





Management **Report**

Report from the Board of Commissioners

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“In 2019, Danamon became a consolidated subsidiary of MUFG, one of the largest financial services groups in the world. The new controlling shareholder will support Danamon to execute its core strategies by supplementing the Bank’s existing capabilities with MUFG’s global network and diverse capabilities. While the business faced some headwinds in the form of economic and industry slowdown, Danamon managed to achieve Rp4.07 tn NPAT in FY19. But more importantly, The Board of Commissioners is excited about the long-term prospect of Danamon.”

”

Dear Valued Shareholders,

ECONOMIC AND INDUSTRY OVERVIEW

The Global economy displayed slowing-down trends with forecasted growth of only 2.9% in 2019. Key factors affecting the economy include uncertainty surrounding trade and geopolitical tensions around the world, particularly US China trade conflicts, prolonged process over Brexit, and mass protest in Hongkong.

Despite the pressure from global situation, Indonesian economic growth was sustained at 5.0%, the second highest growth amongst G20 countries after China. The Indonesian Rupiah also delivered better performance compared to last year, strengthening by 4.0% from the end of 2018 with less volatility. Large capital inflow both to shares and bonds market helped the currency to appreciate towards the end of the year. Inflation rate was kept at 2.7% this year.

However, the Indonesian banking sector recorded a slowdown. Based on November 2019 data, earning assets and loans grew by only 6.0% YoY and 7.1% YoY, respectively. Industry NPL remained healthy at 2.8%. To facilitate economic growth and increase liquidity in the financial industry, Bank Indonesia reduced the 7-day reverse repo rate by 100bps and lowered the bank’s reserve requirement by 50bps in 2019. Another 50 bps reduction of reserve requirement was set to be effective in 2020.

DANAMON AND BOARD OF DIRECTORS’ PERFORMANCE

In 2019, MUFG increased its shareholding of Danamon (the “Bank”) to 94.1%. This was the final stage of a three-step acquisition starting in Dec 2017. At the same time, Danamon merged with Bank Nusantara Parahyangan (Bank BNP), a Bandung based bank previously controlled by MUFG. The process of operational integration between Danamon and Bank BNP was completed on schedule with minimal disruption to customer.





Takayoshi Futae
President Commissioner

During the year, Yasushi Itagaki was appointed as the new President Director of Danamon following the retirement of Sng Seow Wah. A seasoned banker with more than three decades of experience in corporate and investment banking, he will be an invaluable catalyst for synergistic collaboration between Danamon and MUFG in both business and management platform areas for future sustainable growth. We look to Yasushi to further strengthen and deepen our business offerings and capabilities and cement our position as our clients' preferred banking partner in Indonesia.

Danamon continued to focus on prudent lending in its key growth engines: Enterprise Banking, SME, Consumer and through its ADMF subsidiary, auto financing. Loan growth excluding micro was 6.6% YoY due to slower economic growth than anticipated. With the foundation set up in prior years' transformation, and now tapping on the ecosystem of MUFG global customer base, the Bank is well poised to continue its growth in the coming years.

Liquidity was well managed despite total third party deposits growth of only 2% YoY. However our focus to grow granular funding continued as seen by CASA growth of 8.6% YoY, with savings account portion growing by 13% YoY.

Danamon's prudent risk management managed to contain the impact of industry-wide asset quality deterioration in certain segments. At 3.0% as of Dec. 31, 2019, NPL ratio was well managed. Additional provisioning was taken to bring NPL coverage ratio to 112.6% at year end. In 2020, IFRS9 will be implemented for Indonesian banks, and this will further increase prudence in Danamon's provisioning level.

Another key achievement was the completion of Danamon's divestment of its 70% ownership in Adira Insurance (AI). Post the divestment, the Bank remains as a minority shareholder, and AI's products will continue to be distributed through Danamon's and ADMF's network. This transaction will help Danamon focus on its core competency of distributing financial products. We expect this transaction will be mutually beneficial to all parties.

Net Profit After Tax (NPAT) for FY19 reached Rp 4.07 trillion, a 4.0% YoY growth compared to the previous year.

The Bank's high level of capital remains a key strength. In the fourth quarter of 2019, Danamon's core equity reached above the BUKU 4 requirement of Rp 30 trillion. At the same time, capital adequacy ratio (CAR) was 24.2% as of Dec. 31, 2019.

The Board of Commissioners (BoC) applauded the Board of Directors (BoD) for their steady leadership amidst the many changes within the Bank, and external challenges.

