



# 1<sup>st</sup> Quarter 2006 Results Analyst Briefing

**J.W. Marriot Hotel Jakarta  
20 April 2006**



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## Highlights of 1Q 2006 results

- YoY loan growth of 18% to Rp. 36 trillion
- YoY deposits growth of 21% to Rp. 49 trillion
- Normalized NPAT growth of 195% compared to 4Q05

## Agenda

- **Financial Results**
- Asset Quality
- Business Updates
- Appendixes



## Income Statement Highlights

<i>Rp. billion</i>	1Q05	1Q06	△YoY	4Q05	1Q06	△QoQ
Net Interest Income	1,122	1,225	9%	1,130	1,225	8%
Normalized Fee Income	259	313	21%	277	313	13%
<b>Normalized Op. Income</b>	<b>1,381</b>	<b>1,539</b>	<b>11%</b>	<b>1,407</b>	<b>1,539</b>	<b>9%</b>
Operating Expenses	652	777	19%	846	777	(8%)
<b>Pre-Provision Op. Profit</b>	<b>729</b>	<b>762</b>	<b>5%</b>	<b>560</b>	<b>762</b>	<b>36%</b>
Cost of Credit <sup>1)</sup>	78	291	315%	329	291	(12%)
<b>Net Profit before Tax</b>	<b>651</b>	<b>471</b>	<b>(28%)</b>	<b>231</b>	<b>471</b>	<b>104%</b>
Goodwill & Minority Interest	50	51	2%	30	51	70%
Tax	223	146	(35%)	108	146	35%
<b>Normalized NPAT</b>	<b>378</b>	<b>274</b>	<b>(27%)</b>	<b>93</b>	<b>274</b>	<b>195%</b>
Non-Recurring Items (after Tax)	262	(23)	(109%)	22	(23)	(205%)
<b>Reported NPAT</b>	<b>640</b>	<b>251</b>	<b>(61%)</b>	<b>115</b>	<b>251</b>	<b>118%</b>

<sup>1)</sup> Adira Finance changed its accounting policies on loan write off in June 2005

## Balance Sheet Highlights

<i>Rp. billion</i>	1Q05	1Q06	△YoY	4Q05	1Q06	△QoQ
Assets & Commitments	68,059	83,916	23%	82,093	83,916	2%
Assets	60,458	70,758	17%	67,803	70,758	4%
Loans (gross)	30,337	35,704	18%	35,995	35,704	(1%)
Government Bonds	18,033	16,569	(8%)	14,102	16,569	17%
Deposits	40,231	48,500	21%	47,089	48,500	2%
Current Account	4,974	4,557	(8%)	4,538	4,557	0%
Savings	10,063	7,956	(21%)	8,552	7,956	(7%)
Time Deposits	25,194	35,987	43%	33,999	35,987	5%
Borrowings	1,343	1,195	(11%)	1,117	1,195	6%
Subordinated Debt	3,523	3,394	(4%)	3,628	3,394	(7%)
Equity	8,212	8,959	9%	8,589	8,959	4%

## Key Ratios

%	1Q05	1Q06	△YoY	4Q05	1Q06	△QoQ
Net Interest Margin <sup>1)</sup>	9.2	8.4	(0.8)	8.5	8.4	(0.1)
Normalized Cost / Income	43.4	50.3	6.9	59.9	50.3	(9.6)
Loan / Deposit	76.4	78.5	2.1	80.8	78.5	(2.3)
Capital Adequacy <sup>2)</sup>	29.6	26.3	(3.3)	23.5	26.3	2.8
Normalized ROAA	2.5	1.6	(0.9)	0.6	1.6	1.0
Normalized ROAE	20.2	12.4	(7.8)	4.9	12.4	7.5
Reported ROAA	4.2	1.4	(2.8)	0.7	1.4	0.7
Reported ROAE	31.3	11.4	(19.9)	5.8	11.4	5.6
NPL - Gross	2.9	3.4	0.5	2.6	3.4	0.8
LLP / NPL <sup>3)</sup>	140.1	114.9	(25.2)	145.7	114.9	(30.8)

Note: <sup>1)</sup> Includes credit related fees and commission as per BI new regulations

<sup>2)</sup> After market risk charge

<sup>3)</sup> after collateral value



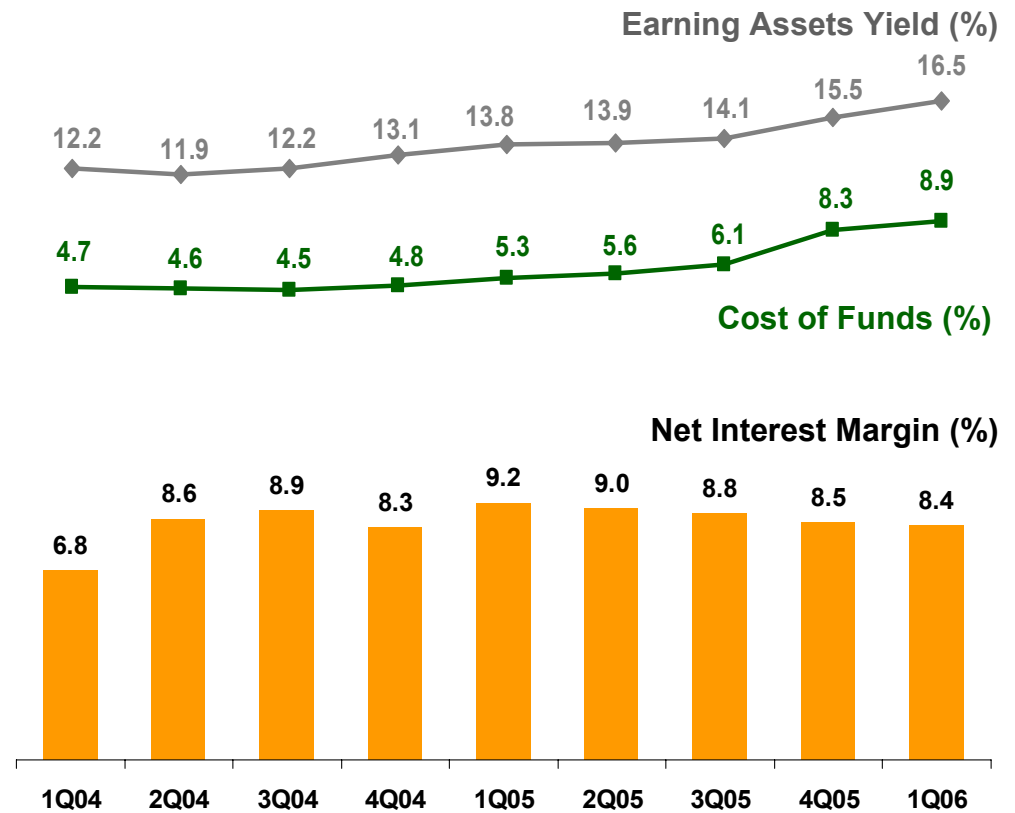
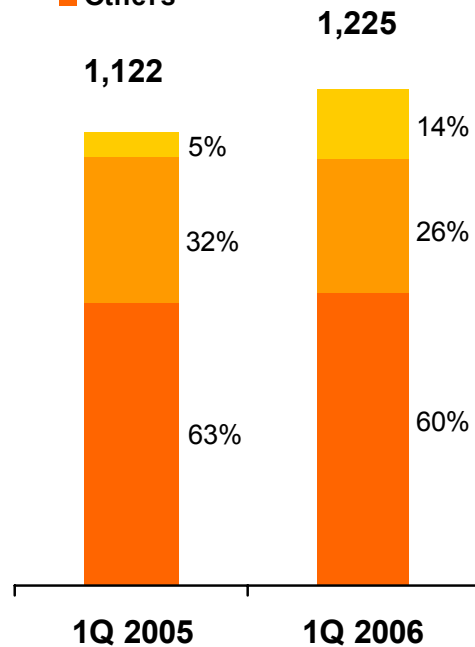
## Interest margin was sustained by high asset yield

Steady increase in asset yield is due to improvement in asset composition and shifting loan mix to higher yielding loans

