareholders, and the regulators for their trust and support. To all of our stakeholders, we would like reiterate our commitment to do our utmost to make certain that The Company continues to deliver a sustained and meaningful contribution to Indonesia's economic growth and prosperity.

2015 Business Plan

2015 work plan will be focused on this strategy, and will be realized on, among others:

1. Continuing the long term Avatar Project, which covers more than 20 initiatives from Lending Stream, Payment Stream and Support Stream for supporting target achievement of Cost to Income Ratio and Bank ROE in 2015.
2. Implementing systems to improve automation, productivity and SLA in the forms of New Trade Finance System, RTGS Gen 2, SKN Gen 2, MPN Gen 2, Bank Wide Reconciliation System, and many other applications.
3. Continuing the concept of Savings Book to other products such as Primadollar, so customer convenience in transactions can be expanded to all.
4. Performing shared service with DSP branches and implementing rationalization stage 2.
5. Optimizing shared service at branch level by preparing programs of Teller Multitasking, Head Teller Multifunction, and Operation Officer Inhouse Training.

The Company maintains its focus on the micro as well as small and medium enterprises sectors by increasing the productivity of its business operational model, while implementing new initiatives to promote better efficiency within The Company and its subsidiaries. The Company developed its 2014-2015 strategy with implementation phases that extends until 2016. This strategy



is based on a number of planned initiatives that are aimed to bring forth positive and significant changes to the Company and its subsidiaries.

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

1.3. Supported Data/Material

- [Annual Report 2014](#) can be downloaded from the website of the Company and has been available at the Head Office of the Company since March 16, 2015, concurrently with the date of AGMS's Invitation. Annual Report 2014, which among others also includes the Financial Statements for the financial year 2014 and the Report of Supervisory Board of Commissioners may be requested by the shareholders with a written request addressed to the Corporate Secretary of the Company.
- [Performance Results \(Public Expose\) for the year 2014](#) on January 29, 2015 which contains a summary of the financial performance of the Company and has been submitted to the Indonesia Stock Exchange on January 26, 2015 and has been uploaded on the website of the Company.

Agenda 2

Determination of the appropriation of the Company's profit of the year ended December 31, 2014.

2.1 Background

In accordance with the Article 25 of the Articles of Association of the Company, the net profit acquired by the Company in a financial year as set out in the balance sheet and income statement which has been ratified by the AGMS shall be distributed in accordance with the manner of its appropriation, including the allocation of the amount of provisions for mandatory reserves, distribution of dividends and other appropriations, as resolved by the AGMS, provided that the Company has positive profit balance with due observance of the provisions of laws and regulations.

2.2. Explanation/Opinion of Board of Directors and Board of Commissioners

At the end of 2014, The Company started to implement a number of initiatives to improve competitiveness and profitability with a focus on increasing productivity and customer service. These initiatives include remodeling The Company's micro lending business, characterized by more customer-centric approach as well as centralized and automated back office functions.

In end of 2014, net profit the Company after tax (NPAT) while normalized* consolidated reached IDR 3.453 trillion, as net interest income was booked at IDR 13.7 trillion at the end of 2014. The Company's reported consolidated net profit after tax (NPAT) was at IDR 2.604 trillion in 2014, and The Company's consolidated Capital Adequacy Ratio (CAR) stood at 17.9%.

Through the AGMS 2015, the Board of Directors will propose the use of 30% of the Net Profit of the Company for distribution to shareholders in the form of cash dividends. Payout ratio is maintained at the same number as last year, taking into account the improvement of Company's financial performance and its capital adequacy ratio, as well as the appreciation to its shareholders' supports.

In addition to the dividend, the Company will propose to allocate the mandatory reserve fund for 1 % of the Company's net income in order to



comply with the article 70 of the Company Law. The remaining net profit will be appropriated as retained earnings.