Committee Performance in 2019

The Board of Commissioners has established six Board Committees to assist in its stewardship and supervisory role. The Board Committees have performed their duties satisfactorily and provided sound recommendations to the BOC.

Audit Committee

The Audit Committee (AC) is responsible to ensure the integrity of financial reports and audit findings. It has also ascertained the effectiveness of internal controls within the Bank. After thorough evaluation on potential firms to act as Danamon's external auditor for the 2020 financial year, the committee has recommended the reappointment of Public Accounting Firm KAP Tanudiredja, Wibisana, Rintis & Rekan (a member firm of PwC global network).

Risk Monitoring Committee

The Risk Monitoring Committee oversees all aspects of risk management within the Bank. It has provided sound recommendations to improve asset quality, market and liquidity position and general control environment. Despite some asset quality issue in the industry, the Bank maintained its overall risk profile for 2019.

Corporate Governance Committee

The Corporate Governance Committee supervised the consistencies of adoption the necessary principles, practices and processes for accountable and effective management. Danamon was able to maintain the trusts of its stakeholder by consistently applying a high standard of corporate governance.

Integrated Governance Committee

The Integrated Governance Committee (IGC) ensures that good corporate governance is practiced across the Bank and its subsidiary. The committee's recommendations to the BOC has helped the Bank to improve good corporate governance practices. Danamon was recognized as one of the company with the best corporate governance in the Big Cap Financial Sector category, while Adira Finance was recognized as having the Best Disclosure Transparency at the 2019 Indonesian Institute for Corporate Directorships' Annual Awards.

Nomination Committee

The Nomination Committee supervises the appointment of new BOC and BOD, as well as the appointment of senior management personnel. It has performed its role admirably throughout 2019.

Remuneration Committee

The Remuneration Committee (RC) is responsible to provide recommendations to the BOC on remuneration packages for Commissioners, Directors and Senior Management personnel. The RC had provided recommendations on remuneration arrangements, which enables Danamon to recruit and retain the right senior executives that can help the Bank to realize its long-term plan and vision.

Integrated Corporate Governance and Risk Management

Danamon maintained integrated corporate governance and risk management across the Bank and its subsidiaries in line with best international banking practices. Programs to improve employee's risk culture, awareness of Danamon's Code of Conduct and cyber security risk were implemented in 2019 as continuation of prior year's efforts. In addition, programs to increase employee awareness on sustainable finance, including in-class trainings and e-learning modules were rolled out.

Implementation of Corporate Social Responsibility

The BoC supported Danamon's corporate social responsibility (CSR) to strengthen local communities and create a sustainable development in Indonesia. The Bank's CSR activities in 2019 were conducted through Yayasan Danamon Peduli (YDP) programs. YDP's programs were designed to improve the quality of life in the community. They are focused on three main principles: Economic, Environment, and Social. These include revitalization program of traditional markets, disaster and emergency response and financial education to the community.

The BoC is proud of the recognition received by YDP from the DKI Jakarta Government via the Padmamitra Awards 2019.

CHANGES IN BOC COMPOSITION

There were several changes to the composition of the Board of Commissioners in 2019.

Following the effectiveness of MUFG as a sole controlling shareholder, Ng Kee Choe no longer hold the position as President Commissioner and was replaced by Takayoshi Futae, previously a commissioner member. Further, Gan Chee Yen also no longer hold the position as a commissioner.

In October 2019, Extraordinary General Meeting of Shareholders (EGMS) approved the appointment of Noriaki Goto and Nobuya Kawasaki to serve as new BoC members.

The BoC would like to thank all the former Commissioners for their dedication and contributions to the Bank during their term in office. And we welcome the new BoC members for their fresh insights and guidance.

LOOKING FORWARD

Despite temporary economic cycles, Indonesia's long-term potential remain attractive as indicated by its steady 5% GDP growth rate, high percentage of productive

workforce and increasing adoption of digital. The BoC is certain that Danamon can continue to help Indonesia realize these potentials by providing the right value propositions to all stakeholders.

In the coming years, Danamon will invest in key areas including digital, marketing and analytics to increase its competitiveness and serve its customer well. More importantly Danamon will increase its investment in human capital in order to create a high-performing organization with strong and committed talent pool. In addition, Danamon's strategy will be complemented by continuous collaboration with MUFG and its partner banks. With full support from Danamon's parent company, the Bank will be able to provide customers with unique value propositions which blended with Danamon's strong local capabilities and network with MUFG's global relationships and international expertise.

