



MANAGEMENT REPORT





IN MEMORIAM

Prof. Dr. JB. Kristiadi

Vice President Commissioner
(Independent)

At the beginning of 2023, on 21 February 2023. Vice President Commissioner (Independent) of PT Bank Danamon Indonesia Tbk, Prof. Dr. Johanes Berchmans Kristiadi Pudjosukanto, who is fondly called JB Kristiadi, has passed away peacefully. It is an honor for Danamon to have Mr. JB Kristiadi as one of the Commissioners, where he made multiple real contributions to the growth and development of Danamon's business which we should emulate.

All members of Danamon's commissioners, directors and employees send their condolences on the loss of Mr. JB Kristiadi. May God grant eternal rest unto him and give strength to his wife, sons and daughters and all the family members he left behind. On this special occasion, we also express our highest gratitude and appreciation for the support and contribution he has given to PT Bank Danamon Indonesia Tbk.



The theme for the annual report, *Bersama Bersinergi* (synergizing together), were reflected well in the attitude and strategy adopted by the Board of Directors, management, and employees of Danamon throughout 2022. Through these collaborative spirit, in addition to close partnerships with customers to understand and meet their needs, Danamon was able to reach another milestone on its 66th anniversary.



KENICHI YAMATO

President Commissioner

REPORT FROM THE BOARD OF COMMISSIONERS

Dear Valued Stakeholders and Shareholders,

We began 2022 with high optimism about the national economic recovery and the improving vaccination rate, marking our progress against the COVID-19 pandemic. While 2022 presented its own complexities and challenges, we successfully closed the fiscal year with record highs in loans and funding as well as strong asset quality. This once again proved Danamon's resiliency and commitment to support our customers and stakeholders. During the year, we also continued our collaboration with MUFG together with Adira Finance and strengthened our involvement in the automotive industry.

The theme for the annual report, *Bersama Bersinergi* (synergizing together), were reflected well in the attitude and strategy adopted by the Board of Directors, management, and employees of Danamon throughout 2022. Through these collaborative spirit, in addition to close partnerships with customers to understand and meet their needs, Danamon was able to reach another milestone on its 66th anniversary.

MACROECONOMY IN 2022

Throughout 2022, the pace of the Indonesian economy started to accelerate. Economic growth reached more than 5%. The manufacturing industry demonstrated an expansion phase with the Purchasing Managers' Index (PMI) reaching 50.9 in December 2022. Banking industry loans, a critical engine for the Indonesian economy, also experienced a strong recovery, with total loans reaching Rp6,387 trillion or a year on year (YoY) increase of 11%, with a stable Non-Performing Loan (NPL) ratio in the range of 0.71% (net) as of December 2022. Meanwhile, the Indonesian Government successfully managed the COVID-19 pandemic. After the outbreak of a third wave in February 2022, the number of COVID-19 cases had fallen significantly (by 63%) only a month later. The decline continued until the end of the year, when cases dropped below the safe limit set by WHO, despite the increase in people's mobility.

Notwithstanding improvement in the national economy, some challenges remained. Global economic conditions were hampered by inflationary pressures that were worsened by the rise of energy prices after the Russia-Ukraine conflict began. The Fed, followed by many other central banks, started raising their interest rates. As a result, the rupiah depreciated 9.1% against the U.S. dollar. To strengthen monetary operations, since August 2022, Bank Indonesia has increased the BI 7-Day Reverse Repo Rate (BI7DRR) by 200 basis points (bps). At the same time, supply chain issues affecting the automotive industry have persisted.

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

The Board of Commissioners finds that the Board of Directors carried out their duties and responsibilities very well throughout 2022. The Board of Directors showed consistency and good determination in executing strategic initiatives, closing new partnerships, and bolstering policies to sustain the Bank's operational and financial performance. Amid the challenges that arose in 2022, Danamon successfully achieved record highs in loans and funding, maintained healthy asset quality, and recorded a triple-digit increase in net profit with a sustained NIM level in the face of the rising interest rate environment.

Danamon successfully booked Net Profit After Tax (NPAT) of Rp3.3 trillion, a growth of 110% year-on-year (YoY) from Rp1.6 trillion in 2021. Our loan balance reached Rp144.9 trillion, growing 13.5% YoY, and CASA grew to Rp81.39 trillion or 11.6% YoY. Our CASA ratio has increased to 63.9% and the percentage of Loan at Risk was reduced from 16.0% to 12.6%. We also remained prudent by increasing our Loan Loss Coverage (LLC) to 230.8% in 2022, 5.2% higher than the year before. The NPL ratio was also stable at 2.6%. Furthermore, the Bank reported a strong Capital Adequacy Ratio (CAR) to support business expansion in the coming years, with a consolidated CAR of 26.3% by the end of 2022.



The quality of Danamon's management was also reflected in the credit ratings assigned to Danamon by both national and international credit rating agencies. Moody's maintained Danamon's rating at Baa1/stable for the Adjusted Baseline Credit Assessment and Baa1/P2 for the Bank deposits rating. Similarly, Fitch Ratings also maintained BBB/stable as the LT issuer default rating, and AAA(idn)/stable as the national long-term rating. Meanwhile, Indonesia's ratings agency, Pefindo, conferred the highest corporate rating to Danamon of idAAA/stable.

OVERSIGHT OF STRATEGY IMPLEMENTATION

The Board of Commissioners supervised the formulation and implementation of the Bank's strategies and policies. We supported and provided advice as well as comments during the preparation of the Bank's Business Plan and periodically reviewed the implementation. We also discussed and coordinated with the Board of Directors to respond adaptively to the dynamic challenges that emerged in 2022. Our close cooperation allowed the Bank to operate a sustainable business and maintain consistent growth through the strategies that were approved.