**Normalized NPAT is the figure before the application of the new OJK regulation (Circular Letter, No SE-06/D.05/2013 on Vehicle Insuranc) on insurance fee impacting Adira Finance's fee income recognition and before restructuring cost.*

2.3. Supported Data/Material

The profit disclosure of the Company can be accessed to the links [Annual Report 2014](#).

Agenda 3

The appointment of Public Accountant to audit the Financial Statements of the Company for the year ended December 31, 2015.

3.1. Background

In accordance with the Article 68 of the Company Law Jo Article 18 paragraph 5 of the Articles of Association of the Company, the Board of Directors is obliged to submit the financial statements to the public accountant for audit. OJK regulation (ex Bapepam & LK) No.VIII.A.2 regarding the Independence of the Accountant Providing Services in Capital Markets provides the procedures and requirements for the selection of Certified Public Accountants and limit the assignment period, to maximum 6 (six) consecutive years for a public accounting firm and maximum 3 (three) consecutive years for an accountant. Furthermore, the Article 20 paragraph 2 letter (c) of the Articles of Association provides that the appointment of a public accountant, its fee and terms of appointment shall be made by GMS. While the Article 43 of Bank Indonesia Regulation Number 8/4/PBI/2006 on the Implementation of Good Corporate Governance for Commercial Banks and Bank Indonesia Regulation Number 8/14/PBI/2006 regarding the amendment of Bank Indonesia Regulation Number 8/4/PBI/2006 ("**PBI GCG**") provides that the Audit Committee shall make recommendations for the appointment of the Public Accountant and Public Accounting Firm to the Board of Commissioners to be submitted to GMS.

3.2. Explanation/Opinion of Board of Directors and Board of Commissioners

Public accounting firm to audit the Company's financial statements for the year 2014 was Purwantono, Suherman & Surja, a member of Ernst & Young Global Limited. The Public Accountant firm and its Accountant has been appointed third times or 3 consecutive years.

In order to select a public accounting firm that will conduct an audit on Company's books and records for the year 2015, the Audit Committee via recommendation Memo No.B.01-KA dated March 24, 2014 has recommended to the Board of Commissioners to appoint Purwantono, Suherman and Surja, a member of Ernst & Young Global Limited, to conduct audit on the Company's books or records for the year 2015. This recommendation has been accepted by the Board of Commissioners, to be in further proposed to the AGMS.

Agenda 4

- i. **Determination of the remuneration or honorarium, tantieme or bonus, and other allowances for the members of the Board of Commissioners and Sharia Supervisory Board of the Company; and**
- ii. **Determination of the remuneration, allowances, tantieme or bonus, and/or other benefit for the Board of Directors of the Company;**

4.1. Background

In accordance with Article 20 paragraph 2 letter (e) of the Articles of Association Jo Article 113 and Article 96 of the Company Law, the AGMS determine the salary and allowances and / or other income of the members of the Board of Directors and the salary or honorarium and other allowances of the members of the Board of Commissioners as well as salary or honorarium and / or allowances Sharia Supervisory Board.

4.2. Explanation/Opinion of Board of Directors and Board of Commissioners

The Board of Commissioners accepted the recommendation of the Remuneration Committee and will propose to the AGM the following matters:

- to determine the total amount of tantieme/bonus of the year 2014 for the Board of Directors in IDR 22,274,000,000 gross, for the Board of Commissioners in IDR 7,031,000,000 gross and for Sharia Supervisory Board in IDR 60,000,000 (updated by February 25, 2015).
- to specify the total salary/honorarium and allowances of Board of Directors, Board of Commissioners and Sharia Supervisory Board for the year 2015.
- to authorize the President Commissioner of the Company in determining the distribution of tantieme/bonuses of the year 2014 as well as the salary/honorarium and allowances of the year 2015 for each member of the Board of Commissioners and Sharia Supervisory Board pursuant to the recommendations of the Remuneration Committee, and
- to authorize the Board of Commissioners of the Company in determining the distribution of tantieme/bonuses of the year 2014 as well as the salary/honorarium and allowances of the year 2015 for each member of the Board of Directors pursuant to the recommendations of the Remuneration Committee.

