



# **Analyst Briefing**

## **First Nine Months & Third Quarter 2007**

### **Results**

Jakarta, 25 October 2007

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# Agenda

- **Financial Results**

- Asset Quality
- Business Update
- Appendix

## Highlights of 2007 First Nine Months Results

- Loans rose by 22% YoY to Rp 50 trillion driven by the strong growth in mass market and retail businesses
- Deposits increased by 11% YoY to Rp 59 trillion on the back of strong growth in current and saving accounts
- Operating income rose by 33% to Rp 6,684 billion on the back of higher net interest income as well as fee income
- Net profit after tax grew by 75% to Rp 1,600 billion
- Net interest margin improved to 10.4%
- ROAE stood at 23.4%

## Income Statement Highlights

<i>Rp. billion</i>	1Q07	2Q07	3Q07	△QoQ	9M06	9M07	△YoY
Interest Income	2,934	2,995	3,056	2%	7,995	8,985	12%
Interest Expense	(1,278)	(1,276)	(1,168)	(8%)	(3,902)	(3,722)	(5%)
<b>Net Interest Income</b>	<b>1,656</b>	<b>1,719</b>	<b>1,888</b>	<b>10%</b>	<b>4,093</b>	<b>5,263</b>	<b>29%</b>
Fee Income	503	537	381	(29%)	922	1,421	54%
<b>Operating Income</b>	<b>2,159</b>	<b>2,256</b>	<b>2,269</b>	<b>1%</b>	<b>5,015</b>	<b>6,684</b>	<b>33%</b>
Operating Expenses	(1,027)	(1,041)	(1,056)	1%	(2,418)	(3,124)	29%
<b>Pre-Provision Op. Profit</b>	<b>1,132</b>	<b>1,215</b>	<b>1,213</b>	<b>0%</b>	<b>2,597</b>	<b>3,560</b>	<b>37%</b>
Cost of Credit	(365)	(379)	(274)	(28%)	(1,063)	(1,018)	(4%)
<b>Net Profit before Tax</b>	<b>767</b>	<b>836</b>	<b>939</b>	<b>12%</b>	<b>1,534</b>	<b>2,542</b>	<b>66%</b>
Goodwill, MI & Others	(43)	(23)	(67)	191%	(179)	(133)	(26%)
Tax	(242)	(275)	(292)	6%	(441)	(809)	83%
<b>Net Profit after Tax</b>	<b>482</b>	<b>538</b>	<b>580</b>	<b>8%</b>	<b>914</b>	<b>1,600</b>	<b>75%</b>

## Balance Sheet Highlights

<i>Rp. billion</i>	1Q07	2Q07	3Q07	△QoQ	9M06	9M07	△YoY
Total Assets	84,946	88,043	87,987	0%	77,250	87,987	14%
Loans (gross) <sup>1)</sup>	43,109	46,394	50,153	8%	40,962	50,153	22%
Government Bonds	19,453	18,957	16,749	(12%)	16,309	16,749	3%
Total Deposits	57,562	61,294	58,853	(4%)	52,997	58,853	11%
Current Account	5,022	6,382	6,466	(1%)	4,785	6,466	35%
Savings	9,694	10,613	10,621	0%	8,892	10,621	19%
Time Deposits	42,846	44,299	41,766	(6%)	39,320	41,766	6%
Borrowings <sup>2)</sup>	7,246	7,591	8,889	17%	6,828	8,889	30%
Subordinated Debt <sup>3)</sup>	3,405	3,383	3,412	1%	3,443	3,412	(1%)
Equity	9,268	9,819	10,357	5%	8,872	10,357	17%

<sup>1)</sup>Include consumer financing receivables of Adira Finance and Adira Quantum

<sup>2)</sup>Include securities sold under repo agreements and Adira Finance's bank loans and bonds

<sup>3)</sup>Include sub-loan from BI and shareholder loans from the former shareholders of merged (BTO) banks

