





A member of  MUFG, a global financial group



MANAGEMENT REPORT

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REPORT FROM THE BOARD OF COMMISSIONERS



Yasushi Itagaki
President Commissioner

“The spirit of *Tumbuh Bersama*, the theme for this year’s annual report, encapsulates Danamon’s customer-centric approach and belief that the way to sustainable growth is to grow together with our stakeholders. This philosophy, which has sustained Danamon and guided the Bank throughout its 67 years in Indonesia, is more relevant than ever in today’s fast-moving and interconnected society.”

Dear Valued Shareholders and Stakeholders,

Amidst a complex and dynamic economic landscape, in 2023 Danamon successfully executed its strategy together with MUFG and Adira Finance, attaining record highs once again in loan and funding. This year, we welcomed additional members to the MUFG group in Indonesia and implemented several strategic initiatives, such as venture capital fund placement and portfolio acquisition to accelerate growth as well as widen our prospect for collaboration.

The spirit of *Tumbuh Bersama*, the theme for this year’s annual report, encapsulates Danamon’s customer-centric approach and belief that the way to sustainable growth is to grow together with our stakeholders. This philosophy, which has sustained Danamon and guided the Bank throughout its 67 years in Indonesia, is more relevant than ever in today’s fast-moving and interconnected society.

MACROECONOMY IN 2023

The global economy continued to grow in 2023, albeit at a lower rate than expected due to continuing geopolitical instability and persistently high inflation, which in turn triggered rate hikes by major Central Banks.

In October 2023, Bank Indonesia finally increased the benchmark BI 7-Day Reverse Repo Rate (BI7DRR) by 25 basis points (bps) to 6.00% in order to stabilize the rupiah and as a pre-emptive and forward-looking measures to mitigate the imported inflation. The BI7DRR level was then maintained until the end of the year.

As a result, the growth rate of the Indonesian economy moderated slightly in 2023 to 5.0% Year-on-Year (YoY) from 5.3% YoY last year but still managed to perform well above the global average. The Purchasing Managers’ Index (PMI), an indicator that reflects the confidence level of the manufacturing sector and influences the stock market as well as the foreign exchange market, showed that industry was consistently in an expansion phase. At the same time, due to a drop in commodity prices, Indonesia’s current account returned to negative territory with a deficit of USD 1.6 billion or 0.1% from GDP. The Total banking industry loan grew by 10.4%, reaching Rp7,044.8 trillion with a stable Non-performing Loan (NPL) ratio of 2.2% (gross) as of 31 December 2023. The Rupiah closed the year strengthen 1.1% YoY against the US dollar, not far from last year’s level.

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

The Board of Commissioners finds that the Board of Directors effectively managed the Bank in 2023 and carried out its duties and responsibilities properly. The Board of Directors achieved the Bank's financial targets, strengthened operational and financial capabilities, and deepened collaboration with the MUFG ecosystem to drive growth.

Under the direction of management, Danamon has achieved a new record highs in loans and funding with healthy asset quality, and successfully increased NIM level in a high interest rate environment. The ongoing investments in IT infrastructure, digital, branding, people capabilities, and branch networks has improved business process efficiency, enhanced customer engagement, and increased digitalization. These initiatives were also expected to increase the Bank's differentiation and strengthen its brand in a competitive market.

The Bank posted a Net Profit After Tax (NPAT) of Rp3.5 trillion, which increased by 6% YoY. The total loan portfolio grew by 19% YoY to Rp172.9 trillion, and the total funding grew by 14% YoY to Rp156.5 trillion. The CASA ratio amounted to 52.3% at the end of the year, and the NPL ratio stood at 2.2%, an improvement from 2.6% at the end of 2022. With a strong consolidated Capital Adequacy Ratio (CAR) of 27.5% as the end of 2023, Danamon is well positioned to drive business expansion, especially with the backing of MUFG.

Danamon's strong and stable ratings independently confirm the strength of the business. Fitch Ratings affirmed Danamon's National Long-Term Rating at AAA(idn)/Stable, the highest rating available for Indonesia, and the BBB/Stable rating as the Long-Term Issuer Default Rating (IDR). Similarly, Indonesia's rating agency, Pefindo, continued to confer its highest corporate rating for Danamon of idAAA/Stable. Danamon is also a constituent of IDX-Pefindo Prime Bank Index, an index published by Pefindo starting in 2023 that consists of 10 bank issuers with investment grade ratings.

OVERSIGHT OF STRATEGY IMPLEMENTATION

In accordance with its mandate, the Board of Commissioners oversaw the formulation and execution of the Bank's strategies and policies, in close coordination with the Board of Directors. We provided input and advice for the preparation of the

Bank's Business Plan and periodically reviewed the implementation to ensure that the Bank was on track in achieving its targets.

Throughout the year, Danamon focused on its business and customer expansion by bolstering and transforming its channels, improving its product offerings, leveraging synergies within the MUFG ecosystem, as well as fostering both digital acceleration and digital partnership. Danamon deepened its business penetration in a few key ecosystems, such as the automotive and Japanese real estate sectors, while diligently identifying any opportunities to tap into new industry ecosystems. These efforts have been fruitful, as the loan portfolio across all business segments experienced double-digit yearly growth. Enterprise Banking and Financial Institutions (EBFI) including Trade Finance Marketable Securities grew 15% YoY, reaching Rp78.8 trillion, while SME loan portfolio was up by 9% YoY, amounting to Rp22.6 trillion. The highest growth was derived from Consumer Banking, which increased by 41% YoY to reach Rp17.7 trillion.