Agenda 5

Approval of the Changes in Composition of Board of Commissioners of the Company.

5.1. Background

Pursuant to (i) Article 23 Financial Service Authority Regulation (“**POJK**”) No. 33/POJK.04/2014 regarding the Board of Directors and Board of Commissioners of an Issuer or a Public Company and (ii) Article 14 paragraph 2 and paragraph 6 of the Company's Articles of Association, and in relation to the Recommendation of Nomination Committee of Company provides that the members of the Board of Commissioners are appointed and dismissed by the GMS. The appointment is effective from the date specified in the GMS where he/she/they are appointed and ends at the conclusion of the 3rd AGMS after their appointment date.

Furthermore, with reference to Article 6 paragraph (1) Peraturan Bank Indonesia (“**PBI**”) No. Nomor 8/14/PBI/2006 regarding the Changes of PBI No. 8/4/PBI/2006 regarding The Effect of Good Corporate Governance Implementation on Bank Capital (“**PBI GCG**”), and Article 21 paragraph (1) PBI GCG, the appointment and/or replacement of members of Board of Commissioners is proposed to the AGMS with consideration of the recommendations from Remuneration and Nomination Committee.

Article 3 of Bank Indonesia Regulation Number 12/23/PBI/2010 on Fit and Proper Test, Bank Indonesia (now the OJK) conduct a fit and proper test for the candidates of Board of Commissioners.

5.2. Explanation/Opinion of Board of Directors and Board of Commissioners

The term of office of the incumbent members of Board of Directors, Board of Commissioners and Sharia Supervisory Board were commenced from the AGMS in 2014 and will expire at the AGMS in 2017. In relation to this matter, the Board of Commissioners has received the recommendation from the Nomination Committee of the Company regarding the proposal to change the composition of Board of Commissioners as follows:

- (i) To accept the resignation of Andriaan Laoh as Independent Commissioner of the Company and and purposed the cancellation of Fit and Proper Test process of Andriaan Laoh to the FSA related with



his appointment as Independent Commissioner of the Company in connection with the not yet obtained approval from the FSA.

- (ii) received the Memo Recommendation dated March 11, 2015 from Nomination Committee related with the appointment of new member of the Board of Commissioners of the Company;

Therefore, the Nomination Committee has recommended to the Board of Commissioners to reappoint members of Board of Commissioners as follows:

- Ng Kee Choe as President Commissioner,
- JB Kristiadi as Vice President Commissioner (Independent),
- Gan Chee Yen as Commissioner,
- Manggi Taruna Habir as Commissioner (Independent),
- Ernest Wong Yuen Weng as Commissioner, and
- Made Sukada as Commissioner (Independent),

where the term of office will be expired at the AGMS in 2017.

Nomination Committee also recommends the appointment of:

- Emirsyah Satar as Commissioner (Independent),

for the term of office commencing from the date when each candidate passed the OJK's Fit & Proper Test to the AGMS held in 2017.

5.3. Supported Data/Material

Curriculum vitae of member of Board of Commissioners of the Company can be accessed at the link [Profile/Curriculum Vitae of the Candidate Commissioners of the Company](#).

Agenda 6

Approval of the Changes of several articles in the Company's Articles of Association and the restatement of all articles in the Company's Articles of Association.

