

Report of the Board of Commissioners

Dear Valued Shareholders,

“Danamon made significant all around progress in its transformation journey and achieved a strong set of operating results in 2017. Net Income grew 37% to reach Rp3.82 trillion for the year.”

ECONOMIC AND INDUSTRY OVERVIEW

The global economy performed well in 2017 with the developed and other major economies achieving positive growth.

In Indonesia, economic growth likewise improved, albeit moderately. GDP grew by 5.07% in 2017. Meanwhile, inflation was well controlled at less than 4%, enabling Bank Indonesia to make downward adjustments to its benchmark interest rate from 4.75% to 4.25%.

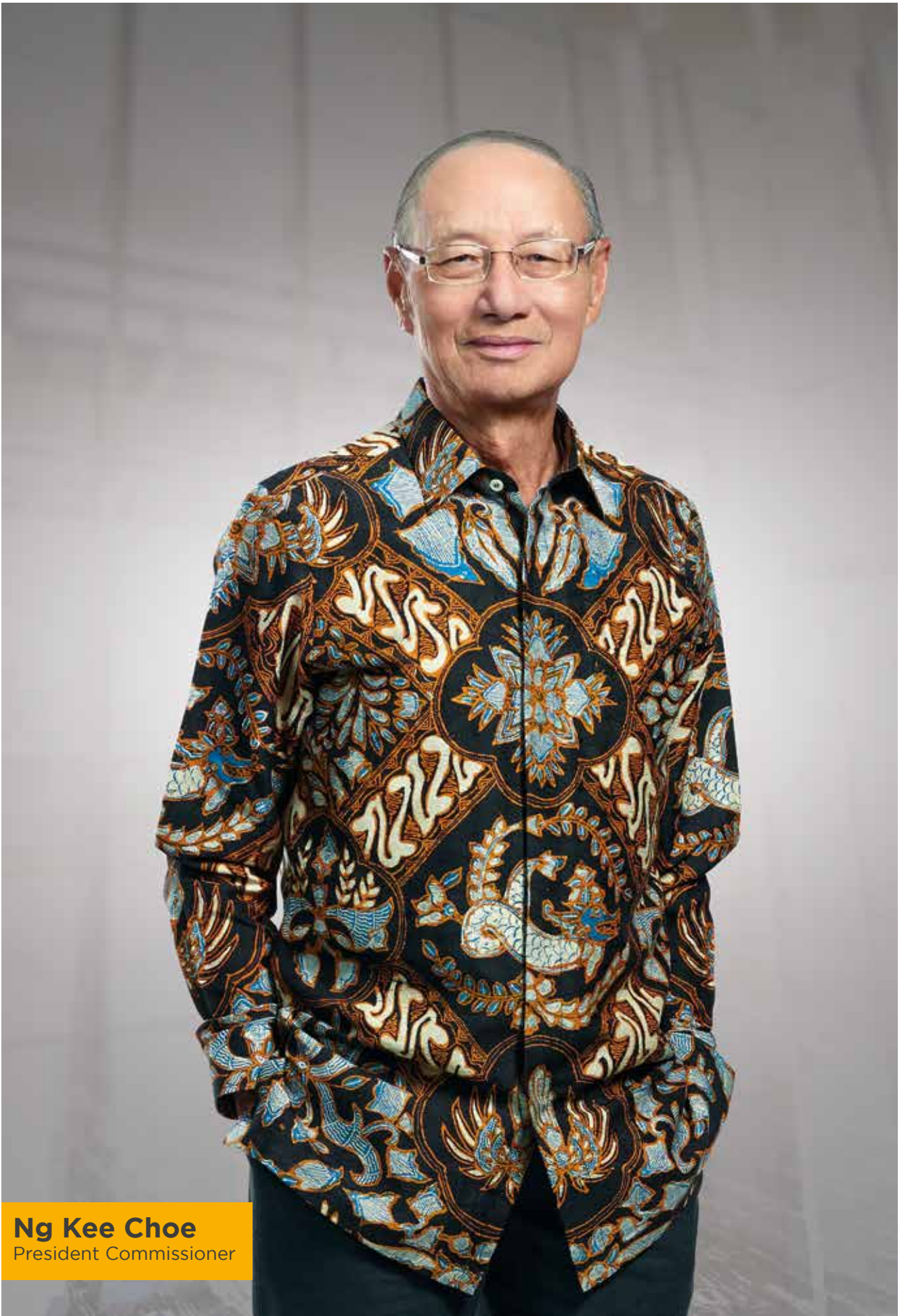
Total bank assets grew by 9.7% as of November 2017 to reach Rp7,222.4 trillion whilst loans grew by 7.5% to Rp4,605.1 trillion. Liquidity remained steady with Third Party Funds reaching Rp5,199.5 trillion, growing by 9.8%. Loan to Deposit Ratio moderated to 89.0% compared to 90.7% at the end of 2016.