## Key Ratios

%	1Q07	2Q07	3Q07	△QoQ	9M06	9M07	△YoY
Net Interest Margin <sup>1)</sup>	9.9	10.0	11.1	1.1	9.4	10.4	1.0
Cost / Income	47.5	46.1	46.6	0.5	48.2	46.8	(1.4)
Loan / Deposit	75.7	75.5	85.0	9.5	77.8	85.0	7.2
Capital Adequacy <sup>2)</sup>	20.6	20.5	19.2	(1.3)	21.1	19.2	(1.9)
ROAA	2.3	2.4	2.7	0.3	1.7	2.5	0.8
ROAE	21.2	24.1	24.9	0.8	14.1	23.4	9.3
NPL - Gross	3.2	3.1	2.8	(0.3)	3.5	2.8	(0.7)
Credit Cost / Earning Assets <sup>3)</sup>	2.9	2.8	2.0	(0.8)	3.1	2.6	(0.5)
LLP / NPL <sup>4)</sup>	158.1	153.1	155.5	2.4	136.3	155.5	19.2

<sup>1)</sup>Include credit related fees and commission as per Bank Indonesia regulations

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

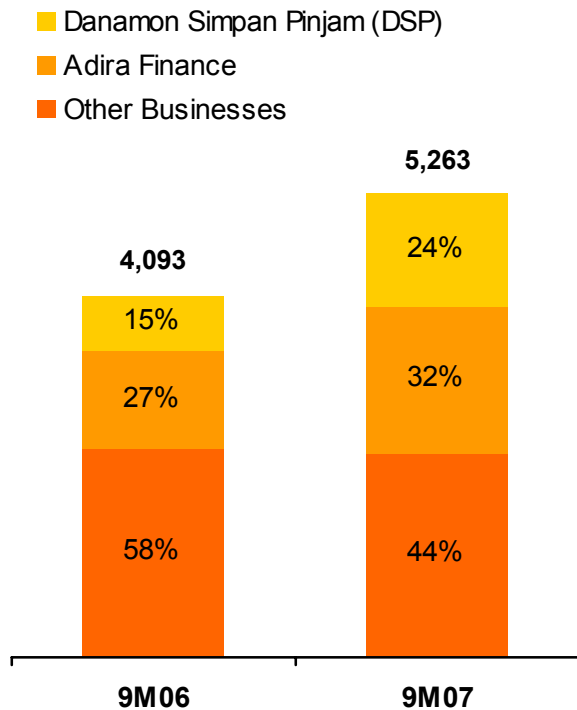
<sup>3)</sup>Average earning assets exclude government securities