In order to expand opportunities for collaboration opportunities, Danamon together with MUFG and MUFG Innovation Partners Co.Ltd. (MUIP), launched the MUIP Garuda Fund, dedicated in supporting Indonesia's digital ecosystem by investing in fintech start-ups. With the help of MUFG, Danamon pioneered the development of Sustainable Social Loans and was also involved in coordinating sizeable syndicated loans.

Danamon expanded its portfolio by acquiring Standard Chartered Bank Indonesia (SCBI)'s retail loans. Finalized in December 2023, the acquisition serves to strengthen Consumer Banking as well as provide better economies of scale for ongoing investment.

In parallel, the transformation of branch networks was expanded to another 53 branches following the 2 pilot branches last year. Utilizing agile methodology, Danamon enhanced its digital capabilities through the frequent release of new as well as updated features in D-Bank PRO for consumers. The Bank also continued to enhance its digital platform for business customers, Danamon Cash Connect. In line with the accelerating customer's preference for digital channels, New-to-Bank (NTB) accounts sourced through digital channels grew by 117% compared to 55% in 2022 and 28% in 2021. Similarly, digital transactions rose to 93% of all transactions in 2023, compared to 77% in the previous year showing that the Bank has successfully developed digital services that appeal to customers.

Adira Finance, Danamon's subsidiary also contributed to growth. Adira Finance's loan portfolio grew by 25% YoY to Rp55.7 trillion, in line with its strengthening market share and profit during 2023. Danamon and Adira Finance jointly participated in various national events, such as the Indonesia International Motor Show (IIMS) 2023, for which Danamon and Adira Finance were the main sponsors, and strengthened collaboration by cross-selling to one another's partners and ecosystem with good results.

In October, Adira Finance and Krungsri Bank, a subsidiary of MUFG in Thailand, finalized the purchase of Home Credit Indonesia (HCI), a consumer durables finance provider whose business is complementary to that of Adira Finance's. This transaction will strengthen Adira Finance's business and expand Danamon's ecosystem, creating future growth opportunities.

The combination of these initiatives has moved Danamon forward, enhancing the Bank's capabilities and value proposition for customers and partners as one of Indonesia's leading banks and a member of MUFG.

BUSINESS OUTLOOK

The Board of Commissioners is of the opinion that the business prospects prepared by the Board of Directors are ambitious but realistic, given possible macroeconomic disruptions. World economic growth is expected to slow down in 2024 due to high interest rates, high energy prices, and the slowing growth of China and the United States, the world's two largest economies.

By contrast, the Indonesian economic growth is expected to pick up slightly, with growth reaching around 5.2%. The Indonesian government ended 2023 in a strong fiscal position with a solid trade surplus, controlled inflation, and fairly stable currency, all of which underpin continued growth. Additional supporting factors for growth in 2024 include fiscal, monetary, and real sector policy support, controlled inflation, export performance, rising investment, and the expansion of the downstream and green energy sectors. In addition, the presidential and government elections in Q1 are expected to spur domestic spending.

Overall, household and business spending is expected to grow in 2024. As more than half of GDP comes from household consumption, growth is therefore projected to be resilient. However, the Indonesian economy is not immune to risks from food and energy price shocks, declines in exports, global trade challenges, and further monetary tightening abroad.

The Board of Commissioners therefore reminds the management to be cautious and vigilant of any adverse changes in the business environment, while continuing to focus on growth and Danamon's differentiated strategy as part of the MUFG network.

CORPORATE GOVERNANCE IMPLEMENTATION

Good corporate governance (GCG) is vital to Danamon's continuity, supporting its robust financial and operational performance. As such, Danamon emphasizes GCG implementation across the organization, referencing to both regulatory and other internationally applicable standards.

Danamon's GCG implementation consists of 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.

In the assessment of the Board of Commissioners, the Bank's GCG practices are viewed as sound and aligned with best practices and regulatory requirements. The two GCG self-assessment exercises conducted in every six months in 2023, revealed that Danamon's GCG practices were consistently found to be "Good".

Danamon frequently revisits the quality of its GCG implementation with references to best practices and changes to its business or the environment. This includes updating key policies as necessary, such as those pertaining to risk management and integrated governance, as well as other policies that are critical to GCG.

In formulating this assessment and monitoring the implementation of Danamon's GCG practices, the Board of Commissioners is supported by several committees that regularly submit reports on matters relevant to GCG. We have also assessed the quality of these committees' work based on, among other aspects, the number and subject of meetings, decisions made during meetings, and the prompt implementation of follow-up actions.



WHISTLEBLOWING SYSTEM IMPLEMENTATION

As part of reinforcing good corporate governance, Danamon has developed and implemented a whistleblowing system (WBS) in line with its commitment to apply the best corporate governance and to conduct business practices with integrity. The WBS mechanism provides avenues for employees to report incidents of fraud, abuse, or suspicion thereof confidentially and responsibly, without fear of retribution. Employees' reports are strictly confidential, and their identities are protected.