DANAMON AND BOARD OF DIRECTORS PERFORMANCE

The Bank's Net Income increased by 37% to reach Rp3.82 trillion in 2017. Return on Equity improved to 10.5% compared to 8.0% the preceding year.

The Bank continued to reconstitute its loan portfolio to a more diversified loan book and less reliance on the mass market. The move to expand the coverage of SME customers gained traction with loans to this segment growing by 10% to Rp29.2 trillion whilst loans to the Consumer segment grew by 20% to reach Rp9.1 trillion.

The Bank continued to maintain prudence, with a sharp focus on credit quality and risk management, whilst expanding its loans. The Cost of Credit improved to 2.8% from 3.5%.



Ng Kee Choe
President Commissioner

During the year the Bank implemented a comprehensive sales and service training in its Sales and Distribution network. The application of the 'Danamon Way' throughout the whole organization will go towards enhancing the overall sales culture and productivity, and customer centricity.

Danamon continues to maintain a strong capital position: the Bank's Capital Adequacy Ratio stood at 23.2 % which was amongst the highest in the banking industry. This provides the Bank with the capacity to grow as well as the strength to meet unforeseen adverse developments.

The Board of Commissioners (BOC) commends the Board of Directors (BOD) in achieving the strong performance.

INVESTMENT BY MUFG

On 29 December 2017 The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), the commercial banking entity of Mitsubishi UFJ Financial Group, Inc. (MUFG), completed the acquisition of a 19.9% shareholding in Danamon. MUFG will acquire an additional 20.1% of the total issued shares of Danamon, subject to obtaining regulatory and other relevant approvals. Thereafter, MUFG intends to seek the necessary approvals to increase their shareholding in Danamon beyond 40%.

MUFG is one of the world's largest financial groups and its investment in Danamon will allow the Bank to tap on the financial strength, expertise and network of MUFG to facilitate its growth.

COMMITTEE PERFORMANCE IN 2017

The BOC has established six Board Committees to assist to perform its stewardship and supervisory role. The Board Committees have discharged their duties satisfactorily, and provided sound recommendations to the BOC.

Audit Committee

The Audit Committee (AC) has ensured the integrity of financial reports and audit findings. Additionally, the AC is satisfied with the effectiveness of the internal controls within the Bank. The AC, after due evaluation, recommended the appointment of the external auditor for FY 2018.

Risk Monitoring Committee

The Risk Monitoring Committee (RMC) oversees all aspects of risk management within the Bank and provided constructive feedback to the Bank to improve asset quality, market and liquidity positions, and overall control environment. The Bank maintained its overall risk profile for 2017.

Corporate Governance Committee

The Corporate Governance Committee (CGC) oversees the consistent adoption and practice of good corporate governance in the Bank. The Bank adheres to high standard of corporate governance the practice of which contributes to the standing of the Bank and the trust of all its stakeholders. In 2017, the Bank was, once again, granted the best corporate governance award amongst other banks.

Integrated Governance Committee

The Integrated Governance Committee (IGC) oversees the implementation of good corporate governance across the Bank and its subsidiaries, and towards this end, made recommendations to the BOC to enhance the practice of good corporate governance. Adira Finance was recognized as a financial institution with the best corporate governance amongst other non-bank financial institutions.

Nomination Committee

The Nomination Committee (NC) oversees the appointment of Commissioners and Directors within the Bank and its subsidiaries. The NC recommended the appointments to various independent parties to serve on the various Board Committees during the year as well as the appointment of senior management personnel.

Remuneration Committee

In 2017, the Remuneration Committee (RC) assessed and recommended to the BOC the remuneration of the Commissioners, Directors and senior management personnel.

INTEGRATED CORPORATE GOVERNANCE AND RISK MANAGEMENT

Danamon is committed to the adoption of integrated corporate governance and risk management across the Bank and its subsidiaries, and implementation thereof has been satisfactory. Initiatives in 2017 included improving employees' awareness of

Danamon's Code of Conduct, ethics and risk culture; implementation of the whistle blowing policy, and sharpening focus on cyber security.

Danamon believes that the steadfast implementation of integrated corporate governance and risk management will strengthen the organization and help generate long term value.

IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY

The Board of Commissioners supports Danamon in performing its Corporate Social Responsibility activities through Yayasan Danamon Peduli (YDP). YDP implements the various social investments of Danamon, reflecting Danamon's commitment to the welfare of society.