CONCLUDING REMARKS

Aside from implementing its business strategies, in 2019 Danamon successfully executed key corporate transactions which will have positive long-term benefits to the Bank. The BoC would like to recognize the tireless effort of the BoD and the entire Danamon's employees. Further, we are appreciative of the trust and loyalty of our customers as well as the support of our shareholders. Danamon is committed to always put their best interest in mind. Last but not least, The BoC expressed our sincere gratitude to our regulators, particularly the Financial Services Authority (OJK). Their support and guidance were invaluable in both executing our business strategies and completing the milestone corporate transactions in 2019.

With support from MUFG, Danamon will be able to complement its strong local expertise and network with global relationships and capabilities. We are certain that our unique strengths will enable Danamon to reach new heights in future years.

Jakarta, February 2020



Takayoshi Futae
President Commissioner

Board of Commissioners



Manggi T. Habir
Commissioner
(Independent)

JB. Kristiadi
Vice President Commissioner
(Independent)

Takayoshi Futae
President
Commissioner

Peter Benjamin Stok
Commissioner
(Independent)



Made Sukada
Commissioner
(Independent)

Masamichi Yasuda
Commissioner

Noriaki Goto*
Commissioner

Nobuya Kawasaki*
Commissioner

* Effective upon the approval of fit and proper test from the Financial Services Authority (FSA)

Report from the Board of Directors

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“2019 was marked by important milestones for Danamon. During the year, MUFG increased its ownership of Danamon and became the sole controlling shareholder. With the change in shareholding, Danamon has gained access to new opportunities, relationships and international best practice from MUFG global network, to complement the Bank’s local network and capabilities. I am also pleased to report that Danamon’s NPAT for FY19 reached Rp4.07 trillion, the highest ever in the Bank’s history.”

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Dear Valued Shareholders,

ECONOMIC AND INDUSTRY OVERVIEW

In 2019, the global economy declined sharply. The 2.9% global growth forecast for 2019 is the lowest level since global financial crisis in 2008. This economic weakness affected most countries, both developed and emerging economies. Growing trade tension between US and China since January 2018 played a major role in drawing negative impact to the economy worldwide.

Against this backdrop, Indonesian economy has maintained relatively stable growth at 5.0%. The Indonesian economy experienced mild slow-down but remained steady, supported by several government efforts to stimulate economic growth. Bank Indonesia had lowered the 7-day reverse repo rate by 100bps and reduced Bank’s reserve requirement by 50bps in 2019, with another 50 bps reduction to be effective in 2020. The volatility of Indonesian Rupiah (IDR) had narrowed significantly from year-ago levels and closed the year at IDR 13,901/USD. Inflation was kept low at 2.7%.

Furthermore, Indonesia’s banking sector also recorded a slow-down. As of November 2019, loan only grew by 7.1% YoY, while deposit growth was even lower at 6.7%. Indonesian banks’ non-performing loan (NPL) ratio remained manageable at 2.7%. However there are signs of pressure in the Mortgage and SME industry.

STRATEGIC PRIORITIES AND INITIATIVES IN 2019

In 2019 Danamon completed several important corporate transactions. The biggest change is becoming a consolidated subsidiary of MUFG Group, thus strengthening strategic partnership with MUFG and its partner banks. The combination of the Bank’s local know-how and network, with MUFG’s strong international relationships and best practices, gives Danamon unique competitive advantage in Indonesia.





Yasushi Itagaki
President Director

In conjunction with MUFG becoming the controlling shareholder, In May 2019 we also completed legal merger with Bank Nusantara Parahyangan (Bank BNP), a national bank with strong presence in Bandung area. This is then followed by the operational merger in September 2019, creating harmonized and integrated services to both banks' customers. I am proud of the effort made by the management team and the employees in accomplishing these milestones in the midst of challenging economic environment.

On November 2019, Danamon also completed the divestment of a 70% stake in PT Asuransi Adira Dinamika Tbk (AI) to Zurich Insurance, a leading International Insurance company. While Danamon divested the controlling stake, Danamon and PT Adira Dinamika Multi Finance, Tbk (ADMF) continue to have long-term partnership with AI to distribute its products. The general insurance business is still under penetrated in Indonesia. We believe this transaction will help AI to continue growing as a leading general insurance company. At the same time Danamon Group customers will enjoy even more general insurance solutions to cater their needs.

On the business front, collaboration with MUFG continues to ramp up. MUFG's strong relationships with large corporates have opened up new growth opportunities for Danamon. Key deals in Financial Supply Chain (FSC) related to automotive dealer and FMCG ecosystems were announced. Customers in these ecosystems encompass those in the Enterprise Banking (EB) segment, SME segment and even consumer segment. Danamon hosted with great success our first Business Matching event between Danamon's customers and MUFG's as well as partner banks' customers.