### Net Interest Income

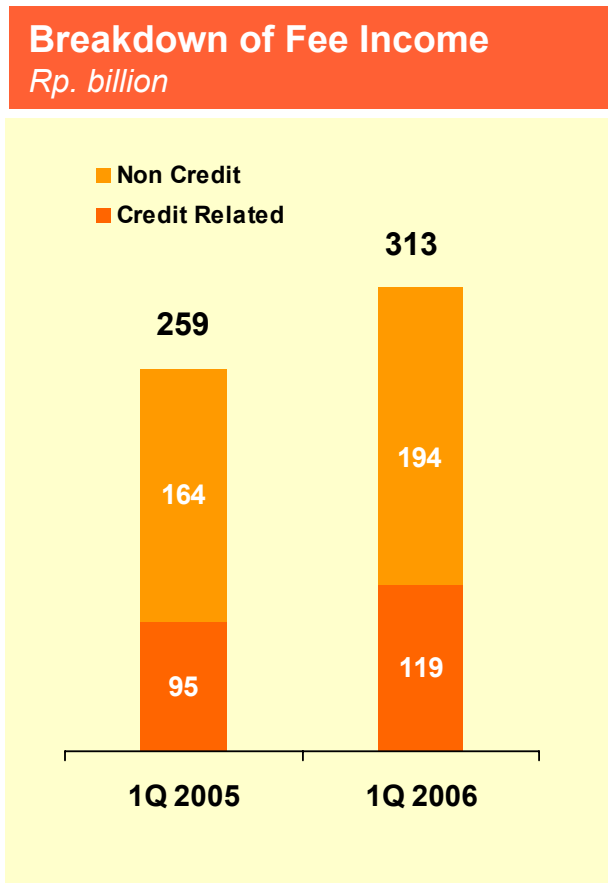
Rp. billion

- SEMM
- Adira
- Others



# Fee Income

Increase in fee income was largely driven by credit related fees and mark to market of marketable securities



Rp. billion	1Q05	1Q06	ΔYoY
Credit related fees	95	119	25%
Cash management	61	72	18%
Mark to market marketable securities	76	113	49%
Treasury activities	8	11	38%
Adira Finance <sup>1)</sup>	19	(2)	(111%)
<b>Total</b>	<b>259</b>	<b>313</b>	<b>21%</b>

<sup>1)</sup> Adira Finance fees are net of acquisition costs



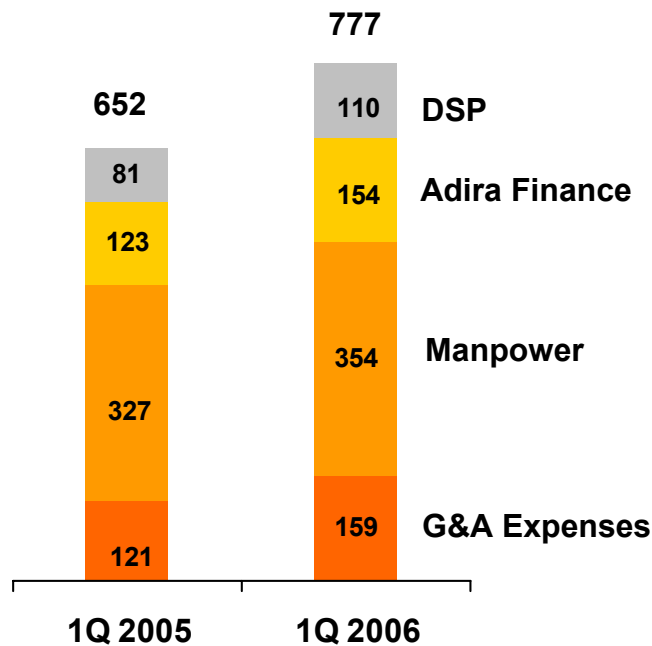


## Increase in operating expenses was in part due to business expansion

**Expansion in DSP and Adira Finance accounted for 48% of the expense growth**

### Operating Expenses

*Rp. billion*

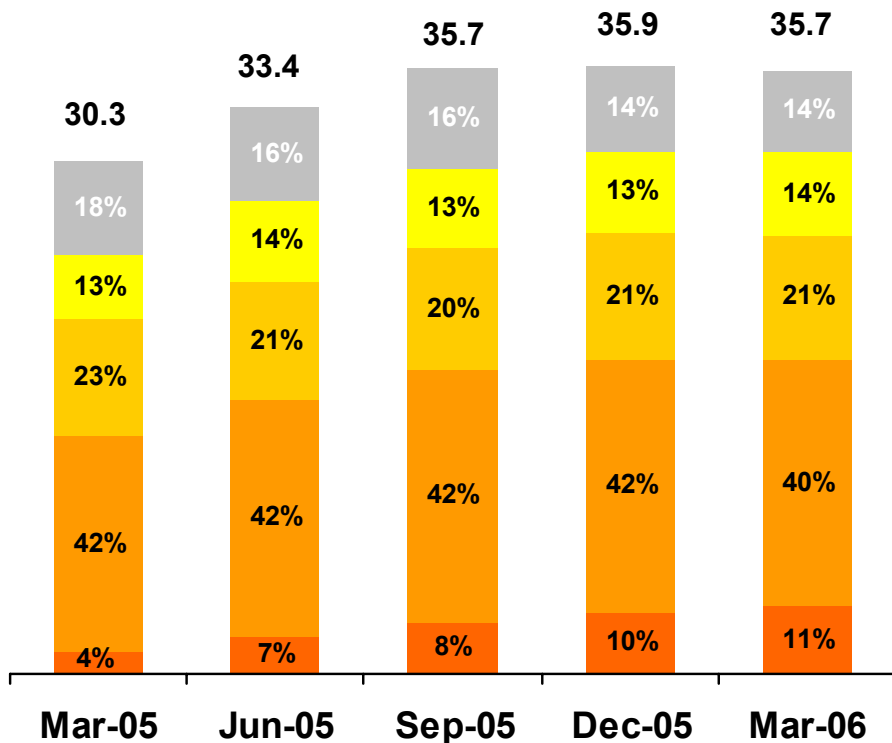


Expense Growth	Rp. billion	ΔYoY
DSP Expansion	29	36%
Adira Finance	31	25%
IT	13	33%
E/MSOP	4	15%
Business as usual	48	13%
<b>Total</b>	<b>125</b>	<b>19%</b>

# Loan growth was driven by mass market, consumer and commercial segments

## Outstanding Loans

*Rp. trillion*



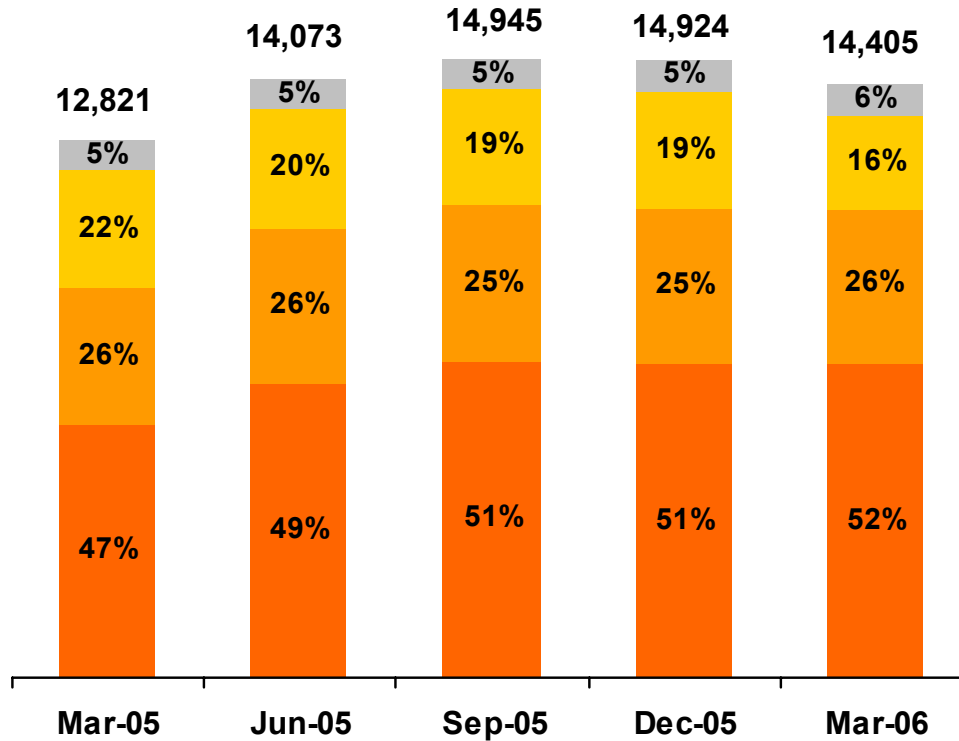
Growth	Rp. bn	ΔYoY
Corporate	(779)	(14%)
Commercial	1,154	31%
SME	606	9%
Consumer	1,584	12%
Mass Market	2,806	221%
<b>Total</b>	<b>5,371</b>	<b>18%</b>