Throughout 2022, Danamon expanded its customer base and prudently disbursed loans in line with the strategy for each business segment. Through collaboration with MUFG and Adira Finance, as well as focus on key ecosystems, both Enterprise Banking and Financial Institutions (EBFI) - including Trade Finance Marketable Securities and Consumer Banking loan portfolios were able to grow by 18% YoY, reaching Rp68.71 trillion and Rp12.57 trillion respectively. Adira Finance was also able to secure 10.3% growth YoY, amassing a loan portfolio of Rp44.59 trillion. As for SMEs, the implementation of segmentation approach was continued as well as improving the Turn-Around-Time of the approval process. For the first time since the COVID-19 pandemic began, the SME loan portfolio was stabilized at Rp20.62 trillion.

In 2022, Danamon continued to deepen our collaboration with MUFG and Adira Finance. Together we added more partnerships with several Japanese property developers to become the preferred mortgage provider in their real estate projects as well as getting involved in providing commercial real estate acquisition financing, loan syndication, and loans to fintech companies. Danamon continued to pursue digital partnerships by leveraging MUFG's investments in leading digital players, both direct investments and through its venture capital arm MUFG Innovation Partners. To name a few, along with the investment a few years ago in Grab, a ride-hailing and super app operator in Southeast Asia, in December 2022 MUFG announced an investment in AkuLaku, a buy-now-pay-later player in Indonesia. These investments will allow Danamon and Adira Finance to create strategic partnerships with these digital players and provide a unique set of services and offerings to their customers and ecosystems.

Danamon focused on expanding its granular funding through an institutional approach including financial supply chains, customized solutions in transaction banking, and digital services. By December 2022, the Bank's New-To-Bank (NTB) accounts sourced through digital channels grew to 55%, a significant increase from the 28% recorded last year. Moreover, Danamon has also improved its digital penetration, with 77% of transactions now conducted through digital channels. In 2022, MUFG, Danamon and Adira Finance jointly became the main sponsor of the Indonesia International Motor Show (IIMS), a prominent automotive convention in Indonesia. In addition, Danamon also hosted several joint events such as the EV Sustainable Ecosystems and Motor Exhibition, the Financial Expo and the Indonesia Summit. These events are part of Danamon's commitment towards providing high-quality, value-added services to clients and partners. All in all, in 2022, Danamon and Adira Finance strategically enhanced their branding and presence as part of MUFG, a global financial group.

BUSINESS OUTLOOK

The Board of Commissioners is of the view that the strategy prepared by the Board of Directors is in line with the vision and mission of the Bank, while at the same time realistic in terms of the potential challenges. We advised the Board of Directors to always be vigilant of the various dynamics in both the global and national economy, and their impact on the Bank's business.

The World Bank projects that the global economy will grow 1.7% in 2023. A widespread sharp downturn in growth is expected with forecasts for 2023 revised down for 95% of advanced economies and nearly 70% of emerging markets and developing countries. Excluding China, growth in emerging markets and developing economies is expected to decelerate from 3.8% in 2022 to 2.7% in 2023, reflecting significantly weaker external demand compounded by high inflation, currency depreciation, tighter financing conditions, and other domestic headwinds.

Indonesia's government proved its ability to provide a good environment for economic recovery throughout 2022, beginning with the capable handling of the COVID-19 pandemic, our accelerating vaccination rate, the successful G20 Presidency, and the APBN/state budget's role as a "shock absorber" by ensuring that government-determined prices, especially for energy, did not increase drastically. Bank Indonesia projects the nation's economic growth to be in the range of 4.5% - 5.3%, with the target inflation rate expected to return to 3.0% in 2023 with a $\pm 1\%$ margin of error. To protect the resiliency of the national economy, the Indonesian government plans to (i) maintain fiscal, monetary, and real sector synergies; (ii) maintain people's purchasing power; (iii) increase exports; (iv) increase investment; and (v) expand downstream and green energy. Considering the factors described here and the high prices of important Indonesian commodities, we are optimistic that the Indonesian economic will make a fuller recovery in 2023 and provide more growth opportunities for Danamon.

CORPORATE GOVERNANCE IMPLEMENTATION

The implementation of Good Corporate Governance (GCG) is crucial to Danamon's continuity and its robust financial and operational performance. Danamon consistently applies transparency, accountability, responsibility, fairness and equality, and independence to its GCG practices to create added value for all stakeholders. Danamon also frequently revisits the quality of its GCG implementation based on both regulatory and other international applicable standards.

Danamon's GCG implementation consists of the three aspects of governance structure, governance process, and governance outcome. The Bank also maintains an integrated governance policy for the Bank and for the Financial Conglomerate.

The view of the Board of Commissioners is that the Bank's sound GCG practices were in line with corporate governance principles and best practices. We appreciate Danamon's consistent results of a "Good" score on its GCG self-assessment exercise conducted every six months in 2022. We also appreciate the Bank's actions in refining and updating key policies, such as risk management and integrated governance, as well as other policies relating to GCG.

Our criteria for assessment are based on the committees' individual reports, which are submitted regularly. We also assessed the quality of their work based on, among other things, the number and subject of meetings, decisions made during meetings, and the proper implementation of follow-up actions.



WHISTLEBLOWING SYSTEM IMPLEMENTATION

As part of our commitment to GCG implementation, Danamon has engaged all its employees in instilling a risk-awareness culture. The Bank consistently encourages all employees to create and maintain a positive work environment that allows no room for fraudulent practices. Danamon has developed and implemented a whistleblowing system (WBS) as part of its commitment to apply the best corporate governance and business practices with integrity.

