

**02**

**Management  
Report**





“2018 was a good year for Danamon. Despite a challenging global and national economic environment, Danamon’s net profit after taxation increased 6.5% to Rp3.92 trillion. Danamon has executed its 2016-2018 year strategy well and is poised to grow further, with a strong foundation in place.”

Ng Kee Choe  
President Commissioner



# Report from the Board of Commissioners

## Dear Valued Shareholders,

2018 was a good year for Danamon. Despite a challenging global and national economic environment, Danamon's net profit after taxation increased 6.5% to Rp3.92 trillion. Danamon has executed its 2016-2018 year strategy well and is poised to grow further, with a strong foundation in place.

### Economic and Industry Overview

The global economy continued to grow in 2018, but faced challenges as the economies of Europe, the UK, and China began to moderate. Emerging economies in Asia also experienced difficulties as currencies across the region fell against the US dollar. This was partly due to external factors, such as the US Federal Reserve's rate hikes, growing US China trade dispute, ongoing concerns over Brexit, and contagion from other emerging markets.

The Indonesian Rupiah had weakened since the start of 2018, at one point reaching its lowest level in 20 years. In response, Bank Indonesia raised its benchmark interest rate six times by a total of 175 basis points. The government also introduced a range of measures to improve the trade balance and rein in the current account deficit. These measures have helped to stabilize the Indonesian Rupiah.

Indonesia's GDP grew by 5.17% in 2018, marginally better than its 5.07% growth in 2017. Meanwhile, inflation was kept low at 3.13%, but the current account deficit increased.

The Banking industry's Total Assets as of December 2018 stood at Rp8,068.4 trillion, 9.2% growth from last year. Loans increased by 11.8% to Rp5,294.9 trillion. In terms of liquidity, deposits grew by 6.4% to Rp5,630.4 trillion. The competition for deposits remained intense.

### Danamon and Board of Directors' performance

Danamon's successful implementation of its 3 years (2016-2018) strategy, yielded strong financial growth. The Bank's net profit after taxation for 2018 reached Rp3.92 trillion, up from Rp3.68 trillion in 2017. The Bank achieved 11.6% overall year-on-year loan growth in key segments excluding micro finance, to reach Rp137.2 trillion.

In terms of asset quality, we continued to maintain our prudence in managing risk as well as following our internal risk appetite principles to ensure that we grew within acceptable parameters. Danamon's cost of credit ratio improved to 2.5% from 2.8% last year.

Another indication of prudent management can be seen in our capital level. With 22.2% Capital Adequacy Ratio (CAR), Danamon continues to be well capitalized, significantly above the minimum level stipulated by the regulation. The Board of Commissioners commends the Board of Directors for consistent dedication and efforts to lead Danamon in achieving its strong performance in 2018.

### Investment by MUFG

In August 2018, MUFG Bank became one of the controlling shareholders of Danamon with a 40% shareholding, whilst Asia Financial (Indonesia) Pte. Ltd. now has a 33.8% stake. MUFG's presence provides significant opportunities for collaboration with Danamon.

On January 22<sup>nd</sup>, 2019, Danamon announced a merger with Bank Nusantara Parahyangan (BNP). Bank Danamon as the merged entity will have expanded distribution network and product suite to better serve customers. BNP customers will have the ability to access Danamon's product offerings and nationwide branch/ATM network. At the same time, this merger provides Danamon and its subsidiaries with cross-selling opportunities of their products to BNP's existing customer base.

As announced earlier, MUFG will increase its ownership in Danamon to 73.8% or more. This will allow Danamon to further leverage MUFG's global capabilities, including the strength of their relationship with multinational corporations. This transaction is subject to shareholders' and regulatory approvals.

### Committee Performance In 2018

The Board of Commissioners (BOC) is assisted by six Board Committees in 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. It is satisfied with the effectiveness of internal controls within the Bank. After due evaluation, the AC has recommended the reappointment of Public Accounting Firm KAP Tanudiredja, Wibisana, Rintis & Rekan (a member firm of PwC global network) as Danamon's external auditor for the 2019 financial year.