In 2017, YDP continued to focus on, among others, emergency disaster relief, responding to a variety of natural disaster occurrences such as earthquakes, floods, landslides and fires.

YDP also facilitated disaster mitigation and emergency response training for communities at traditional markets near Danamon's offices. This activity won an award from Indonesia Museum of Records as the most prolific training in fire mitigation and disaster management conducted in traditional markets.

In addition, YDP was also engaged in a traditional market revitalization program as a form of social action. This program is expected to lead to improved life quality of the communities.

In conducting these activities, Yayasan Danamon Peduli mobilizes on volunteers, not only from among Danamon employees but also employees of its subsidiaries.

CHANGES IN BOARD OF COMMISSIONERS COMPOSITION

In 2017, there was a change in the composition of the Board of Commissioners with the resignation of Emirsyah Satar as Independent Commissioner. The Board of Commissioners would like to thank him for his dedication and contribution to Danamon during his term in office.

LOOKING FORWARD

With the global and Indonesian economy expected to continue to perform well in 2018, the BOC is optimistic of the prospects for Danamon in the coming year.

The Bank will continue on its transformation journey in 2018. Danamon will spare no efforts to serve its customers well with a comprehensive range of competitive products as well as reliable and quality services, supported by the utilization of technology and digital platforms.

CONCLUDING REMARKS

The BOC would like to thank all stakeholders for their trust and support. We would like to especially acknowledge the support and guidance of the Financial Service Authority (OJK); the patronage of our customers; and the support of our shareholders.

The BOC is deeply appreciative of the BOD and all staff of Danamon and its subsidiaries, for their contributions and efforts in achieving the improved results for FY 2017.

We look forward to the continuing support of all stakeholders in 2018 and beyond.



Ng Kee Choe
President Commissioner

Board of Commissioners





From left to right

Made Sukada
Independent Commissioner

J.B. Kristiadi
Vice President Commissioner/
Independent Commissioner

Ng Kee Choe
President Commissioner

Gan Chee Yen
Commissioner

Manggi Taruna Habir
Independent Commissioner

Ernest Wong Yuen Weng
Commissioner

Report of the Board of Directors

Dear Valued Shareholder,

“In 2017, Danamon gained further momentum from the execution of our long-term strategy formulated in 2015. In particular, the diversification of our growth engines, i.e. Consumer Mortgages, Small & Medium Enterprise (SME) and Enterprise Banking are showing positive trends as well as the strengthening of our customer-centric service culture and the investments made in technology and digital solutions. I am pleased to report that the execution of these initiatives has shown encouraging signs of success and expect that this will continue for the foreseeable future. “

ECONOMIC AND INDUSTRY OVERVIEW

Indonesia's economy showed a positive performance in 2017. Annual GDP growth was 5.07% in 2017 compared to 5.02% in 2016. In recognition of the improving economy, rating agencies Standard & Poor's, Moody's, and Fitch have all upgraded Indonesia's sovereign rating to Investment Grade status. This will further help the economy to attract additional foreign investment as well boost the debt and equity markets.

Indonesia's economic performance was mainly driven by increased exports and investments. Supported by the recovery of commodity prices, Indonesia's Trade Balance posted a surplus of US\$11.7 billion in 2017, a 25% increase from the 2016 balance. At the same time, investment realization increased by 13.2% year-on-year as of the third quarter 2017 to Rp513.2 trillion.



Sng Seow Wah
President Director

Notwithstanding the overall improving economy, growth in the banking sector was lacklustre. Up to November 2017, overall loan growth in the industry was only 7.5%. At the same time, third-party funds grew by 9.8% over the previous year.

As at November 2017, the Non-Performing Loan (NPL) ratio was recorded at 2.9%, a slight improvement from 3.0% at year-end 2016.

2017 was also marked by the changing of consumer transaction behaviors. Increasingly, consumers prefer to transact using digital channels. Thus, there is a real need to improve on digital channels.

STRATEGIC PRIORITIES AND INITIATIVES IN 2017

Our strategic priorities in 2017 continued based on the long-term strategic roadmap established in 2015.

As part of the diversification of growth engines strategy, Danamon's SME Banking expanded geographical coverage focusing on smaller SME customers. The year also highlighted other important initiatives, such as the nation-wide implementation of a faster credit approval process, as well as the introduction of shophouse-based loan products. During the year, Danamon gained market share in the SME segment.