Mortgage continues to be a key financial need in the life of our customers. The growth in this segment was helped partially by MUFG collaboration in the form of partnerships with Japanese developers. In addition, Danamon continued to improve the speed and process of mortgage loans underwriting, including mortgage application via mobile.

Continuing the effort started several years ago, Danamon focused on improving our funding franchise and growing granular deposit. In Consumer Banking Several initiatives were undertaken in 2019 to grows granular deposits, comprising current and saving accounts (CASA) and term deposits (TD). Attractive marketing programs were conducted through conventional channels (branch banking) and digital channels (D-Bank platform).

While consumer demand for auto remained weak, Adira Finance grew and performed well in 2019. Deepening relationships with existing customers is one of Adira Finance key priorities to increase recurring sales. Another key priority is expansion in digital marketplaces through Momobil, Momotor and collaboration with e-commerce.

Digital channel plays an increasingly important role in serving our customers. In 2019, Danamon introduced the first digital onboarding capability, allowing new to bank customers to open account fully via our D-Bank mobile platform. As a result, 14% of Danamon's new to bank came from D-Bank registration. In addition Time Deposit online grew 153% YoY. Going forward, API (Application Programming Interface) Central and omni-channel concept will continue to be enhanced to improve customer convenience. In addition, we continued to digitize many of our end to end processes in order to provide seamless, straight through delivery of products and services.

Having accomplished all of the above and gaining new capabilities are just the beginning. The most important asset for a bank is trust. Danamon will work hard to maintain and increase these trusts from customers and other stakeholders. Danamon will take a long-term, relationship driven approach to achieve sustainable growth.

FINANCIAL PERFORMANCE IN 2019

Danamon's net profit after tax (NPAT) for the Fiscal Year 2019 was Rp4.07 trillion, the highest ever in the Bank's history. Despite single digit overall loan growth, mirroring the sluggishness of industry loan demand, certain key sectors such as mortgage and Adira Finance managed to grow higher than industry. Operating expenses was also well managed. The return on assets (ROA) before tax and the return on equity (ROE) was at 3.0% and 10.3% respectively at the end of 2019.

Loan Performance

Loans excluding micro finance reached Rp141.6 trillion, with 6.6% growth year-on-year (YoY). Consumer mortgages grew 16.3% to Rp9.1 trillion, while EB loans grew by 6% YoY to reach Rp43.9 trillion. At the same time, Danamon purposely maintained prudent growth to ensure healthy loan portfolio.

Prudent asset quality management

Danamon's NPL ratio was well managed at 2.9% at the end of 2019. In the second half of the year, we continued to increase provisions to reach an adequate NPL coverage ratio of 112.6% at year end. This ratio will be further strengthened after taking into account IFRS9 day-one implementation in January 2020.

Balance sheet remains strong

Danamon had adequate liquidity to support asset growth. Danamon's Macroprudential Intermediation Ratio (RIM), while increased to 99.7% at year-end was maintained in a range of 94-98% for most the year, which was in-line with management expectation. Our capital adequacy ratio (CAR) of 24.2% was well above regulatory requirements. By the fourth quarter 2019, Danamon's bank only core equity surpassed the BUKU 4 level threshold of Rp30 trillion.

Target versus Actual Results

Overall loan growth was below initial plan. However we believe this is the prudent approach given the overall slowdown in the economy. Helped partially by capital gain from divestment of Adira Insurance, Danamon's NPAT in FY19 stood at Rp4.07 trillion. This profitability level is slightly higher than initial plan and the highest ever in the Bank's history.

SUBSIDIARY PERFORMANCE

In the midst of low consumer demand, Adira Finance initiatives to grow loans through alternative channel and to build relationships with existing customers have yielded fruits. Despite flat industry demand in motorcycle sales and negative growth in industry car sales, ADMF loans were able to grow by 6.7% YoY to reach Rp54.8 trillion, maintaining position as one of the biggest multi-finance companies in Indonesia.

Adira Finance has continued to invest in information technology and has adopted a digital approach by expanding digital platform through Momobil, Momotor, as well as digital collaboration with e-commerce. In 2019 ADMF launched new mobile application called "Adiraku" replacing the older version, opening up opportunity to serve with more customer centric approach. Digitalization was also implemented in daily operational, optimising speed in credit approval.