**Risk Monitoring Committee**

The Risk Monitoring Committee oversees all aspects of risk management within the Bank and has provided constructive feedback to improve asset quality, market and liquidity position and general control environment. The Bank maintained its overall risk profile for 2018.

**Corporate Governance Committee**

The Corporate Governance Committee has ensured that Danamon continues to adopt the necessary principles, practices and processes for accountable and effective management. Danamon adheres to a high standard of corporate governance, which contributes to the standing of the Bank and the trust of all its stakeholders.

**Integrated Governance Committee**

The Integrated Governance Committee (IGC) oversees the implementation of good corporate governance across the Bank and its subsidiaries. It has made recommendations to the BOC to enhance good corporate governance practices. Adira Finance was recognized as having the Best Overall Corporate Governance in 2018 at the Indonesian Institute for Corporate Directorships' Annual Awards.

**Nomination Committee**

The Nomination Committee recommended the appointment of new BOC and BOD members during the year, as well as the appointment of senior management personnel.

**Remuneration Committee**

In 2018, the Remuneration Committee (RC) made recommendations to the BOC on remuneration packages for commissioners, directors and senior management personnel. The RC assessed remuneration arrangements to ensure they support the Bank's long-term strategic interests by enabling the recruitment and retention of senior executives.

**Integrated Corporate Governance and Risk Management**

Danamon has continued to implement integrated corporate governance and risk management across the Bank and its subsidiaries in line with best international banking practices. This has supported efforts to improve the Bank's performance,

competitiveness and reputation. Initiatives in 2018 included raising employees' awareness of Danamon's Code of Conduct, ethics, and risk culture. The Bank's whistle-blowing policy helped to counter any violations of good corporate governance principles. The Bank also sharpened its focus on cyber security.

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

**Implementation of Corporate Social Responsibility**

The BOC recognizes that corporate social responsibility plays a vital role in strengthening local communities and the long-term development of Indonesia. The BOC in 2018 continued to support Yayasan Danamon Peduli (YDP), which conducted a range of social investments, reflecting the Bank's commitment to improving public welfare.

Indonesia was struck by a series of natural disasters in 2018, prompting YDP to provide emergency relief for victims of earthquakes, floods, landslides and fires. These relief efforts included help for victims of earthquakes that hit Lombok in August, and a devastating earthquake and tsunami in Palu, Central Sulawesi, in late September.

YDP facilitated disaster mitigation and emergency response training for communities at traditional markets near Danamon's offices. We partnered with institutions that have competencies in the field of disaster namely the Indonesian Red Cross (PMI), the National Disaster Management Agency (BNPB), Disaster Management Agency Regional (BPBD), as well as other institutions both at national and local levels.

YDP also continued its revitalization program at traditional markets. This program is helping to improve the quality of life of local communities.

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

**Changes In BOC Composition**

In 2018, there were changes to the BOC, with the resignation of Ernest Wong Yuen Weng as Commissioner in November 2018 Extraordinary General Meeting of Shareholders (EGMS). The BOC would like to thank him for his dedication and contributions to Danamon during his term in office. We welcome Takayoshi Futae and Peter Benyamin Stok who were appointed as new commissioners in March 2018 Annual General Meeting of Shareholders (AGMS) and Masamichi Yasuda who was appointed as new commissioner in November 2018 EGMS. We look forward to their advice and guidance.

**Looking Forward**

The BOC expects Danamon to continue to perform well in 2019. The Bank will continue with its transformation journey, building new growth engines whilst enhancing existing ones, developing a strong digital presence, and always remaining prudent.

Danamon will spare no efforts to serve its customers well through a comprehensive range of competitive products, supported by secure 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 Services 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 of 2018. We have now refreshed our strategy that we will embark on in 2019. This is also proof of our demonstrated ability to adapt to shifts in the market place, technological advancements and evolving customer needs. We look forward to your continued support as we strive to advance Danamon to new heights in performance and excellence.