The WBS allows every employee to report incidents of fraud or abuse or suspicion thereof confidentially and in a responsible manner, driven by good faith and without fear of retribution. Employees' reports are strictly confidential, and their identities are protected. Danamon also appointed an independent professional consultant, KPMG, to manage its WBS, including following up on and managing reports. The third party will then forward the reports to Danamon's WBS team, after which the team will evaluate the report's merit and decide whether to open an investigation or to send the report to the relevant authorities.

The Board of Commissioners, together with the Audit Committee and other relevant units, periodically evaluates and follows up on the reports that are received. Reports that are proven true based on the results of an examination are followed up with administrative sanctions that take the form of warning letters, termination of employment (PHK), or other actions including transfer and counseling. The Board of Commissioners believes that such practices will uphold Danamon's integrity, remind all employees to act in accordance with a compliance culture, and increase the trust of all stakeholders in the Bank.

PROGRESS IN SUSTAINABILITY

The Board of Commissioners would like to express our appreciation for the Bank's commitment to deliver many improvements and sustainability initiatives. Despite many other important priorities, we are pleased by Bank Danamon's continuous progress with the implementation and fulfillment of its Sustainable Finance Action Plan (SFAP).

Financial institutions are facing increasing demands from many parties to be more proactive and responsible in providing Environmental, Social and Governance (ESG)-related financing. We believe that Danamon always strives to strike the right balance between ongoing business concerns and delivering positive impact and benefits to its stakeholders. The Board of Commissioners acknowledges and has strongly supported the Bank's efforts to respond to these demands. The response is being realized through prudent ESG risk management and the continuous provision of educational programs to both internal and external stakeholders regarding the importance of this subject.

In 2022, Danamon achieved the targets it set out in the SFAP. Among others, these were: achievement of sustainable financing making up 21% of the overall portfolio, continuing collaboration with MUFG on sustainability-related policies, continuing training programs to increase employees' expertise in sustainable finance, continuing various initiatives for responsible workplace management related to the prevention of the spread of COVID-19, delivering community programs that add value to the community, as well as supporting the joint commitment with MUFG to achieve net-zero greenhouse gas emissions in our own operations by 2030. In addition, Danamon has also launched the Green Taxonomy Pilot Project in accordance with OJK's directive.

We are of the view that Danamon's sustainable finance implementation in 2022 is already in line with OJK Regulation No. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. In the coming years, the Board of Commissioners trusts that Danamon will continue to focus on internal capacity-building to ensure the steady implementation of the sustainability strategy and that sustainable finance development is delivered as stated in the SFAP. We believe Danamon will be able to position itself as a progressive and sustainable solution provider by utilizing innovation and technology-based services, delivering value to all stakeholders, and in the end proactively contribute to sustainable development.

CHANGES IN THE COMPOSITION OF THE BOARD OF COMMISSIONERS

The composition of Danamon's Board of Commissioners underwent changes as per the resolutions passed at the Annual General Meeting of Shareholders (AGMS) held on March 25, 2022. We would first like to extend our sincere gratitude to Mr. Takayoshi Futae and Mr. Takanori Sazaki for their invaluable guidance during their terms as President Commissioner and Commissioner respectively. Danamon recognizes their service and has accepted their resignations from the Board of Commissioners.

We would also like to welcome the appointment of Mr. Kenichi Yamato as President Commissioner and Mr. Shuichi Yokoyama as Commissioner, as part of the same AGMS held on March 25, 2022. With these changes, the composition of Danamon's Board of Commissioners as of the writing of this annual report is as follows:

- President Commissioner: Kenichi Yamato
- Vice President Commissioner (Independent): J.B. Kristiadi Pudjosukanto
- Independent Commissioner: Peter Benyamin Stok
- Commissioner: Nobuya Kawasaki
- Independent Commissioner: Hedy Maria Helena Lapihan
- Independent Commissioner: Halim Alamsyah
- Commissioner: Dan Harsono
- Commissioner: Shuichi Yokoyama

APPRECIATION

The Board of Commissioners firmly believes that Danamon will continue to raise its performance standards by pursuing innovation and enhancing collaboration in the future while consistently implementing good corporate governance. We wish to remind the management and all employees to consistently maintain a customer-centric mindset and strive to be intuitive in dealing with the ever-changing business environment and economic challenges.

On behalf of the Board of Commissioners, I would like to express our appreciation to the Board of Directors, the management and everyone at Danamon for their astounding performance amidst the challenges of 2022. We also would like to extend our highest gratitude to all of our customers for their continued patronage. We look forward to expanding our business and reaching new milestones together in the future. Finally, we would like to convey our sincere gratitude to the Indonesian Government and the Indonesian Financial Services Authority (OJK) for their continuous support and guidance for the banking industry including Danamon in particular.

Without the support of these stakeholders, Danamon would not have been able to come this far in 66 years. We believe by working closely with all stakeholders, Danamon will surely possess all of the valuable resources required to grow, thrive, and make a significant contribution to the Indonesian economy.



KENICHI YAMATO
President Commissioner

BOARD OF COMMISSIONERS



SHUICHI YOKOYAMA
Commissioner

**HEDY MARIA
HELENA LAPIHAN**
Independent Commissioner

**NOBUYA
KAWASAKI**
Commissioner

**JOHANES BERCHMANS
KRISTIADI PUDJOSUKANTO**
Vice President Commissioner
(Independent)



KENICHI YAMATO
President Commissioner



PETER BENYAMIN STOK
Independent Commissioner



DAN HARSONO
Commissioner



HALIM ALAMSYAH
Independent Commissioner



Increased collaboration to leverage unique strengths of Danamon group and closer partnership with customers to understand their needs, allows Danamon to deliver the right financial solutions to our customers, increase positive impact to our communities and enhance return to our shareholders.