To further ensure impartiality, Danamon has appointed an independent third-party 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 share the report with the relevant authorities.

The Board of Commissioners, together with the Audit Committee and other relevant units, periodically evaluates and follows up on any WBS reports that are received. Reports that are proven true based on the results of an investigation are followed up by administrative sanctions that range from warning letters, transfers, and counseling up to termination of employment.

It is the view of the Board of Commissioners that the consistent visibility and implementation of the WBS will help 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 is pleased to see that Danamon has made measurable progress on the implementation of its Sustainable Finance Action Plan (SFAP), in line with the MUFG's and the Bank's commitment to strengthening sustainability. We are of the view that Danamon's sustainable finance implementation in 2023 is aligned with OJK Regulation No. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies.

Among others achievements, the portion of the overall portfolio accounted for sustainable financing increased from 21% at the end of 2022 to 22% at the end of 2023, reflecting environmentally linked loans and the launch of loans to support SME development, which also aims to improve financial inclusion. The Bank also made Environmental, Social, and Governance (ESG) investment products more widely available to customers as part of Danamon's support for raising ESG awareness in society.

Sustainability-related aspects continue to be incorporated into the Bank's processes, for instance, in the 2023 updates of the credit underwriting process. Danamon also participated in the Green Taxonomy Pilot Project per OJK's directive, as part efforts to drive industry development.

As part of its joint commitment with MUFG to achieve net-zero greenhouse gas emissions from owned operations by 2030, Danamon pushed to reduce and mitigate its carbon footprint further during the year. Danamon also collaborated with Adira Finance to hold various environmental and community activities aiming to strengthen public well-being in the long term. Further details are available in this year's Sustainability Report.

The Board of Directors will continue to monitor and encourage the management in the implementation of Danamon's sustainability strategy and sustainable finance development, as outlined in the SFAP.

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 31, 2023. Mr. Kenichi Yamato and Mr. Shuichi Yokoyama ended their terms as President Commissioner and Commissioner of Danamon respectively at the AGMS on March 31, 2023. Danamon is deeply grateful for their contributions and service and wishes them all the best.

Mr. Yasushi Itagaki, whose term of service as President Director of Danamon had ended, was appointed as the new President Commissioner of Danamon, and Mr. Halim Alamsyah was appointed as Vice President Commissioner, effective upon passing the fit and proper test from the Financial Services Authority.

With these changes, the composition of Danamon's Board of Commissioners as of the writing of this annual report is as follows:

- President Commissioner: Yasushi Itagaki
- Vice President Commissioner (Independent): Halim Alamsyah
- Independent Commissioner: Peter Benyamin Stok
- Commissioner: Nobuya Kawasaki
- Independent Commissioner: Hedy Maria Helena Lopian
- Commissioner: Dan Harsono



Yasushi Itagaki

President Commissioner

CLOSING REMARKS

The Board of Commissioners believes that Danamon is on the right track for growth in collaboration and synergy with stakeholders. The achievements in 2023 have strengthened Danamon's business to become more customer-centric, as part of continuous service improvements for our valued customers.

On behalf of the Board of Commissioners, I would like to express our deep appreciation to the Board of Directors and all employees for their hard work and dedication to driving Danamon forward. I would also like to thank Danamon's loyal customers and partners for their confidence and support.

We also wish to acknowledge the support and guidance of the Financial Services Authority (OJK), Bank Indonesia, and the Indonesian government, a sincere thanks for their continued efforts to build and develop a healthy and thriving economy and society.

Danamon's progress in its 67th year has been made possible by all of these stakeholders. The Bank will do its best to safeguard their trust and confidence through the continued pursuit of excellence now and in the future.

BOARD OF COMMISSIONERS



NOBUYA KAWASAKI
Commissioner

**HEDY MARIA
HELENA LAPIAN**
Independent Commissioner

YASUSHI ITAGAKI
President Commissioner



HALIM ALAMSYAH
Vice President Commissioner
(Independent)

PETER BENYAMIN STOK
Independent Commissioner

DAN HARSONO
Commissioner



REPORT FROM THE BOARD OF DIRECTORS



Daisuke Ejima
President Director

“ In 2023, we continued significant progress in our business expansion and investment. We remain consistent in leveraging our uniqueness as a hybrid bank which represents combination of strong local presence with the global expertise of MUFG. ”

Esteemed Shareholders and Stakeholders,

Marking Danamon's 67th year, we would like to humbly present our report on Danamon's financial and performance for the 2023 fiscal year.

Danamon successfully recorded new milestones in 2023 reaching new heights in loan and funding. The loan reached Rp172.9 trillion, a 19% YoY growth. Total funding grew by 14% YoY reaching Rp156.5 trillion and our granular funding grew by 10% YoY with a CASA ratio of 52.3% at the end of the year. Our strategy execution successfully grew our Net Profit After Tax (NPAT) by 6% YoY reaching Rp3.5 trillion. Overall, the Bank managed to continue expanding its customer base and finished the year with strong balance sheet and profitability.

In 2023, we continued significant progress in our business expansion and investment. We remain consistent in leveraging our uniqueness as a hybrid bank which represents combination of strong local presence with the global expertise of MUFG.