## High yielding consumer auto financing supports the growth in consumer loans

### Consumer Loans

*Rp. billion*



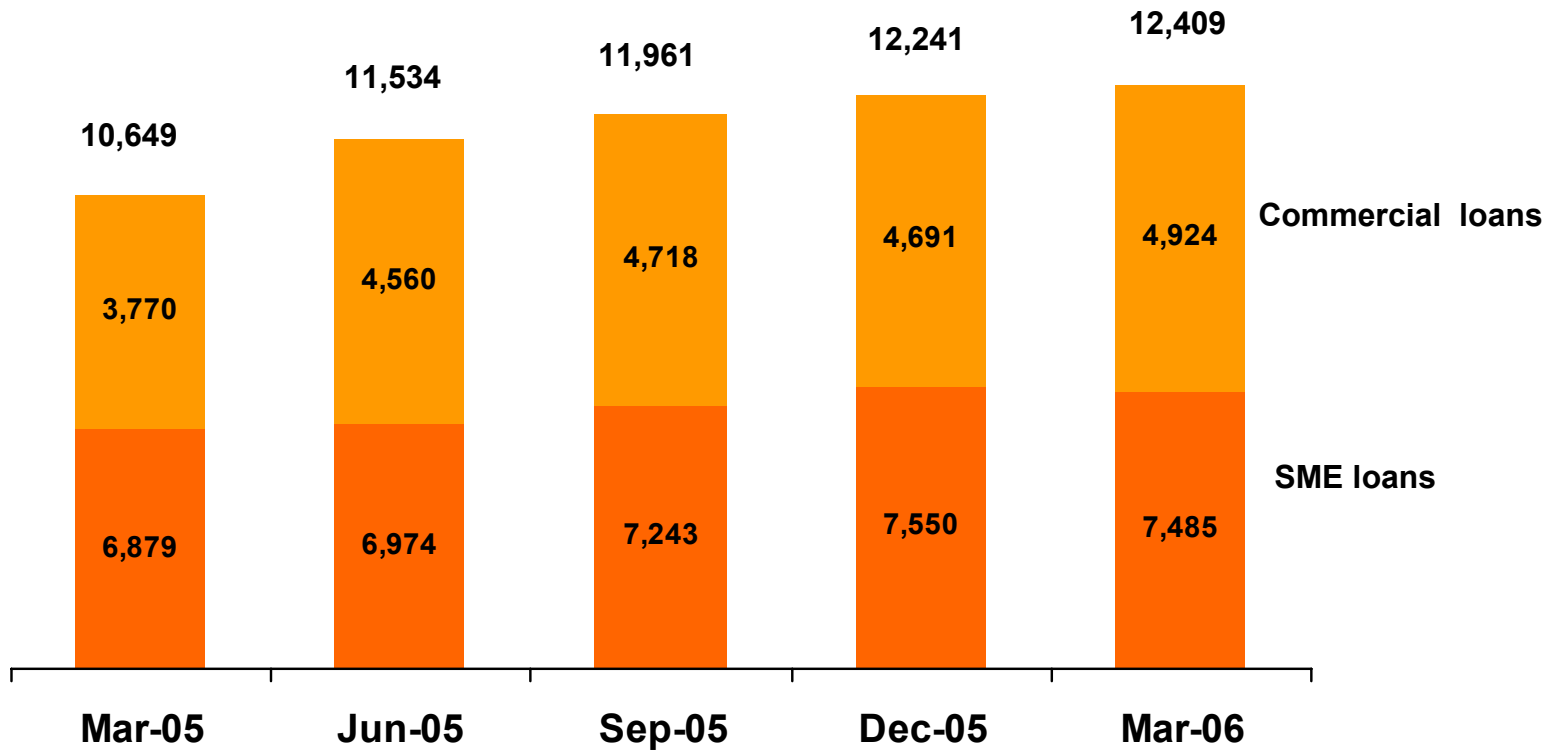
Growth	Rp. billion	ΔYoY
Credit Card	135	20%
Housing	(458)	(21%)
Car	405	12%
Motorcycle	1,474	24%
<b>Total</b>	<b>1,584</b>	<b>12%</b>



## Encouraging results from Commercial Banking Business - Danamon Sahabat

### SME and Commercial Loans

*Rp. billion*

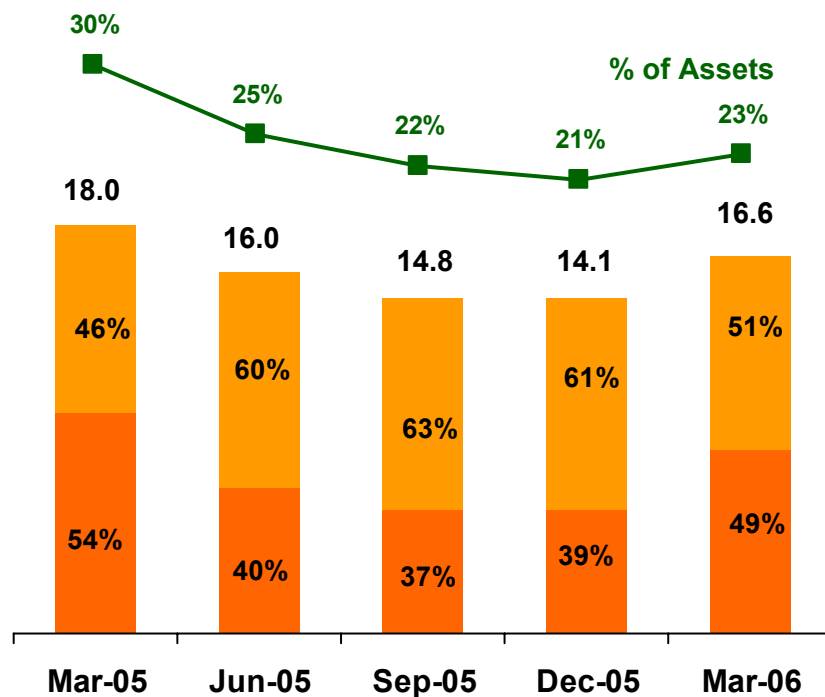


## Government bonds portfolio

### Government Bonds

Rp. trillion

- Variable Rate
- Fixed Rate



The average duration of government bonds holdings is 2.5 years as of March 31, 2006

Rp. billion	1Q05	1Q06	ΔYoY
Held to maturity	11,138	7,806	(30%)
Available for sale	190	8,212	4,222%
Trading	6,705	552	(92%)
<b>Total</b>	<b>18,033</b>	<b>16,569</b>	<b>(8%)</b>