Jakarta, March 2019



**Ng Kee Choe**  
President Commissioner

# Board of Commissioners



**Made Sukada**  
Commissioner  
(Independent)

**Gan Chee Yen**  
Commissioner

**Masamichi Yasuda**  
Commissioner

**Ng Kee Choe**  
President Commissioner

2018 Performance  
Management Report  
Management Discussion and Analysis  
Company Profile  
Operational Review  
Good Corporate Governance  
Corporate Social Responsibility  
Corporate Data



**JB. Kristiadi**  
Vice President Commissioner  
(Independent)



**Peter Benjamin Stok**  
Commissioner  
(Independent)



**Manggi T. Habir**  
Commissioner  
(Independent)



**Takayoshi Futae**  
Commissioner



“In 2018, Danamon continued its upward momentum. Danamon Group achieved double-digit percentage loan growth, excluding micro-financing. Net profit after taxation (NPAT) improved by 6.5% to reach Rp3.92 trillion. I am also pleased to report that strategic initiatives including those in Small Medium Enterprise (SME), Branch Network, Digital and Adira Finance continued to show positive results. Our position is further strengthened by our new controlling shareholder, MUFG Bank, paving the way for collaboration that will provide benefits for our customers.”

**Sng Seow Wah**  
President Director



# Report from the Board of Directors

## Dear Valued Shareholders,

In 2018, Danamon continued its upward momentum. Danamon Group achieved double-digit percentage loan growth, excluding micro-financing. Net profit after taxation (NPAT) improved by 6.5% to reach Rp3.92 trillion. I am also pleased to report that strategic initiatives including those in Small Medium Enterprise (SME), Branch Network, Digital Channels and Adira Finance continued to show positive results. Our position is further strengthened by our new controlling shareholder, MUFG Bank, paving the way for collaboration that will provide benefits for our customers.

### Economic And Industry Overview

The global economy came under pressure in 2018. While there was economic growth in the US, other parts of the world including Europe, China, and Japan experienced a slowdown. The rupiah was among currencies hard hit by tighter monetary policy in the US, losing more than 12% of its value before starting to rebound towards the end of the year. The Indonesian economy remained steady, with the government prioritizing stability over growth. Inflation was kept low at about 3%, although liquidity tightened as Bank Indonesia raised its benchmark interest rate six times.

In Indonesia's banking sector, loan grew by 11.8% YoY as of December 2018 while deposit growth was 6.4%. Indonesian banks' non-performing loan (NPL) ratio remained manageable at 2.4% in December. Towards the end of the year, competition for liquidity intensified, putting pressure on funding costs.

### Strategic Priorities And Initiatives In 2018

Danamon's 3-Year Plan (2016–2018) for transformation was a success; stepping up on revenue engines and streamlining core operations. Our key engines – SME Banking, Consumer Mortgages, and Adira Finance – all achieved strong growth in 2018.

As a continuation of the strategy in the past few years, SME leveraged the Branch Network of Danamon and continuous improvement in credit approval process turn-around time. Particular emphasis was given to improve our service for the smaller SME businesses.

Enterprise Banking (EB) also performed well in its traditional target market of family-owned commercial and small corporate customers. EB started to tap the opportunities for collaboration with Danamon's new controlling shareholder, MUFG Bank. MUFG's relationships with large corporate entities and its expertise in infrastructure financing will increasingly open up new growth potential for Danamon.

Given our aim to enable customers fulfill their financial goals, Consumer Banking undertook initiatives to deepen engagement levels. The D-Point Integrated loyalty program rewards customers for various banking activities including savings, investing and transacting. Product suites for investments and bonds were also enriched. Increasingly our customers' lifecycle needs involve home purchase through consumer mortgages. By providing an attractive mortgage bundle, improved approval process and expanded partnerships with developers, Danamon was able to help more customers with their major investment decisions.