HUMAN CAPITAL

Human resources is one of the core foundation in order to achieve Danamon's aspirations. Hence, we continuously invest in employee development to increase the productivity and quality of our people in order to gives best service to our customers, as well to nurture our people to be the future innovative leaders. Danamon provides comprehensive ongoing training and development programs for its employees including re-skilling and upskilling training program, ensuring all of employee equipped with holistic and competitive capabilities.

Danamon continued to strengthen the Bank's core values within our employee. These core values reflected in the tagline of "BISA" (stands for "Berkolaborasi", "Integritas", "Sigap Melayani" dan "Adaptif") which means Collaboration, Integrity, Customer Centric, and Adaptive, echoing the Bank's spirit of transformation amongst employees.

In 2019, Danamon continued to promote its performance-oriented culture, developing greater transparency and meritocracy across the group. The Bank also built on its culture of innovation, which encourages employees to become adaptable – enabling them to respond swiftly and appropriately to new challenges.

Danamon's Banker Trainee is our marquee program to for the most talented Bachelors and Masters graduates to prepare them to become future leaders of Danamon. We expect to expand and improve this program in the future to create a sustainable pipeline of strong talent pool.

CORPORATE GOVERNANCE

Good corporate governance (GCG) is embedded in Danamon's business activities. We believe GCG goes beyond compliance with regulations. Our commitment is to continuously improve GCG quality in line with developments in regulations and the external business environment. Starting in 2019, the Bank's GCG practice will continue to be strengthened through knowledge from MUFG's global practice.

CORPORATE SOCIAL RESPONSIBILITY

Danamon realizes that corporate social responsibility or CSR implementation is a moral responsibility to stakeholders and our community. CSR implementation is the Bank's commitment to play an active role in creating a sustainable national and global development goals.

In 2019, Danamon's CSR activities were conducted through Yayasan Danamon Peduli (Danamon Peduli Foundation or YDP). In an effort to provide access for community to fulfill better social, economic, and quality of life standards, YDP focused on three pillars: Economic (Pasar Sejahtera and UKM Sejahtera), Environment (Environment and Social) and Social (disaster respond and disaster risk reduction).

In 2019 YDP's CSR program initiative and implementation received awards Padmamitra Awards 2019 from Economic DKI Jakarta Government.

In order to enhance further alignment with overall Bank's mission, vision and strategy, as well as to increase the impact of CSR activities, going forward YDP's organization and activities will be merged into Danamon's organization structure.

EVALUATION OF COMMITTEES UNDER THE BOARD OF DIRECTORS

Danamon has five executive committees under the Board of Directors. These committees assist management in prudent risk-taking and strategic decision-making to achieve business and strategic goals.

The Risk Management Committee successfully provided governance and oversight with respect to bank-wide risk management issues and key risk priorities. The committee was aided by the submission of periodic reports on the quality of the Credit Portfolio, Market & Liquidity Risk parameters, Operational & Fraud Risk events and developments related to Risk Models, Capital Adequacy, Stress Testing, IFRS-9. In addition, information risk management was enhanced, as well as cyber and information technology (IT) security, by adopting procedures to reduce the risk of data breaches. The committee also reviewed risk mitigation policies to support sustainable finance and a recovery plan.

The Integrated Risk Management Committee was established by Danamon in order to enable proper and aligned integrated risk management implementation across the entities that are members of Danamon

Group. The committee provided good recommendations regarding the development of integrated risk management policies and improvements to integrated risk management practices. This was undertaken in accordance with Danamon's role and function as a financial conglomerate.

The Asset & Liability Committee guides balance sheet planning and management of the Bank's interest rate risk, liquidity and capital. It also determines policies and guidelines to help Danamon maintain adequate liquidity and capital levels, a stable and diversified funding profile, and compliance with all relevant regulations.

The Human Resources Committee assisted management in formulating new values for human resources (HR) strategies and policies. The committee regularly reviews HR policies to ensure alignment with the Bank's vision, mission, core values, and Code of Conduct. The committee continued to review compensation and benefits, people development programs and other employee issues.

The Information Technology Committee ensured that investments in IT are aligned with Danamon's objectives and business strategies. The committee oversaw banking technology issues, made decisions on IT strategy, projects and architecture. The committee has ensured that investments in IT are aligned with Danamon's objectives and business strategies.

CHANGES IN BOARD OF DIRECTORS COMPOSITION

Following the acquisition by MUFG as the new majority shareholder in 2019, there were several changes in the composition of the Board of Directors.

The Extraordinary General Meeting of Shareholders (EGMS) in October 2019 approved the appointment of Yasushi Itagaki as President Director, an elevation from his previous position as Director. The EGM also appointed several new BoD members; Honggo Widjojo Kangmasto as Vice President Director, Muljono Tjandra and Naoki Mizoguchi as Directors.