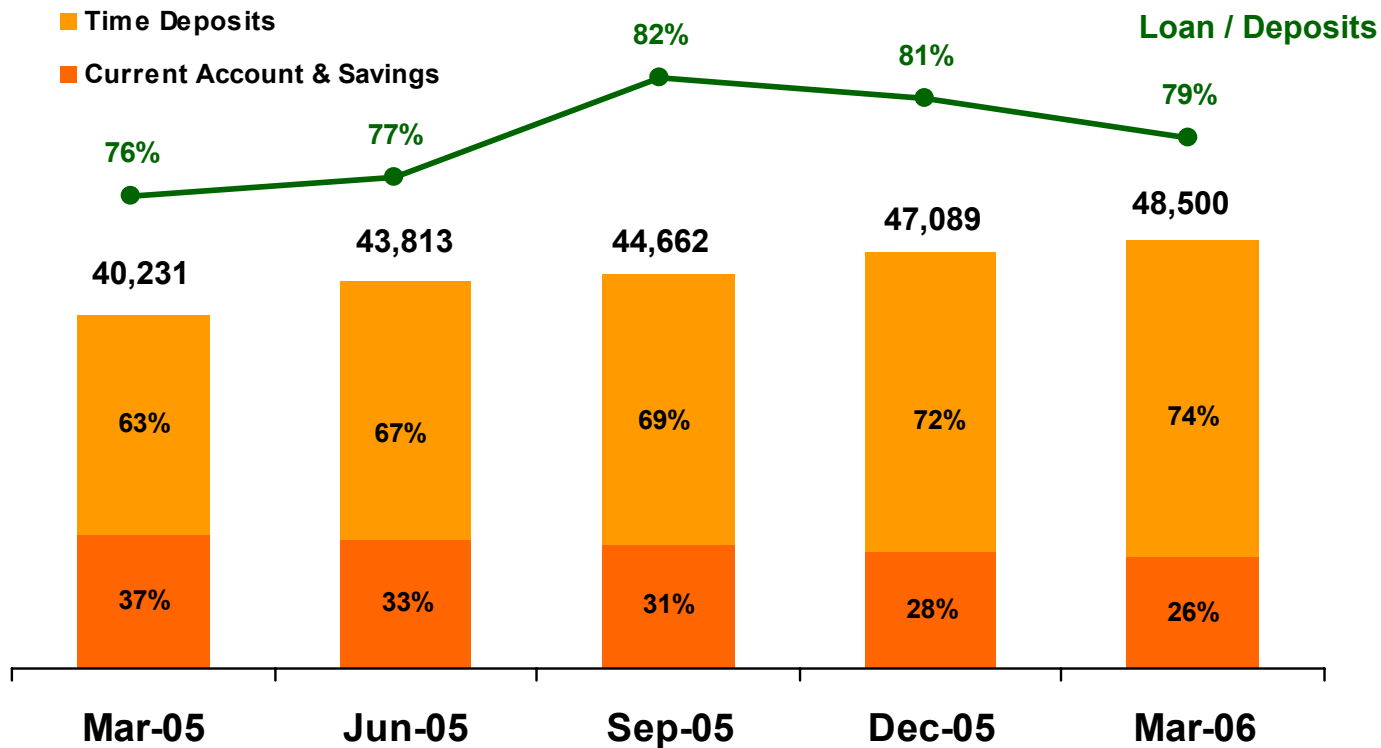


## Steady growth in deposits despite competitive market conditions

Deposits grew by 21% YoY and LDR improved to 78.5% in March 2006

### Customer Deposits

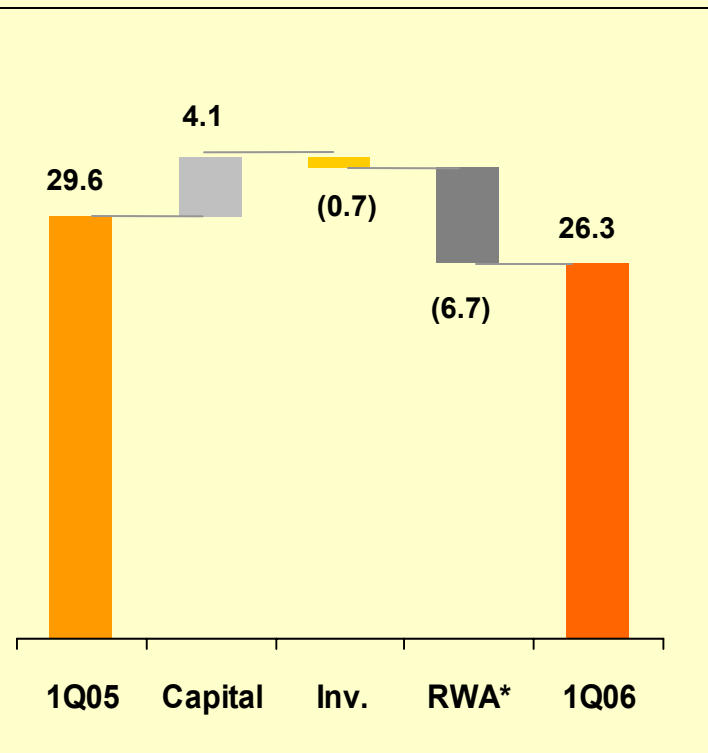
*Rp. billion*



## Capital Adequacy Ratio at 26.3%

### Movement of Capital Adequacy Ratio

%



<i>Rp. billion</i>	1Q05	1Q06	ΔYoY
Tier 1 Capital	7,629	9,133	19%
Tier 2 Capital	3,739	3,692	(1%)
Investments	889	1,122	26%
Total Capital after Investments	10,479	11,683	11%
Risk Weighted Assets (RWA)*	35,418	44,503	26%

Note: \*after market risk charge



## Agenda

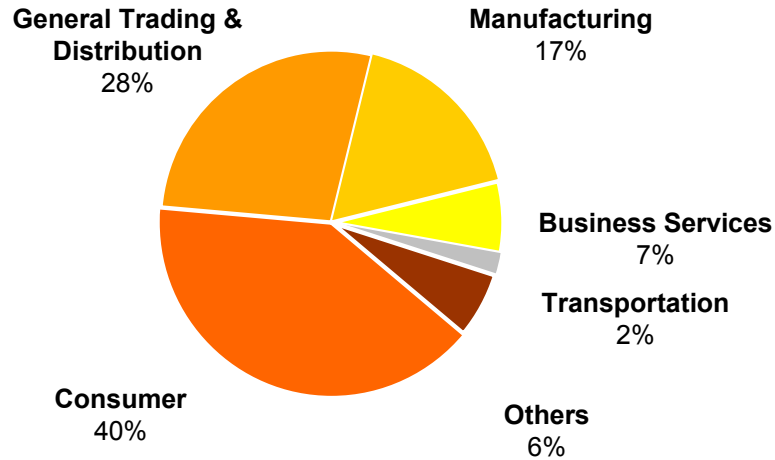
- Financial Results
- **Asset Quality**
- Business Updates
- Appendixes