From the financial group perspective, MUFG has continually expanded its investment in Indonesia. One of them includes the placement of a venture fund ("Garuda Fund") together with Danamon to support the growth of Indonesian startups and expand Danamon's collaboration ecosystem. Adira Finance and Krungsri Bank (MUFG's subsidiary in Thailand) have finalized the acquisition of PT Home Credit Indonesia (HCI), a process that has been initiated since 2022. MUFG and Adira Finance have also signed the acquisition of PT Mandala Mutifinance Tbk. (Mandala Finance), and the transaction is expected to be finalized in the beginning of 2024.

Throughout the year, Danamon made significant achievements by embracing the spirit of "Tumbuh Bersama", as reflected in this annual report theme. The theme embodies our commitment to support our customers, assisting them to grow and prosper together with Danamon in every stage of their life journey.



ECONOMIC AND INDUSTRY OVERVIEW

The global economy slowed further in 2023 in the face of intensified geopolitical uncertainty related to conflicts in Ukraine and the Middle East, high inflation and continued monetary tightening. Indonesia's growth rate was impacted but remained resilient at around 5.0%, compared with the previous year's 5.3% which was buoyed by pent-up demand after the pandemic.

The Indonesian economy benefited from robust household consumption, which represents 53.8% of the country's GDP, as well as from continued investment realization and export growth. Household consumption rose by 4.5% YoY supported by increased post-pandemic mobility, stability in purchasing power, and the high level of consumer confidence, while investment increased by 5.0% YoY which contributed 30.6% of GDP. On the other hand, exports for the year declined due to the global slowdown with the price of palm oil and coal as Indonesia's main commodities weakening by 12% YoY and 50% YoY respectively.

Responding to rate hikes by the United States Federal Reserve, Bank Indonesia raised its benchmark BI 7-Day Reverse Rate (BI7DRR) by 25 bps to 6% in October, after maintaining the rate since the beginning of 2023. Despite fluctuations during the year, the USD to Rupiah exchange rate closed the year at Rp15,397, strengthen compared to the level at the end of 2022. The regulator's fiscal and monetary policies successfully maintained Rupiah stability and countered funds outflows due to rate hikes. The rates increase also helped to keep full year inflation to 2.6%, well within the regulator's 3±1% target corridor despite higher non-subsidized fuel prices and food prices. On the other hand, lending and borrowing costs increased significantly, with Indonesian Deposit Facility and Lending Facility rates respectively rising by 0.25% throughout the year.

Despite these challenges, the business sector demonstrated a trend of improvement as the post-pandemic recovery continued, including automotive industry. Based on the Association of Indonesia Automotive Industries (GAIKINDO), the sales for four-wheeler (4W) vehicle sales decreased by 2%

reaching 998,059 units, nearly reaching pre-pandemic levels. In the meantime, based on Indonesia Motorcycle Association (AIS), the two-wheeler (2W) vehicle sales reached 6.2 million units, showing that the demand has not yet fully recovered. In order to support adoption of electric vehicles (EVs) towards the target of two million electric cars and thirteen million electric motorcycles by 2030, the Government provided subsidies and sales tax incentive until the end of 2023.

ANALYSIS OF BANK PERFORMANCE IN 2023

STRATEGY AND RESULTS IN 2023

Throughout 2023, we continued to strengthen our channels, solutions and ecosystem by systematically deepening synergies and cross-referrals with MUFG and Adira Finance, while advancing our investments in IT Infrastructure, Digital, People, Branding and our wide transformation of Branch Networks. Through this holistic approach, Danamon has been able to successfully improve service excellence and engagement with customers, communities and select ecosystems which in turn sustained double-digit loan growth, increased granular funding, and expanded fee income. We continued to grow our business in the automotive ecosystem and partnered with Japanese real estate providers.

The Enterprise Banking and Financial Institution (EBFI) including Trade Finance Marketable Securities loan portfolio has surged to reach Rp78.8 trillion. This was achieved through deepening relationships with existing customers, expanding the portfolio to acquire new customers and optimizing relationships via the financial supply chain. With MUFG's networks, we continue to increase penetration in the Japanese ecosystems in Indonesia, such as automobile and real estate. Danamon together with MUFG and partner banks MUFG networks held Business Matching events to benefit our corporate customers by providing them a platform that enabled customers of each bank to meet, network, exchange business insights, and explore business deal opportunities. In 2023, within the MUFG networks in Asia, four Business Matching events were held, with two of them conducted in Indonesia.

The Small and Medium Enterprise (SME) segment continued to recover from pandemic woe. We focused on increasing productivity as well as penetration of foreign exchange and trade finance facilities. Penetration of SME segment distributors within the financial supply chain of EBFI and MUFG customers was also increased. Collaboration is another key growth strategy for the segment. SME leveraged Adira Finance relationships to serve auto dealers, fostered partnerships with fintech companies to grow via digital channels and collaborated with other institutions to set up social loan programs.

Consumer Banking grew 41% YoY to Rp17.7 trillion through various initiatives initiated in 2023 that aimed to reach higher engagement with customers and expand collaboration with strategic partners. We continued expanding customer base by improving digital channel capabilities and leveraging transformed branches. Through the “Tumbuh Bersama” spirit, we aim to reach the younger generation and provide various solutions to meet their financial needs in every stage of their life journey. We held major events such as the DXPO (Danamon Expo travel, property, auto, F&B and lifestyle expo) in celebration of our 67th anniversary and served as the main sponsor for the biggest wedding exhibition in Indonesia, Bridestory Market 2023. To maintain sustainable granular funding, Danamon launched the Danamon Hadiah Beruntun (DHB) program for our customers nationwide.

