



MANAGEMENT **DISCUSSION AND ANALYSIS**





Danamon continues to implement the core strategies of growth engine diversification, customer centricity and digital, combined with prudent risk management to achieve its aspiration as one of the top banks in Indonesia.

> MACRO ECONOMY REVIEW



The global economy faced a challenging situation in 2020. The economy experienced turbulence due to Coronavirus Disease (COVID)-19 amidst the ongoing trade war between US and China, as well as commodity price headwind. COVID-19 that spread rapidly across countries had disrupted global economic activities. This affected Indonesia's economic growth, which contracted by 2.1% yoy in 2020. Furthermore, uncertainties also increased and led investors to avoid riskier assets in emerging markets, including Indonesia.

Such dynamic in the global financial market pressurized Indonesian Rupiah through-out the year of 2020. Exchange rate volatility inclined alongside foreign capital outflow from Indonesia's financial market, mainly in March. The average exchange rate was recorded at IDR14,529/USD in 2020, depreciated from last year's level.

Indonesia had posted current account surplus in the second half of 2020 worth USD1.8 billion, providing cushion for further Rupiah depreciation. The subdued domestic demand, due to limited mobility and cautious consumer behavior, caused import to plunge deeper than export (external demand). For the whole year, current account posted lower deficit worth USD4.7 billion (-0.4% GDP), compared to the prior year.

As a response to weaker economic performance in 2020, the Government and Bank Indonesia (BI) provided huge amount of stimulus through fiscal and monetary policies. The Government budgeted IDR695 trillion for the stimulus, which was allocated into health spending, social security, Micro Small Medium Enterprises (SMEs), Central & Local Government Incentives, Business Incentives, and Corporate Financing. On the other hand, BI eased its monetary policy by cutting policy rate as much as 125bps in 2020. BI had also purchased Government bonds in both the primary and secondary markets, altogether with lowering its Primary Reserve Requirement Ratio (RRR) by 300bps (including additional incentives to banks that are engaged in export-import financing, as well as the financing of MSMEs and other priority sectors) to maintain ample liquidity within the banking system this year.

Such appropriate responses from each authority helped maintain the healthiness of the banking system, shown by Liquid Assets to Third Party Fund (TPF) ratio of around 30% and Capital Adequacy Ratio (CAR) at around 20%. However, the risk on credit quality had increased due to worsening overall economic performance. In the real sector, economic activities had stabilized at a low level. Domestic and external demand indicators showed recovery signals towards the end of the year. It was in line with less stringent mobility restrictions and ongoing recovery in the global front.

Heading into 2021, Indonesia's economy is projected to grow at the range of 3.0%-4.0%. It is expected to be mainly driven by the gradual recovery in global and domestic demand. On financial sector, foreign capital inflow may return to emerging markets as the optimism of economic recovery coupled with continued support from expansive fiscal and monetary policies in advanced economies. Therefore, the exchange rate would be less volatile in 2021, with a tendency to appreciate in terms of average level compared to 2020. A relatively mild current account deficit, at the range of 1.0%-1.5% of Gross Domestic Product (GDP), would help to stabilize the exchange rate.

STRATEGIC REVIEW <

2020 Strategic Focus

Facing unprecedented challenges in 2020, Danamon had quickly adapted to the dynamic situation. Since COVID-19 was declared a global pandemic in March, our first priority is to ensure the health and safety of our employee and their families. We then established a Crisis Command Center (CCC) to execute health and safety protocols in our working premises, while closely monitor employee's condition. Several initiatives were quickly taken such as implement working from home (WFH) protocol, conduct regular employee health survey, building sterilization, and provide easy access to personal and healthcare service for the employee in needs. We believe that protecting our employee's well-being is the key to maintain our service delivery to customers and business continuity.

For our customers, besides minimizing the disruption to our branch services and operations, we continued prioritizing initiatives in developing digital solutions for banking convenience. The pandemic has further accelerated the shift to digitalization. Transactions through digital channels have risen significantly, and our customers banking behavior and demand continue to evolve. Hence, we have continuously improved our IT infrastructure and ensure that we are capable to provide the best digital-based financial solutions to our customers.

Danamon and Adira Finance also focused on helping customers affected by COVID-19 through the loan restructuring program. In 2020, we have provided restructured loan program to more than 800,000 customers. We are committed to keep supporting this program as per guidance from the government and regulator, while still adhering to the prudent principle. In response to the overall weak loan demand in the banking industry, Danamon purposely maintained prudent growth focus in blue-chip, large customers, and SOE segments. Enterprise Banking continued to focus on deepening relationships with existing customers, as well as developing its portfolio through new customer acquisitions and their supply chains, leveraging the business network of MUFG Group. As a result, the Enterprise Banking segment recorded 25% YoY loan growth.

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 Relationship Managers. In addition, SME Banking also explored collaboration with fintech companies to increase customer acquisition through digital platforms. Given the macroeconomic condition in 2020 and weak demand, the focus in 2020 was on loan portfolio management, improvement in asset quality and end-to-end process.

With the increasing risk of default during economic slowdown and COVID-19, demand for credit restructuring and asset quality management took on greater importance in 2020. In addition, this is the first year of IFRS9 implementation, which requires enhancements in provisioning calculations. In 2020, Danamon maintained tight risk monitoring while strengthened collection process and proactively increased provision to anticipate against any potential losses. As a result, the Bank achieved lower NPL ratio compared to the previous year and boosted the coverage ratio to reach a record high by the end of 2020.

On the funding side, several initiatives were undertaken in 2020 to grow granular fundings, comprising of current and saving accounts (CASA) and regular time deposits (TD) in IDR. Deposits acquisition was focused on institutional approach through ecosystem in Transaction Banking, segment based approach in Consumer and emphasizing utilization of digital channels such as D-Connect for cash management and D-Bank mobile platform. As a result of these sustainable initiatives, Danamon grew CASA by 18%.

2021 Initiatives

In 2021, Danamon will continue to implement the core strategies of growth engine diversification, customer centricity and digital, combined with prudent risk management. Consistent focus on customer and business expansion while investing in digital, human capital and marketing will help Danamon achieve its 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, segment based approach in Consumer and optimisation of fee income with unique value proposition. To bring better focus towards portfolio management, SME will reorganize the sales network based on expertise and competency in alignment with clients profile.

Continuing the success of previous years, Danamon will leverage collaboration with MUFG to serve multinational, Japanese and large local corporates as anchors in the financial supply chain (FSC) ecosystem. Through the FSC, Danamon will provide lending and other services across those ecosystems and customer segments.

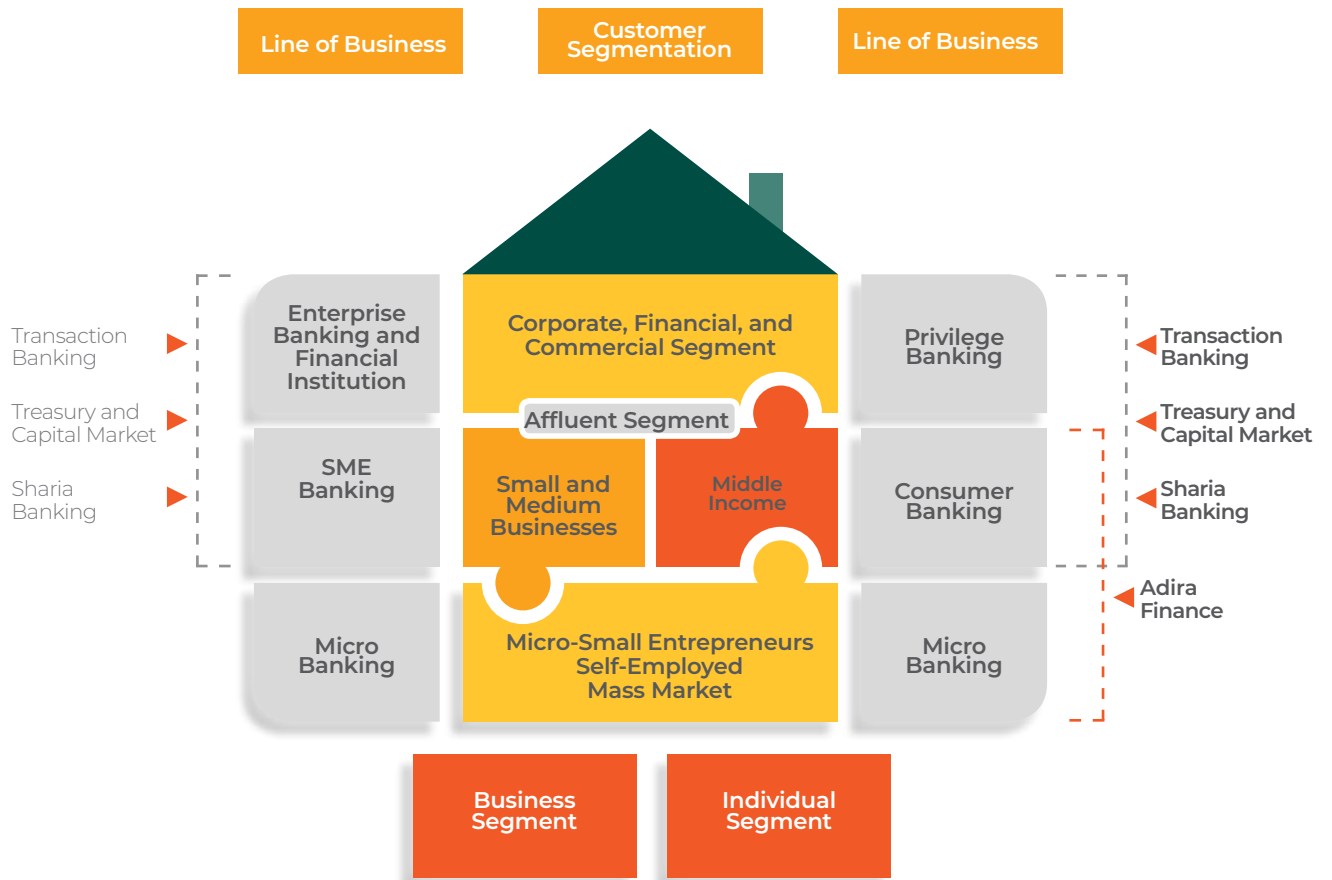
Improvement of funding franchise will continue through branch channels, digital channels as well as institutional approach. Danamon will leverage customer ecosystems to provide payroll, cash management and transaction banking services. Through segment-based value proposition, customers will be served 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 platform, will continue to be enhanced to provide more service, 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 2021. Through continuous marketing campaign and corporate events, Danamon and ADMF aim to increase visibility and brand awareness to the public in general, and our target segment in particular.

Human capital enhancement is an important pillar of Danamon's long-term success. Investment in this area will include employee upskilling and reskilling 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 program will continue as a key program to identify and develop future leaders.

BUSINESS SEGMENT REVIEW <



In 2020, Danamon continued its strategy of prudent credit growth through an ecosystem approach, sustained CASA growth through an institutional approach, and increased fee income through a unique value proposition. In addition, collaboration with MUFG enabled Danamon to enter the Japanese corporate and multinational customer markets through distributor financing, cash management, mortgage and payroll accounts services.

> ENTERPRISE BANKING

Enterprise Banking serves the Corporate, Commercial, and Financial Institution segments. It provides comprehensive financial solutions, such as lending, cash management, trade finance, and treasury services. Through understanding and serving clients needs, Enterprise Banking aspires to make Danamon the preferred transactional bank.

PRODUCTS AND SERVICES

Enterprise Banking provides the following products and services:

- Working Capital Loans (Trade Finance & Financial Supply Chain);
- Investment Loans;
- Cash Management (Payment, Collections and Liquidity Management);
- Foreign Exchange;
- Custody.