## Diversified loan portfolio across economic sectors

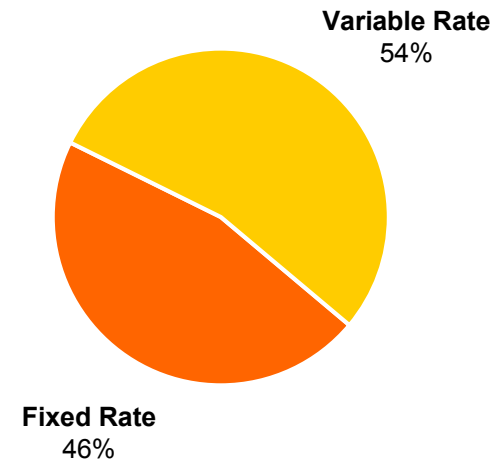
**Loans by Economic Sector**

*As of March 31, 2005*



**Loans by Interest Rate**

*As of March 31, 2005*

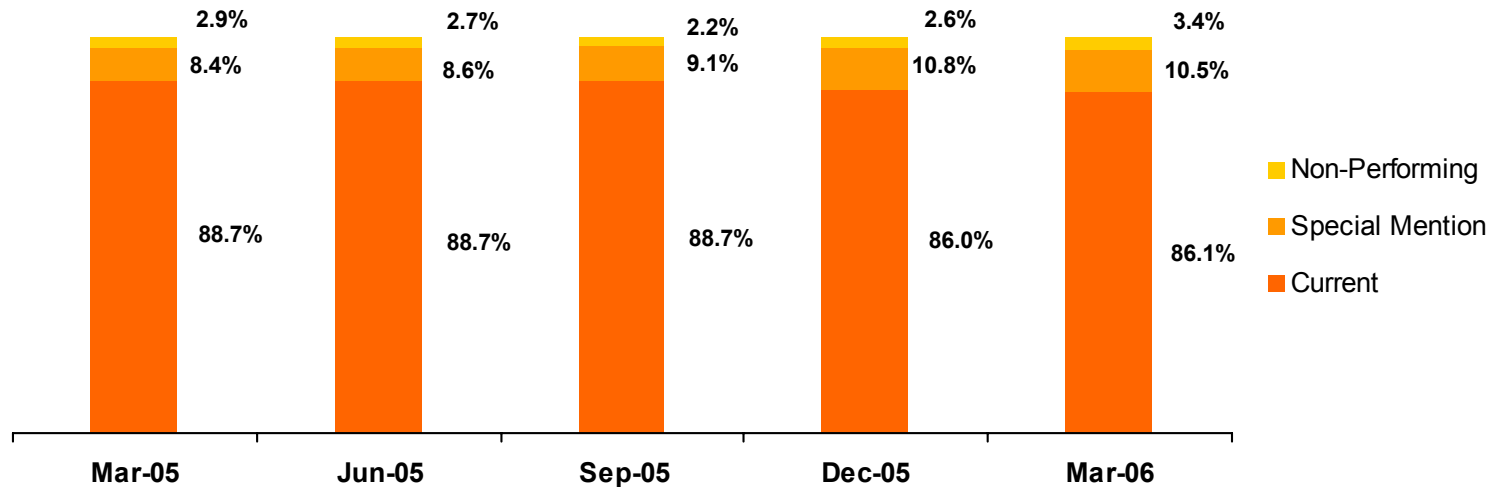


**Total Loans Rp. 35,704 billion**



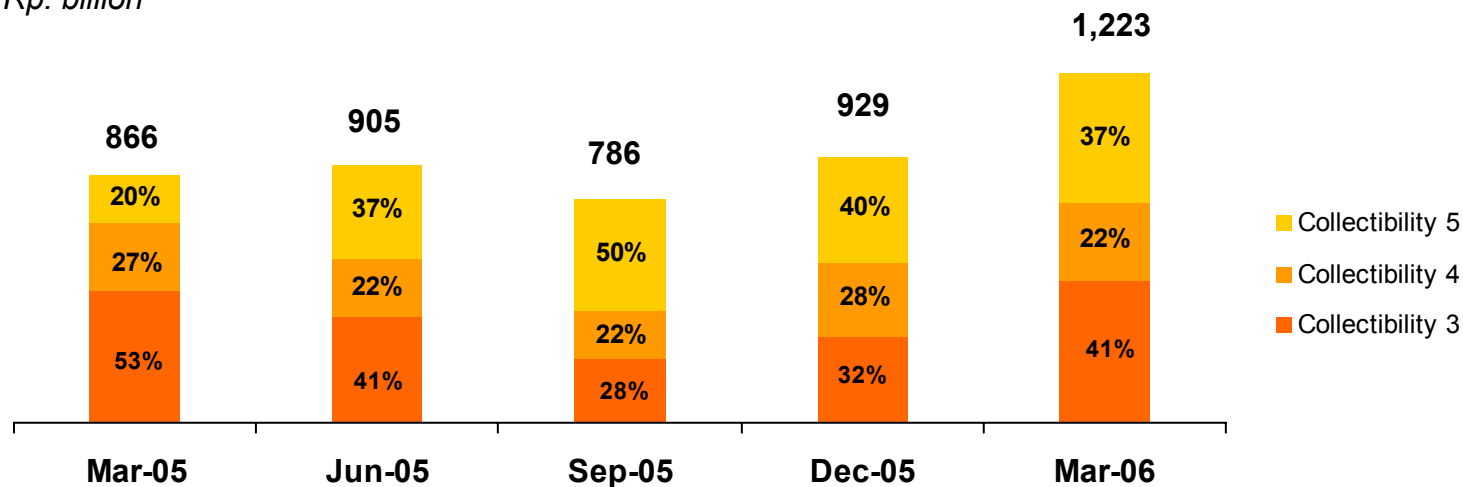
## Loan's Collectibility

% Total



## Breakdown of Non-Performing Loans

Rp. billion

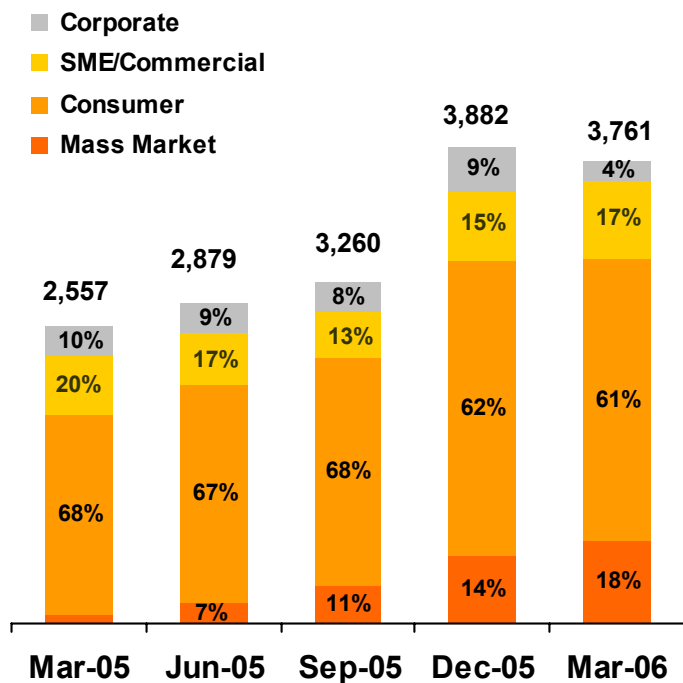


# Increase in special mention loans is due to growing mass market and consumer finance businesses

## Special mention loans concentrate on DPD 1 – 30 days

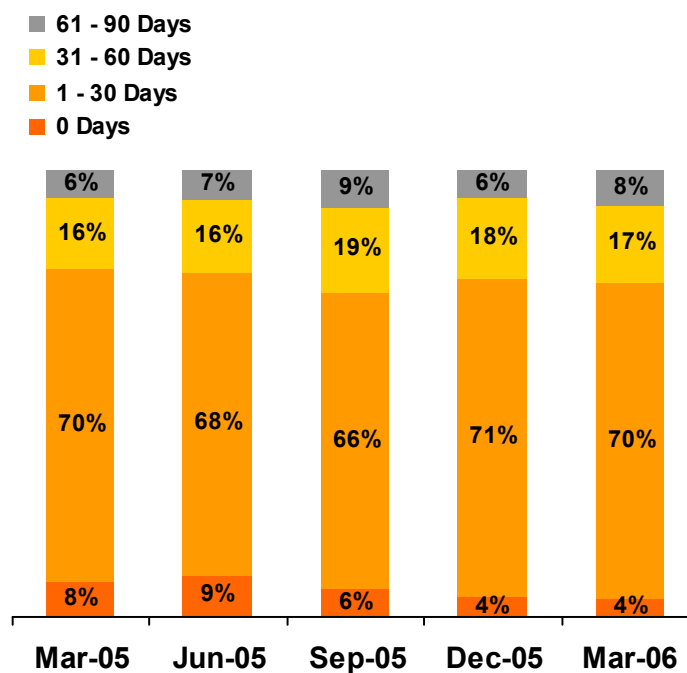
### Special Mention Loans

*Rp. billion*



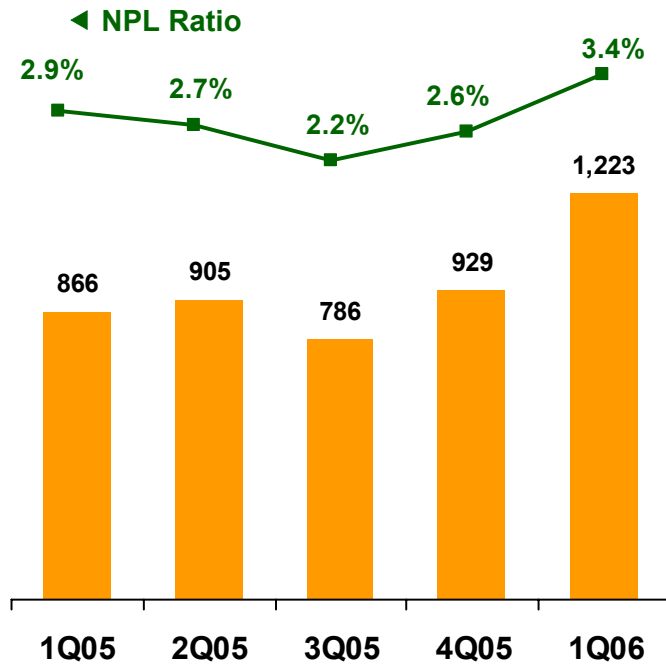
### Aging of Special Mention Loans

*% Total*

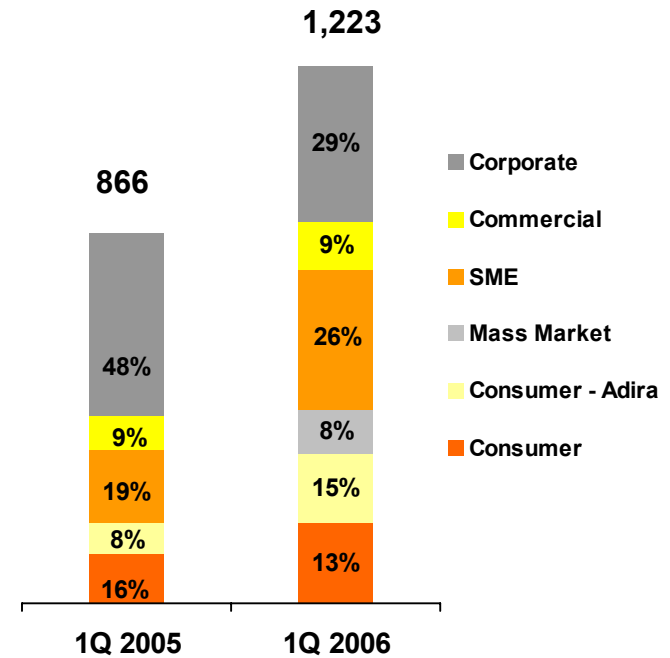


# Unfavorable operating environment impacted NPL in several businesses

**Non-Performing Loans (NPL)**  
*Rp. billion*