The distribution of the SME and Consumer Banking products is supported by our extensive Branch Network. "Danamon Way", the sales and service culture and process introduced last year has been uniformly adopted in our branches. The results are increased efficiency, productivity and service level to customers.

Danamon continues to look ahead and innovate on the technology front. We strive to digitize many of our end to end processes in order to provide seamless, straight through delivery of products and services. Our aspiration is to embed our services in our customers' world to make banking invisible. In the past year, Danamon continued to develop its digital services to enhance customer interaction through our D-Bank and Omni Channel platforms. We also launched API (Application Programming Interface) Central to collaborate with Danamon's digital partners in fintech and e-commerce.

### Investment By MUFG

As of August 2018, MUFG Bank became one of Danamon's controlling shareholders, with a 40.0% shareholding, while Asia Financial (Indonesia) Pte. Ltd. now has a 33.8% stake. The collaboration between Danamon Group and MUFG has yielded positive results. Introductions to Japanese and other Multi National Corporates opened the door to a new segment of large corporates for the Bank and will benefit EB, Consumer, SME and Adira Finance in the years to come.

On January 22nd, 2019, Danamon announced a merger plan with Bank Nusantara Parahyangan, an Indonesian Bank which MUFG also has a stake in. The merger will also allow MUFG to increase its ownership in Danamon. The merger with BNP and the increase in shareholding of MUFG Bank would allow for further integration of MUFG Bank's resources, such as its services, network and management expertise, with Bank Danamon as the surviving entity. This transaction is still subject to shareholders' and regulatory approvals.

### Divestment of Adira Insurance

In September 2018, Danamon signed an agreement to sell a 70% stake in Adira Insurance to Zurich Insurance. The transaction will allow Danamon to focus on its core competencies of distributing financial products, while Adira Insurance will also benefit from the strength and capabilities of Zurich Insurance as a large international insurance company. We expect the transaction to be beneficial to all parties. Danamon will continue to distribute Adira Insurance products through both, the bank channels and Adira Finance channels. The transaction is subject to regulatory and other approvals.

**Loans excluding micro finance, stood at Rp137.2 trillion representing 11.6% growth year-on-year (YoY) Consumer, SME, Adira Finance as well as EB contributed to overall loan growth in 2018**

### Financial Performance In 2018

By implementing a number of management initiatives and strategies in 2018, Danamon's net profit after taxation was up 6.5% to Rp3.92 trillion as compared to Rp3.68 trillion last year, driven by growth in new engines loan volume as well as lower credit cost and Danamon's ability to maintain its operational efficiency throughout the year. The return on assets (ROA) and the return on equity (ROE) at 2.2% and 10.6% respectively at the end of 2018, were both improved compared to last year ratios of 2.1% and 10.5% respectively.

### Loan Performance

Loans excluding micro finance, stood at Rp137.2 trillion representing 11.6% growth year-on-year (YoY). Consumer, SME, Adira Finance, as well as EB contributed to overall loan growth in 2018. Consumer mortgages grew 29.3% to Rp7.81 trillion and SME loans grew 9.7% YoY to Rp31.21 trillion. Our Branch Network strategy has delivered positively. EB expanded 11.0% to Rp41.48 trillion in 2018 after experiencing only 2% YoY growth last year. Adira Finance significantly gained market share in new motorcycle and new car segments in FY 2018 which led Adira Finance loans to grow by 13.4% to Rp51.29 trillion.

### Asset quality improved

Danamon was also able to maintain its overall asset quality. Danamon's NPL ratio was well managed at 2.7% at the end of 2018. We also maintained a prudent level of credit cost of 2.5%, as compared to the 2.8% level in the previous year.

### Balance sheet remains strong

Danamon had adequate liquidity to support asset growth. Danamon's Macroprudential Intermediation Ratio (RIM) was maintained at 97.2% which was in-line with management expectation. Our capital adequacy ratio (CAR) of 22.2% was well above regulatory requirements.