2020 STRATEGIES AND INITIATIVES

2020 has been a challenging year marked with an unprecedented global pandemic which has affected both the global economy as well as domestic economic landscape.

Enterprise Banking continued to focus on deepening relationships with existing clients, as well as developing its portfolio through new client acquisitions and tapping into end-to-end value chains, leveraging our collaboration with MUFG Group.

Enterprise Banking is committed to invest in human capital by attracting and retaining the best talent, implementing extensive training programs, and driving a performance-based organization.

2020 PERFORMANCE

Despite the challenging macroeconomic conditions throughout the year, Enterprise Banking loan portfolio grew by 25% compared to last year.

2021 STRATEGIES AND INITIATIVES

In 2021, Enterprise Banking will continue to implement the following strategies:

- Deepen relationship with our existing clients.
- Acquire new clients within our target market and capture the end-to-end value chain of existing clients.
- Continue our collaboration with MUFG Group to tap into Japanese companies and multinational corporation value chains.
- Leverage MUFG expertise to provide value-added products and services such as Debt Capital Market solutions and Global Business Matching.
- Continue to nurture third-party funds by offering comprehensive cash management solutions.
- Invest in human capital and upskill our people through training and project assignments. Continue to attract and retain talented resources.

TREASURY AND CAPITAL MARKET <

Treasury and Capital Market (TCM) continues to focus on efficient and prudent balance sheet management. As a product partner of Danamon's business lines, TCM provides solutions for customers that require the hedging and investment products. TCM also supports regulators in improving and deepening financial markets.

TCM is responsible for managing the Bank's liquidity risk by ensuring liquidity requirements are always fulfilled, thereby supporting business expansion while adhering prudent principles. TCM is also tasked with managing interest rate risk inherent within the Bank's balance sheet.

PRODUCTS AND SERVICES

TCM offers a wide range of products and services geared to meet the needs of customers, as well as performing trading activities. Products offered include Foreign Exchange (including FX Today, FX Tomorrow, FX Spot, FX Forward, FX Swap, Domestic Non-Deliverable Forward), Interest Rate Swap and Cross Currency Swap, Marketable Securities (Government Bonds under both Conventional and Sharia scheme as well as Corporate Bonds), Money Market (Interbank & Bank Indonesia instruments), and Repo/Reverse Repo.

2020 STRATEGIES AND INITIATIVES

In 2020, TCM continuously focused on efficient balance sheet management strategy in Capital Management, Fair Value through Other Comprehensive Income (FVOCI) portfolio management, Contingency Funding Plan, and Enhanced Treasury System and Asset & Liability Management (ALM) System.

Trading activity in TCM supported Treasury Sales by providing liquidity and best price for customers. TCM offers alternative investments for retail customers, such as corporate and government bonds. This is also geared toward increasing fee-based income for Danamon. TCM also offers hedging instruments as a solution for customers, such as Structured Products and Domestic Non-Deliverable Forward.

TCM also collaborate with Line of Business (LoB) to support customers who need investment products and hedging instruments to manage their exposure. TCM will also continue to utilize the partnership with MUFG Group

to tap business opportunity with Japanese companies and multinational corporation value chains.

2020 PERFORMANCE

In 2020, better profitability for TCM is supported by market volatilities happened in first semester of 2020. TCM with the support from LoB, always strive to optimize the opportunity to expand customer bases by utilizing the collaboration with MUFG Group.

TCM also supported the government's funding plan by actively joining the auction activities for newly-issued IDR and Foreign Currency Government Bonds in 2020. TCM also offered a new Structured Product (Market Linked Deposit) for retail customers in first quarter of 2020.

2021 STRATEGIES AND INITIATIVES

In 2021, TCM will continue to implement the following strategies:

1. Continue to strengthen efficient balance sheet management strategies with prudential principles.
2. Collaborate with Line of Business (LoB) to support customers who need investment products and hedging instruments to manage their exposure. TCM will also continue to utilize the partnership with MUFG Group to tap more business opportunities with Japanese companies and multinational corporation value chains.
3. Expand the customer base (retail, commercial, corporate and financial institution segments) when the Bank's digital platforms are expected to go live in 2021. TCM will also continue to provide appropriate products that suit each customer's profile.
4. Develop additional hedging instrument for customers, such as: Call Spread Option.
5. Develop the Bank's investment products and services, such as: Structured Products, FX Online and Online Retail Bonds.

> TRANSACTION BANKING (CASH MANAGEMENT, TRADE FINANCE & FINANCIAL SUPPLY CHAIN)

Transaction Banking continues to develop products leveraging on digital technology innovation, focusing on financial supply chain management, to enhance customer experience and deliver service excellence to customers.

Danamon's Transaction Banking offers a range of products that cater to the needs of business segments ranging from corporate, commercial and SME clients. Through the services of cash management, trade finance and financial supply chain, Danamon can accommodate customers with suitable, effective and competitive transactional services.

The continuous advancement of the internet banking platform allows customers to enjoy online services of Cash Management, Trade Finance and Financial Supply Chain, which improves business efficiencies.

PRODUCTS AND SERVICES

Transaction Banking offers the following products and services:

- **Cash Management**

An integrated banking solution designed to assist customers in managing cash flow, liquidity, and executing daily transactions efficiently in order to generate optimal profit. Danamon's Cash Management allows customers to be more effective in business strategies development and execution.

- **Trade Finance & Services**

Danamon's Trade Finance services accommodates customers to execute trade transactions and benefit from working capital financing including both international trade (import and export) and domestic trade.

- **Financial Supply Chain (FSC)**

Danamon's Financial Supply Chain facilitates the transaction cycle between distributors and principals, not only by extending working capital facilities for distributors and payments, but also by providing comprehensive reports which can benefit the business relationship to be value-added and continuous.

2020 STRATEGIES AND INITIATIVES

- **Digital Banking Services**

- a. Continuous enhancement of Danamon Cash Connect provides more features with better

"User Experience" so that customers are able to do business transactions online and real-time, such as balance checking, fund transfers, mass transfers, virtual account services, payroll services, tax payments, etc. These services are available via Website or Mobile Banking.

- b. API Central provides real-time connection services for Funds Transfer (Payment), Virtual Accounts and Financial Supply Chain.

- c. Mobile application for the Financial Supply Chain (D-BisMart) allows Danamon to provide solution for anchors in initiating and developing digitalization of their business conduct with their ecosystem of distributors in SME to retailers segment.

- **MUFG Collaboration**

Through joint collaboration with MUFG, Transaction Banking continuously add new partnerships with business principals and distributors from the Automotive, FMCG and Pharmaceutical industries.

2021 STRATEGIES AND INITIATIVES

1. Transaction Banking will continue to collaborate with MUFG Bank in the areas of Cash Management, FSC, and Trade Finance.
2. Enhancement of Domestic Network Service with MUFG Bank in the area of cash withdrawals and deposits and utilization of other digital services such as QRIS and Danamon Cash Connect.
3. Improvements to the Danamon Cash Connect (DCC) features such as Bill Payment, Online Transfer, Trade loan, Time Deposit and a complete suite of FSC platform catering both Distributors and Suppliers, including working capital facilities.
4. To become an ACCD Bank to facilitate Danamon's customers in using domestic currencies of the counterparties as the payment settlement.
5. API Central for Danamon's customers to process remittance transactions.
6. Expand business partnership with Financial Technology companies.
7. Develop customized products and services to cater the rapidly growing customer needs in digital transformation.

SMALL MEDIUM ENTERPRISE BANKING <



Danamon SME Banking focuses on small to medium businesses with lending needs of up to IDR30 billion and sales turn over of up to IDR100 billion.

Danamon's Small Medium Enterprise (SME) Banking offers a range of comprehensive financial solutions that cover transactional, funding, protection (Bancassurance) and business lending.

PRODUCTS AND SERVICES

Danamon SME Banking offers the following comprehensive financial solutions:

- **Funding**
Deposit and transactional accounts for ease of operational transactions in the form of Current Account, Saving Account, and Term Deposit.
- **Lending**
Working Capital (Overdraft Facility and Demand Loan), Investment Financing (KAB-Term Installment Loan), as well as Financial Supply Chain financing, the Rural Bank (BPR) Loan, and Employee Cooperative Loan.
- **Transactions**
Offering ease of transactions anywhere, anytime through Danamon's network of branches across Indonesia and through digital channels, such as internet banking, mobile banking and cash management.
- **Bancassurance**
Offering a range of products to provide protection to business owners and their assets.

2020 STRATEGIES AND INITIATIVES

In 2020, Danamon SME Banking continued its strategic initiatives focusing on delivering comprehensive financial solutions to customers.

Unlike in the previous year, 2020 focus has been geared towards improving portfolio quality, and increasing collection capacity. This includes corrective action toward existing portfolio by further segregating the management of higher risk and non-performing accounts, while at the same time developing tools to proactively identify these higher risk accounts.

At the same time, SME also boosted its front liners capacity through series of up-skill credit training in all level, from relationship manager to regional heads. In addition, we undertake end to end review of our sales culture to improve effectiveness and lower attrition. And at the same time reviewing effectiveness of its KPI and performance management system in order to achieve better employee engagement and finally resulting in longer year of service.

2020 PERFORMANCE

1. Successfully managed through COVID-19 crisis by restructuring its portfolio with different schemes according to customer's needs.
2. Grew CASA portfolio by IDR1.5 trillion through granular CASA and QRIS bundling.
3. Grew its customer base to level above 79,000
4. Achieving higher Operating Income by 25% by increasing revenue & OPEX management.
5. Good Employee Engagement score: 93.
6. Significantly reduced employee attrition compared to last year.

2021 STRATEGIES AND INITIATIVES

Entering 2021, SME still expect a challenging macro economy due to COVID-19 pandemic at least until 1H-2021. While this condition will impact SME business in 2021, still SME Business plans to initiate these following actions:

- **Continue COVID-19 Restructuring Program**
In line with government program, the SME will still continue to provide credit relaxation for SME businesses impacted by COVID-19 pandemic.
- **Improving Revenue, especially from Fee Income**
To improve operational efficiency ratio, the Bank will deepen our relationship with customers to better identify their need outside traditional funding and lending services. Through this exercise, Bank will be able to provide better services while improving income by generating higher fee income. One of the pillars in this exercise is by providing more FX facility for customer with international trade.
- **Continuous Improvement in Credit Process & Monitoring**
In 2021, the Bank will continuously improve the credit initiation process, supported by enhanced digital technology and more prudent credit policy. The focus on loan process digitalization revolved around loan origination system enhancement and OCR adaptation for credit analysis processes. This will also enable further integration between front, middle and back office.
- **Insurance-backed Loan Acquisitions**
In accordance with the Bank's strategy to prevent credit impairment, in 2021, Bank plans to collaborate with bancassurance business to provide insurance-backed acquisition. This would serve as extra layer of protection without diminishing prudential aspect on credit management
- **Better Focus on Loan Portfolio Management**
To bring better focus towards portfolio management, especially higher credit limit clients, Bank plans to reorganize the sales model and followed by improvement in SME head-office organization. The Bank's branch network will be re-organized based on their expertise and competency, and in alignment with client's profile. At the Head Office level, SME Banking will establish Monitoring and Process Excellence team to provide better oversight on portfolio monitoring.

- **Leverage Digital Channels and Electronic Media for Transaction and Registration**

The importance of the Bank's quick adaptation towards digital technology and electronic media are very much emphasized under the COVID-19 pandemic where most customers adopt alternative digital channels to access their banking services and perform transactions from wherever they are.