In the automotive industry, our subsidiary, Adira Finance continued to prioritize strengthening position and regaining market share through product diversification and attractive programs. Adira Finance also expanded its offerings in non-automotive products to retain and improve the stickiness of existing customers through multipurpose financing, durable goods financing, and providing fleet financing as well as heavy equipment financing. Adira Finance and Danamon with the support of MUFG continued commitment to support automotive industry by becoming the main sponsor for IIMS 2023, a prominent auto exhibition held in Jakarta and Surabaya.

In addition, Adira Finance benefited from inorganic growth in collaboration with MUFG. Together with Krungsri Bank, MUFG's partner bank in Thailand, Adira Finance has finalized the acquisition of HCI on October 2023. MUFG and Adira are also in progress of acquiring consumer financing provider Mandala Finance to strengthen its coverage in the eastern part of Indonesia. This transactions are expected to be finalized in 2024 and will deliver wider synergies for both Adira Finance and Danamon going forward.

At the beginning of 2023, Danamon, together with MUFG and MUFG Innovation Partners Co. Ltd.(MUIP), committed USD 100 million in MUFG Innovation Partners Garuda No.1 Investment Limited Partnership (Garuda Fund). This fund is dedicated to support the growth of Indonesian fintech companies and enlarge the number of collaboration partners for Danamon group. Following this, Danamon in collaboration with MUFG also held an Investment Fair to provide access for startups in reaching potential investors. This event was attended by 150 startups and three of MUFG's group entities focusing on start ups: MUIP, Krungsri Finnovate and MARS Growth Capital.

In December 2023, Danamon finalized acquisition of the conventional retail loan portfolio, consisting of customers with good track records, from Standard Chartered Bank Indonesia (SCBI). This transaction has strengthened the consumer lending business as one of Danamon's main business engines, as well as creating economies of scale from our investments in Branch Networks, Digital Banking, and other capabilities.

Danamon continued to invest in channels, including Branch Network and Digital Banking. While the Digital Banking excels at delivering seamless self-service convenience for simple, routine transactions, the Branch Network acts as platforms for complex transactions and high-value product consultations, whether in-person or virtually. We have therefore re- envisioned our branch offices to become hub for financial advisory and consultation services. These Next Generation Branches, many of which include hospitality points, community spaces and knowledge



sharing areas, are designed to foster high-touch interactions and engagement, accompanied by more personalized and efficient assistance. Following the pilot transformation of two branch offices in 2022, we rolled out the transformation more widely this year. A total of 53 branches in 18 cities has been transformed in 2023, with an emphasis on integrating digital, human and physical aspects to support strengthened advisory role of branches and deliver improved customer experience.

On Digital Banking side, Danamon has continually improved capabilities of D-Bank PRO, the mobile banking for personal use and Danamon Cash Connect (DCC), the mobile and internet banking for business users. In 2023, 22 new features were launched, including virtual credit card, cash out through Indomaret and FX LIVERATE. In addition, the upgraded features in DCC that covers comprehensive modules for cash management and financial supply chain includes flexibility in collection methods, access to more comprehensive reporting and much more. We continue leveraging our digital partnerships to enhance customer expansion and capabilities. The newly and deepened digital partnerships are collaboration with Bareksa, Pima!, Klikdokter and OY!. These new features and capabilities, together with our digital partnerships, have produced larger customer interactions and number of transactions. In addition, Garuda Fund has also made investment in Qoala, an omnichannel insurtech company in Indonesia, and this investment opens up new collaboration opportunity for Danamon group. Altogether, these initiatives have strengthened and sharpened Danamon's value proposition to customers, enabling us to claim a unique and differentiated service niche.

GROUP SYNERGIES

We continued to strengthen our collaboration with MUFG in 2023. This resulted in a 34% YoY increase in cumulative synergy deals to reach 580 deals with Rp21.7 trillion in synergy loans. Leveraging MUFG's expertise in ESG, Danamon launched the first ever Sustainable Social Loan with PT Pegadaian and a Sustainable Syariah Social Loan with PT Permodalan Nasional Madani. These financings are designed to expand financial inclusion to underprivileged families, women entrepreneurs and ultra-micro businesses. MUFG also connected Danamon to partner with the

majority of Japanese property developers in Indonesia. In addition, MUFG also supported Danamon in various syndicated loan initiatives.

Danamon and Adira Finance specifically benefited from the deepened synergies in the automotive ecosystem. The synergies were achieved through various joint events and marketing campaigns, and cross-referral for product and services. By the end of 2023, the auto loan financing provided to Danamon's customers increased by 98% YoY reaching Rp910 billion, while total customers increased by 112% YoY. CASA opening by Adira Finance's customers has increased by 11.3 times. The working capital loans provided by Danamon to Adira Finance's dealers has increased by 103% YoY with 105% YoY increase in the number of dealers. These dealers in return will prioritize channelling its auto loans to Adira Finance. Through referral from EB and SME customers, Fleet Financing by Adira Finance has grown by 85% YoY with the number of customers increasing by 22% YoY.