### Target versus Actual Results

Overall loans, including marketable securities related to trade finance grew by 8%, better than our internal target. This was supported by better than expected growth in Consumer Mortgages, SME, EB, and Adira Finance. Danamon's NPL ratio as of 31 December 2018 stood at 2.7%, better than our 3.0% NPL target. Danamon's NPAT stood at Rp3.92 trillion which was in line with our internal expectations.

### Subsidiaries Performance

Danamon operates two subsidiaries. As previously mentioned, Danamon in 2018 agreed to sell a majority stake in Adira Insurance. In 2018, both subsidiaries booked positive growth and improved profitability.

Adira Finance gained market share in new motorcycle and new car segments in 2018. Adira Finance market share in new motorcycle was 11.9% an increase of 60 bps YoY, as Adira Finance conducted sales initiatives to increase segmented dealer programs. In the 4W segment, Adira Finance also successfully increased its market share from 4.5% last year to 4.8% in 2018. It continued to expand in 2018 through non-dealer channels to promote and market its products. Adira Finance had in 2017 launched its own e-commerce app <https://www.momobil.co.id> for buying and selling cars. In 2018, it launched a similar online app <https://www.momotor.id> and website for buying and selling motorcycles. Adira Finance continued to partner with communities through its agency Kemitraan Berdaya (Keday), which literally means 'Empowered Partnership'. Keday invites people to open outlets to offer the company's products and receive installment payments. Adira Finance has continued to invest in information technology and has adopted a digital approach in doing business with customers.

In 2018, Adira Insurance continued to streamline its business processes, while still enhancing service quality, especially in core processes, leading to greater cost efficiency in policy production, premium collection and claims. Adira Insurance prudently expanded its market penetration through its existing business channels. The company retained its focus on products with high-volume, homogenous and wider risk spread characteristics, such as motor vehicles, property insurance and personal accident cover. This year Adira Insurance booked Rp2.70 trillion of gross written premium a 14.9% increased from last year Rp2.34 trillion. Both motor vehicle portfolio and non-motor vehicle portfolio contributed to Adira Insurance's performance in 2018.

#### Digital Initiatives

In recent years, Danamon has been investing in electronic channels to provide customers with more convenient choices to engage the Bank. These channels also improve efficiency, security and allow customers to access their accounts more easily even after office hours. Customers can now conduct banking more easily through their smartphones and Danamon online platform, such as D-Bank and Danamon Cash Connect.

Danamon in December 2018 launched API (Application Programming Interface) Central, which facilitates the development of banking applications and services. API Central provides customers with a range of fintech and online services that are convenient, fast and secure.

A new digital roadmap was established in 2018, with the goal of embedding Danamon's services in the customer's world to make banking seamless and invisible. Danamon will continue to digitalize its core processes of banking and financing to further strengthen the Bank's foundation for future enhancements on the digital front.

#### Human Capital

Sustainable transformation was the overall theme for 2018. For Human Capital (HC), this was a critical point in preparing and managing employees' capabilities and mindset to always create added value throughout the Company's operations and business activities. In 2018, we intensified digitalization of our HC management system, which encompasses manpower planning, recruitment, performance management, and learning and development.

To facilitate a shared direction towards sustainable transformation among employees, the Bank reinforced the need for its core values to be strengthened. These values are a reflection of the Bank's ambition, spirit and character, which are summed up in the Indonesian acronym BISA (which means 'can' in English). BISA stands for Berkolaborasi, Integritas, Sigap Melayani dan Adaptif which means Collaboration, Integrity, Customer Centric, and Adaptive.

In 2018, 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.

The Danamon Way, the new sales and service approach, was fully implemented to optimize the performance of the Branch Network. We have succeeded in changing the focus at our branches to be more customer-centric.