- **Providing Value Added Services**

In order to provide comprehensive business solution for clients, Bank will expand its service to provide value added services and relevant tools to improve client's capacity in business development. Explored services include collaboration with 3rd party to increase sales, optimize working capital, and transaction management efficiency.

> CONSUMER BANKING



Despite the worldwide economic crisis as the impact of the pandemic, the Bank continues to provide financial services and solutions to assist its clients banking, investment and insurance protection needs in each client's segmentation.

Most economists are of the view that the impact of the COVID-19 pandemic on the Indonesian economy is relatively mild compared to the global recession. Indonesia's large population can support domestic demand and spending. This situation will help the economic recovery in line with the vaccination campaign. However, the end of the pandemic is not yet in sight, therefore market volatility remains high.

The Bank's services focus on the segment value proposition to deliver solutions in each segment as follow:

1. Danamon Privilege-Affluent Segment: continues to provide services to cater client's advance needs for wealth management products and advisory.

Exclusive benefits are also being provided for this segment, such as airport lounges free access and many other rewards and gifts.

The Bank continues to provide a variety asset classes investment including mutual funds, bonds, foreign currencies and unit-linked protection products and supported by high-yield savings account program to diversify client's wealth in order to manage the market volatility.

2. Danamon Optimal-Upwardly Mobile Segment: continues to provide financial planning and solution for younger generation or growing middle class segment clients through regular saving account and investment plan with optimal return. Financial capability of this segment is incorporated through flexible placement amount and term to assist client's financial planning.

3. Middle Market Segment: providing easy banking access through mobile banking application (DBank) for saving account/deposit placement, daily banking and e-wallet transactions. This service provides convenient, simple and fast banking transactional processing.

PRODUCTS AND SERVICES

Consumer Banking offers the following products and services:

- **Deposits**
Tailored to meet the needs of market segments, our deposit products are saving accounts, checking accounts and time deposits.

- **Loans**

Consumer Banking Loans offers a variety of products, both secured (property mortgages) and unsecured (credit cards, personal loans).

- **Investment and Bancassurance**

For investment and bancassurance products, Consumer Banking provides many products through partnerships with reputable third-party institutions in Indonesia. To meet the needs of more affluent customers, Consumer Banking also provides personalized and exclusive services.

2020 STRATEGIES AND INITIATIVES

2020 was the year of embarking on new propositions to attract the emerging affluent segment with the launch of Danamon Optimal. Consumer Banking will also continue its basic offering for the middle market segment as a continuation of the transformation journey from product-centric to customer-centric.

Several programs were offered to sustain and grow low-cost deposits, to increase holding in investment products and to increase the total number of active clients through digital transactions.

2021 STRATEGIES AND INITIATIVES

- Continue with segmentation focus and strengthen the proposition for affluent segment of Danamon Privilege.

- Expanding customer base by focusing the acquisition activity through digital channel, including synergy with eCommerce partners.

Also, to diversify acquisition channel with an institutional approach with MUFG groups, Enterprise Banking and Transaction Banking collaboration, partnership with Adira ecosystem and digital lending.

- Focus on customer engagement activities through strong onboarding & better customer experience, supported by data driven analytics and capabilities.

- Invest in digital capabilities to improve customers experiences, engagement & sales productivity, and partnership with E-Commerce and Fintech.

- Continue focusing on process improvement to provides virtuous services for the Bank's clients.

- Build sustainable branch network for the future business growth.

> MARKETING



Group Marketing aims to build strong brand equity thru **7 important elements-brand identity, brand association, brand image, perceived quality, brand awareness, brand experience and brand loyalty.**

GROUP MARKETING

Bank Danamon bank-wide marketing and communication functions are integrated in the Group Marketing division, led by Chief Marketing Officer (CMO) who directly reports to the Vice President Director.

Group Marketing aims to build strong Danamon Brand equity thru 7 important elements – brand identity, brand association, brand image, perceived quality, brand awareness, brand experience and brand loyalty by communicating bank positioning of customer centric financial solutions with technology and human touch thru products, service, channels and brand story.

Group Marketing consists of:

- **Brand and Marketing Communications:** Create customer attention thru relevant brand story and create customer demand thru products, services and channels.
- **Corporate Communications:** Safeguarding banks reputation & navigating public opinion.
- **Digital Marketing:** Digital Marketing also called online marketing is the promotion of brands to connect with potential customer thru digital channels. Digital Marketing roles is to manage digital channels, such as, Danamon Corporate Web Site (DCW), email, Danamon Social Media Accounts, organic search (Search Engine Optimization), paid

search (Search Engine Marketing) and mobile and display ads, to ensure we always have an online presence in order to increase brand awareness, improve marketing efforts and increase sales.

- **Brand Activations:** Build Brand Relevance and Scale: create perceptual scale-feeling of “everywhere” and create strong presence in target audience life by bringing brand experience relevance with their aspirations, needs and lifestyles.
- **Marketing Planning & Research:** Develop insights driven marketing organizations and robust marketing budget control.

MARKETING ACTIVITIES 2020

1. Danamon Optimal New Live Experience

The COVID-19 pandemic drove us to be innovative in raising our brand profile, and this one-of-its-kind drive-in concert with strict adherence to health protocol enabled us to reach out to one of our keys consumer segments, the upwardly mobile segment. The novelty factor of the event, high-profile featured artists, and the public’s demand for a safe outdoor activity contributed to the success of the event, which resulted in a considerably high brand exposure for Danamon.

2. Danamon 64th Anniversary Campaign

In the lead-up to and on Danamon's anniversary, the group marketing team ran an engagement campaign covering both internal and external audiences. This campaign consisted of a collaborative activity with street musicians and famous artists to create an uplifting song to ease the burden of the pandemic. This campaign also featured "64 Ways to Take Control," which highlight various Danamon's products and services as well as tips to stay safe during the pandemic.

3. D-Bank

With pandemic situation, consumers are becoming more and more digital in doing their banking transactions thus the usage of digital banking is growing. We continuously run digital campaigns to build awareness by utilizing highly influential publishers and KOL (Key Opinion Leaders) and push acquisition for D-bank.

4. Financial Friday

As the movement to stay at home grew, popular online video channels increasingly became the main source of information for the public. Leveraging on this trend, Group Marketing aired a weekly educational show called 'Financial Friday' that featured external financial experts and internal speakers. The show provided education on financial management and investment planning, while associating the Danamon brand as a thought leader in financial solution.

2. Solution Centric Communications for products, services and channels

Solution centric communication is a combination of winning products, services and channels value proposition with a strong, insightful, relevant, emotionally connected communications. To position our products, services and channels features to help consumer identify their financial needs and helping them with solution and giving them control over their financial matters.

3. Building Perceptual Scale thru Brand Presence and Experience

Creating the feeling of Danamon is 'everywhere' in target audience life, through perception and real experience that are relevant to our target audience is imperative to build brand awareness.

4. Digital Marketing

To be able to reach customer at the palm of their hands is inevitable in today's digital world. Digital will become an important channel to be able to reach our customer at the scale we need to drive new to bank.

5. Danamoners as Brand Ambassadors

To nurture environment that motivates, inspires and engages employees as Danamon's brand ambassadors.

STRATEGY AND ACTION PLAN 2021

To build Danamon Brand Awareness through brand stories, products, services and channels.

1. Building Reputation and how we thought of thru Brand Stories

To build Danamon brand awareness as a trusted modern bank with global and local capabilities thru brand stories that are relevant to our customer.

> SHARIA BANKING

Indonesia's sharia banking industry grew at a higher rate than conventional banking in 2020, as about 87% of the country's approximately 267 million people are Muslims. The sharia asset industry was recorded at IDR561 trillion as of September 2020, growing 14,56% year-on-year, has gained traction despite the coronavirus pandemic as the industry's assets rose significantly.

Sharia market share had increased to 6.18% in Sep 2020, indicating the tremendous opportunity for the sharia industry to grow further. With the largest Muslim population in the world, Indonesia has significant potential to develop the halal ecosystem for further sharia market growth.

DANAMON SHARIA BANKING

Sharia banking is Danamon's business division based on on Sharia principles. It is managed by Danamon's Sharia Banking Unit (UUS). The vision of UUS is to help millions of people to prosper under sharia principles.

Sharia banking serves all segments from consumers and SMEs to corporations and financial institutions in order to fulfill customer needs, supported by all Danamon infrastructure, technology and distribution channels.

PRODUCTS AND SERVICES

The development of unique products with digital based is the key to the success of Danamon's sharia banking. UUS offers the following competitive and customer-oriented products and services:

- **Deposit**
Rekening Tabungan Jamaah Haji (RTJH) is a Hajj pilgrimage savings account that is directly connected to the government's Integrated Computerized Hajj System (SISKOHAT). Other deposit products include iB Hajj Plan Savings Account, Tabungan Bisa Umroh iB (umroh savings account), Tabungan Bisa Qurban iB (savings account for Qurban), Danamon Lebih iB, Fleximax iB, Giro Bisa iB (checking account) and Time Deposit iB.
- **Financing**
Sharia Leasing, Employee Cooperative Financing, Sharia Working Capital Financing, Sharia Investment Financing, Sharia Trade Financing, and Sharia Mortgage Financing.

- **Bancassurance**
Prima Amanah Protection (PPA).
- **Services**
Cash Management, Electronic Channel, Digital on Boarding, Cash Waqf Recipient and Big Bill electricity payment service.

2020 PERFORMANCE

Danamon UUS assets grew by 46% in 2020, faster than market growth, showing that sharia products can be further improved to secure more significant growth.

- **Sharia Financing Portfolio**
In 2020, Danamon UUS focused on the development of Sharia Leasing Financing and Employee Cooperatives Financing. Sharia financing by the end of 2020 grew to IDR6.9 trillion from IDR4.5 trillion in 2019, an increase of 54%.
- **Sharia Funding Portfolio**
In 2020, deposits reached IDR6.1 trillion, an increase of 30% from IDR4.7 trillion in 2019. This increase was due to a leveraging strategy, which expanded the Danamon UUS branch network, leading to greater growth in the accumulation of third-party funds.

BUSINESS/PRODUCT FOCUS

Danamon UUS provides financial solutions for customers through a comprehensive range of unique sharia-based products and services.

In 2020, Danamon UUS has been designated as LKS-PWU (Cash Waqf Recipient) by the Ministry of Religion. Danamon also retained its mandate from the National Hajj Fund Management Board (BPKH) to manage hajj funds as a collecting bank, investment partner bank, fund deposit bank and fund management bank. Through this license, Danamon UUS is allowed to receive cash waqf and will continue to serve prospective Hajj pilgrims from account opening to registering for the pilgrimage. In 2020, Danamon UUS also launched Sharia Digital Customer Onboarding as a key milestone of the digital platform.

On the financing side, Danamon UUS continued to develop its unique financing product called Sharia Leasing, which gives more benefits to customers, especially in the commercial and corporate segments. In line with the development of innovative products, Danamon UUS's flagship products are all intensively promoted throughout Danamon's new distribution network.

Danamon UUS has continued to improve its human resources productivity by enhancing knowledge and capability, especially in the promotion of sharia banking and products.

Danamon UUS has continued to improve risk management and good governance. Infrastructure and technology have been upgraded and refined to be more integrated. This has improved customer service levels by minimizing and integrating several processes within the parent bank system.