YASUSHI ITAGAKI

President Director



REPORT FROM THE BOARD OF DIRECTORS

Dear Esteemed Shareholders and Stakeholders,

It is with great honor that we deliver Danamon's financial and performance report for the fiscal year of 2022.

We celebrated Danamon's 66th anniversary in 2022. This is a special year for the Bank as another milestone was achieved. Amid the challenges from global economic uncertainty, Danamon reached record high loan balance at Rp144.9 trillion, a growth of 13.5% Year-on-Year (YoY). CASA ratio also increased YoY to 63.9% from 59.1% in the prior year. The Bank's resiliency and successful strategy execution were also evident through the 110% YoY growth in Net Profit After Tax (NPAT) to reach Rp3.3 trillion.

In 2022, management focused on execution of several key strategies leveraging on Danamon Groups' strengths. Collaboration with MUFG helped Danamon achieved its business growth and customer expansion. The accumulative number of synergy deals improved by 44% YoY reaching to 433 deals, while synergy loans increased by 51% YoY. Tapping the automotive ecosystem through collaboration and synergy among Danamon, Adira Finance and MUFG is another strategic focus in 2022. A more systematic cross-referral, jointly sponsoring high profile automotive events and introducing attractive products were the key automotive ecosystem initiatives initiated in 2022. On the digital front, adoption of Agile methodology has allowed Danamon to introduce many new features in its D-Bank PRO, including FX Online, Multi Currency Account, integrated Credit Card management and Auto Insurance.

The focus and achievements in 2022 were reflected well in the annual report theme of *Bersama Bersinergi* to deliver comprehensive financial solutions. Increased collaboration to leverage unique strengths of Danamon group and closer partnership with customers to understand their needs, allows Danamon to deliver the right financial solutions to our customers, increase positive impact to our communities and enhance return to our shareholders.

ECONOMIC AND INDUSTRY OVERVIEW

Indonesia's economy showed a positive recovery throughout 2022, the economic growth grew by 5.3% YoY in 2022. Faster economic growth was supported by growing domestic demand, particularly from household consumption, solid export performance and greater people's mobility as the Government relaxed the travel restrictions and social distancing requirements. Thanks to our government's policy in handling COVID-19, the continued increase in people's mobility were not followed by number of daily cases of COVID-19. Household consumption which represented 51.9% of the country's GDP grew 4.93% YoY in 2022 compared to 3.2% YoY growth in 2021. Export growth increased to 26.1% YoY in 2022 on the back of persistently solid demand from Indonesia's key trading partners. Furthermore, import growth was also high at 21.0% YoY in line with growing domestic demand and improving export performance. Investment realization in 2022 increased significantly by 30.3%, with a total investment of Rp314.8 trillion.

Despite improvement in the national economy, global inflationary pressure became a major concern in 2022. Countless countries were navigating high level of inflation, some were even facing double or even triple-digit inflation. The inflation cycle started in 2021 due to the ongoing implications from the COVID-19 pandemic and supply chain disruption. The inflationary pressure was then exacerbated by the rise of energy prices stemming from the Russia-Ukraine conflict in early 2022. Being the world's top three crude oil producers and second largest producer of natural gas, Russia has a significant role to the stability and resilience of global energy.

After the start of Russia-Ukraine war, commodity prices such as palm oil prices peaked in April and May of 2022. However, since then, palm oil had given up those gains and ended the year with a price decline of 31% YoY to USD871.99/mt. Due to the energy crisis, the global coal consumption reached an all-time high in 2022. Disruption of natural gas from Russia have led European nations to turn



to coal for power generation although the increase appetite is expected to be temporary. In Asia, the coal demand is expected to remain robust, especially in emerging and developing countries using it to power their economic growth. China, which accounts for half the world's coal consumption will affect the coal price trends. By the end of 2022, coal prices rose 138% YoY to USD404.15/mt.

The U.S. Central Bank started to increase The Fed Rate in March 2022 with a total 425bps increase throughout last year. As energy price and exchange rate pressures mounted, many central banks followed suit including Indonesia. Bank Indonesia had increased BI 7-Days Reverse Repo Rate (BI7DRR) every month since August 2022. As of 22 December 2022, BI7DRR was raised to 5.50%, while the Deposit Facility and Lending Facility rates were increased into 4.75% and 6.25% respectively. Such policy potentially will increase the cost of borrowing in 2023. Indonesian Rupiah (IDR) exchange rate continued to weaken against USD due to the sentiment that The Fed will remain hawkish.

In 2022, the global automotive industry faced several challenges derived from high interest rates, supply chain problems and recessionary fears. The lack of sufficient semiconductor supplies from China due to prolong COVID-19 cases and mobility restriction caused widespread production cuts around the globe, with estimated cut totaling to 19.6 million vehicles between 2021 and 2023. The Russia-Ukraine conflict also worsened the global supply chain as Ukraine is the provider of wiring harness, both Russia and Ukraine also played in upstream supply chain of minerals such as palladium, nickel, and neon gas that impacted semiconductor and Electric Vehicle (EV) production. The supply chain problems started to ease in mid of 2022 and estimated to recover in 2024. Meanwhile global demand on EV continued to surge in 2022. Global sales of electric cars rose significantly in 2022, with a total of 10.5 million new Battery Electric Vehicle (BEVs) and Plug-in Hybrid Electric Vehicle (PHEVs), an increase of 55% from the same period in 2021.