#### Corporate Governance

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

We believe GCG goes beyond compliance with regulations. This commitment was recognized by the Indonesian Institute for Corporate Directorship (IICD), which named Danamon as Best in the Financial Sector and Adira Finance as Best Overall at the 2018 Corporate Governance Awards.

### Corporate Social Responsibility

Danamon's Corporate Social Responsibility (CSR) activities are undertaken by Yayasan Danamon Peduli (YDP). A number of activities were conducted in 2018, especially in response to natural disasters. YDP responded to 17 natural disasters which included deadly earthquakes and tsunamis that hit Lombok in August, and September in Central Sulawesi.

Our Market Prosperity program focuses on improving the environmental quality of traditional 'wet' markets, where perishables are sold. Important activities include renovation of public facilities at the markets, construction of sanitation facilities, tree planting, drilling bio spore absorption holes, and provision of clean water facilities.

YDP also conducts financial literacy training for operators of micro businesses and small SMEs. This is to promote financial literacy and inclusiveness.

### Evaluation of Committees Under The Board Of Directors

Danamon had 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 has provided good recommendation 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 they are aligned 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

There were changes in the composition of the Board of Directors in 2018. The Annual General Meeting of Shareholders in March 2018 approved the appointment of Michellina Laksmi Triwardhany as Vice President Director, an elevation from her previous position as Director. The AGMS also approved the appointments of Dadi Budiana and Yasushi Itagaki as directors.

### Awards

In 2018, Danamon received several awards in acknowledgement of its innovations and performance. These included: Best Digital Bank from Asiamoney, and Best Bank in Digital Service and Best Sharia Business Unit at the 2018 Indonesia Banking Awards from Tempo Media Group and Indonesia Banking School.

### Challenges And Opportunities In 2019

The government has projected GDP growth of 5.30% in 2019, which is higher than 5.17% in 2018, while inflation is expected to be maintained around 3.5%. Indonesia's overall economic outlook is expected to be stable.

In 2019, Danamon will continue to build on its growth engines and maintain the momentum in SME Banking, EB, Consumer Mortgages and Adira Finance. Collaboration with MUFG is expected to further facilitate Danamon's entry to high-end corporate ecosystems. Danamon performed well in 2018 in terms of managing asset quality. Going forward, we will continue to be prudent and achieve growth for the Bank.

The pace of change from conventional to digital banking is accelerating. In view of this, Danamon will expedite its digital journey and remain relevant to customers. Our digital transformation will deliver more online and mobile services and offerings to customers. We will provide the tools and resources to increase our employees' productivity and digitalize our core operations.

### Concluding Remarks

2018 was a remarkable year for Danamon. We successfully concluded our 3-Year Plan of transformation. In 2019, we will embark on our new 3-Year Plan, which will focus on collaboration, customer service and harnessing digital possibilities. We know we can rely on ongoing support from our various stakeholders to continue to make our goals a reality.

Support and guidance from our Board of Commissioners was instrumental in Danamon's achievements. Our strategic initiatives would not have been implemented if not for the dedication and commitment of Danamon and its subsidiaries' employees. We are always grateful to our customers for their patronage; Danamon will work hard to continue earning their trust. We also thank our shareholders for their confidence in the Bank.

Finally, we convey our sincere gratitude to our regulators, especially the OJK, for their guidance and assistance. Danamon is entering 2019 with a stronger foundation for growth, than ever before!