Enterprise Banking (EB) underwent reorganization with the amalgamation of Corporate, Commercial Banking and Financial Institutions segments into a single EB division. This realignment, along with process and policy simplifications as well as the investment into credit training for all EB staff, has resulted in a more effective and efficient Enterprise Banking organization with stronger risk awareness and customer focus. Key areas of focus have been; i) developing a strong client proposition; ii) robust governance over new business opportunities; iii) development of tools for early warning; and iv) more effective remedial asset management.

In addition, we continued to overhaul our Micro Banking business through branch optimization, human resources quality enhancement and wide-ranging automation of credit processes. Significant results have been achieved via reduction in the Cost of Credit for the Micro Banking segment which have aided our NPAT growth in 2017.

Another important initiative is our effort to strengthen the Sales & Distribution (S&D) capability by introducing a sales and service culture and process known as "Danamon Way". The implementation of Danamon Way is aimed at improving the sales discipline and leadership skills of our sales team through 3 core modules; i) Above Average Sales Leadership; ii) Proactive Relationship Banking; and iii) Professional Sport Coaching. The desired end result is increased effectiveness of operational rhythm at branches, which eventually will translate into higher productivity and better service to customers. We are very encouraged by the results shown so far.

We continued to improve our credit risk management by integrating all credit approval functions previously reporting to each of the business segments to now report under the Chief Credit Officer (CCO). The CCO reports directly to the President Director and is a key part of the senior management team. This has led to a more independent credit approval function, maintenance of our portfolio quality and improving the credit approval process.

Additionally, we also invested in digital technology solutions in order to provide improved customer service. Our customers in Consumer Banking are now able to open new savings and deposits accounts through D-Mobile without visiting a branch. Transaction Banking also launched Danamon Cash Connect and Trade Connect solutions to cater to our customer's business needs. Danamon continues to find opportunities to automate our operational processes. A key project in this regard that was successfully implemented was our Document Management System (DMS) to archive customer documents digitally.

INVESTMENT BY MUFG

The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), the commercial banking entity of Mitsubishi UFJ Financial Group, Inc. (MUFG), completed the acquisition of 19.9% of the total issued shares of Danamon on 29 December 2017. Subject to obtaining regulatory and other relevant approvals, MUFG intends to increase their shareholding ownership in Danamon to 40% and above. Given MUFG's credentials as one of the largest financial services groups in the world, the investment by MUFG will help Danamon to grow and expand our capabilities. In the meantime, management will ensure that our focus to deliver Danamon's financial goals in a prudent manner is uninterrupted.

FINANCIAL PERFORMANCE IN 2017

By implementing a number of management initiatives and strategies, Danamon successfully navigated challenges that otherwise could have adversely impacted the performance of the Bank. Compared to the previous year, in 2017, Danamon recorded a 37% increase in Net Income to Rp3.82 trillion.

Loan Performance

Danamon managed to achieve good growth in a number of business segments. Loans in the SME segment grew by 10% in 2017 to Rp29.2 trillion. The Consumer segment grew by 20% to Rp9.1 trillion, boosted by a 36% increase in mortgage loans.

At the same time, in line with the slow trend in industry loan growth, Danamon loans in some segments were not growing as well as initially expected. Enterprise Banking portfolio grew by only 2% to Rp39.3 trillion. Consistent with the previous years' strategy, Micro Banking portfolio was reduced to Rp6.8 trillion, or only 5% of the total bankwide loan and trade finance portfolio. Loans from Adira Dinamika Multi Finance (ADMF) also grew by only 2% in 2017 to Rp44.7 trillion, due to weak consumer demand in particular for the 2 wheeler segment. However this is a significant improvement as compared to the 5% ADMF loan decline in 2016.

Danamon succeeded in reducing total Non-Performing Loans (NPLs) by 9% to Rp3.4 trillion. Thus, the NPL ratio was reduced by 30 bps to 2.8%. This NPL ratio is well below the NPL 5% limit established by regulators. In 2017, the cost of credit (CoC) ratio improved from 3.5% in 2016 to 2.8%.

Funding and Liquidity Performance

Liquidity throughout 2017 was well managed, with Loan to Funding Ratio (LFR) of 93.3 % as of the end of the year. Decrease in interest rate and improvements in the deposit gathering process, enabled Danamon to reduce the overall cost of funds. At the same time, the proportion of current accounts and saving accounts to total third-party deposits improved to 48.3% from 46.0% in the previous year. Danamon is compliant with all mandatory liquidity ratios, such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). These are closely monitored by the Market and Liquidity Risk function with oversight provided by the Asset - Liability Committee (ALCO) of the Bank.