THE DIRECTOR'S ROLE IN STRATEGY FORMULATION AND THE REVIEW PROCESS

The Board of Directors (BOD) is responsible for the formulation and execution of Danamon's strategies and policies, as set forth in the Board Charter. These strategies and policies, which are established to realize Danamon's vision and missions, are articulated in Danamon's 2023 Business Plan (RBB) and are established in consultation with the Board of Commissioners, with consideration of inputs and guidance from Otoritas Jasa Keuangan (OJK), Bank Indonesia and other relevant authorities.

Subsequently, strategy and policy execution, including implementation of good corporate governance (GCG), is monitored and evaluated by the BOD and senior management with the support of relevant functions such as the Internal Audit committee. Recognizing that the business landscape is highly dynamic, the BoD continuously stays abreast of changes and developments in the market. The BoD would then adjust the execution of the strategy and policy in order to prudently maintain and safeguard Danamon's business continuity and responsibilities to stakeholders, and to uphold the Bank's commitment in implementing best banking practices.

TARGET AND REALIZATION

Our strategies have successfully led us to achieve new milestones in lending and funding for 2023. Our total consolidated loans grew by 19% YoY to reach Rp173 trillion, higher than industry target. EBFI including Trade Finance Marketable Securities segment which supported by MUFG collaboration grew by 15% YoY reaching Rp78.8 trillion. Adira Finance's new financing has increased by 31% YoY with loan balance growing by 25% YoY to reach Rp55.7 trillion. Meanwhile, the SME loan portfolio recorded growth of 9% YoY which amounted to Rp22.6 trillion. The Consumer loan experienced rapid growth of 41% YoY to reach Rp17.7 trillion.

Danamon maintained its asset quality to remain prudent with the Consolidated Non-Performing Loan (NPL) ratio standing at 2.2%, improving by 40 bps from last year. At the same time, the NPL Coverage ratio improved to 265.9%.

In parallel, despite the reduction in CASA balance, Danamon successfully grew granular funding by 10% YoY, consisting of CASA and regular Time Deposits from Consumer and SME.

The table below compares Danamon's prime lending rates to average interest rates during 2023:

PRIME LENDING RATE AS OF DECEMBER 31, 2023

Loans Segments	Prime Lending Rate
Micro Loans	N.A
Retail Loans	9.00%
Consumers Loans (Mortgage)	8.00%
Consumers Loans (Non-Mortgage)	9.25%
Kredit Korporasi	8.50%

THE WEIGHTED AVERAGE EFFECTIVE INTEREST RATES PER ANNUM FOR THE YEAR ENDED DECEMBER 31, 2023 (FOR RUPIAH DENOMINATION)

Deposit Type	Interest Rate
Current Account	2.16%
Savings	2.08%
Time Deposits	4.29%

At year end, our Capital Adequacy Ratio (CAR) was 27.5%, well above the regulatory minimum. Our Consolidated Net Profit After Tax (NPAT) amounted to Rp3.5 trillion, an increase of 6% compared to the same period the previous year and better than target. Return On Assets (ROA) after tax and the Return On Equity (ROE) were 1.7% and 8.3%, respectively.

Continuing the trend of the previous year, the contribution of digital channels accelerated. New-to-Bank (NTB) accounts at Danamon increased by 117% YoY, compared to 47% YoY in 2022. Transaction value on digital channels grew by 38% YoY, with the number of financial transactions increasing by 28% YoY and Monthly Active User growth of 6% YoY.

We are grateful that Danamon's performance and accomplishments were recognized by several domestic and international awards during the year. These include, but not limited to, the Best Retail Bank Indonesia by the Retail Banker International Asia Trailblazer Awards 2023; Top Bank 2023 in Conventional - KBMI 3 Category at the 4th Indonesia Top Bank Awards 2023; Best for ESG Investing in Indonesia by Asiamoney Private Banking Awards, Best Conventional General Bank Internet Banking, Mortgage and Syariah Unit at the 12th Infobank Digital Brand Awards; First Rank for Satisfaction Index 2023 at the 6th Infobank Satisfaction, Loyalty & Engagement Awards 2023; and many more.

IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE

We at Danamon are consistently committed to upholding Good Corporate Governance (GCG) standards. We consistently monitor and strengthen our GCG implementations, with reference to both local and global best practices. Risk Management, Integrated Corporate Governance, and other critical aspects of corporate governance continue to be strengthened.

In parallel, we maintained framework such as the Whistleblowing System (WBS). This system allows individuals to confidentially report allegations of fraud, policy violations, bribery, illegal activities, and other breaches of the code of conduct.



In line with our commitment to transparency, Danamon collaborates with an external third party to manage the WBS. This collaboration aims to establish an independent, transparent, convenient, confidential, protected, and monitored reporting system for employees submitting such reports. Importantly, Danamon ensures personal and legal protection for whistleblowers, in accordance with prevailing laws and regulations.

In recognition of our efforts, Danamon was proud to be selected as a 50 publicly listed companies awarded the “2023 Corporate Governance Award” by the Indonesian Institute for Corporate Directorship (IICD).