AWARDS

In 2020, Danamon UUS received several awards in recognition of its excellent service to customers. The awards are as follows:

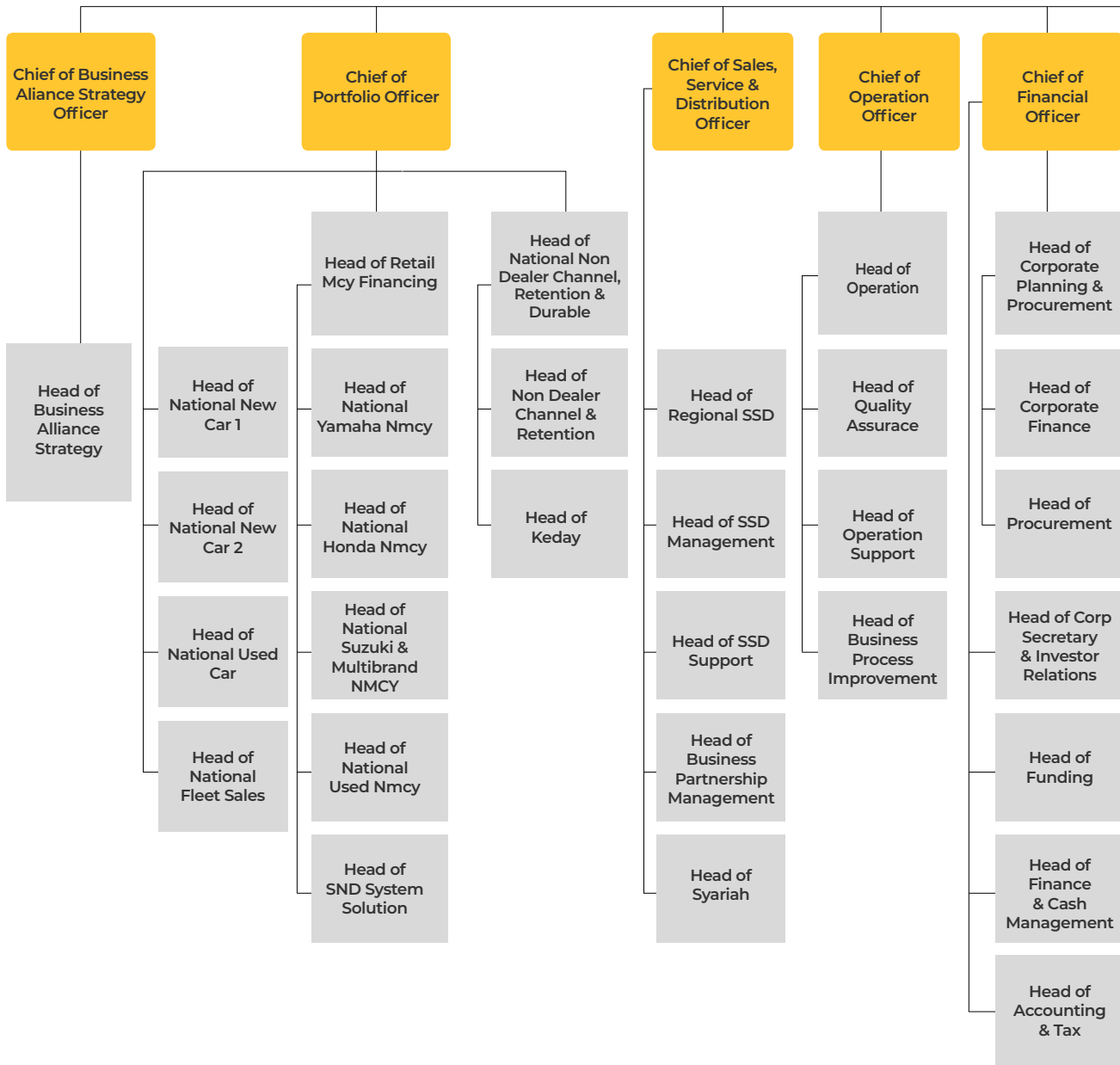
- **2nd Place in Best Overall Performance, Sharia Business Unit category,** Infobank Banking Service Excellence Awards;
- **1st Place in Sharia Business Unit category,** Infobank Digital Brand Awards;
- **1st Place in Best Teller, Sharia Business Unit category,** Infobank Banking Service Excellence Awards.

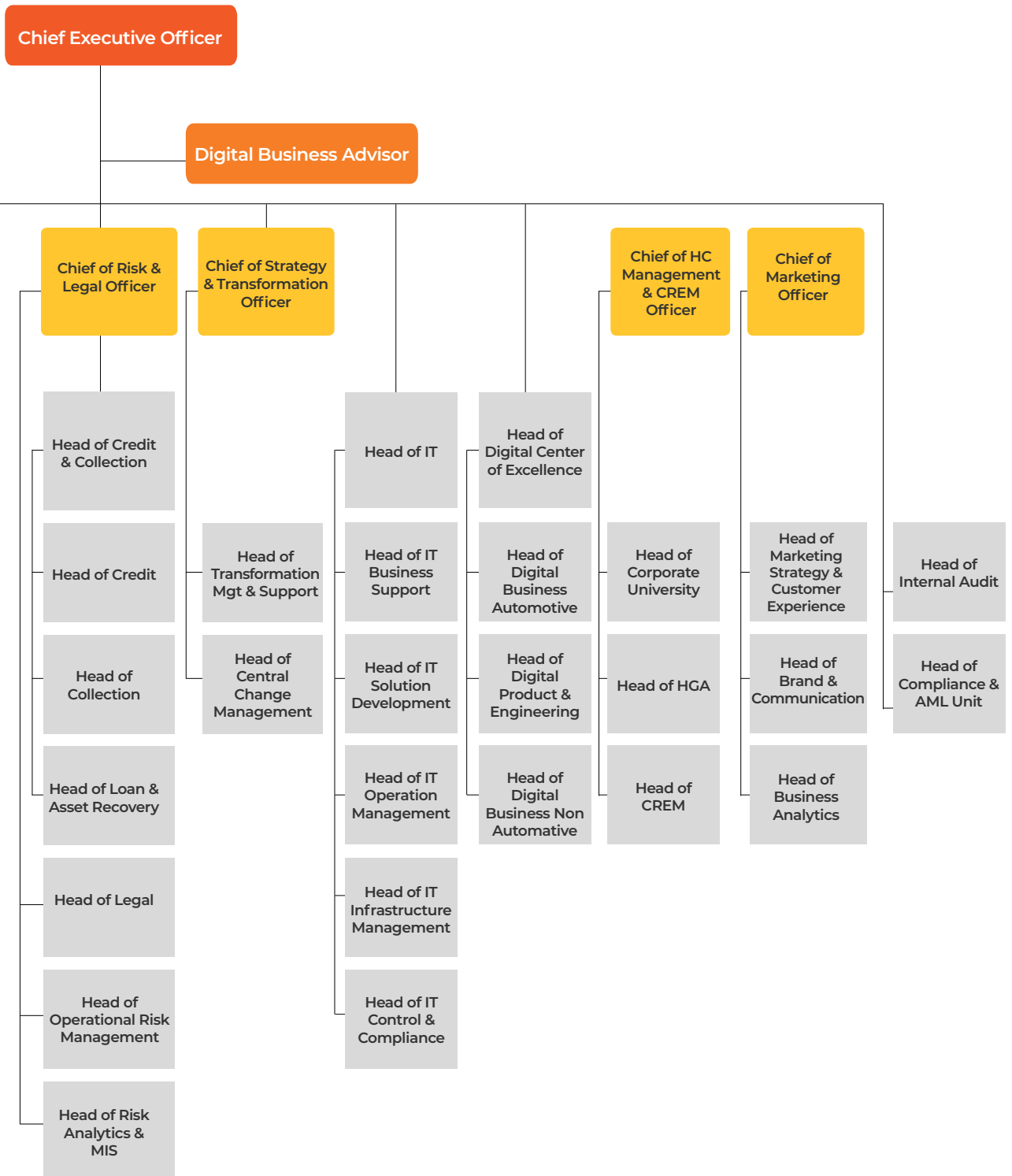
2021 BUSINESS PLAN

Danamon has conceived a number of strategic initiatives to further expand its sharia banking services in 2021. In line with Bank's strategy in 2021 to develop sharia digital banking, Danamon UUS will improve its products and services through digital banking platforms.

Concurrently, Danamon will continue to bring forth innovative and unique products dedicated to customers. Products will be oriented to the needs of customers and be more competitive than services and products offered by competitors.

> SUBSIDIARY BUSINESS REVIEW





> PT ADIRA DINAMIKA MULTI FINANCE TBK.



Danamon Ownership:
92.07%

PROFILE

PT Adira Dinamika Multi Finance Tbk. ("Adira Finance") was founded in 1990 and commenced operations in 1991. In 2004, Adira Finance conducted an Initial Public Offering and PT Danamon Indonesia Tbk. ("Danamon") became the majority shareholder with 75% ownership. Following subsequent corporate actions, Danamon presently owns 92.07% of Adira Finance. As a subsidiary of Danamon, Adira Finance is part of the MUFG Group, which is one of the largest banks in the world.

Adira Finance has a vision of **Creating Common Values for the Sustainability of the Company and Prosperity of Indonesian Society.**

PT Adira Dinamika Multi Finance Tbk. since 2014 has introduced a new logo and tagline, namely "**Sahabat Setia Selamanya**". This tagline exhibits the Company's commitment to build long-term partnership with consumers and business partners.

The new logo identity is also a manifestation of a long-term business strategy that is believed to support sustainable performance. Through a new identity, Adira Finance wants to serve its customers in all aspects of their lives, so that a long-term relationship will be formed. Adira Finance wants its customers to feel Adira Finance's presence as a best friend who can provide solutions, as well as synergize in the concept of "**Sahabat Adira.**"

"**Sahabat**" in the Company's philosophy has a very deep meaning, namely the personality values that Adira Finance reflects to its customers: **Easy, Transparent, Creative Solutions and Collaboration.**

BRAND PERSONALITY

- **Easy**
Does not make easy things difficult. Adira Finance always provides convenience in everything for its customers.

- **Transparent**

Adira Finance is always open and transparent in providing information to its customers.

- **Creative Solutions**

Adira Finance always provides the right and creative solutions both at work and in providing products and services to its customers.

- **Collaboration**

Adira Finance always instills a spirit of collaboration both internally and with its customers and business partners.

- Optimizing various digital media, online platforms and virtual exhibitions as the Company's marketing and distribution channels.

- Optimizing with the related pillars, such as in the Group (Adira Insurance, Danamon & Bank MUFG), implementing cross-selling, funding, and dealers and increasing distribution network expansion.

- Cooperate with strategic partners in the development of various reward-based activity products, including for example insurance products such as bancaassurance.

- Accelerate the journey of business transformation, specifically in customer centric and digitization processes.

PRODUCTS AND SERVICES

The business scope of Adira Finance covers the following: investment financing, working capital financing, multipurpose loan financing, other financing business activity approved by the Financial Services Authority, as well as operating leases and/or other fee-based activities to the extent that these do not conflict with applicable laws and regulations in the financial sector, as well as sharia-based financing principles. The scope of the Company's sharia business unit covers sale and purchase financing, investment financing, and service financing.

Products offered include automotive vehicles, including motorcycles and cars, both used and new, as well as durables such as electronics, household appliances, furniture, and others.

STRATEGY AND WORK PROGRAM 2020

Adira Finance has taken several strategies and work programs in responding to challenges in 2020, including:

1. Strategies in Business Development

- Ensure that the Company's operational activities can continue to run well during the COVID-19 pandemic.
- Promoting sales program by establishing attractive marketing programs for customers to increase sales.