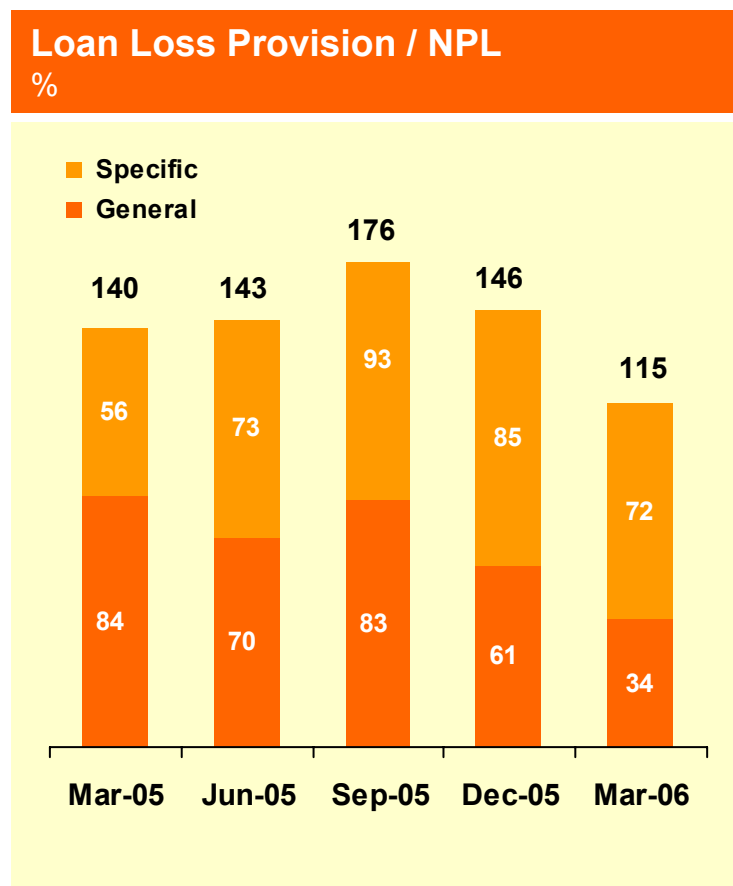
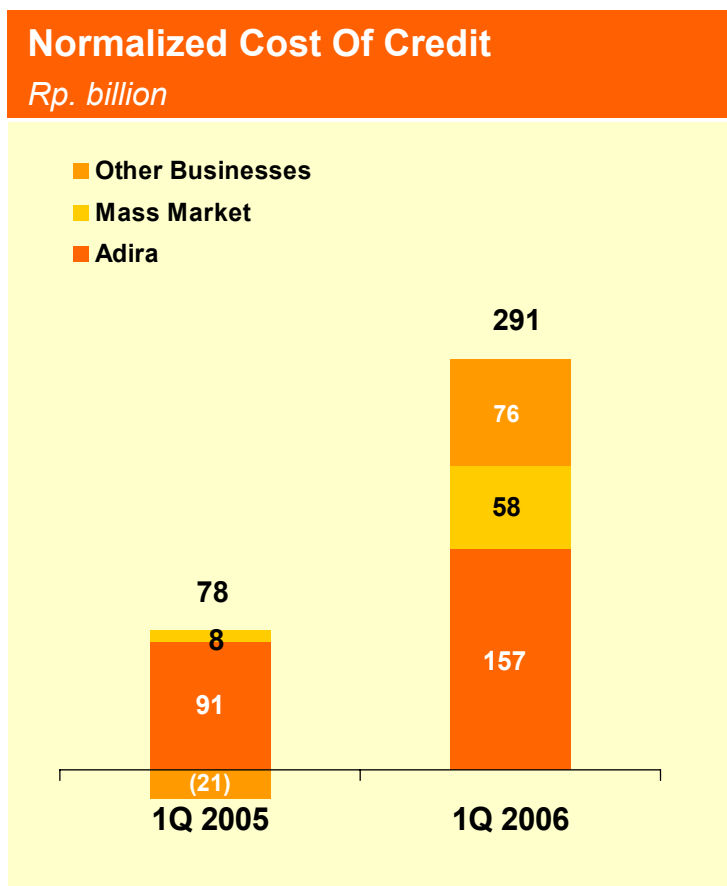


**NPL by Segments**  
*Rp. billion*



## Adequate provisions to cover non-performing loans

Increase in cost of credit was largely due to growing consumer auto financing and mass market businesses



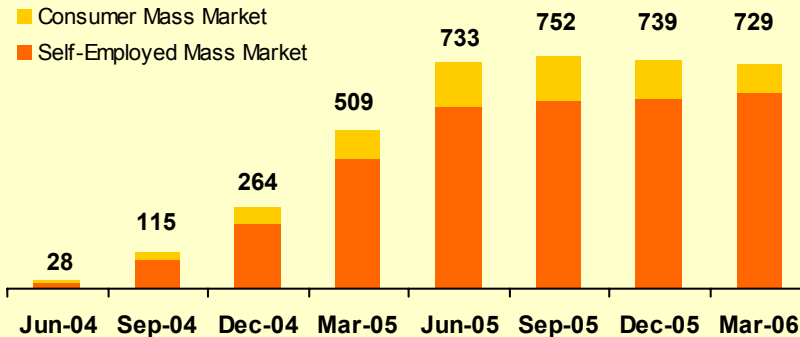
## Agenda

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# Danamon Simpan Pinjam (DSP)

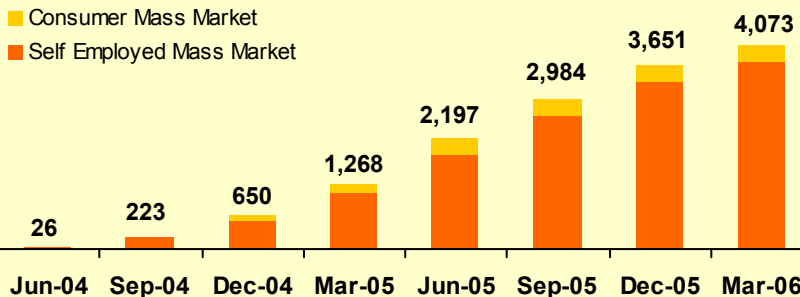
**Additional 15 units of DSP Self-Employed Mass Market (SEMM) were opened in 1Q06, bringing a total 633 units of DSP SEMM**

## Number of DSP Units



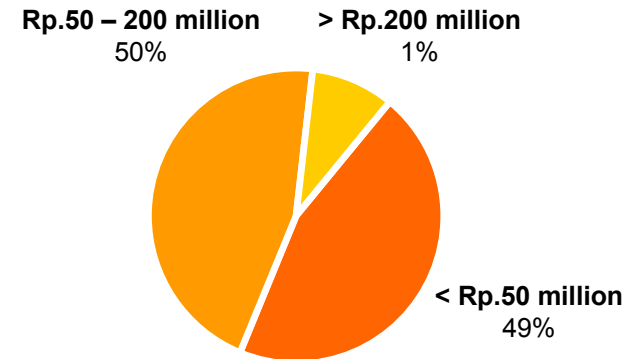
## Outstanding Loans

*Rp. billion*



## SEMM loans by size

*As of March 31, 2005*



- Outstanding loans rose by Rp.422 billion in 1Q 2006 to Rp 4,073 billion
- NPL at 2.8% at March 2006, below the expected credit loss model