Target versus Actual Results

Overall loans, including marketable securities related to trade finance, grew by 2% in 2017 which was slightly lower than the target for loan growth of 3%. This is partly driven by lower than expected loan growth from ADMF, whereas, the decline in micro loans was largely offset by the growth in SME, Consumer and Enterprise Banking portfolios.

Danamon's NPL ratio as of 31 December 2017 was, however, 30 bps better than the NPL target of 3.1%. Similarly, CoC improvement was also better than target. The improvement in asset quality reflected better than expected loan recovery, in particular for micro loans and improved overall risk management.

Danamon's NPAT of Rp3.7 trillion exceeded our target of Rp3.3 trillion. The high profitability growth was contributed by the discipline to keep operating expenses flat and improvement in the cost of credit.

SUBSIDIARIES' PERFORMANCE

Danamon operates two subsidiaries, ADMF and PT Asuransi Adira Dinamika. In 2017, both these subsidiaries recorded positive performance.

ADMF managed to maintain good performance despite sluggish demand in the national automotive market, especially motorcycles. ADMF continued to diversify its financing activities from motorcycles to passenger cars, used vehicles and durable goods financings.

In addition, ADMF developed various non-dealer financing channels through Keday agents, mini-market outlets, and popular e-commerce platforms. The company has also launched its own e-commerce platform, www.momobil.co.id.

ADMF's performance in 2017 was also helped by management's effort to achieve higher interest income, lower cost of funding, lower cost of credit and maintain overall operational efficiency.

Meanwhile, Asuransi Adira continued with its strategy to cross-sell its services to Danamon's customers. In spite of the slowdown in the automotive industry, the cross-selling strategy has allowed the company to bolster growth in the non-automotive segment. The company has also taken various initiatives to strengthen its risk management, underwriting and insurance claim processing.

HUMAN CAPITAL

Human Resource plays a crucial, on-going role in supporting the performance of Danamon's business. In 2017, we focused on building capabilities of future leaders through a variety of well-structured training programs. We have also implemented a new Human Capital Management System (HCMS). HCMS provides an integrated employee communication

platform incorporating social media features, as well as administrative features (e.g., recruitment, training, appraisals, leave management, etc.) which are accessible to employees electronically/via smart phones.

Specific training programs have been initiated in 2017. These include the Senior Leadership Development Project to prepare future leaders, robust Credit Training for Enterprise Banking, Cyber Security Training for all senior managers and the D'Tech program for technical competency development.

SIPASTI (Sistem Penghargaan Sesuai Kontribusi) is a meritocracy principle designed to recognize, reward and develop talent in the Bank. Consistently applying this principle in evaluating employee performance will help the Bank evolve a high performance culture across the organization.

Our commitment to human resources development is also evident from the number of investments made during the year. In 2017, expenditure for training reached Rp235 billion. Through utilization of e-Learning in addition to classroom trainings, Danamon was able to improve the efficiency of its training programs. Danamon has a program to ensure that all staff undergoes mandatory training on key topics such as risk, compliance and employee conduct.

CORPORATE GOVERNANCE

Good Corporate Governance (GCG) is embedded in Danamon business activities. Our commitment is to continuously improve the GCG quality in line with developments in regulations and the external business environment.

We believe GCG implementation and development within the organization and its subsidiaries go beyond compliance with regulations established by our regulators. This commitment is evident in the Corporate Governance Award received by Danamon and ADMF from the Indonesian Institute for Corporate Directorship (IICD).

CORPORATE SOCIAL RESPONSIBILITY

Danamon conducts Corporate Social Responsibility (CSR) under Yayasan Danamon Peduli (YDP). YDP translates Danamon's vision for CSR and values into actual activity programs. Throughout 2017, a number of activities were implemented.

In the area of environment, for instance, we have a Market Prosperity program focusing on improving the environmental quality of traditional wet markets in areas where Danamon operates. Other important activities include renovation of public facilities at the markets, construction of sanitation facilities and infrastructure, tree planting, biopore drilling and clean water facilities.

YDP also conducted financial literacy training for Micro and Small Medium Enterprise (MSME) players to improve financial literacy among families and small businesses. This is in line with Financial Services Authority (OJK) directives regarding the blueprint for national strategy on financial literacy program, as well as OJK Regulation No. 76/POJK.07/2016 regarding Improving Financial Literacy and Inclusiveness in the Financial Sector for Consumers and Society. YDP conducted 12 financial literacy trainings in 7 cities throughout the year.

Through its Rapid Disaster Response program, YDP responded to both natural and man-made disasters with the support of staff and resources from Danamon and subsidiaries' branches throughout Indonesia. In 2017, YDP responded to 17 natural disasters across Indonesia with 21,780 beneficiaries.