2. Strategies in managing optimal funding

During the COVID-19 pandemic conditions, Adira Finance has sufficient liquidity throughout 2020. The Company funding sources are diversified encompassing joint financing with our parent company, Danamon, and external borrowings consisting of bank loan facilities from onshore and offshore banks, as well as bond issuances. Joint financing represented 44% of managed receivables in December 2020. In early 2020, the Company had obtained offshore syndicated loans totaling US\$300 million. In July 2020, the Company successfully issued PUB V Bonds and Sukuk Mudharabah IV Year 2020 amounted to IDR1.5 trillion. Furthermore, the Company also signed a stand-by facility from MUFG Bank equivalent to US\$280 million. As of 31 December 2020, the external borrowing composition of Adira Finance consisted of 55% of bank loans (offshore and onshore) and 45% derived from bonds and sukuk

In addition, Adira Finance continues to maintain its gearing ratio within the limits set by the supervisory body under OJK Regulation No. 29/2014, which sets the gearing ratio at a maximum level of 10 times. The Company's debt-to-equity ratio was decreased to 2.1 times as of 31 December 2020. Hence the Company still has substantial room to expand its business going forward.

3. Strategies in HR Development

Adira Finance continues to strengthen its organization, improve HR management, develop HR information systems, performance management, recruitment systems, compensation and benefits, career development, and develop HR competencies through continuous education and training.

The Company has Adira Corporate University (AFCU) as a forum to foster and develop human resources so that it can produce quality employees.

2020 PERFORMANCE

Details of the 2020 business performance are outlined in the following table:

DETAILS	Y-o-Y	2020		2019
		Projection	Achievement	
Total Assets (IDRtrillion)	-17%	29.0	29.2	35.1
Net Profit (IDRbillion)	-51%	923	1.026	2.109
New Financing (IDRtrillion)	-51%	18.2	18.6	37.9
Non-Performing Financing (%)	0.3%	≤2.5%	2.0	1.7
Market Share-Motorcycles (%)	-2.2%	±11.0	9.5	11.7
Market Share-Cars (%)	-0.3%	±4.0	4.1	4.4

Information: * data consolidation
The Number as of FY20 compared FY19 (yoy)

STRATEGY AND PLAN 2021

Adira Finance's work plan and strategies to be carried out in 2021 include the following:

- The Company will continue to strive to increase penetration of the automotive market and expand its coverage of non-automotive businesses to support the business growth.
- The Company will continue to diversify financing products by offering a variety of durables financing, multipurpose loans (financing for education funds, travel, etc.) and also other income.
- The Company will continue to accelerate digitalization and ecosystems such as carrying out digital processes/ automation and investing in digital businesses to increase business efficiency and effectiveness.
- The Company will continue to focus on becoming more customer centric to reach customers in a sustainable manner by making product and service innovations.
- The Company will continue to diversify its funding sources to meet its funding requirement and obtain competitive cost of funds.

FINANCIAL REVIEW <



Despite facing challenging conditions as a result of the COVID-19 pandemic, Danamon showed resilience in recording net profit after tax of IDR1.01 trillion. This was a decrease from 2019, and resulted in a decrease in ROA and ROE to 0.5% and 2.6%, respectively at the end of 2020 compared to 2.1% and 11.1% respectively the previous year. Yet, despite a decline in credit quality across the banking industry amid the COVID-19 pandemic, Danamon managed to achieve an NPL ratio (consolidated) of 2.8% at the end of 2020, an improvement of 20bps compared to 3.0% at the end of 2019.

The NPL Coverage ratio reached 199.9%, a significant increase compared to 112.6% at the end of the previous year.

The financial reviews described below refer to the Bank's financial statements as of December 31, 2020, for the year ending on that date. The financial statements have been audited by the public accounting firm Tanudiredja, Wibisana, Rintis, and Partners (a member firm of the PwC global network) based on the auditing standards set by the Indonesian Institute of Certified Public Accountants with main financial information with an unmodified opinion.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In billion Rupiah	2020			2019		
	Retail ¹	Wholesale ²	Total	Retail ¹	Wholesale ²	Total
Assets	80,543	107,967	188,510	86,290	90,773	177,063
Liabilities	85,684	57,946	143,630	79,097	58,561	137,658
Net interest income	9,723	4,001	13,724	11,019	3,560	14,579
Non-Interest Income	3,181	1,011	4,192	2,296	641	2,937
Operating Income	12,904	5,012	17,916	13,315	4,202	17,517
Operating Expenses	(8,114)	(991)	(9,105)	(8,100)	(1,219)	(9,319)
Cost of Credit	(5,651)	(889)	(6,540)	(3,435)	(1,283)	(4,719)
Non-Operating Income and Expenses	(61)	(75)	(136)	389	(399)	(10)
Income from Investments			-			2,288
Restructuring Costs			(68)			(269)
Profit before Income Tax			2,067	2,169	1,300	5,488
Income Tax			(978)			(905)
Income tax on divestment of AI			-			(782)
Income tax for business transformation costs			-			67
Net income from continuing operations			1,089			3,868
Net income from disposal groups held for sale			-			372
Net Profit After Income Tax			1,089			4,241
Net Profit After Income Tax Attributable to Parent Entity			1,008			4,073

1. Consists of small and medium enterprises, micro, credit card, sharia, insurance business, consumer financing, pawnshops, and retail banking.
2. Consists of commercial banking, corporations, financial institutions and treasury.

ASSETS

The total assets of Danamon in 2020 reached IDR200.89 trillion, an increase of 3.8% compared to the previous year of IDR193.53 trillion. The increase in assets was largely due to the increase in Government Bonds from IDR14.23 trillion in 2019 to IDR25.54 trillion in 2020.

Asset Table (in billions of Rupiah)

	2020	2019	growth
			YoY
Cash	2,838	2,951	(3.8%)
Current accounts with Bank Indonesia	2,186	5,403	(59.5%)
Current accounts with Other Banks-net	4,417	2,616	68.8%
Placements with Other Banks and Bank Indonesia-net	7,304	5,591	30.6%
Securities-net	4,689	9,406	(50.1%)

	2020	2019	growth
			YoY
Loan-net	103,937	106,866	(2.7%)
Consumer Financing Receivables and Finance Leases-net	22,852	29,915	(23.6%)
Government Bonds	25,535	14,227	79.5%
Fixed Assets-net	2,106	1,786	17.9%
Other Assets	12,900	11,042	16.8%
Total Assets	200,890	193,534	3.8%

Cash

Danamon's cash position reached IDR2.84 trillion as of 31 December 2020, a decrease of 3.8% compared to its cash position of IDR2.95 trillion as of 31 December 2019. Cash contributed 1.4% to Danamon's total assets.

Current accounts with Bank Indonesia

At the end of 2020, Current Accounts with Bank Indonesia decreased to IDR2.19 trillion compared to IDR5.40 trillion in the previous year following a lower reserve requirement throughout 2020, Bank Indonesia reduced the reserve requirement several times with the aim of increasing the liquidity of the banking industry.

Danamon was able to maintain the Primary Minimum Statutory Reserves (GWM) ratio in Rupiah and foreign currencies above Bank Indonesia regulations at 3.0% of third party funds in Rupiah and 4.0% of third party funds in foreign currencies, respectively. In addition, the Macroprudential Liquidity Buffer (PLM) is set at 6.0% of third party funds in Rupiah.

Danamon's RR in Rupiah ratio is 3.05% and PLM is 30.27%, while GWM in foreign currency is 4.10% in 2020.

Current Accounts with Other Banks

The portion of Danamon's current account with other banks to total assets reached 2.2% in 2020 compared to 1.4% in 2019. Current accounts with other banks in 2020 increased 68.8% to IDR4.42 trillion mainly in line with the increase in Rupiah demand deposits from IDR1.21 trillion in 2019 to IDR3.12 trillion in 2020.

Placements with Other Banks and Bank Indonesia

As of December 2020, placements with other banks and BI reached IDR7.30 trillion, an increase of 30.6% compared to IDR5.59 trillion in 2019. This increase was mainly seen in placements with Bank Indonesia in the form of Rupiah Deposits and FASBI amounting IDR1.85 trillion and IDR1.00 trillion, respectively and Call Money in foreign currencies amounting to IDR3.91 trillion at the end of 2020. This is in line with Bank Indonesia's policy of providing facilities to conventional banks to absorb daily excess liquidity. Meanwhile, placements with other banks decreased significantly from IDR2.23 trillion in 2019 to IDR133.34 billion at the end of 2020.

Danamon allocated provisions for value loss of placements with other banks and BI of IDR0.51 billion in 2020, lower than the 2019 figure which was recorded at IDR2.29 billion.

Securities

Danamon recorded a 50.1% decline in investment in marketable securities from IDR9.41 trillion last year to IDR4.69 trillion in 2020. This decline was mainly due to lower investment in securities, particularly in the form of Bank Indonesia Certificates (SBI), which was recorded at IDR2.62 trillion in 2019, while in 2020 there were no investment in SBIs. Furthermore, investment in Bank bonds also decreased to IDR1.33 trillion from IDR1.75 trillion in the previous year and corporate bonds also decreased from IDR5.06 trillion in the previous year to IDR3.37 trillion in 2020.

Loans

Net loans decreased 2.7% to IDR103.94 trillion in 2020 compared to IDR106.87 trillion in 2019 due to weakening demand for credit as a result of the COVID-19 pandemic which affects global and national economic conditions.

The decline in demand for credit had a significant impact, especially on the retail and SME segments, which combined recorded a decline of 13% compared to the previous year. Apart from being affected by the current economic conditions, Danamon has also increased its prudence in lending, especially amidst a challenging

economic situation in order to maintain credit quality. On the other hand, in 2020 Danamon focused its growth in the large corporate and State Owned Enterprise (SOE) segments. Growth in this segment was recorded at 25% compared to the previous year, supported by collaboration with MUFG.

Loans by Type of Credit-Gross (in billions of Rupiah)

Loans by Credit Type	2020	2019	Growth
			YoY
Working capital	67,135	61,450	9.3%
Consumption	24,780	28,733	(13.8%)
Investment	15,613	18,052	(13.5%)
Export	1,864	1,736	7.4%
Total	109,392	109,971	(0.5%)

In 2020, Danamon's working capital loans increased 9.3% to IDR67.14 trillion from IDR61.45 trillion last year. On the other hand, consumption credit and investment credit decreased by 13.8% to IDR24.78 trillion and 13.5% to IDR15.61 trillion, respectively.

Loans by Economy Sector-Gross (in billions of Rupiah)

Loans by Economic Sector	2020	2019	Growth
			YoY
Wholesalers and Retailers	30,561	35,956	(15.0%)
Household	24,780	28,733	(13.8%)
Manufacturing	21,776	22,607	(3.7%)
Financial Intermediary	15,634	5,530	182.7%
Transportation, Warehousing and Communication	3,108	3,880	(19.9%)
Real Estate, Rental, Services and Service Companies	2,807	2,906	(3.4%)
Others	10,727	10,360	3.5%
Total	109,392	109,971	(0.5%)

The composition of loan by economic sector is relatively the same as the previous year, where around 70% of total loans were in the trade, manufacturing and household sectors. These three sectors experienced a decline of IDR10.2 trillion mainly due to weak demand for credit in the retail and SME segments.

On the other hand, the financial intermediary sector increased significantly when compared to the previous year. The financial intermediary itself consists of financial institutions, both banks and finance companies. The increase in the financial intermediary sector during 2020 came mainly from credit to government-owned financial institutions in the form of short-term working capital loans. This increase is in line with Danamon's strategy in 2020 to focus on growth in the corporate and SOE segments in order to make up for the decline in the retail and SME segments.