In 2019, Sng Seow Wah stepped down from his position as President Director and Satinder Pal Singh Ahluwalia stepped down from his position as Director. The Bank is grateful for their past contributions.

AWARDS

In 2019, Danamon received several awards in acknowledgement of its innovation and performance. These include: Best Digital KYC and Account Opening Initiative and Banking Service Excellence Awards 2019 from The Asian Banker, Best Digital Banking service from Tempo Media Group, Satisfaction Loyalty Engagement Awards 2019 from Marketing Research Indonesia & Infobank, and Excellence in Employer Branding from Singapore Human Resources Online.

CHALLENGES AND OPPORTUNITIES IN 2020

The economy is projected to grow at 4.9% - 5.0% range in 2020, slightly lower than GDP growth in 2019. Inflation is projected to be 3.4% in 2020, higher than the previous year but still at a manageable level. Indonesia's overall economic outlook is expected to be relatively stable.

In 2020, Danamon will continue to focus on customer and business expansion while investing in key areas including digital, marketing and human capital. Danamon will focus on prudent lending expansion across ecosystem, granular funding growth through institutional approach, and optimisation of fee income with unique value proposition. Enhanced by MUFG collaboration, ecosystem based lending and funding allow Danamon to grow throughout various economic cycles.

Implementation of customer segment-based value proposition in 2020 will help to increase relevance of our product offerings to customers needs across their financial journey. In addition, through continuous marketing campaign and corporate events, Danamon aim to increase visibility and brand awareness to the public in general, and its target segment in particular.

D-Bank, Danamon's mobile banking platform, will continue to be enhanced with bonds, mutual funds and insurance transaction capabilities. D-Bank will serve as a platform to leverage outside partners as acquisition channels for new segments and capture total relationship value. In addition, Danamon and Adira Finance, in conjunction with MUFG's corporate venture capital arm will explore various partnerships with fintech and start-up companies.

CONCLUDING REMARKS

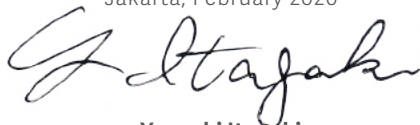
2019 was a milestone year for Danamon. During the year we were able to balance growth in key areas and prudence, while at the same time executing several corporate transactions. These would not be possible without the support from the regulators, Board of Commissioners, employees, investors and customers.

The Board of Commissioners' guidance helped Danamon navigate the economic conditions in running its business operations while pursuing various corporate transactions. At the same time, our employees have gone above and beyond their duties in executing both. We continue to be

grateful to Danamon Group customers, including those initially originating from Bank BNP, for their confidence. We will continue to improve our services and offerings to them. We also thank our shareholders for their continued confidence and trust in the Bank. Finally, we are especially grateful for the guidance and assistance from our regulators, particularly OJK, throughout the year.

In 2019, Danamon emerged with new capabilities. Going forward, the Bank aspire to reach new heights through its unique combination of local and global capabilities. We will continue to work hard to realize Danamon's full potentials and maintain the trust of all stakeholders.

Jakarta, February 2020



Yasushi Itagaki
President Director

Board of Directors



Heriyanto Agung Putra
Director

Naoki Mizoguchi
Director

Dadi Budiana
Director

Rita Mirasari
Director

Yasushi Itagaki
President Director



Adnan Qayum Khan
Director

Herry Hykmanto
Director

**Michellina Laksmi
Triwardhany**
Vice President Director

**Honggo Widjojo
Kangmasto**
Vice President Director

Muljono Tjandra
Director

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Report from Syariah Supervisory Board

Assalamu'alaikum Warahmatullahi Wabarakaatuh

Bismillaahirrahmaanirrahiim

Alhamdulillahirabbil'aalamiin, all praise be to Allah Subhanahu Wata'ala for all his comfort, easiness and grace to all of us, so that Allah Ta'ala enable us to carry out the duties and mandates entrusted to us. Our shalawat and greetings to the Prophet Muhammad sallallaahu 'Alaihi Wa sallam.

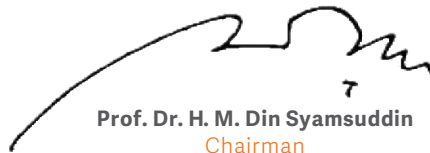
The Syariah Supervisory Board of Danamon Syariah Business Unit (UUS) as the body mandated to supervise and ensure product and business conformity are carried out in accordance with Syariah principles, in accordance with the regulatory mandate and the applicable Syariah Supervisory Board Charter, has carried out its functions and duties to supervise, and provide opinions on new product proposals, policies and procedures, and other matters related to the fulfillment of Syariah principles as a whole in UUS Danamon.