COMMITMENT TO SUSTAINABILITY

For Danamon, sustainability means conducting our business in a way that improves consistently over the long run, and at the same time contributes to socioeconomic development while minimizing our environmental footprint. We continue to conserve the environment, enrich the communities’ livelihoods, and care for the development and wellbeing of our employees, all while being committed to good governance and prudent banking principles.

As a leading Indonesian bank and a member of MUFG, we are intent on expanding our Sustainable Finance commitment as an integral part of our business. To realize this, we have formulated a Sustainability Finance Action Plan (SFAP), which consists of 5 pillars: Governance and Process, Internal Awareness and Capacity Building, Responsible Workplace Management and Corporate Social Responsibility (CSR). Together, these 5 pillars complement and reinforce one another to create positive cycle of impact towards Environmental, Social and Governance (ESG) objectives.

Throughout 2023, our sustainable finance loan portfolio expanded further to reach 22% of our total loan portfolio, up from 21% at the end of 2022, which was primarily contributed by growth of Environmental Loans in EBFI and steady expansion of Social Loans in SME and Adira Finance. This result is in line with our goal of increasing the portion of Sustainable Financing portfolio to 27% by 2028.

EBFI environmental loans focused on providing funding for businesses that demonstrate responsible growth and development, for example financing palm oil businesses that are involved in biodiesel production with certification. To support responsible lending, our credit underwriting process has been updated to include Oil and Gas Sectoral Guidelines in 2023, as part of strengthening our overall Environmental and Social Risk Assessment (ESRA). We also participated in the Green Taxonomy Pilot Project in accordance with OJK’s direction towards ensuring responsible investment and financing mechanisms.

Solar Panel and Electric Vehicle (EV) financing accelerated throughout 2023, reflecting Adira Finance’s growing EV market share, as well as Danamon’s active support for the industry which includes employee incentives for Solar Panel and EV home purchases. The financing loan for EV has grown by 6.5 times YoY.

We have established Sustainable Social Loans to support SMEs as well as access to education loans. Adira Finance also similarly committed to channeling micro-financing social loans to unbanked MSME with the aim of helping them.

Within our offerings, we have also created opportunities in response to rising interest in ESG investing. For example, we now offer an MSCI Indonesia ESG Screened index mutual fund product for retail investment which offers customers opportunities to invest in support socially responsible companies, as part of catalyzing broader interest in ESG and sustainable finance. The Danamon Wealth Series of events has also added ESG-themed sessions.

With regard to our operations, jointly with MUFG, we made progress towards our goal of reaching net zero emissions on our operations by 2030 and implementing initiatives with the main purpose to reduce and minimize our carbon footprints. In addition to various energy saving initiatives such as installations of LED lamps and Solar Panels at branches, Danamon also started to participate in Renewable Energy Certificates to support transition to greener energy and Carbon Credits to offset our carbon emissions.

We also continued to engage in initiatives to boost national financial literacy and inclusion, access to clean water and sanitation, and natural disaster mitigation by planting trees and mangroves, accompanied by environmental education initiatives. Our efforts touched more than 11,000 beneficiaries, with over 1,600 employees participating in these initiatives, with additional Adira Finance employees volunteering to drive impact together for the good of all shareholders.

ANALYSIS OF BUSINESS PROSPECTS AND STRATEGY FOR 2024

Despite persistent global uncertainties arising from the elevated interest rate environment and geopolitical dynamics, we remain cautiously optimistic with the opportunities ahead. The economy ended the year in good shape with trade surplus amounting to USD 36.9 billion. This shown the resilience of our economy amid increasing global risks, including moderation in commodity and economic slowdown in major trading partner country, such as China.

Bank Indonesia projects the growth of the Indonesian economy within the range of 4.7-5.5% with 2.5+1% inflation in 2024, bolstered by resilient domestic demand which comprises more than half of the country's Gross Domestic Product (GDP). Moreover, government spending is expected to increase in 2024 due to various factors including activities associated with the presidential and regional leader elections, the planned increase in government employee salaries, investments in the development of Indonesia's new capital city as well as increased social spending and the completion of infrastructure and national strategic projects. These factors are poised to serve as buffers against the potential impact of a global economic slowdown in 2024.

As we navigate these conditions, our commitment to expanding Danamon into a leading financial group with sustainable profitability remains unwavering. With MUFG, we are confident that Danamon is able to deliver a unique and differentiated experience for customers, one that combines the best of global banking solutions with a deep understanding of Indonesian customers' needs. Notwithstanding the higher interest rate environment, we therefore believe that Danamon has the potential to achieve customer growth and improved profitability in 2024, accompanied by healthy asset quality and robust liquidity.

On the wholesale side, we will realize this by strengthening our attractiveness as a preferred partner for financing and funding in targeted ecosystems, and also by leveraging strategic partnerships with MUFG group members.

On the retail side, customer engagement will continue to be the focus of our efforts, along with granular funding growth, through the continued roll out of our hybrid channel strategy encompassing both digital and branch channels.

Throughout, ongoing data analytics and process improvements will take place, along with expanded investments in IT Digital and People as we take our operations to the next level in pursuit of delivering even stronger results.



CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors of Danamon experienced changes during the year. Mr. Yasushi Itagaki ended his term as President Director and was honorably appointed as President Commissioner at the AGMS on March 31, 2023. In turn, Mr. Daisuke Ejima was appointed as the new President Director effective as of April 1, 2023. In addition, Mr. Heriyanto Agung Putra stepped down from his position as a Director of the Board at the end of his term. The Board of Directors would like to thank both Mr. Yasushi Itagaki and Mr. Heriyanto Agung Putra for their dedication and contribution to Danamon during their term of working. These changes were ratified by the Annual General Meeting of Shareholders (AGMS) on 31 March 2023. The present composition of Danamon's Board of Directors is as follows:

- President Director: Daisuke Ejima
- Vice President Director: Honggo Widjojo Kangmasto
- Vice President Director: Hafid Hadeli
- Director: Herry Hykmanto
- Director: Rita Mirasari
- Director: Dadi Budiana
- Director: Muljono Tjandra
- Director: Naoki Mizoguchi
- Director: Thomas Sudarma

GROWING & PROSPERING TOGETHER

Danamon's progress and accomplishments in 2023 were made possible by the trust of our valued customers, the support of our partners and the dedication of the Danamon team, whose hard work and commitment have been instrumental in realizing the Bank's vision and mission.

As such, we would like to extend our sincere and heartfelt appreciation to every one of them. At this opportunity, we would also like to thank the Board of Commissioners for their invaluable advice, guidance, and recommendations throughout the year. Last but not least, we are grateful for the direction and guidance provided by OJK and Bank Indonesia, whose efforts to safeguard the health of the Indonesian economy are critical in maintaining national stability amid the volatile global landscape. As we look ahead, we envision growing and prospering hand in hand with all stakeholders, working closely together to achieve sustainable positive performance growth in the future.

We look forward to continuing this collaborative journey, nurturing strong relationships, and achieving new milestones together in the coming years. Thank you for being an integral part of our shared success story. Together, we believe we could assist you to grow and prosper in years to come.

Daisuke Ejima

President Director

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BOARD OF DIRECTORS



DADI BUDIANA
Director

HERRY HYKMANTO
Director

THOMAS SUDARMA
Director

HAFID HADELI
Vice President Director



DAISUKE EJIMA
President Director

HONGGO WIDJOJO
KANGMASTO
Vice President Director

NAOKI MIZOGUCHI
Director

RITA MIRASARI
Director

MULJONO TJANDRA
Director



REPORT OF THE SHARIA SUPERVISORY BOARD

Assalamu'alaikum Warahmatullahi Wabarakaatuh

Bismillaahirrahmaanirrahiim

Alhamdulillah rabbi'l'aalamiin, praise be to Allah Subhanahu Wata'ala for all of His pleasures, conveniences, and gifts to all of us, so that Allah Ta'ala may enable us to carry out the duties and mandates entrusted to us. May Allah bestow peace and blessings on our beloved Prophet Muhammad Shallallahu 'Alaihi Wa sallam.

As Danamon's Sharia Business Unit Supervisory Board (DPS-UUS), we have a specific mandate under the Board's most recent charter to oversee and ensure the conformity of the Bank's products and services to Sharia principles, regulations, and the applicable Sharia Supervisory Board Charter. The DPS-UUS has carried out its functions and duties to supervise and provide opinions on every new product, policy, procedure, or other matters related to fulfilling Sharia principles.

We, the Sharia Supervisory Board of Danamon's Sharia Business Unit (DPS-UUS), believe that all Sharia banking activities conducted by Danamon Sharia Business Unit in 2023 were Sharia-compliant, based on the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), and conformed to all Sharia opinions previously issued for the Bank.

We look forward to more passionate work from Danamon's Sharia business management in the years to come as they work to meet their targets and achieve greater success. Finally, let us all pray to Allah SWT for our health, as well as for His blessing and guidance on every good deed we do in the future.

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. ASEP SUPYADILLAH, M.AG.
Member

PROF. DR. H.M. DIN SYAMSUDDIN
Chairman

DR. HASANUDIN, M.AG.
Member



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 2023 Annual Report of PT Bank Danamon Indonesia Tbk.

We, the undersigned, testify that all information contained in the 2023 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, 28th February 2024

Board of Commissioners

YASUSHI ITAGAKI

President Commissioner

HALIM ALAMSYAH

Vice President Commissioner (Independent)

NOBUYA KAWASAKI

Commissioner

DAN HARSONO

Commissioner

PETER BENYAMIN STOK

Commissioner (Independent)

HEDY MARIA HELENA LAPIAN

Commissioner (Independent)

Board of Directors**DAISUKE EJIMA**

President Director

**HONGGO WIDJOJO
KANGMASTO**

Vice President Director

**HAFID HADELI**

Vice President Director

**HERRY HYKMANTO**

Director

**RITA MIRASARI**

Director

**DADI BUDIANA**

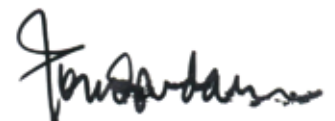
Director

**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 March 20, 2023 & March 22, 2023 and renewed every year.

Jakarta, 28th February 2024

PROF. DR. H.M. DIN SYAMSUDDIN
Chairman

DR. HASANUDIN, M.AG.
Member

DR. ASEP SUPYADILLAH, M.AG.
Member

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