The automotive industry is one of the key sectors that contributes significantly to the Indonesian economy. To accelerate national economic recovery, the Government had launched stimulus in form of fiscal incentives by reducing the Sales Tax rate on Luxury Goods (PPnBM) for certain types of vehicles. The stimulus, which ended in September 2022 had successfully boosted the overall automotive industry and its value chains. Based on The Association of Indonesia Automotive Industries (GAIKINDO), Indonesia four-wheeler (4W) vehicle sales in 2022 reached 1.01 million units or increased by 17.4% YoY. While Indonesia Motorcycle Association (AIS) reported that the two-wheeler (2W) vehicle sales reached 5.22 million units, increased by 3.2% YoY. The recovery of automotive industry positively impacted Adira Finance new sales in 2022.

To continue strengthen the national economic recovery, the Financial Services Authority (OJK) further extended the maximum period for COVID-19 loan restructuring relaxation until 31 March 2024. The policy of extending credit restructuring applies to: (i) Micro, small, and medium enterprise (MSME) segment covering all sectors; (ii) Accommodation and food and drink supply sector; (iii) Some industries that provide large employment opportunities, such as the textile and textile products (TPT) industry and the footwear industry. While in Danamon, our consolidated COVID-19 related restructured loans under forbearance was reduced by 43% YoY to Rp2.89 trillion in the end 2022.

ANALYSIS OF BANK PERFORMANCE IN 2022

STRATEGIES AND STRATEGIC POLICIES

Danamon's strategy of business and customer expansion which was supported by MUFG collaboration, combined with continued Investment in People, IT Digital and Branding had been proven to provide operational resiliency in the previous two years during the COVID-19 pandemic. In 2022, the Bank continued with these key strategies, while enhancing focus on cross Danamon and Adira Finance collaboration to tap the automotive ecosystem.

Our Enterprise Banking and Financial Institutions (EBFI) business continued to grow through collaboration with MUFG. In 2022, our focus is to deepen relationship with existing customer by offering various financial solutions across their value chains. We also continued expanding our portfolio with new customer acquisition including Japanese Real Estate Ecosystem and Sustainable Financing. As a result, loans in EBFI segment (including Trade Finance Marketable Securities) grew by 18% YoY and reached Rp68.71 trillion. In October 2022, jointly with MUFG and Adira Finance, Danamon held the third annual Indonesian Summit with the theme “Rebuild the Economy 2023”. The event provided an avenue to discuss the 2023 economic outlook amid the potential global economic uncertainty from prominent figures from government and industry. Through this thought leadership event, Danamon together with MUFG and Adira Finance also reaffirmed the group’s commitment to encourage the growth of a sustainable automotive ecosystem in Indonesia.

To provide framework for long-term growth in Small and Medium Enterprise (SME) business, Danamon continued the re-segmentation initiatives to improve capability to offer more focused and tailored financial solutions. Financial Supply Chain serving distributors and suppliers of EB and MUFG anchor customers is a key initiative to grow the SME Business via ecosystem approach. In 2022, Danamon also improved the SME credit scoring process to provide better service quality and shorten the Turn-Around-Time. While the SME Business remained growing cautiously, for the first time since 2019, it was systematically managed to stabilize the loan portfolio growth at Rp20.62 trillion.

The Consumer Banking continued its journey in creating differentiation and value proposition through segmentation approach. In 2022, various new financial solutions and strategic partnerships were realized which supported the customer and business expansion across affluent to mass market segments. In line with the channels optimization, both branch network and digital banking, Consumer Banking had launched multiple saving account programs

and wealth management products which brought more comprehensive offerings to meet customer’s needs. We also expanded the reach of our consumer banking business by offering more option in mortgage products, launching Danamon JCB Precious Credit Card and continued our digital partnership. In 2022, we managed to add more mortgage partnerships in collaboration with MUFG. For digital we have secured partnership with Venty, Awan Tunai, DANA, OY! and Transfez to enhance our coverage and capabilities.

Despite the challenges in the automotive Industry, Adira Finance was able to grow its loan portfolio by 10.3% YoY to Rp44.59 trillion and new financing by 22.3%. The growth was supported through a more systematic collaboration with MUFG and Danamon. For the first time, Danamon, Adira Finance and MUFG were jointly became the main sponsor of Indonesia International Motor Show (IIMS) 2022, a prominent auto convention held in Jakarta and Surabaya. This initiative embarked Danamon’s aspiration to be the bank of choice for Automotive Industry in Indonesia and strive to serve its ecosystem holistically. Adira Finance also continued to diversify its operations into multi-purpose, white goods and fleet financings.

Danamon continued to invest in IT Digital Developments and embarked on Branch Network Transformation. In 2022, elevating the execution quality and customer centricity, the digital developments were being implemented with Agile approach and hand-in-hand with the Branch Network enhancement. Such combination concept of physical and digital, allows Danamon to interact better with the customers and communities where it operates. Supported by continuous enhanced Digital Apps, the D-Bank PRO had launched many new features including FX Online, Multi Currency Account, integrated Credit Card management, Cash Withdrawal without card and Auto Insurance. For Branch Network, the transformation aims to establish (i) high touch experience to the customers; (ii) omni-channel center to introduce and make the customer familiar in using all of available channels and tools including



digital; (iii) gateway to advisory, center of knowledge for our customer, tailored and integrated solutions to meet their financial needs. As pilot project in 2022, Danamon launched the next generation branch concept for holistic banking experience in Pondok Indah Mall 2, Jakarta and Putri Hijau, Medan.