We as Syariah Supervisory Board (DPS) UUS Danamon believe that the Syariah banking activities carried out by the UUS Danamon in 2019 are in accordance with Dewan Syariah Nasional Majelis Ulama Indonesia (DSN-MUI) fatwas and opinions issued by us as Syariah Supervisory Board.

On this occasion we are grateful and want to express our appreciation for the cooperation and support of the Board of Directors and all of Bank Danamon's Management staff for performance achievements in 2019, and in their efforts to maintain the consistency of the Syariah principles application in banking activities. We hope that UUS Danamon will become more successful and always ahead in the future.

Wassalaamu'alaikum Warahmatullahi Wabarakaatuh.

On behalf of the Syariah Supervisory Board



Prof. Dr. H. M. Din Syamsuddin
Chairman

Syariah Supervisory Board



Asep Supyadillah
Member for Syariah
Supervisory Board

Din Syamsuddin
Chairman for Syariah
Supervisory Board

Hasanudin
Member for Syariah
Supervisory Board

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Senior Executive Officers



Andrew Suhadinata
Transaction Banking Head

Herman Savio
Treasury & Capital Market
Head

Taro Hashimoto
Chief Business Banking



Yenny Linardi
Chief Internal Audit

Evi Damayanti
Chief Operation Officer

Thomas Sudarma
Enterprise Banking &
Financial Institution Head

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Overview of Plans, Policies and Strategies

Indonesia's 2019 economic growth eased slightly compared to last year, mainly driven by global economic slow down. Nonetheless, GDP continue to grow 5.0% in 2019, supported by stable domestics consumptions and increase in exports.

Inflation rate was maintained at 2.7%. In 2019, Bank Indonesia had reduced the 7-day reverse repo rate by 100 bps, to help stimulate the economy. Furthermore, Bank Indonesia also reduced reserve requirement by 50 bps in 2019, with another 50 bps reduction to be effective in 2020. Lower reserve requirement was intended to improve liquidity of banks and support loan growth.

STRATEGIC FOCUS IN 2019

2019 was marked by several important milestones. During the year, MUFG increased its ownership of Danamon to 94.1% and became the sole controlling shareholder. With the change in shareholding, Danamon has gained access to new opportunities and relationships from MUFG global network, to complement the Bank's local know-how and product offerings. One key strategy is to tap the Japanese, multi-national and large local corporates within the MUFG network as anchors in the financial supply chain, allowing Danamon to serve the distributors and sub-distributors in the anchors' ecosystem. Several successful deals from collaboration with MUFG have been announced in 2019.

In addition, Danamon can now leverage MUFG's international best practice and knowledge in various areas including: technology, digital, training programs, risk and compliance.

In conjunction with the increase in MUFG shareholding, Danamon also completed the merger with Bank Nusantara Parahyangan (BNP). Upon successful operational integration in September 33 branches of BNP was converted into Danamon network, offering harmonized and integrated services to the customers.

In 2019, Danamon has successfully divested 70% of its ownership in Adira Insurance (AI) to Zurich Insurance, with total proceeds of Rp3.9 trillion. Going forward Danamon will continue to distribute Adira Insurance products through Danamon's and ADMF's distribution network, creating more opportunity for fee based income.

After successful achievement of Danamon's 3-Year Plan transformation at the end of 2018, the Bank continue to implement the core strategies of growth engine diversification, customer centricity and digital combined with prudent risk management.

Enterprise Banking continued to focus on deepening relationships with existing clients, as well as developing its portfolio through new client acquisitions and its end-to-end value chains. Leveraging the business network of MUFG Group, it also was focusing to tap into Japanese companies and multinational corporation value chains.

Delivering comprehensive financial solutions to SME customers remains Danamon's core focus for the long-term. The main channel to serve this customer segment is through the Branch Network and the small enterprise sales force. In addition, SME Banking also explored collaboration with financial technology companies to increase customer acquisition through digital platforms. From a risk perspective, the focus in 2019 was on improvement of acquisition quality, loan portfolio management, and management of non-performing loans to maintain an NPL rate in line with the Bank's credit policy.

In Consumer Banking several initiatives were undertaken in 2019 to grow granular deposits, comprising current and saving accounts (CASA) and term deposits (TD). Attractive marketing programs were conducted through conventional channels (branch banking) and digital channels (D-Bank platform). In addition, mortgage remains a key focus of growth on the consumer asset side, helped partially by MUFG collaboration in the form of partnerships with Japanese developers.