Loans by Geographic Area-Gross (bank only) (in billions of Rupiah)

Loans by Geographic Area	2020	2019	Growth
			YoY
Jakarta, Bogor, Tangerang, Karawang, Bekasi and Lampung	66,753	57,946	15.2%
West Java	8,610	9,561	(9.9%)
North Sumatera	8,320	10,700	(22.2%)
East Java	7,516	9,406	(20.1%)
Central Java and Yogyakarta	6,062	6,806	(10.9%)
Sulawesi, Maluku and Papua	5,235	6,601	(20.7%)
Kalimantan	3,514	4,911	(28.4%)
South Sumatera	1,759	2,144	(18.0%)
Bali, NTT, and NTB	1,623	1,898	(14.5%)
Total	109,392	109,971	(0.5%)

Based on geographic area, Jabodetabek, Karawang and Lampung are the main contributors of Danamon's total loans. These regions grew 15.2% YoY to IDR66.75 trillion from IDR57.95 trillion the previous year, mostly supported by the growth of corporate and commercial customers.

receivables and finance leases decreased by 23.6% to IDR22.85 trillion in 2020, from IDR29.92 trillion in the previous year. This decline was triggered by negative growth in the auto sector during the social distancing period in 2020.

Consumer Financing and Finance Leases

In addition to bank loans, loans that Danamon provides on a consolidated basis also include consumer financing receivables and finance lease receivables through its subsidiary Adira Finance. Net consumer financing

Decline in Adira Finance's financing disbursement reached its lowest point in the second quarter of 2020 and began to recover significantly in the second semester although not yet reaching normal levels.

Collectability of Loans, Consumer Financing, and Finance Leases

	2020	2019
NPL-gross	2.8%	3.0%
Special Mention	11.3%	10.3%
Current	85.9%	86.7%

Amid the economic conditions affected by the COVID-19 pandemic, Danamon continues to maintain asset quality by adhering to prudent risk management. Danamon's consolidated NPL was maintained at 2.8% in 2020, lower than 3.0% in the previous year.

In addition, Danamon also proactively strengthens the provision for losses to anticipate potential losses. At the end of 2020, the ratio of loan loss provision (LLP) to non-performing loans reached a record high of 199.9%, a significant increase from the previous year level of 112.6%.

Danamon and Adira Finance also helped customers affected by the COVID-19 pandemic by providing credit restructuring in accordance with the guidance by regulators. At the end of 2020, the remaining loans that had been restructured reached IDR29.3 trillion, of which 55% are no longer under COVID-19 restructuring.

Credit (Loans, Consumer Financing, Leasing Financing)

Based on currency, 91.8% of Danamon's loans were denominated in Rupiah. Rupiah denominated loans decreased 9.4% to IDR116.38 trillion compared to IDR128.39 trillion a year earlier. On the other hand, credit denominated in foreign currencies grew to IDR10.41 trillion compared to IDR8.39 trillion in 2019.

Based on interest rates, Danamon's floating interest rate loans increased 4.7% to IDR71.76 trillion compared to IDR68.55 trillion a year earlier; Meanwhile, Danamon's fixed rate loans decreased by 19.3% to IDR55.03 trillion in 2020.

(in billions of Rupiah)

Types of Credit based on Currency-net	2020	2019	Growth
			YoY
Rupiah	116,378	128,391	(9.4%)
Foreign currency	10,411	8,389	24.1%
Total	126,789	136,780	(7.3%)

(in billions of Rupiah)

Types of Credit based on interest rates-net	2020	2019	Growth
			YoY
Floating	71,762	68,552	4.7%
Fixed	55,027	68,228	(19.3%)
Total	126,789	136,780	(7.3%)

Government Bonds

Danamon's investment in government bonds reached IDR25.54 trillion in 2020, an increase of 79.5% compared to IDR14.23 trillion in the previous year. The increase in government bonds was mainly in Rupiah denominated government bonds which reached IDR21.48 trillion in 2020 compared to IDR10.05 trillion in the previous year. Danamon has increased investment in government bonds to channel liquidity and support the government's economic recovery program.

Fixed assets

Danamon's fixed assets in 2020 decreased by 10.3% to IDR1.60 trillion from IDR1.79 trillion in the previous year. This decrease was mainly due to regular depreciation without significant addition of fixed assets this year.

Danamon's investments in fixed assets consist of land, buildings, office equipment and motor vehicles. Total investment in capital goods in 2020 was IDR86.07 billion, a decrease of 71.2% compared to last year, as in 2019 there were additional assets from the merger with BNP.

(in million Rupiah)

Addition of Fixed Assets-gross	2020	2019	Growth
			YoY
Land	-	14,506	(100%)
Building	13,520	70,472	(80.8%)
Office supplies	62,103	193,175	(67.9%)
Motor vehicle	10,449	20,521	(49.1%)
Total	86,072	298,674	(71.2%)

Other Assets

Danamon's other assets, consisting of accounts other than those described, increased 16.8% to IDR12.90 trillion in 2020 from IDR11.04 trillion in the previous year.

Liabilities

To support credit growth, Danamon's funding sources consist of customer deposits, deposits from other banks, securities issued and borrowings. In 2020, Danamon's

CASA ratio increased by 2.6% to reach 52.3% compared to the previous year at 49.7%. This is in line with the Bank's strategy to focus on granular funding.

(in billions of Rupiah)

Liabilities	2020	2019	Growth
			YoY
Customer Deposits	123,733	109,792	12.7%
Deposits from Other Banks	2,478	4,483	(44.7%)
Total Third Party Funds	126,211	114,275	10.4%
Securities Issued	8,392	13,446	(37.6%)
Borrowings	8,952	10,350	(13.5%)
Subordinated Loans	25	25	-
Etc	13,735	10,022	37.0%
Total	157,315	148,117	6.2%

Customer Deposits

Customer deposits are a major contributor to liabilities. Total customer deposits of Danamon reached IDR123.73 trillion, an increase of 12.7% compared to IDR109.7 trillion in 2019. Danamon has consistently increased the priority

of low-cost funding by increasing funding from current and savings accounts. The highest growth was recorded in current accounts, which increased 44.6% compared to the previous year.

(in billions of Rupiah)

Customer Deposits	2020	2019	Growth
			YoY
Customer Deposits			
Current Account	22,900	15,837	44.60%
Savings Account	40,967	38,258	7.08%
Time Deposits	59,866	55,697	7.49%
Total Customer Deposits	123,733	109,792	12.70%

Deposits from Other Banks

Deposits from other banks in 2020 decreased 44.7% to IDR2.48 trillion from IDR4.48 trillion in the previous year. The decline was mainly in call money, which fell by IDR1.98 trillion compared to 2019. This was in line with Danamon's focus on CASA growth.

Securities Issued

In 2020, Danamon did not issue new securities. Danamon has outstanding bonds of IDR852 billion which will mature on May 24, 2022. The bonds were issued in 2019 through the Public Offering of Danamon's Sustainable Bonds I with a target fund to be raised of IDR5 trillion. Until the end of 2020, Danamon has raised IDR2 trillion from the issuance of these bonds. The bonds issued by Danamon have received a AAA (idn) rating from PT Fitch Ratings Indonesia.

Danamon, through its subsidiary Adira Finance, issued bonds to support financing business activities. Total Adira Finance bonds outstanding minus underwriting fees and others are IDR7.06 trillion, lower than IDR10.32 trillion the previous year. In addition, Adira Finance has outstanding Sukuk Mudharabah of IDR478.0 billion in 2020, lower than IDR637.0 billion in 2019. All of Adira Finance's bonds are rated idAAA by PT Pemeringkat Efek Indonesia (Pefindo).

Borrowings

Long-term financings with maturities of more than one year are utilized to maintain the Bank's ability to handle liquidity gaps and interest rate risk.

The amount of borrowings in 2020 amounted to IDR8.95 trillion, a decrease from the previous year's IDR10.35 trillion. The decline in borrowings was mainly due to the decrease in Rupiah denominated borrowings from IDR3.40 trillion to IDR1.44 trillion in 2020. On the other hand, foreign currency borrowings increased from IDR6.95 trillion to IDR7.51 trillion in 2020. Danamon also diversified its funding sources through borrowings from various domestic and foreign financial institutions.

Other Liabilities

Other liabilities which consisted of accounts other than those mentioned above increased by 37.0% to IDR13.74 trillion in 2020 compared to IDR10.02 trillion in the previous year.

EQUITY

Danamon's equity remained strong 2020. Danamon's equity attributable to the owners of the parent entity decreased 4.1% to IDR43.11 trillion in 2020 compared to IDR44.94 trillion in 2019 mainly due to a decrease in retained earnings from IDR30.83 trillion in 2019 to IDR28.68 trillion in 2020.

(in billion Rupiah)

Description	2020	2019	Growth
			YoY
Issued and Paid Up Capital	5,996	5,996	-
Additional Paid-in Capital	7,986	7,986	-
Other Paid-in Capital			
Other equity components	443	121	322
Retained earnings	28,683	30,834	(2,151)
Non-controlling interests	467	480	(13)
Total Equity	43,575	45,417	(1,842)

CONSOLIDATED STATEMENTS OF INCOME

In 2020, Danamon's net profit after tax decreased by 75.3% to IDR1.01 trillion compared to IDR4.07 trillion in 2019. Net operating income decreased mainly due to additional provisions to increase NPL coverage and

strengthen future balance sheets. Furthermore, non-operating income also decreased, especially because in 2019 there was income from the divestment of Adira Insurance.

(in billions of Rupiah)

Information	2020	2019	Growth
			YoY
Net interest income	13,724	14,579	(5.9%)
Other Operating Income	4,192	3,787	10.7%
Other Operating Expenses	15,645	15,093	3.7%
Net Operating Income	2,271	3,274	(30.6%)
Non-operating income/(expenses)-net	(204)	2,214	(109.2%)
Profit Before Income Tax	2,067	5,488	(62.3%)
Income tax	978	1,619	(39.6%)
Net Income from Continuing Operations	1,089	3,868	(71.8%)
Net income from disposal groups held for sale	-	372	-
Net income after tax expense	1,089	4,241	(74.3%)
Net income attributable to owners of the parent company	1,008	4,073	(75.3%)
Net income attributable to Non-Controlling Interests	81	167	(51.4%)
Earnings per share (basic)-full amount	103	417	(75.3%)
Comprehensive Income Attributable to Owners of the Parent Entity	1,302	4,175	(68.8%)
Comprehensive Income Attributable to Non-Controlling Interests	81	155	(48.0%)

Net interest income

Danamon's net interest income decreased by 5.9% in 2020 to IDR13.72 trillion compared to IDR14.58 trillion in 2019. The decrease in net interest income was due to a decrease in the amount of disbursed loans in 2020 and a change in the loan composition where the portion of retail and SME loans with higher yields decreased compared to the portion of corporate and commercial loans.

Other Operating Expenses

Danamon's general and administrative expenses decreased to IDR2.41 trillion compared to IDR2.94 trillion last year. Danamon's allowance for impairment losses also increased to IDR6.54 trillion compared to IDR4.71 trillion in the previous year, in accordance with the Bank's strategy to increase NPL coverage.

Net Operating Income

Danamon's net operating income decreased by 30.6% to IDR2.27 trillion compared to IDR3.27 trillion a year earlier. The decrease in net operating income was mainly due to an increase in allowance for impairment losses.

Net income before tax expense

In 2020, Danamon posted a profit before tax of IDR2.07 trillion, a decrease of 62.3% compared to IDR5.49 trillion in the previous year. As mention before, the decrement was mainly due to increase of impairment losses costs. Also in 2019 there was one-off transaction gain from divestment of PT Asuransi Adira Dinamika.

Net income attributable to owners of the parent company

Danamon's net income attributable to the parent entity, decreased by 75.3% to IDR1.01 trillion in 2020. Danamon's earnings per share reached IDR.103 per share (full amount), a decrease compared to IDR417 per share (full amount) in 2019.