THE DIRECTORS ROLE IN STRATEGY FORMULATION AND REVIEW PROCESS

The Board of Directors (BOD) plays a central role in formulating Danamon's strategies and strategic policies as part of the duties and responsibilities stipulated in the Board Charter. The strategies and strategic policies then outlined in Danamon's 2022 Business Plan (RBB).

In addition to being fully responsible for setting the short-term and long-term strategic direction and priorities of Danamon, BOD together with the senior managements implement the principle of good corporate governance in all of our business activities to ensure that all implementations are in the right track and in accordance with Danamon's vision and mission.

BOD and senior managements also regularly evaluate the implementation of the strategies and strategic policies and follow up on any audit findings and recommendation from the Bank's internal audit, input from external auditors and result of supervision conducted by the OJK, Bank Indonesia and/or other authorities.

TARGET AND REALIZATION

Total consolidated loans grew 13.5% YoY to reach Rp144.9 trillion at the end of 2022. Despite uncertainty in the global economy and successive increases in benchmark rate, Danamon was able to exceed its loan target. EBFI supported by MUFG collaboration grew 20.4% YoY to Rp67.56 trillion. At the same time, Adira Finance new loan disbursement increased 22.3% YoY and loan balance grew by 10.3% YoY to Rp44.58 trillion. SME loan portfolio was stable at Rp20.62 trillion compared to the previous year. Our efforts to grow mortgage and credit card resulted in Consumer loan portfolio growth of 18.3% YoY or reaching to Rp12.57 trillion.

Danamon remained prudent in asset quality management. Consolidated Non-Performing Loan (NPL) ratio stood at 2.6%, improved by 10bps compared to the previous year level and in line with target.

Through focus on granular funding, CASA balance reached Rp81.4 trillion, grew by 11.6% YoY resulting in CASA ratio of 63.9%. Macroprudential Intermediation (RIM) ratio recorded at 92.1%, indicating ample liquidity. Despite increase in the benchmark rate in the second half of the year, due to discipline in cost of fund, Net Interest Margin (NIM) improved from 7.7% in FY21 to 8.0% in FY22, in line with target.

Danamon offered the following interest rates for its customer deposit and loan in 2022:

PRIME LENDING RATE AS OF DECEMBER 31, 2022

Loans Segments	Prime Lending Rate
Micro Loans	N.A
Retail Loans	9.00%
Consumer Loans (Mortgage)	8.25%
Consumer Loans (Non-Mortgage)	9.25%
Corporate Loans	8.50%

THE WEIGHTED AVERAGE EFFECTIVE INTEREST RATES PER ANNUM FOR THE YEAR ENDED DECEMBER 31, 2022 (FOR RUPIAH DENOMINATION)

Deposit Type	Interest Rate
Current Account	1.52%
Savings	1.72%
Time Deposits	2.87%

Our consolidated Capital Adequacy Ratio (CAR) was 26.3%, well above regulatory requirements and continues to be one of the highest in the industry. The strong capital was helped by the 110% growth in Danamon's NPAT for the Fiscal Year 2022 to Rp3.3 trillion. The NPAT result was also in line with the Bank's target set at the beginning of the year. The Return On Assets (ROA) before tax and the Return On Equity (ROE) was at 1.7% and 8.3%, respectively.

Danamon's strategy to focus on digital expansion had been fruitful, with an estimate that 47% of NTB accounts at Danamon in 2022 were created via digital channels and 77% of transactions are done through digital. Moreover, Danamon received the Highly Recommended Predicate for Best Fintech Partnership Category in the 13th Retail Banker International Asia Trailblazer Awards.

In recognition of our achievements, during 2022 Danamon received several awards both internationally and nationally. Amid the COVID-19 pandemic situation, we are grateful to have been named the Best Retail Bank (Indonesia), Best Open Banking Initiative, Best Payments and Collections Solution at The Asset Triple A Treasury, Trade, Sustainable Supply Chain and Risk Management Awards 2022. As validation of the progress on our digital strategy, Danamon also received Best in Future of Digital Innovation Award at IDC Future Enterprise Awards 2022.

HUMAN CAPITAL MANAGEMENT

Danamon has always placed Human Capital as one of the most essential drivers for success. As a result, in 2022 Danamon accelerated the execution of its vision of becoming 'The Employer of Choice' through our 'Let's GROW' Employee Value Proposition. This proposition is an acronym that stands for Global exposure, Rise to excellence, Own your future, and Wellness and wellbeing. This value proposition hopes to create a workplace culture that drives productivity and performance improvement in line with the vision and mission of the company. We also leveraged MUFG global best practice in training for our talents and even started secondment assignments to MUFG.

As evidence of our commitment to develop talents, despite of the economic and business challenges in 2022, the initiatives to develop human resources were continuing to progress well. Danamon remained committed in preparing the organization for long-term future growth through recruitment of fresh graduate talents via Danamon Bankers Trainee (DBT) programs, as well as development of the

internal talents by prioritizing internal and intra-group job mobility and vacancy fulfillment through internal talents. In addition, learning team has developed 971 training programs (online and hybrid) in 2022, a 19.9% increase from last year with total participants reaching 99.3% of our total employees.

IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE

Danamon is highly committed to implementing Good Corporate Governance (GCG). We continuously improve our GCG each year to become a bank with the best corporate governance implementation, ensuring every program and plan can be realized in accordance with the Bank's vision and mission. In 2022, we refined and updated several policies related to Risk Management and Integrated Corporate Governance, as well as policies supporting the implementation of corporate governance.