Adira Finance had remarkable digital growth journey in 2019 including expansion of digital marketplaces Momobil, Momotor and digital collaboration with e-commerce. Adira Finance also has maintained growth in financing distribution, generating more sales from existing and newly obtained customers through product penetration for both auto and non-auto loans and expanding distribution channels to non-auto dealers.

INITIATIVES IN 2020

In 2020, Danamon will continue its growth strategies, focusing on customer and business expansion while investing in several key areas. A number of strategic initiatives will be implemented in order to achieve Danamon's aspiration as one of the top banks in Indonesia. The combination of Danamon's local know-how and network with MUFG's global relationships and international best practices will help Danamon to create unique value proposition for its customers.

Business and customer expansion will focus on prudent lending expansion across ecosystem, granular funding growth through institutional approach, and optimisation of fee income with unique value proposition.

Continuing the early success from the previous year, Danamon will leverage collaboration with MUFG to serve multi-national, Japanese and large local corporates as anchors in the financial supply chain (FSC) ecosystem. Through the FSC, Danamon and ADMF will provide lending and other services across those ecosystems and customer segments.

Improvement of funding franchise will continue through branch channels, digital channels as well as institutional approach. Danamon will leverage customer ecosystems to provide payroll, cash management and transaction banking services. Through segment based value proposition, customers will be served based on their holistic needs at their current stage in life, increasing the relevance of our service and offerings.

Digital will increasingly become a key channel for customer interactions. D-Bank, Danamon's mobile banking, will continue to be enhanced including bonds, mutual funds and insurance transaction capabilities. In addition, D-Bank will serve as a platform to leverage outside partners as acquisition channels for new segments and capture total relationship value. Investment in this area will continue with IT infrastructure advancement and business process digitalisation for seamless processes and better customer experiences.

Marketing and branding is another key investment area in 2020. Through continuous marketing campaign and corporate events, Danamon and ADMF aim to increase our visibility and brand awareness to the public in general, and our target segment in particular.

Human capital enhancement is an important pillar to Danamon's long-term success. Investment in this area will include employee's up-skilling and re-skilling through comprehensive training to increase productivity and develop employee as innovative leaders. Danamon will also leverage MUFG's global training programs in various areas and functions. In addition, Danamon's Banker Trainee will continue as a key program to identify and develop future leaders.

Responsibility for Annual Reporting

Board of Commissioners' and Board of Directors' Statement on The Responsibility for the 2019 Annual Report of PT Bank Danamon Indonesia Tbk

We, the undersigned, testify that all information contained in the 2019 Annual Report of PT Bank Danamon Indonesia Tbk has been presented in its entirety, and assume full responsibility for the accuracy of the contents of the Company's Annual Report.

This statement is hereby made in all truthfulness.

Jakarta, February 2020

Board of Commissioners



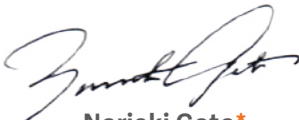
Takayoshi Futae
President Commissioner



JB. Kristiadi Pudjosukanto
Vice President Commissioner (Independent)



Masamichi Yasuda
Commissioner



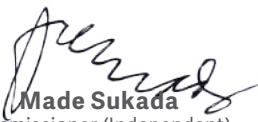
Noriaki Goto*
Commissioner



Nobuya Kawasaki*
Commissioner



Manggi T. Habir
Commissioner (Independent)



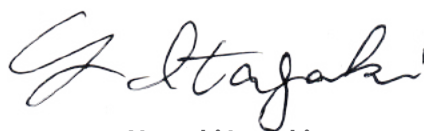
Made Sukada
Commissioner (Independent)



Peter Benyamin Stok
Commissioner (Independent)

* Effective upon the approval of fit and proper test from the Financial Services Authority (FSA)

Board of Directors



Yasushi Itagaki
President Director



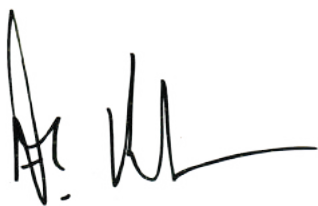
Honggo Widjojo Kangmasto
Vice President Director



Herry Hykmanto
Director



Michellina Laksmi Triwardhany
Vice President Director



Adnan Qayum Khan
Director



Heriyanto Agung Putra
Director



Rita Mirasari
Director



Dadi Budiana
Director



Muljono Tjandra
Director



Naoki Mizoguchi
Director