6.1. Background

Pursuant to (i) Article 40 Financial Service Authority Regulation (“**POJK**”) No. 32/POJK.04/2014 regarding The Plan and Implementation of a General Meeting of Shareholders for an Issuer or a Public Company and (ii) Article 27 paragraph 1 of the Company's Articles of Association Jo Article 19 paragraph (1) the Company Law, and in relation to the adjustment and comply with POJK No. 33/POJK.04/2014, the Company propose to the AGMS 2015 to approve:

- the changes of several articles in the Company's Articles of Association;
- the restatement of all articles in the Company's Articles of Association;
- the restatement of Company's data regarding the Company's shareholder structure, the composition of the Board of Directors, and the Board of Commissioners; and
- to authorize the Board of Directors of the Company to sign any deeds which are required in connection with (i) the resolutions of the fifth agenda and (ii) the restatement of all articles in the Company's Articles of Association is made before the Notary, and including to the change and/or add necessary provisions if required by the Department of Justice and Human Rights of Republic of Indonesia and/or relevant authorities for the purposes of issuing a letter of acceptance of notification amendment.

6.2. Explanation/Opinion of Board of Directors and Board of Commissioners

The changes of several articles in the Company's Articles of Association and the restatement of all articles in the Company's Articles of Association to adjustment and comply with POJK No. 32/POJK.04/2014 and POJK No. 33/POJK.04/2014.

6.3. Supported Data/Material

The changes of several articles in the Company's Articles of Association can be accessed at the link [Adjustments/Changes in the Articles of Association](#).



Other Notes

For additional explanation and data associated with exposure as mentioned above, please refer to the data and the documents that we have provided on this website, as follows:

List of important links:

Annual Report 2014	http://www.danamon.co.id/Home/AboutDanamon/InformasiInvestor/AnnualReport/tabid/258/language/en-US/Default.aspx
The Material of Public Expose for the Year 2014	http://www.danamon.co.id/LinkClick.aspx?fileticket=U3Za9ljUVnl%3d&tabid=289&language=id-ID http://www.danamon.co.id/LinkClick.aspx?fileticket=yXkOHcCKFvE%3d&tabid=289&language=en-US
Curriculum Vitae of Board of Commissioners	http://www.danamon.co.id/LinkClick.aspx?fileticket=KX30heAH-HU%3d&tabid=243&language=en-US
Adjustments/Changes in the Articles of Association	http://www.danamon.co.id/LinkClick.aspx?fileticket=Zc2rRd255Cw%3d&tabid=243&language=en-US
Proxy Forms	http://www.danamon.co.id/Home/AboutDanamon/InformasiInvestor/GMS/tabid/243/language/en-US/Default.aspx
AGMS Rule of Conduct	http://www.danamon.co.id/LinkClick.aspx?fileticket=kxAOu5fAc1%3d&tabid=243&language=en-US

The list of Company's announcements in the Newspaper:

The Title of Announcement and link to the Company's website	Newspaper	Issued Date
<p>Announcement of The Annual General Meeting of Shareholders of PT Bank Danamon Indonesia, Tbk. (the "Company")</p> <p><u>in English:</u> http://www.danamon.co.id/LinkClick.aspx?fileticket=u9O9bjcWlYw%3d&tabid=243&language=en-US</p> <p><u>in Bahasa:</u> http://www.danamon.co.id/LinkClick.aspx?fileticket=l7wDsseqyIU%3d&tabid=243&language=id-ID</p>	<p><u>In English:</u> The Jakarta Post</p> <p><u>In Bahasa:</u> Bisnis Indonesia Investor Daily</p>	<p>February 27, 2015</p>



The Title of Announcement and link to the Company's website	Newspaper	Issued Date
Invitation of The Annual General Meeting of Shareholders of PT Bank Danamon Indonesia, Tbk. (the "Company") <u>in English:</u> http://www.danamon.co.id/LinkClick.aspx?fileticket=ryL_wPQQIzM%3d&tabid=243&language=en-US <u>in Bahasa:</u> http://www.danamon.co.id/LinkClick.aspx?fileticket=mtKZ9yMZLhg%3d&tabid=243&language=id-ID	<u>In English:</u> The Jakarta Post <u>In Bahasa:</u> Bisnis Indonesia Investor Daily	March 16, 2015

Jakarta, March 16, 2015
PT Bank Danamon Indonesia, Tbk.
The Board of Directors