In 2022, Danamon was able to receive four stars from the TOP GRC 2022 awards in the category of Governance, Risk and Compliance (GRC). On the same occasion, Danamon's President Director Yasushi Itagaki was acknowledged and received the award for the Most Committed GRC leader of 2022.

One of Danamon's commitment to support the implementation of good corporate governance and ethical business practices was realized through the continued development of its Whistleblowing System (WBS). Through the WBS, anyone can confidentially report allegations related to fraud, policy violations, bribery, illegal activities, and other violations of the code of conduct involving Danamon employees and/or parties related to Danamon.

Danamon had been collaborating with external third party for managing the WBS to create an independent, transparent, convenient, confidential, protected, and monitored WBS reporting system for the employee submitting such reports. Danamon provided personal protection and legal protection for whistleblowers in accordance with the prevailing laws and regulations.



COMMITMENT TO SUSTAINABILITY

Addressing the environmental and social issues is a responsibility of all human being, and for Danamon sustainability is an integral part of our business. We are committed to prioritize harmony among Economic, Social and Environmental (ESG) aspects, and work on finding solutions to mitigate and minimize such impacts, while at the same time ensuring compliance with the prevailing laws and regulations. In doing so, we identify potential ESG impacts that might arise from our business and operational activities.

Our approach to sustainability is through the implementation of Sustainable Finance. As one of the leading banks in Indonesia, Danamon continued to leverage the collaboration with MUFG, Subsidiary, and Strategic Partners in realizing the sustainability commitments under our Sustainable Finance Action Plan (SFAP).

In 2022, we had realized most of our major action plans that includes sustainable financing and operations which was supported by progressive risk management and governance. Our SFAP reflects stern commitment in sustainable finance loan growth acceleration by addressing aspirational Key Performance Indicators (KPIs) to increase the portion of sustainable finance loan portfolio to 25% by 2027. As part of this journey, we have successfully increased our portion of sustainable finance loan portfolio in 2022 as planned and stood at 21%. Signified by the launch of new financing program for solar panel and Electric Vehicle (EV), such progression was also supported by the growth of social loans in SME Banking and Adira Finance, and environmental loan in EBFI.

Effective sustainable finance implementation was also achieved through the identification and integration of sustainability-related risk management into our business. This includes best practice sharing with MUFG, such as environmental and social assessment in the credit underwriting process, with the addition of Oil and Gas Sectoral Guideline under Environmental and Social Risk Assessment (ESRA) Guideline and the Sectoral Guideline which will be effective in 2023. Danamon had also started the Green Taxonomy Pilot Project and its full

implementation preparation, in accordance with Otoritas Jasa Keuangan (OJK)'s directive. By having this way, we aim to have a robust mechanism for responsible investment and financing.

Another imperative action plan in 2022, jointly with MUFG, we continue aiming to reach net zero emissions on our own-operations by 2030 and implementing initiatives with the main purpose of reducing our operation's environmental footprint. We have carried out several key programs such as installation of solar panels in selected branches, partnering with EV Charging projects, Platinum Green Building Certificate for our Menara Bank Danamon, and various CSR programs such as planting 10 thousand mangroves in commemorating our 66th anniversary.

Elevating our sustainability implementation for the coming years, we will continue developing the awareness and building the knowledge of our employees as well as promoting sustainability campaigns to our communities. We committed to continuously working with relevant stakeholders and to achieving a bright and sustainable future.

ANALYSIS OF BUSINESS PROSPECT AND STRATEGY FOR 2023

Danamon expects the Indonesian economy to maintain its GDP growth at around 5% in 2023. Although there are concerns that a global recession may start this year, its impact on Indonesia's economy will be limited due to the historically low non-commodity exports contribution to the GDP. On the other hand, The Fed will remain hawkish throughout the year, prompting BI to keep raising its benchmark interest rate. However, the BI rate is projected to reach its peak at 6.25% by the end of the first quarter in 2023, from 5.25% at the end of 2022. Overall, our outlook for 2023 is optimistic but cautious.

Danamon will continue its strategy in prior years to grow while maintaining prudent principle in EBFI, SME, Consumer and ADMF. Similarly, our focus on granular funding will continue despite a higher interest rate macroeconomic environment. Sharpening our strategy to become a unique hybrid bank, Danamon will expand

synergy among Danamon, MUFG and ADMF. We aim to complement services and offerings to customers through strategic partnerships from recent and upcoming additions to the MUFG Group ecosystem in Indonesia.

Our investment in both digital and branch channels will continue. We will continue to enhance the features of our D-Bank PRO for our individual customer, D-Connect for our business customers and Adiraku for ADMF customer. Integration via API between D-Bank PRO and Adiraku will enhance convenience and value proposition for users. At the same time, we will continue to revamp selective branches with the new and modern branch concept, beyond the two pilot projects. All these will be done with a more focused customer experience lens to optimize customer journey combined with bigger marketing and branding efforts.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

In 2022, there were some changes in the composition of Danamon's Board of Directors following the results of the Annual General Meeting of Shareholder (AGMS) on 25 March 2022. We have welcomed two new additions to our Board of Directors, Mr. Hafid Hadeli as Vice President Director and Mr. Thomas Sudarma as Director. The latest composition of Danamon's Board of Directors is as follows:

- President Director: Yasushi Itagaki
- Vice President Director: Honggo Widjojo Kangmasto
- Vice President Director: Hafid Hadeli
- Director: Herry Hykmanto
- Director: Rita Mirasari
- Director: Heriyanto Agung Putra
- Director: Dadi Budiana
- Director: Muljono Tjandra
- Director: Naoki Mizoguchi
- Director: Thomas Sudarma

APPRECIATION

On behalf of the Board of Directors, we would like to express our gratitude and high appreciation to our Board of Commissioners for their advice, guidance, and recommendations during the year. We also would like to thank our customers, colleagues, and business partners for their endless support, trust, and cooperation during 2022. Our appreciation also goes out to all Danamon employees for their dedication and hard work in carrying out their duties and responsibilities to realize the Bank's vision and mission. Last but not least, we would like to convey our appreciation to the Indonesian Government and particularly OJK for their tireless and resolute leadership, guidance and support. We hope we can continue to synergize together (*Bersama Bersinergi*) with all of our stakeholders in the future to achieve sustainable positive performance and overcome any business challenge in the future.