<sup>4)</sup>After collateral value

# Net interest margin expanded to 11.1% in the third quarter of 2007

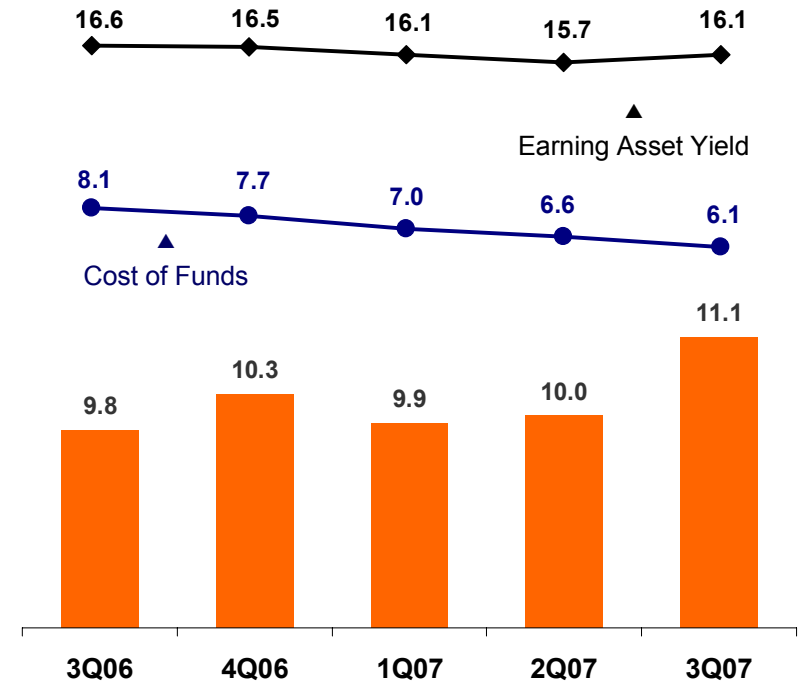
## Net Interest Income

Rp. billion



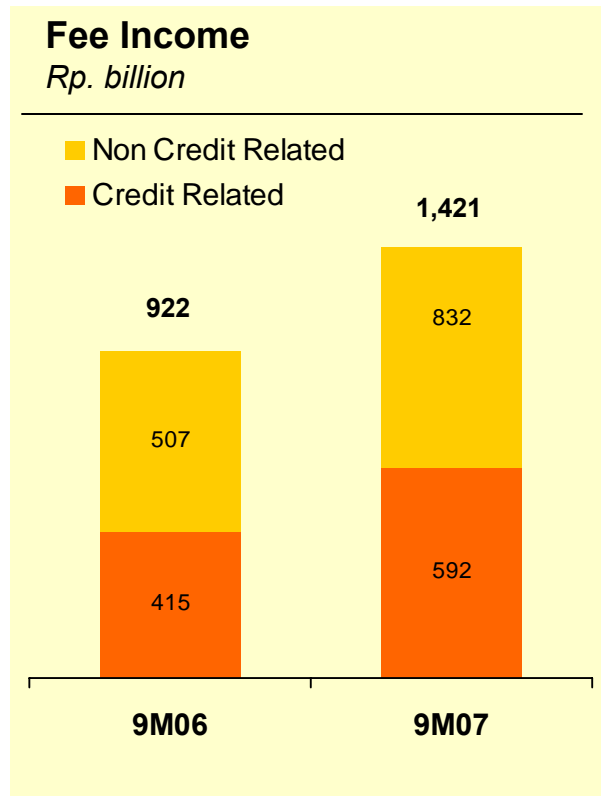
## Net Interest Margin

Quarterly, %



**Increase in net interest income was driven by DSP and Adira Finance**

## Fee income rose by 54% supported by strong growth in credit related fees and treasury products



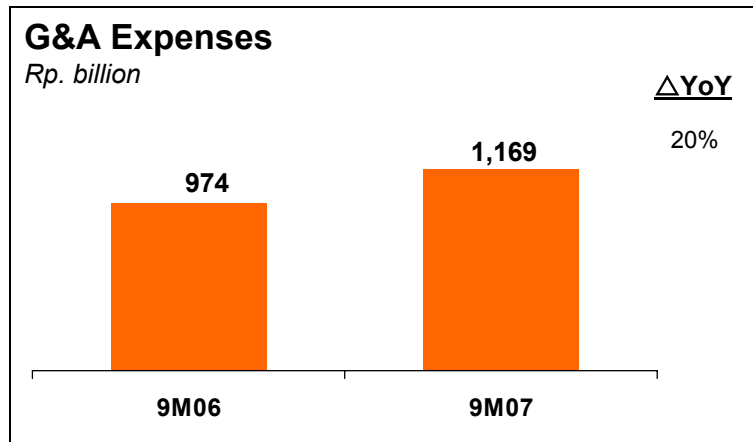
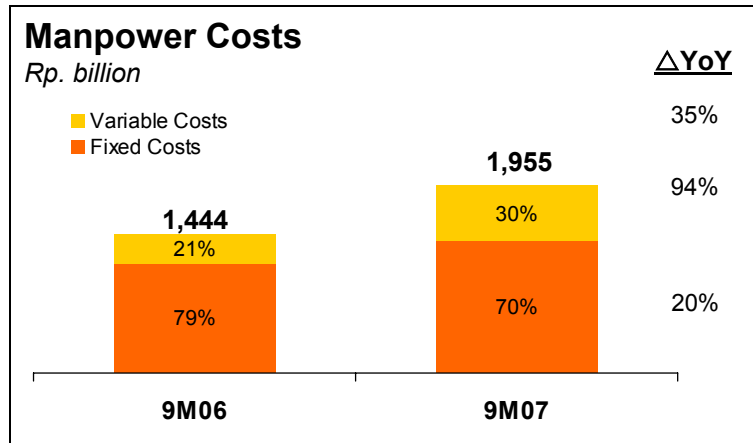
Rp. billion	9M06	9M07	ΔYoY
Credit related fees	415	592	43%
Cash management	209	226	8%
Treasury products	143	409	186%
Adira Finance	(16)	39	NM
Adira Insurance & Quantum	100	155	55%
Others <sup>a)</sup>	71	0	(100%)
<b>Total</b>	<b>922</b>	<b>1,421</b>	<b>54%</b>

<sup>a)</sup> 90% economic interest in Adira Insurance and Adira Quantum from previous year