Cash flow statement

(in billions of Rupiah)

Description	2020	2019
Net Cash Flow (Used in)/Provided from Operating Activities	17,306	(9,005)
Net Cash Flow Provided From Investing Activities	(5,282)	2,031
Net Cash Flow Provided From Financing Activities	(8,479)	1,093
Decrease in cash and cash equivalents from disposal groups held for sale-net	-	-
(Decrease)/Increase in Net Cash and Cash Equivalents	3,545	(5,881)
The net effect of changes in exchange rates on cash and cash equivalents	78	(73)
Cash and Cash Equivalents at the Beginning of the Year	13,075	19,029
Cash and Cash Equivalents at the End of the Year	16,698	13,075

Cash Flows from Operating Activities

Danamon posted a net cash flow surplus from operating activities of IDR17.31 trillion in 2020 compared to a deficit of IDR9.01 trillion in 2019, which was mainly due to an increase in current accounts and time deposits and a decrease in spending on consumer financing loans.

Cash Flows from Investing Activities

Danamon's net cash obtained from investing activities reached a deficit of IDR5.28 trillion compared to a surplus of IDR2.03 trillion last year. This is due to an increase in the purchase of securities and government bonds and the receipt of funds from the proceeds from the divestment of Adira Insurance in 2019.

Cash Flows from Financing Activities

Net cash provided by financing activities was a deficit of IDR8.48 trillion, compared to a surplus of IDR1.09 trillion in the previous year, mainly due to lower borrowings as well as from bond issuance and sukuk mudharabah.

Commitments and Contingencies

Danamon has loan facilities commitment and contingencies, including in the form of income in settlement and bank guarantees received. Total net commitment payables and contingent payables in 2020 reached IDR6.16 trillion, 2.7% lower than IDR6.33 trillion in the previous year.

(in billions of Rupiah)

Commitment liability	2020	2019	Growth
			YoY
Unused credit facilities granted to debtors	260	144	116
Running irrevocable L/C	1,067	1,538	(471)
Total commitment payable	1,327	1,682	(355)
Contingent receivables			
Guarantee from another bank	229	95	134
Contingent claims amount	229	95	134
Contingent payables			
Bank guarantee	5,057	4,741	316
Standby letters of credit	-	-	-
Total Contingent payables	5,057	4,741	316

Commitment liability	2020	2019	Growth
			YoY
Contingent payables-net	4,828	4,646	182
Commitment and contingent payables-net	6,156	6,328	(172)

KEY FINANCIAL RATIOS

Danamon consistently conducts its business prudently and in compliance with Bank Indonesia Regulations, the Financial Services Authority, and applicable laws. In the midst of weak economic growth, Danamon was able to meet the financial ratio obligations set by the regulator. Some of the key financial ratios are further explained as follows.

in%	2020	2019	Growth
			YoY
CAR-Consolidated Ratio	25.0	24.2	0.8
NPL-Consolidated	2.8	3.0	(0.2)
NIM-Consolidated	7.4	8.3	(0.9)
ROA-Consolidated	0.5	2.1	(1.6)
ROE-Consolidated	2.7	11.1	(8.4)
Cost to income-Bank	46.5	51.5	(5.0)
RIM-Bank	85.0	99.7	(14.7)
LDR-Bank	84.0	98.9	(14.9)

DEBT REPAYMENT CAPABILITY AND DEBT COLLECTIBILITY

Danamon's ability to fulfill all obligations, both long-term and short-term, is measured by several ratios, including solvency ratios, profitability ratios and liquidity ratios. The following are banking financial ratios to measure solvency, profitability and liquidity.

Bank Solvency

Danamon ensures the Bank's capital adequacy to withstand credit risks, operational risks and market risks through the Capital Adequacy Ratio (CAR). Danamon's Consolidated CAR in 2020 increased to 25.0% compared to 24.2% in the previous year.

Profitability of the Bank

Danamon's profitability is measured using Return on Assets (ROA), Return on Equity (ROE), Net Income Margin (NIM), and Operating Cost to Operating Revenue (BOPO) ratios. Danamon's NIM stood at 7.4%, down from 8.3% last year due to an increase in portfolio composition with lower yields. Danamon's ROA also fell to 0.5% from 2.1% in the previous year. Similarly ROE also decreased to 2.6% compared to 11.1% in the previous year.

The decline in Danamon's profitability throughout 2020 was mainly due to an increase in cost of credit as a proactive step for Danamon to increase provision for non-performing loans as well as income from one-off transactions from the divestment of Adira Insurance in 2019. Apart from this decline, Danamon continues to produce positive performance, as well as efficiency increase as shown in the cost to income ratio reduction from 51.5% to 46.5% in 2020.

Bank Liquidity

Liquidity management is very important because it relates to Danamon's ability to fulfill both short-term and long-term obligations. The Bank's liquidity is influenced by several factors, such as the funding structure, level of current assets, comparison between assets and liabilities, and commitment to provide financing to debtors. Danamon measures liquidity risk in liquidity management using the Macroprudential Intermediation Ratio (RIM) and the Loan to Deposit Ratio (LDR). At the end of 2020, RIM and LDR were recorded at 85.0%, and 84.0% respectively, lower than 99.7% and 98.9% in the previous year. Danamon continues to increase funding franchise by prioritizing granular funding through Danamon's branch network and digital.

CAPITAL STRUCTURE

The current capital structure of Danamon consists of: Core capital (tier 1) which includes paid-in capital and additional capital reserves less deferred tax calculation, intangible assets and participation in subsidiaries. Additional capital reserves consist of additional paid-in capital, general reserves, previous years profit, current year profit, other comprehensive income, less the difference between regulatory provision and allowance for impairment losses on productive assets, and regulatory provision for non-productive assets that must be calculated. The core capital (tier-1 capital) of Danamon is 96% of the total capital.

Supplementary capital (tier 2) consists of general reserves for regulatory provision on compulsory productive assets (maximum 1.25% from RWA for credit risk) and capital instruments in the form of subordinated loans that meet tier 2 requirements.

Capital Management

Capital management is carried out by monitoring the capital base and capital ratios based on industry standards to measure capital adequacy. BI and OJK's approaches to such measurements are primarily based on measuring and monitoring the minimum capital requirements for available capital resources.

Danamon has complied with BI and OJK regulations regarding the Minimum Capital Adequacy Requirement (CAR) and calculation of Risk Weighted Assets (RWA). Danamon's CAR is far above the minimum level set by the regulator.

Danamon has also implemented the Internal Capital Adequacy Assessment Process (ICAAP) mechanism, a self-assessment process by the Bank which not only covers the capital adequacy of basic risks based on Pillar I (Credit, Market, and Operational Risks) but also takes into account the capital adequacy of other risks. (Credit Concentration Risk, Banking Book Interest Risk, Liquidity Risk and Stress Test Impact) as specified in Pillar 2 Basel II & OJK Regulations.

IDR Billion	Individual			Consolidated		
	2020	2019	YoY	2020	2019	YoY
Core Capital (Tier-1 capital)	31,035	32,181	(1.147)	37,970	39,893	(1.923)
Supplementary Capital (Tier-2)	1,202	1,264	(62)	1,308	1,405	(98)
Total Capital	32,236	33,445	(1.209)	39,278	41,299	(2.021)
Credit, Operational, Market Risk Weighted Assets	125,974	135,997	(10.023)	157,251	170,789	(13.539)
KPMM ratio	25.6%	24.6%	1.0%	25.0%	24.2%	0.80%

IMPACT OF CHANGES IN INTEREST RATE, CHANGES IN CURRENCY, AND REGULATIONS ON DANAMON'S PERFORMANCE

Impact of Interest Rate Changes

Interest rate risk is the probability of loss that may occur as a result of adverse movements in the position vis-à-vis the interest rate market or Bank transactions. Interest rate risk management is complemented regularly by conducting sensitivity analyzes on a number of scenarios to see the impact of changes in interest rates.

Impact of Changes in Exchange Rates

Foreign exchange rate risk arises from on and off-balance sheet positions, both in terms of assets and liabilities through transactions in foreign currencies. Banks measure foreign exchange rate risk in order to understand the impact of exchange rate movements on the Bank's income and capital.

TARGET AND ACHIEVEMENT COMPARISON

The impact of the economic slowdown in 2020 resulted in lower profitability compared to the target set last year, mainly due to an increase in provision costs. Total loans disbursed by Danamon was recorded at IDR134.2 trillion, lower than the target set, which was IDR155.1 trillion.

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

There is no material information and facts that occurred after the date of the accountant's report.

OTHER IMPORTANT TRANSACTIONS OF SIGNIFICANT AMOUNT

During 2020, there were no significant transactions made by Danamon.

DIVIDEND POLICY

Dividend policy is determined annually through the approval of the Annual General Meeting of Shareholders (Annual GMS). In 2020, Danamon paid cash dividends amounting to IDR1.83 trillion or 45% of net profit for the 2019 financial year, consisting of 35% ordinary dividends and 10% special dividends from the proceeds from the divestment transaction of Adira Insurance in 2019.

(in billions of Rupiah)

Profit Year	Date AGMS	% Of Profit Clean	Dividend per Share for Series A and Series B (IDR full amount)	Amount* Payment Dividend*	Date Payment	Reserve General & Required
2019	23-Mar-20	45%	187.55	1,833.1	24-Apr-20	40.7
2018	26-Mar-19	35%	143.22	1,372.8	26-Apr-19	39.2
2017	20-Mar-18	35%	134.44	1,288.5	18-Apr-18	36.8

SHARE OWNERSHIP PROGRAM BY MANAGEMENT AND/OR EMPLOYEES

In 2020, Danamon has no share option granting program for the Board of Directors, Board of Commissioners or employees.

IMPORTANT CHANGES THAT HAPPENED IN BANK AND BANK'S BUSINESS GROUPS IN 2020

There were no significant changes that occurred in the Bank and the Bank's business group up to the period of December 2020 which affected Danamon's financial position.

MATERIAL INFORMATION REGARDING INVESTMENT, EXPANSION, DIVESTMENT, ACQUISITION, OR RESTRUCTURING OF DEBT AND CAPITAL

Investation

In 2020, the Bank did not carry out material investment activities.

Mergers and Acquisitions

In 2020, the Bank did not carry out a merger and acquisition process.

Expansion

In 2020, the Bank did not carry out any material expansion activities.

Debt and Capital Restructuring

In 2020, The Bank did not carry out debt and capital restructuring.

Divestment

In 2020, the Bank did not undertake any divestment process.

REALIZATION OF USE OF PROCEEDS FROM PUBLIC OFFERING

In 2020, Danamon as the holding company did not conduct any public offerings, either bonds or stocks.

INFORMATION ON MATERIAL TRANSACTION THAT CONTAINS CONFLICT OF INTEREST

During 2020, the Bank did not conduct material transactions that contained a conflict of interest.

DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

Danamon conducts various transactions with related parties which are not conflict of interest transactions in carrying out its business activities. Such transactions are carried out fairly in accordance with normal commercial terms, such as transactions made with unrelated parties. More complete information regarding transactions with related parties can be seen in the attachment to the 2020 audited financial report of PT Bank Danamon Tbk. (note no. 47).