YASUSHI ITAGAKI
President Director

BOARD OF DIRECTORS



THOMAS SUDARMA
Director

DADI BUDIANA
Director

RITA MIRASARI
Director

MULJONO TJANDRA
Director

**HONGGO WIDJOJO
KANGMASTO**
Vice President Director



YASUSHI ITAGAKI
President Director

HAFID HADELI
Vice President Director

NAOKI MIZOGUCHI
Director

HERRY HYKMANTO
Director

**HERIYANTO
AGUNG PUTRA**
Director



REPORT OF THE SHARIA SUPERVISORY BOARD

Assalamu'alaikum Warahmatullahi Wabarakaatuh Bismillaahirrahmaanirrahiim

Alhamdulillah rabbil'aalamiin, praise be to Allah Subhanahu Wata'ala for all His pleasures, conveniences and gifts to all of us, so that Allah Ta'ala enables us to carry out the duties and mandates that have been entrusted to us. Shalawat and greetings we convey to the Prophet Muhammad Shallallahu 'Alaihi Wa sallam.

Danamon's Sharia Business Unit Supervisory Board (DPS-UUS), as the party entrusted with overseeing and ensuring the suitability of products and businesses carried out, guarantees the application of Sharia principles in accordance with the regulatory mandate and the applicable Sharia Supervisory Board Charter. The board has carried out its functions and duties to supervise and provide opinions on new product proposals, policies, procedures, and other matters related to the fulfillment of Sharia principles at UUS Danamon.

We, as the Sharia Supervisory Board of the Danamon Sharia Business Unit (DPS-UUS), are of the opinion that the Sharia banking activities carried out by UUS Danamon throughout 2022 are in accordance with the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) and the opinions issued by us as DPS.

Finally, we hope UUS Danamon management will always work enthusiastically in order to achieve the targets set for success in the coming year. In closing, let us always pray to Allah SWT to provide health, convenience, and blessings for all our intentions and efforts. Aamiin, yaa rabbal 'alamin.

Wassalaamu'alaikum Warahmatullahi Wabarakaatuh
On behalf of the Sharia Supervisory Board

PROF. DR. H. M. DIN SYAMSUDDIN
Chairman of Sharia Supervisory Board

SHARIA SUPERVISORY BOARD



DR. HASANUDIN, M.AG.
Member of Sharia Supervisory Board

PROF. DR. H. M. DIN SYAMUDDIN
Chairman of Sharia Supervisory Board

DR. ASEP SUPYADILLAH, M.AG.
Member of Sharia Supervisory Board



DECLARATION OF RESPONSIBILITY FOR ANNUAL REPORT

The following is a joint declaration by the Board of Commissioners and the Board of Directors on responsibility for the 2022 Annual Report of PT Bank Danamon Indonesia Tbk.

We, the undersigned, testify that all information contained in the 2022 Annual Report of PT Bank Danamon Indonesia Tbk has been presented in its entirety, and assume full responsibility for the accuracy of the contents of the Company's Annual Report.

This statement is hereby made in all truthfulness.

Jakarta, 8 March 2023

Board of Commissioners

KENICHI YAMATO

President Commissioner

**JOHANES BERCHMANS
KRISTIADI PUJOSUKANTO^{*)}**

Vice President Commissioner
(Independent)

PETER BENYAMIN STOK

Independent Commissioner

NOBUYA KAWASAKI

Commissioner

**HEDY MARIA
HELENA LAPIAN**

Independent Commissioner

HALIM ALAMSYAH

Independent Commissioner

DAN HARSONO

Commissioner

SHUICHI YOKOYAMA

Commissioner

^{*)} Prof. Dr. J.B. Kristiadi signed the declaration of responsibility for annual report on January 27th, 2023.

Board of Directors



YASUSHI ITAGAKI

President Director



**HONGGO WIDJOJO
KANGMASTO**

Vice President Director



HAFID HADELI

Vice President Director



HERRY HYKMANTO

Director



RITA MIRASARI

Director



**HERIYANTO
AGUNG PUTRA**

Director



DADI BUDIANA

Director



**MULJONO
TJANDRA**

Director



**NAOKI
MIZOGUCHI**

Director



**THOMAS
SUDARMA**

Director



SHARIA SUPERVISORY BOARD

Chairman : Prof. Dr. H.M. Din Syamsuddin
Member : Dr. Hasanudin, M.Ag.
Member : Dr. Asep Supyadillah, M.Ag.

Declaration:

The members of Danamon's Sharia Supervisory Board have declared they have no financial, management, share ownership and/or family relationships with members of the Board of Directors, Board of Commissioners and/or controlling shareholders, or other relationships with Danamon that may affect their ability to discharge their duty as stated in their letter of appointment signed on April 14, 2022 and renewed every year.

Jakarta, 8 March 2023

PROF. DR. H.M. DIN SYAMSUDDIN

Chairman

DR. HASANUDIN, M.AG.

Member

DR. ASEP SUPYADILLAH, M.AG.

Member

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