## Consumer auto financing business with Adira Finance

<i>Rp. billion</i>	1Q05	1Q06	△YoY	4Q05	1Q06	△QoQ
Financing Units	167,739	134,024	(20%)	172,103	134,024	(22%)
Financing Volume	1,998	1,513	(24%)	1,952	1,513	(22%)
O/S Receivables	8,133	9,919	22%	10,173	9,919	(2%)
Interest Income	516	691	34%	692	691	(0%)
Interest Expenses <sup>1)</sup>	155	362	134%	353	362	3%
<b>Net Interest Income</b>	<b>362</b>	<b>329</b>	<b>(9%)</b>	<b>339</b>	<b>329</b>	<b>(3%)</b>
Fee Income	31	(2)	(106%)	(18)	(2)	(89%)
<b>Total Opt. Income</b>	<b>393</b>	<b>327</b>	<b>(17%)</b>	<b>322</b>	<b>327</b>	<b>2%</b>
Operating Expenses	123	157	28%	159	157	(1%)
Cost of Credit	91	157	73%	176	157	(11%)
<b>Profit before Tax</b>	<b>179</b>	<b>13</b>	<b>93%</b>	<b>(13)</b>	<b>13</b>	<b>NM</b>
Tax	54	(4)	(107%)	5	(4)	(180%)
<b>Net Income</b>	<b>125</b>	<b>17</b>	<b>(86%)</b>	<b>(8)</b>	<b>17</b>	<b>NM</b>