Jakarta, March 2019



**Sng Seow Wah**  
President Director

# Board of Directors



**Adnan Qayum Khan**  
Director

**Heriyanto Agung Putra**  
Director

**Michellina Laksmi Triwardhany**  
Vice President Director

**Sng Seow Wah**  
President Director

2018 Performance Report  
Management Report  
Company Profile  
Management Discussion and Analysis  
Operational Review  
Good Corporate Governance  
Corporate Social Responsibility  
Corporate Data



Yasushi Itagaki  
Director



Rita Mirasari  
Director  
(Independent)



Herry Hykmanto  
Director



Dadi Budiana  
Director



Satinder Pal Singh Ahluwalia  
Director



# Senior Executive Officers



**Evi Damayanti**  
Chief Operations  
Officer

**Herman Savio**  
Treasury and Capital  
Market Head

**Yotaro Agari**  
Business Collaboration  
Head

**Mary Bernadette James**  
Chief Information Officer

**Vivian Widjaja**  
Chief Transformation  
Officer

Corporate  
Data

Corporate  
Social Responsibility

Good Corporate  
Governance

Operational  
Review

Management  
Discussion and Analysis

Company  
Profile

Management  
Report

Main  
Highlights

## Syariah Supervisory Board



**Hasanudin**  
Member for Syariah  
Supervisory Board

**Din Syamsuddin**  
Chairman for Syariah  
Supervisory Board

**Asep Supyadillah**  
Member for Syariah  
Supervisory Board

# Report from Syariah Supervisory Board

We as Syariah Supervisory Board (DPS) UUS Danamon believes that the Syariah banking activities carried out by the UUS Danamon in 2018 are generally suitable with DSN-MUI fatwas and opinions issued by us as 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 sallallahu ‘Alaihi Wa sallam.

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.

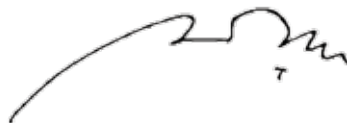
We as Syariah Supervisory Board (DPS) UUS Danamon believe that the Syariah banking activities carried out by the UUS Danamon in 2018 are generally suitable with DSN-MUI fatwas and opinions issued by us as Syariah Supervisory Board.

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 Management staff for performance achievements in 2018, and in their efforts to maintain the consistency of the Syariah principles application in banking activities.

Hopefully in the future, UUS Danamon will become more successful and always ahead.

Wassalaamu’alaikum Warahmatullahi Wabarakaatuh

Jakarta, March 2019



On behalf of the Syariah Supervisory Board  
**Prof. Dr. H. M. Din Syamsuddin**  
Chairman

## Overview of Plans, Policies and Strategies

Despite global macroeconomic challenges, the national economy was steady throughout 2018. GDP growth averaged around 5.17%, and recorded its highest GDP growth since 2015 in 2Q 2018 at 5.27%.

Bank Indonesia raised its key policy rates by 175 bps in 2018 due to the widening current account deficit and increasing risk premium for Rupiah-denominated assets. The central bank's higher rates led to net interest margin compression across the Indonesian banking industry.

### Strategic Focus in 2018

Danamon's 3-Year Plan for transformation concluded at the end of 2018. Over those past three years, numerous initiatives were launched, resulting in strong achievements. Sustainable growth was achieved by streamlining core operations, reduced operating expenses and enhancing our revenue engines.

Consistent with its strategy in recent years, Danamon's SME Banking focused on credit growth, fee income cross-selling and third party funds in the SME sector. Key to this strategy was improvement in approval turn-around time and encouraging the growth of quality credit distribution to smaller SME.

In Consumer Banking, the strategy of developing a more granular funding base from deposits resulted in consistent year-on-year growth. A customer onboarding program was developed, aimed at deepening customer relationships with the Bank. This was supported by various attractive marketing programs and more consumer-centric products.

Consumer mortgages performed well in 2018, growing 29.3%. Branch referrals, partnerships with developers and improvement in the process turn-around time helped to boost growth. In 2018, Danamon signed agreement with several Japanese developers to become their partner for mortgages.

Danamon continued to serve commercial and corporate customers through its EB division with emphasis on process improvement and holistic customer needs. Financial supply chain in key sectors such as fast-moving consumer goods (FMCG) industries, remains the key focus. Danamon continue to enhance its Danamon Connect, our transaction banking online platform launched in 2017, was further enhanced.