For these activities, YDP was awarded the Sri Kehati Award by SWA Magazine and Yayasan Keanekaragaman Hayati Indonesia. In 2017, MURI (Indonesia Museum of Records) also recognized YDP as providing the most training in fire mitigation and disaster management conducted in traditional markets.

EVALUATION OF COMMITTEES UNDER THE BOARD OF DIRECTORS

At the end of 2017, Danamon had six executive committees under the Board of Directors. These committees assist management in prudent risk-taking and strategic decision-making to achieve established business targets.

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, the Information Risk department was enhanced with the aim to strengthen the Bank's risk mitigation framework against Data & Information Loss as well as Cyber & IT Security. In 2017, a new Risk Appetite Statement was approved by the Board of Directors and Board of Commissioners and was implemented across all of the Business segments.

The Committee regularly reviewed the risk management policies and the operational framework to ensure they remain robust and suitable for changes in the external environment as well as to our risk profile as a result of of the Bank's various transformation activities. In 2017, Operational Risk Management Committee and Fraud Committee were merged as part of Risk Management Committee.

Integrated Risk Management Committee was established by Danamon in order to enable proper and aligned integrated risk management implementation across the entities that are members of Danamon Group. The committee has provided good recommendations regarding the development of integrated risk management policies and improvements to integrated risk management practices. This has been undertaken in accordance with Danamon's role and function as a financial conglomerate.

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

Information Technology Committee has provided valuable assistance in overseeing issues related to banking technology. The Committee oversees decisions on Technology (IT) strategy, projects and architecture. The Committee has also ensured that investments in IT are aligned with Danamon's objectives and business strategies.

Human Resources Committee has satisfactorily assisted Danamon management in formulating Human Resources-related strategies and policies. The new committee regularly reviews HR policies to ensure that these policies are still aligned with our vision and mission statements as well as with the core values of Danamon, thereby supporting the Bank's established strategies. Human Resources Committee also reviewed compensation and benefits, people development programs as well as other people issues. In 2017, the revised Code of Conduct was approved and implemented across the Bank.

CHANGES IN BOARD OF DIRECTORS COMPOSITION

There were changes in the composition of the Board of Directors in 2017. In April 2017, Muliadi Rahardja retired from his position as Vice President Director. In December 2017, Vera Eve Lim resigned from her position as Finance Director. The Bank is grateful for their past contributions.

AWARDS

During 2017, Danamon received a number of awards as a form of recognition from relevant stakeholders. These include:

1. Retail Banker International Asia Trailblazer Awards 2017 (Best Digital Marketing Campaign and Best Marketing Campaign Overall) from Retail Banking International.
2. The Assets Triple A - Treasury, Trade, Supply Chain, And Risk Management Awards 2017 (Best Cash Management Solutions/with Investree) from The Assets Magazine.
3. Customer Experience In Financial Services Summit & Awards 2017 (Best Industry Customer Experience - Cards) from Retail Banking International & Private Banker International.
4. Infobank Awards 2017 ("Very Good" classification for its financial performance for 15 consecutive years) from Infobank Magazine.
5. Banking Service Excellence Awards 2017 (3rd Best Overall Performance) from Marketing Research Indonesia (MRI) and Infobank Magazine.
6. Sri Kehati Award from SWA & Yayasan Keranekaragaman Hayati Indonesia.
7. IICD Corporate Governance Award. Best in the Financial Sector, Large Capitalization category, for Danamon, and for Adira in the Mid Capitalization category.

CHALLENGES AND OPPORTUNITIES IN 2018

The Government has projected economic growth in the coming year to reach 5.4%, an improvement compared to the growth in 2017. Meanwhile, inflation is also predicted to be maintained at below 4.0%. Despite lacklustre loan growth in the last few years, Danamon has been able to gain positive traction in the implementation of its strategies. The 2018 projected improvements in the economy will help Danamon's performance to gain further momentum.

Prudent top-line growth in SME Banking, Consumer Banking, Enterprise Banking, ADMF and Adira Insurance will be management's key priority for 2018. Danamon and its subsidiaries have spent the last few years improving various processes and increasing overall operational efficiency. Supported by a strong capital base, we are well poised to respond to the anticipated increase in demand for our products and services.

The changing trend of consumer behavior in conducting economic transactions, from conventional to digital, will accelerate. Danamon will continue its digital journey in order to maintain service excellence, and remain relevant to its customers.

CLOSING REMARKS

On behalf of the Board of Directors, I would like to convey our gratitude to the Board of Commissioners for their support and guidance given to the management team in 2017.