<sup>1)</sup> including internal transfer pricing charge



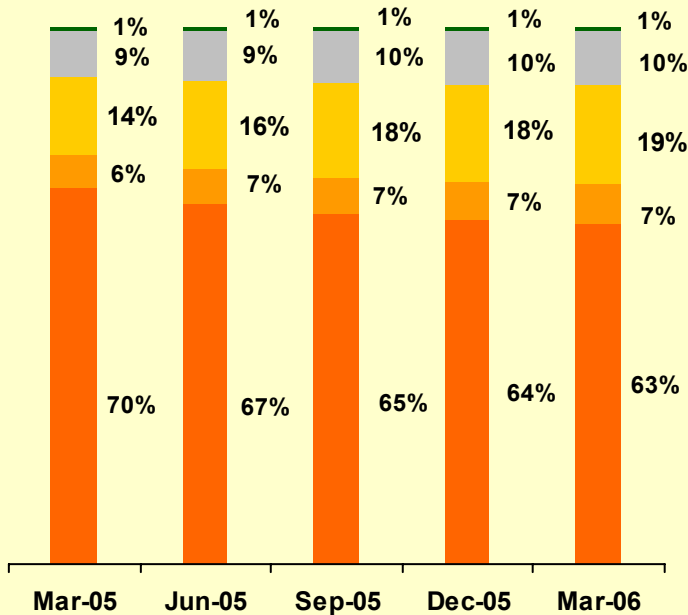


# Motorcycle financing remains the main contributor of top line growth

## Breakdown of Receivables

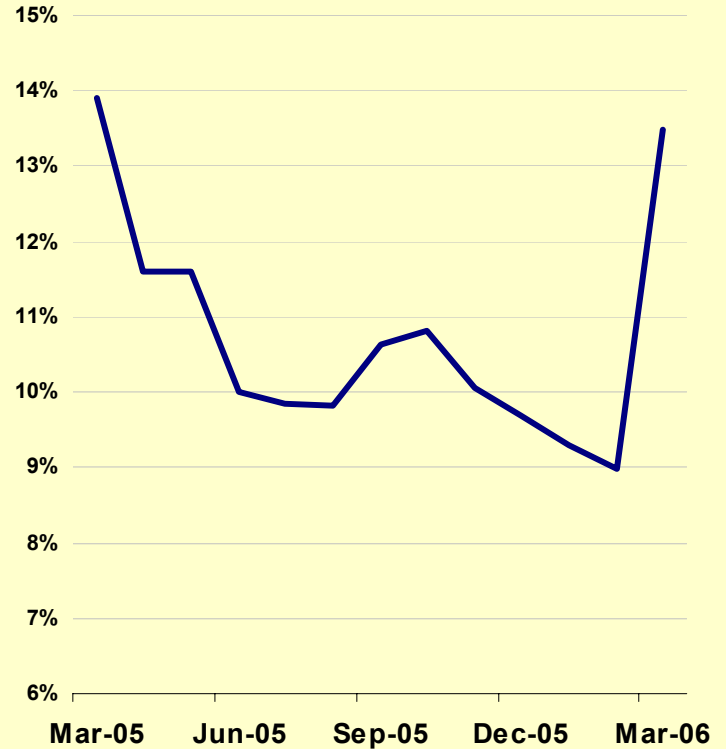
% Total Receivables

- New MC
- Used MC
- Used Car
- Others



## Market Share of New Motorcycle

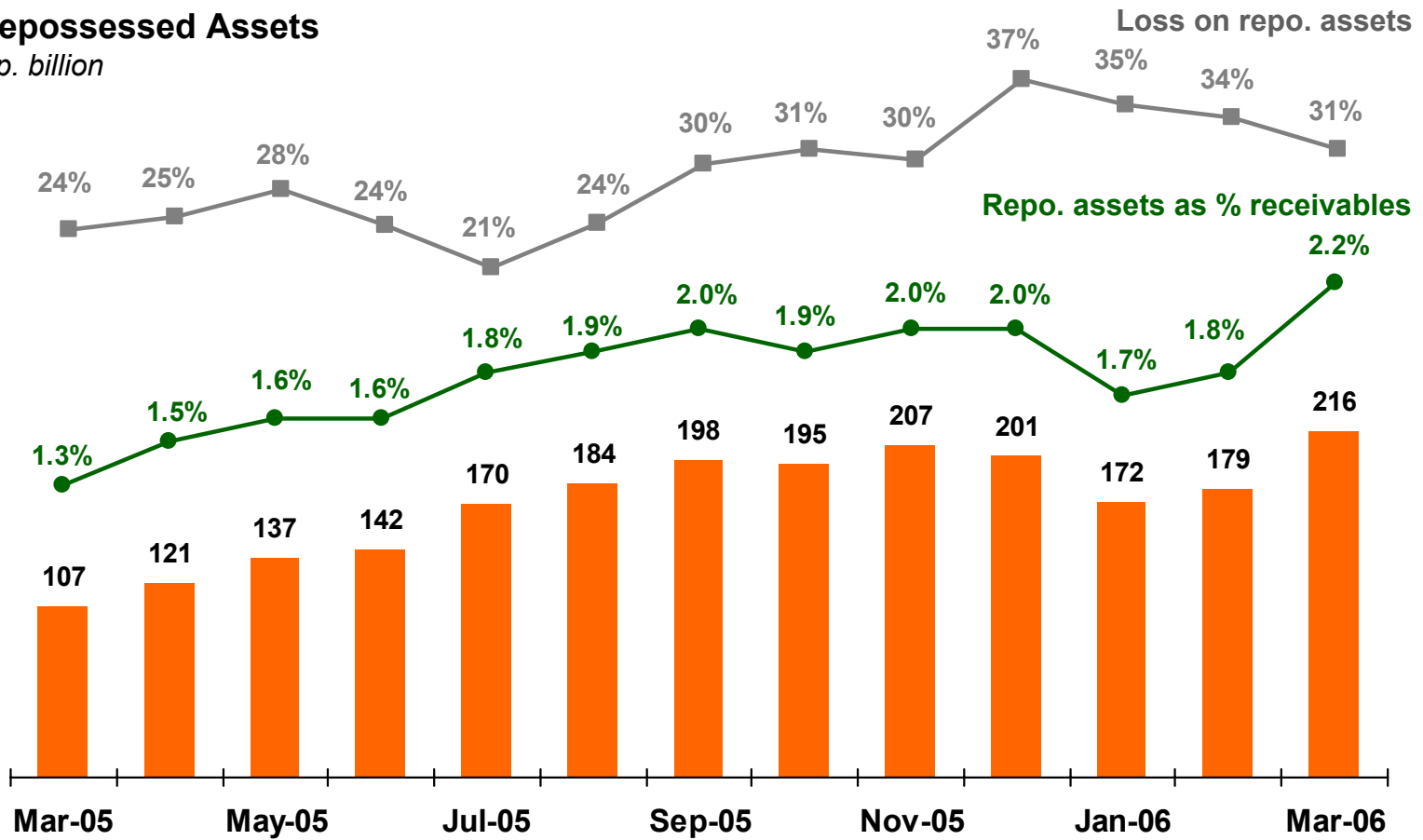
% of Units, Monthly



# Higher losses on repossessed assets resulted in higher net credit losses

## Repossessed Assets

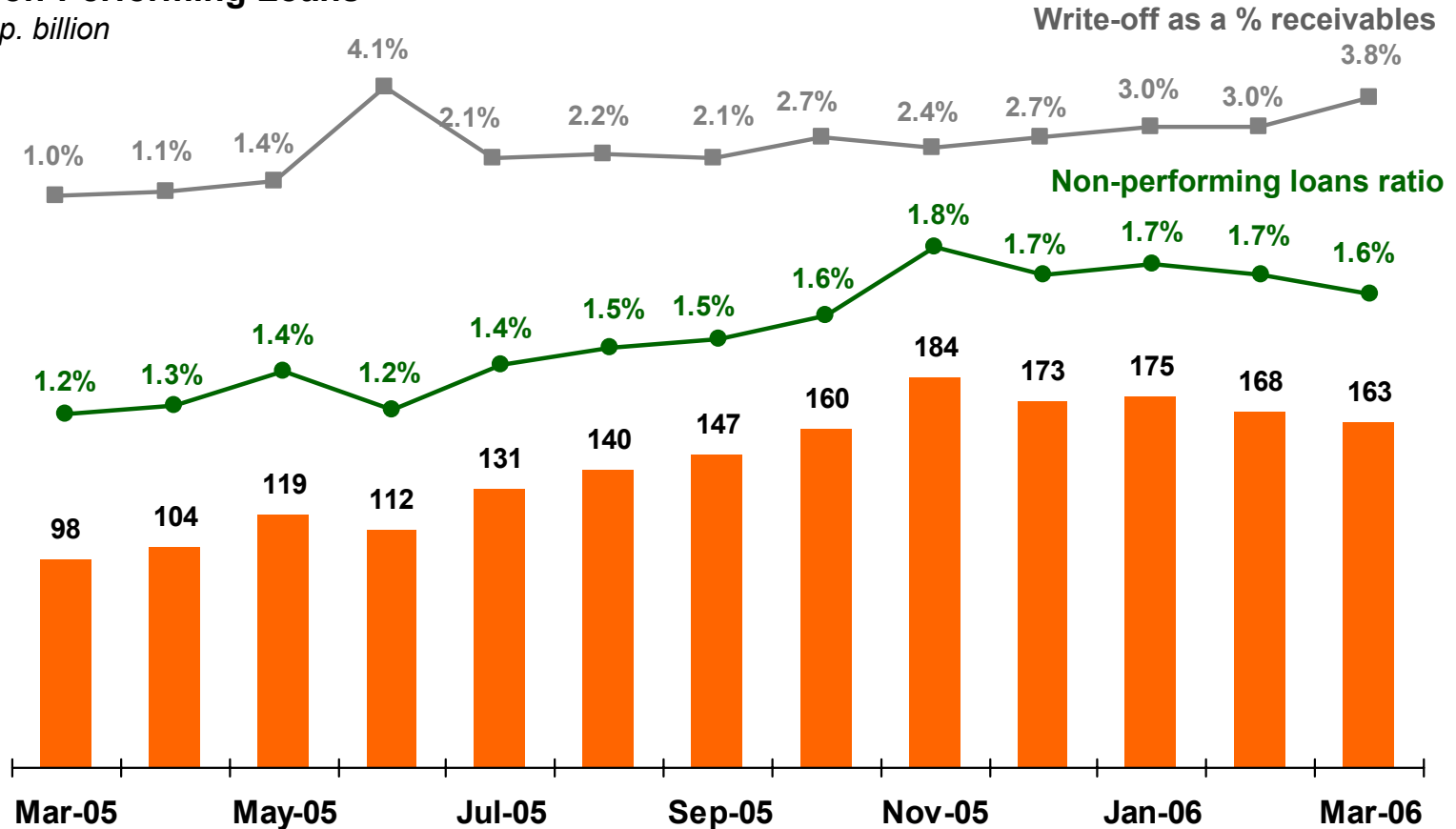
Rp. billion



# Non-performing loans and loan write-off of automotive consumer financing business

## Non-Performing Loans

Rp. billion



## Latest Updates

### 2005 Dividend



We plan to pay out 50% of our 2005 profits as dividend. We will seek approval from our shareholders in the upcoming AGM

### Structured Funding



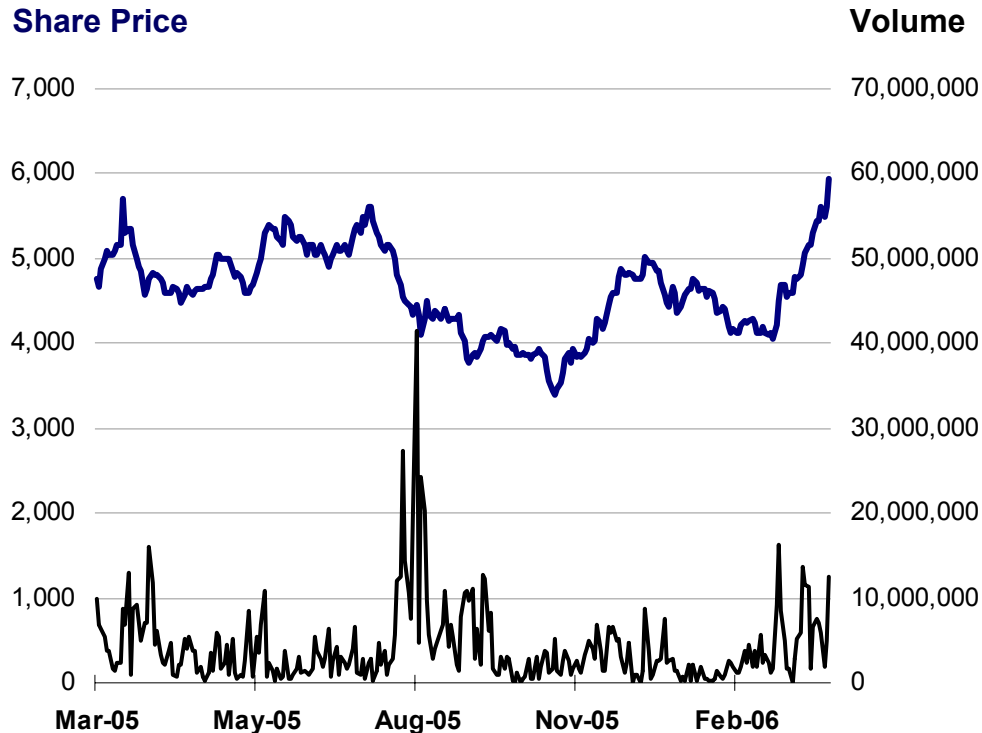
- Danamon is in the process of negotiating with IFC and other foreign institutions to obtain long-term loans. These loans will be used to fund the mass market, Adira and SME business
- Adira Finance is in the process to issue Rp. 750 billion rupiah denominated bonds by 2Q06

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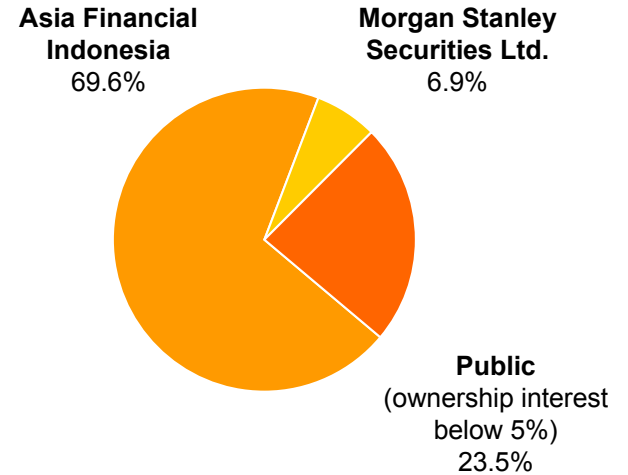
# Danamon Share Price performance

## Daily share price and trading volume



## Shareholding Structure

As of March 31, 2005



Note:  
Asia Financial (Indonesia) Pte.Ltd. (AFI) is a consortium of Asia Financial Holdings (AFH) (85%) and Deutsche Bank (15%). AFH is wholly owned by Temasek Holdings



## Credit Ratings

### Rating Agencies

### Rating / Outlook

#### **Standard & Poor's**

*November 2005*

Long-term and Short-term Local Currency

BB- / Stable / B

Long-term and Short-term Foreign Currency

BB- / Stable / B

Subordinated Debt

B / Stable

#### **Moody's**

*June 2005*

Long-term and Short-term Bank Deposit

B3 / Pos / Not Prime

Bank Financial Strength

D- / Stable

Subordinated Debt

B2 / Positive

#### **PEFINDO**

*March 2005*

Corporate Rating

<sub>id</sub>A+ / Stable

Bond Rating

<sub>id</sub>A+ / Stable

#### **Fitch Ratings**

*February 2005*

Long-term and Short-term Foreign Currency

BB- / Stable / B

National Long-term

A- (idn) / Positive



# Thank You

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