A Global Collaboration Office, as a part of the alliance between MUFG and Danamon, has been established and commenced a range of strategic initiatives in 2018. This enables Danamon to access MUFG's relationships with multinational, including Japanese, corporate clients, such as manufacturers, dealers and developers, and provides complementary services to those already provided by MUFG.

In 2018, Danamon continued on its digital journey to improve our customers' experience to make banking invisible and seamless. We have invested in our digital channels, enabling customers to engage with us more efficiently. Danamon launched API

(Application Programming Interface) Central, which facilitates the development of banking applications and services. API Central will provide customers with a range of fintech and online services that are convenient, fast and secure.

Adira Finance successfully transformed into a more customer-centric operation. It ventured into non-auto loans, while maintaining growth in financing for new and used vehicles. Adira Finance also expanded its channels to non-auto dealers, rather than focusing just on its traditional channel.

### Initiatives in 2019

Danamon SME Banking will continue to push its value proposition as a one-stop banking solution that provides integrated financing and funding solutions for SMEs through comprehensive product bundling solutions, namely loans, savings, protection, and transactional products and services. These products will be marketed through community approaches and cross-selling strategies to strengthen lead generation and increase customer loyalty.

The focus will be on increasing market penetration in Emerging SME businesses, optimization of lead generation initiatives, and exploring collaboration with fintech companies to increase customer acquisition through digital media.

In Consumer Banking, Danamon will commence the process of moving from being product-centric to becoming customer-centric, focusing more on customer needs. A more complete product suite will be offered, from savings to investment, bonds, forex, bancassurance, credit cards and mortgage products, all aligned to customer needs and profiles.

EB will intensify collaboration with MUFG on cash management, financial supply chain, and trade finance. It will continue to strengthen its digital capabilities to deliver solutions in the digital ecosystem. Supplier financing will be established to provide end-to-end financial supply chain solutions.

Danamon will continue to develop and integrate its digital offerings and services into customers' daily lives to enhance value proposition. We will continue to build digital capabilities for seamless processes and transactions for digital savvy customers. A culture of innovation will be developed to support the improvement of straight-through processes, accelerating transaction processes.

Adira Finance will invest more in digital technology, enhancing its existing e-commerce platform and customer relationship management capabilities, while also focusing on new customer sources via digital and automated third-party channels. Adira Finance will increase its product holdings, aiming to generate more sales from existing customers from top-ups, repeat orders and additional orders.

# Responsibility for Annual Reporting

## BOARD OF COMMISSIONERS' AND BOARD OF DIRECTORS' STATEMENT ON THE RESPONSIBILITY FOR THE 2018 ANNUAL REPORT OF PT BANK DANAMON INDONESIA TBK

We, the undersigned, testify that all information contained in the 2018 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, March 2019

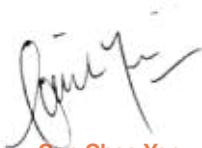
### Board of Commissioners



**Ng Kee Choe**  
President Commissioner



**J.B Kristiadi Pudjosukanto**  
Vice President Commissioner (Independent)



**Gan Chee Yen**  
Commissioner




**Takayoshi Futae**  
Commissioner

**Masamichi Yasuda\***  
Commissioner



**Manggi Taruna Habir**  
Commissioner (Independent)



**Made Sukada**  
Commissioner (Independent)



**Peter Benjamin Stok**  
Commissioner (Independent)

\* The appointment of Masamichi Yasuda as a member of the Board of Commissioners shall be effective after obtaining fit and proper test result from OJK and statement of compliance with the prevailing laws and regulations.

Board of Directors



**Sng Seow Wah**  
President Director



**Michellina Laksmi Triwardhany**  
Vice President Director



**Satinder Pal Singh Ahluwalia**  
Director



**Adnan Qayum Khan**  
Director



**Heriyanto Agung Putra**  
Director



**Herry Hykmanto**  
Director



**Dadi Budiana**  
Director



**Yasushi Itagaki**  
Director



**Rita Mirasari**  
Director (Independent)