**Gain on sales of government bonds drove the increase in fee income**



## An increase in operating expenses was partly driven by new initiatives



**New initiatives contributed to over 45% of the increase in operating expenses**

	9M06	9M07	$\Delta$ YoY
<b>Business as usual</b>	<b>1,894</b>	<b>2,281</b>	<b>20%</b>
Manpower costs	1,119	1,421	27%
G&A expenses	775	860	11%
<b>New Initiatives <sup>1)</sup></b>	<b>524</b>	<b>843</b>	<b>61%</b>
Manpower costs	325	534	64%
G&A expenses	199	309	55%
<b>Total</b>	<b>2,418</b>	<b>3,124</b>	<b>29%</b>

<sup>1)</sup> New initiatives include DSP, Adira Insurance, Adira Quantum and card businesses

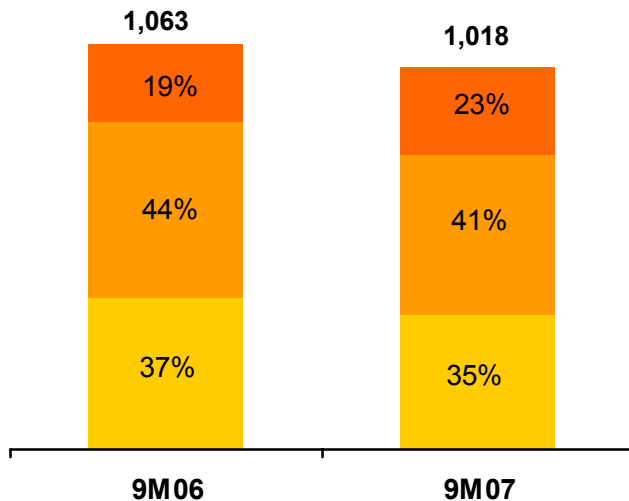
**Cost to Income Ratio was managed at below 47%**