No.	Name of Related Parties	Types of Related Relationships	Type of Transaction	Transactions Amount*
1	MUFG Bank, Ltd.	Shareholders	Placement of Funds	5,208
2	PT Mitra Pinasthika Mustika Finance	Owned by the controlling shareholder the same as MUFG Bank	Loans	15,853
3	Board of Commissioners, Directors and key employees	Executive Officers and Employees Key	Loans	25,577
TOTAL				46,638

Information : *) Before deducting the allowance of impairment losses that has been formed

AMENDMENTS TO REGULATIONS THAT HAVE A SIGNIFICANT EFFECT ON THE BANK

BANKING REGULATIONS		
Some of the new banking regulations issued by Financial Services Authority (Otoritas Jasa Keuangan) and Central Bank (Bank Indonesia) in 2020		
Regulation	Description	Impact On BDI
<p>PADG related to Minimum Reserve Requirement in Rupiah and Foreign Currency for Conventional Banks, Sharia Banks and Sharia Business Units:</p> <ol style="list-style-type: none"> PADG No.22/2/PADG/2020 PBI No.22/3/PBI/2020 PADG No.22/10/PADG/2020 PBI No.22/4/PBI/2020 and PADG No.22/4/PADG/2020 PBI No.22/10/PBI/2020 and PADG No.22/19/PADG/2020 	<p>Change in term of Minimum Reserve Requirement (GWM) as follow:</p> <ol style="list-style-type: none"> Effective May 1, 2020, decrease of GWM in IDR for: <ol style="list-style-type: none"> BUK from 5.5% to 3.5%, with the fulfillment of: <ul style="list-style-type: none"> Daily basis decrease from 2.5% to 0.5%. Daily average remains 3.0%. BUS and UUS which form 4% to 3.5%, with the fulfillment of: <ul style="list-style-type: none"> Daily basis decrease from 1% to 0.5%. Daily average remains 3.0%. Effective March 16, 2020, decrease of BUK Minimum Reserve Requirement in foreign currency from 8% to 4%, with the fulfillment of: <ol style="list-style-type: none"> Daily basis decrease form 6% to 2%. Daily average remains 2%. There are an incentive 0.5% on the requirement daily GWM Rupiah fulfillment, for Banks that providing credit for export purposes, credit for productive import, L/C, credit/financing for MSME or other credit/financing stipulated by Bank Indonesia, effective from April 1, 2020 to December 31, 2020. Start August 1, 2020, BI has provided fee on current account by 1.5% to banks that fulfill the GWM in Rupiah. The maximum portion for BI current account that earning interest is 3% of TPF in Rupiah. 	<p>The Bank's liquidity is increase due to the changes in the GWM regulation.</p> <p>The Bank's interest income increases in line with the GWM regulation regarding fee on current accounts for the fulfillment of GWM in Rupiah.</p>
<p>PADG related to Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks and Sharia Business Units:</p> <ol style="list-style-type: none"> PADG No.22/11/PADG/2020 PADG No.22/30/PADG/2020 	<p>Change in term of Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer:</p> <ol style="list-style-type: none"> Adjustment of Lower Disincentive and Upper Disincentive Parameters used in the fulfillment of Macroprudential Intermediation Ratio Current Account and Sharia Macroprudential Intermediation Ratio Current Account to 0 (zero) for a period of 1 (one) year, from May 1, 2020 to April 30, 2021. Change in Macroprudential Liquidity Buffer from 4% to 6% of TPF in Rupiah, effective from May 1, 2020. The addition of types of Open Market Operations transactions that use securities to fulfill Macroprudential Liquidity Buffer obligations for Conventional Commercial Banks to include repo transactions and Liquidity Management transactions based on Sharia Principles of Central Bank (PaSBI), effective from October 5, 2020. 	<p>Adjustments to the Lower Disincentive and Upper Disincentive Parameters used have an impact on the calculation of the Minimum Reserve Requirement that must be met by the Bank.</p> <p>The adjustment of the Macroprudential Liquidity Buffer amount affects the purchase of securities made by the Bank on the primary market by means of a private placement in order to comply with these provisions.</p>
<p>PJOK regarding National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of COVID-19:</p> <ol style="list-style-type: none"> POJK No.11/POJK.03/2020 POJK No.48/POJK.03/2020 <p>This regulation will be effective from March 16, 2020 to March 31, 2022.</p>	<p>OJK has publish economic stimulus policy as countercyclical impact because the spread of COVID-19 as Follows:</p> <ol style="list-style-type: none"> Credit policy to debtors which affected by COVID-19: <ol style="list-style-type: none"> Determine credit quality to debtors which affected by the spread of COVID-19 with plafon up to 10 billion Rupiah can only be underline on the accuracy of principal payment and/or interest payments. Restructured credit quality is set to be smooth since the restructuring on terms: <ul style="list-style-type: none"> Distributed to debtors which affected by COVID-19; and Has been restructured after the debtor is affected by COVID-19. Bank can provide new credit to debtors which are affected by the spread of COVID-19, by setting the credit quality separately from the previous credit quality. Bank are required to implementing risk management for debtors which are affected by the spread of COVID-19. Bank are required to submit the reports offline to OJK on debtors who have received the treatment above. 	<p>Bank has updated and implemented a relaxation policy based on OJK regulations.</p> <p>The Bank always implement risk management for debtors that affected by COVID-19.</p>

BANKING REGULATIONS		
Some of the new banking regulations issued by Financial Services Authority (Otoritas Jasa Keuangan) and Central Bank (Bank Indonesia) in 2020		
Regulation	Description	Impact On BDI
	<ol style="list-style-type: none"> 2. Credit/financing that has been restructured by COVID-19 will be exempted from low quality assets (KKR) calculation from the bank health assessment which are BUK/BUS/UUS. 3. Banks which are Commercial Bank Business Activities 3, Commercial Bank Business Activities 4 and foreign banks are allowed to adjust the lower limit for compliance with LCR and NSFR from 100% to 85%. 4. Banks can provide education funding for less than 5% of the human resource expenditure budget for the year 2020 and 2021. 5. Banks can set the quality of the foreclosed assets obtained until March 31, 2020 based on the collateral quality which is taking over at the end of March 2020. 6. Banks are allowed to not meet the capital conservation buffer of 2.5% (two point five percent) from risk weighted assets. 	
PBI No. 22/7/PBI/2020 regarding Implementation Adjustment of Several Bank Indonesia Provisions as the Impact of the 2019 Corona Virus Disease Pandemic (COVID-19).	<p>Adjustments to several Central Bank regulations as a impact of the Corona Virus Disease 2019 (COVID-19) pandemic:</p> <ol style="list-style-type: none"> 1. Licensing processes, such as payment service system providers and non-bank foreign exchange business activities, certificate of deposit transactions and issuance and commercial securities transaction on the money market, Rupiah currency processing service providers. 2. Submitting period for reports and related to delays in submission. 3. Correspondence and/or meetings with Central Bank (BI). 4. Central Bank Cash Services. 5. Charges of SKNBI. 6. Implementation of Credit card. <p>This regulation is effective starting from March 31, 2020.</p>	The Bank is align and implements in accordance with BI relaxation regulations.
POJK No. 63/POJK.03/2020 regarding Conventional Commercial Bank Reporting through the Financial Services Authority Reporting System.	<p>Renewal of the previous provisions, which is POJK No.12/POJK.03/2019. The main provisions are as follows:</p> <ol style="list-style-type: none"> 1. Banks are required to compile and submit the reports online through the Financial Services Authority Reporting System (OJK) 2. Reports are consists of structured reports and unstructured reports. <ol style="list-style-type: none"> a. Structured form-based reports which submitted to Online Reporting Application (APOLO). b. Unstructured Electronic-based reports which submitted to the Official Manuscript and Archives Management System (SIPENA). 3. Reports are divided into 4 (four) groups of information, and that is finance, risk and capital, products, activities, and main data. 4. The procedure to submitted the report is under normal condition and technical error conditions, also Administratif penalty. <p>This regulation will be effective in from December 22, 2020.</p>	Bank has followed the reporting procedures and regulations through the Financial Services Authority reporting system (OJK).
PBI 22/22/PBI/2020 regarding Amendments to Bank Indonesia Regulation No.21/9/PBI/2019 regarding Laporan Bank Umum Terintegrasi (LBUT).	<p>Regulatory substance of this provision are:</p> <ol style="list-style-type: none"> 1. Adjustments period for submitting reports and/or corrections to LBUT reports, which are: <ol style="list-style-type: none"> a. Parallel run period which is data from the end of December 2019 to the final data in June 2021. b. Full implementation period is from data in July 2021 data. c. Written notification will be given to banks which are late and not submitting the reports and/or corrections report since the end of March 2021 data to the end of June 2021 data. 2. The obligation to submit existing reports is valid until the end of June 2021 data. <p>This regulation will be effective in December 30, 2020.</p>	The Bank continues to report the existing reports and LBUT reports in accordance with the new regulations, and also continues to prepare a system that supports the LBUT reporting process in the future.

CHANGES IN ACCOUNTING POLICY

The following standards, amendments and interpretations became effective on January 1, 2020 and are relevant for the Bank and Subsidiaries:

1. PSAK 71 "Financial Instruments": PSAK 71 examines the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
2. PSAK 72 "Revenue from Contracts with Customers": A new standard for income recognition replaces PSAK 23 which governs contracts for goods and services and PSAK 34 which governs construction contracts. The new standard is based on the principle that income is recognized when control over goods or services is transferred to the customer.
3. PSAK 73 "Leases": PSAK 73 requires that almost all leases be recognized in the statement of financial position, because the difference between operating leases and financing is written off. Under the new standard, an asset (a right to use the leased item) and a financial liability to pay the lease are recognized. The only exceptions are short-term and low-value leases. An amendment to PSAK 73 "Leases" regarding Lease Concessions related to COVID-19 was passed on May 30, 2020. This amendment proposes, in practice, that tenants can choose not to assess whether a lease concession related to COVID-19 constitutes a modification of the lease and provides conditions that must be fulfilled in order for this practical measure to be implemented. This amendment is effective for the annual reporting period beginning on or after June 1, 2020, with earlier application permitted.
4. Amendment to PSAK 15 "Investments in Associates and Joint Ventures" concerning Long-Term Interests in Associates and Joint Ventures: The amendment to PSAK 15 is entities that take into account long-term interests in associated companies or joint ventures, where equity accounting is not used, using PSAK 71 "Financial Instruments."
5. Amendment to PSAK 1 "Presentation of Financial Statements" and PSAK 25 "Accounting Policies, Changes in Accounting Estimates and Errors": This amendment clarifies the definition of material, including adding the term obscuring.
6. Amendments to PSAK 101 "Presentation of Sharia Financial Statements": References to other PSAKs mentioned in PSAK 101 have been updated due to the issuance of PSAK 71 "Financial Instruments" and PSAK 72 "Revenue from Contracts with Customers."
7. PSAK 102 (2019 Revision) "Murabahah Accounting": PSAK 102 (2019 Revision) revises the reference for the recognition of murabahah installment income for sellers not having significant inventory risk to ISAK 101. Previously this transaction referred to PSAK 50, PSAK 55, and PSAK 60. PSAK 102 (2019 Revision) also includes additional terms, scope changes and some other minor settings.
8. ISAK 101 "Recognition of Murabahah Installment Income Without Significant Risk Related to Inventory Ownership": ISAK 101 will be a reference for entities that apply the "effective income method" which was previously referred to under PSAK 50, PSAK 55 and PSAK 60.
9. ISAK 102 "Impairment of Murabahah Receivables": ISAK 102 is a bridging standard up to the issuance of PSAK on impairment of assets originating from sharia-based transactions. ISAK 102 requires an entity to continue with its current accounting policy for impairment of murabahah receivables, such as incurred loss, regulatory provisioning, or other approaches.
10. ISAK 36 "Interpretation of the Interaction between Provisions regarding Land Rights" in PSAK 16 "Fixed Assets" and PSAK 73 "Leases" regarding the accounting treatment of secondary land rights. ISAK 36 provides that the accounting treatment of land rights is based on their substance and not their legal form.
11. Press releases of the Indonesian Institute of Accountants (IAI) on the impact of the COVID-19 pandemic on the implementation of PSAK 8 "Events after the Reporting Period" and PSAK 71 "Financial Instruments" dated April 1, 2020.