I also wish to express our appreciation to all Danamon and subsidiaries' employees for their dedication and commitment.

We are grateful to our customers for their confidence and loyalty to Danamon, especially to those who have been with us for many years.

Last but not least, we convey our deep appreciation to our regulators, especially The Financial Services Authority (OJK) for their prudent guidance and assistance.

The Bank was able to come this far because of the support from all our key stakeholders. You can look forward to Danamon's continued success in the years ahead.



Sng Seow Wah
President Director

Board of Directors





From left to right

Adnan Qayum Khan
Director

Heriyanto Agung Putra
Director

Sng Seow Wah
President Director

**Michellina Laksmi
Triwardhany**
Director

Herry Hykmanto
Director

Rita Mirasari
Independent Director

**Satinder Pal Singh
Ahluwalia**
Director

Senior Executive Officers



Vivian Widjaja
Chief Transformation Officer

Herman Savio
Treasury and Capital Market Head

Evi Damayanti
Chief Internal Audit

Yen Yen Setiawan
Enterprise Banking, Financial Institution
and Transaction Banking Head

Mary Bernadette James
Chief Information Officer

Dadi Budiana
Chief Credit Officer

Syariah

Supervisory Board



Din Syamsuddin
Chairman

Hasanudin
Member

Report from the Syariah Supervisory Board

Assalamu'alaikum
Warahmatullahi Wabarakaatuh
Bismillaahirrahmaanirrahiim

All praises and gratitude be to Allah, the Lord of the universe. Praise be to Allah Subhanahu Wata'ala above all pleasure, ease and grace to all of us, so Allah Ta'ala enable us to carry out the duties and mandates entrusted to us, shalawat and greetings we convey to Prophet Muhammad (peace be upon him).

The Syariah Supervisory Board of Danamon Syariah Business Unit (UUS) is 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, Danamon Syariah Supervisory Board has carried out its functions and duties, conducted supervision, and provided 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 is of the opinion that the Syariah banking operated by UUS Danamon in 2017 is in accordance with the DSN-MUI fatwa and opinions issued by us as the Syariah Supervisory Board.

On this occasion, we are grateful and express our appreciation for the cooperation, support the Board of Directors and all of Danamon Bank Management's staff have given us, and we congratulate for the performance achievements in 2017, and in the efforts to maintain consistency in the application of Syariah principles in banking transactions. Hopefully in the future ahead, UUS Danamon be more successful and always ahead.

**Wassalaamu'alaikum
Warahmatullahi Wabarakaatuh**

On behalf of the Syariah Supervisory Board



Prof. Dr. H. M. Din Syamsuddin
Chairman

Overview of Plans, Policies and Strategies

The national economy in 2017 continued to improve, sustained by increase in exports and investment. Indonesia's GDP grew 5.07% in 2017, slightly higher than the 5.02% growth in 2016.

In 2017, Indonesia's inflation was maintained below the 4% level. The low inflation environment gave Bank Indonesia an opportunity to reduce the benchmark interest rate further to 4.25%. The lower borrowing rate was expected to help the national economy to shift toward an upward trend.

STRATEGIC FOCUS IN 2017

In 2017, Danamon remained focus on long-term strategic directions set a few years ago. The Bank implemented Initiatives to diversify growth engines to Non-Mass Market, strengthen customer-centric mindset and improve efficiency. These are also supported by strong technology and digital solutions. Through these initiatives, Danamon aims to empower customers by serving both their business and personal financial needs.

Danamon's SME banking embarked on initiatives to strengthen its value proposition for customers in this segment. The initiatives includes implementation of fast credit approval process, introduction of product

bundles based on customer's holistic needs, and enhancement of transaction banking services.

SME Banking expanded geographical coverage of Emerging SME business, focusing on smaller SME customers. At the same time, a number of new products were also offered, such as Term Installment Loan (KAB) BISA and Shop House Business Loan (KTU) with attractive features for customers.

Enterprise Banking also implemented various strategic initiatives in 2017. One key initiative was the merge of Corporate and Commercial Banking organizations into a more efficient Enterprise Banking structure. In addition, customers acquisition process was also enhanced, from the product-oriented approach to a more customer-centric model. Skills and knowledge enhancements of Enterprise Banking staffs were the foundation for successful implementation of the above strategies.

In 2017, Danamon strengthened its Sales & Distribution (S&D) model by introducing Danamon Way, a sales and service culture to improve productivity and service level. While it is still early in the implementation process, the result has been encouraging. Loan growth in the SME and Consumer Banking segments were positively impacted.

To balance loan growth with prudence, Danamon improved its credit risk management. The Bank integrated all segments' loan approval function into the Chief Credit Officer's organization. This set up allowed loan approval to be more independent, thus improving management of credit quality.

Information technology and digital solutions are essential parts of the Bank's strategy. To that end, Danamon increased digital penetration by developing competitiveness in all segments. In 2017, Danamon expanded Transaction Banking's digital capabilities by linking with the e-commerce ecosystem including Payment Gateway, Merchants and Peer to Peer Lending. During the same year, Danamon also launched Danamon Cash Connect and Danamon Trade Connect as an easy and fast cash management and trade finance solution for SME and Enterprise Banking customers.

Danamon continued to enhance its online and mobile application for the Consumer segment. The newest features include time deposit placement and new account opening via online and mobile channels.

Danamon also formulated strategic changes within its Operations Division. In 2017, the division's organization structure was streamlined to improve service and control. In addition, digital processes and system automation were more widely adopted to reduce manual data entry for back-end processes. Danamon's subsidiaries, Adira Finance (ADMF) and Adira Insurance, were also busy executing their long-term strategic directions. In 2017, ADMF streamlined its organizational structure. It reformed

the sales and service functions in all of its branches and adopted a sales & distribution model. Adira Finance has also diversified its financing products. In addition to motorcycle financing, ADMF expanded new passenger car, used vehicle and durable goods financings. To diversify referral sources, Adira Finance introduced non-dealer sales channels through agents, mini-marts, e-commerce channels, as well as ADMF's own e-commerce portal, the momobil.co.id website. Adira Insurance also increased its penetration to the group channel through cross-selling with Danamon business units as well Adira Finance.

INITIATIVES IN 2018

In 2018, Danamon will continue to pursue various initiatives within the long-term strategic directives set forth. Some strategic policies that will be implemented in 2018 are:

- Continue growth in the key segments
- Emphasize Danamon Way as an effective process to be applied uniformly throughout Danamon's Sales & Distribution network in order to boost productivity and improve customer service.
- Raise the awareness for credit risk and other risks while improving the efficiency of loan approval procedures.
- Deepen digital penetration in all business segments
- Enhance the capabilities of human resources through training, job rotation, and talent management. In 2018, Danamon's Human Capital journey is expected to reach the Excelling and Sustaining stage where the improvement from previous years will be institutionalized in order to form a sustainable high performing organization.

Responsibility for Annual Reporting

BOARD OF COMMISSIONERS' AND BOARD OF DIRECTORS' STATEMENT ON THE RESPONSIBILITY FOR THE 2017 ANNUAL REPORT OF PT BANK DANAMON INDONESIA, TBK.

We, the undersigned, testify that all information contained in the 2017 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.

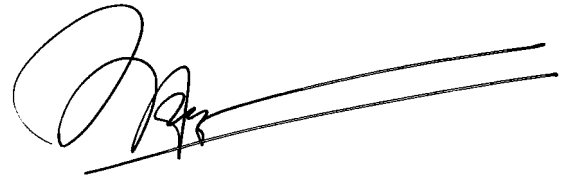
This statement is hereby made in all truthfulness.

Jakarta, 19 February 2018

Board of Commissioners



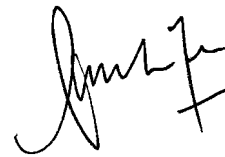
Ng Kee Choe
President Commissioner



J.B. Kristiadi
Vice President Commissioner/
Independent Commissioner



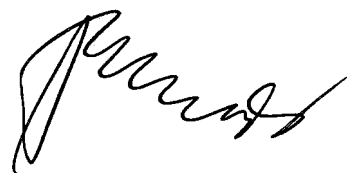
Ernest Wong Yuen Weng
Commissioner



Gan Chee Yen
Commissioner



Manggi Taruna Habir
Independent Commissioner



Made Sukada
Independent Commissioner

Board of Directors



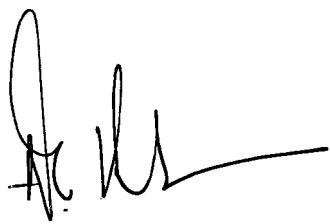
Sng Seow Wah
President Director



Michellina Laksmi Triwardhany
Director



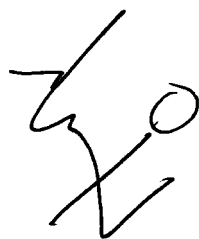
Satinder Pal Singh Ahluwalia
Director




Adnan Gayum Khan
Director



Heriyanto Agung Putra
Director



Herry Hykmanto
Director



Rita Mirasari
Independent Director