# Cost of credit declined to 2.0% of earning assets in the third quarter of 2007

## Cost of Credit <sup>1)</sup>

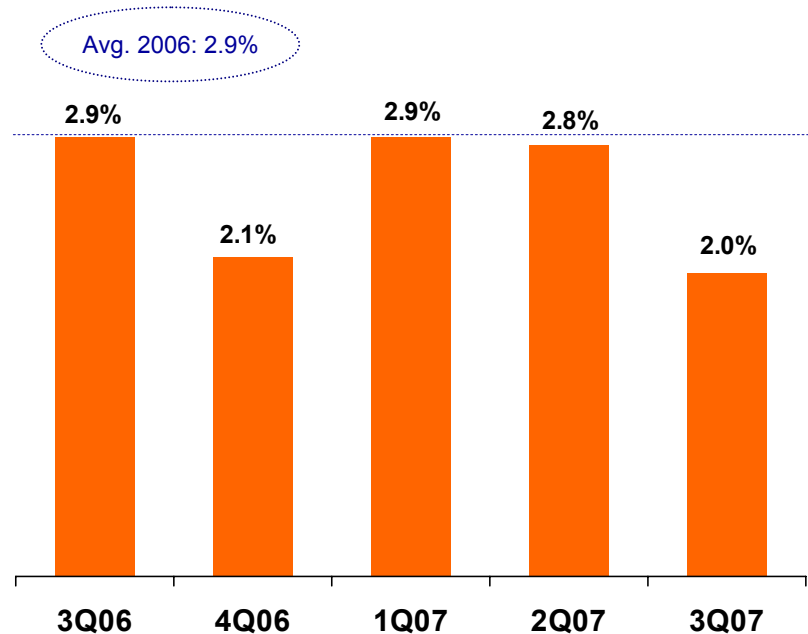
Rp. billion

- Danamon Simpan Pinjam
- Adira Finance
- Other Businesses



## Cost of Credit / Avg. Earning Assets <sup>2)</sup>

%, Annualized



**Lower cost of credit showed an improvement in asset quality**

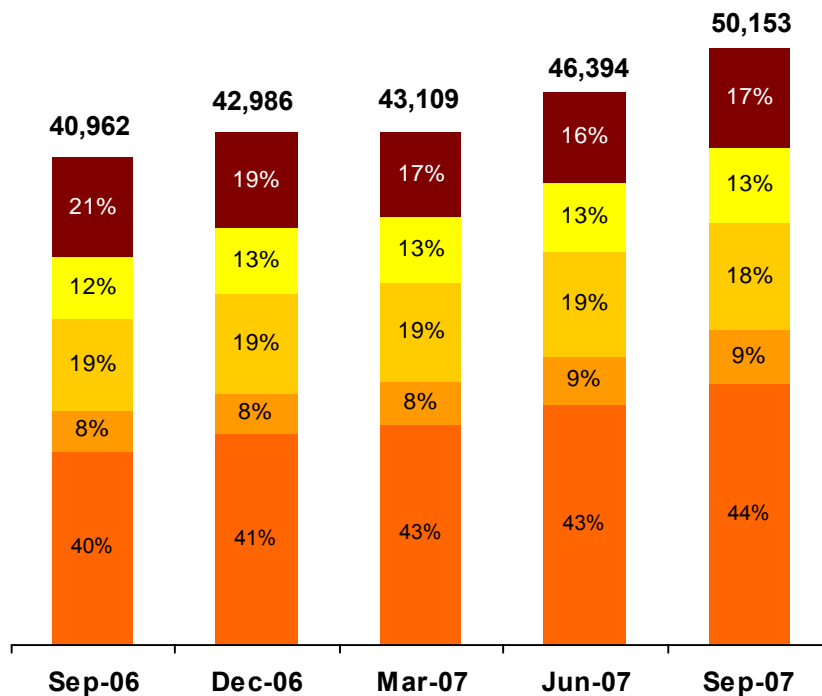
<sup>1)</sup>Cost of credit comprise of provision for losses, loss on repossessed assets of Adira Finance and net write-off

<sup>2)</sup>Exclude all government securities

# Loans expanded by 22% driven by robust growth in both mass market and retail businesses

## Outstanding Loan Composition

Rp. billion



## Loan Growth

Quarter-on-Quarter, Year-on-Year

	ΔQoQ		ΔYoY	
	Rp.bn	%	Rp.bn	%
Corporate <sup>1)</sup>	961	13%	(19)	0%
Commercial	419	7%	1,163	23%
SME	111	1%	1,205	16%
Retail	469	12%	1,196	36%
Mass Market <sup>2)</sup>	1,799	9%	5,646	35%
<b>Total</b>	<b>3,759</b>	<b>8%</b>	<b>9,191</b>	<b>22%</b>

<sup>1)</sup> Include joint finance and asset buy of auto loans from other finance companies of Rp 1,999 billion in September 2006, Rp 1,392 billion in June 2007 and Rp 1,361 billion in September 2007

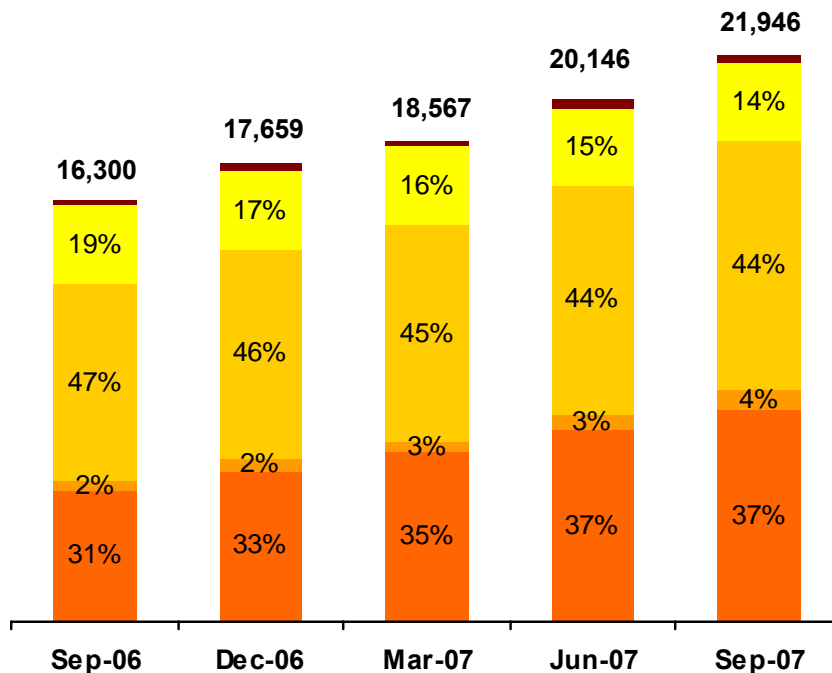
<sup>2)</sup> Include loans from Adira Finance, Adira Quantum and DSP

**Mass market loans grew by 35% and made up 44% of the loan book**

# Mass market loans expanded by 35% supported by strong growth in DSP

## Mass Market Loan Composition

Rp. billion



## Loan Growth

Quarter-on-Quarter, Year-on-Year

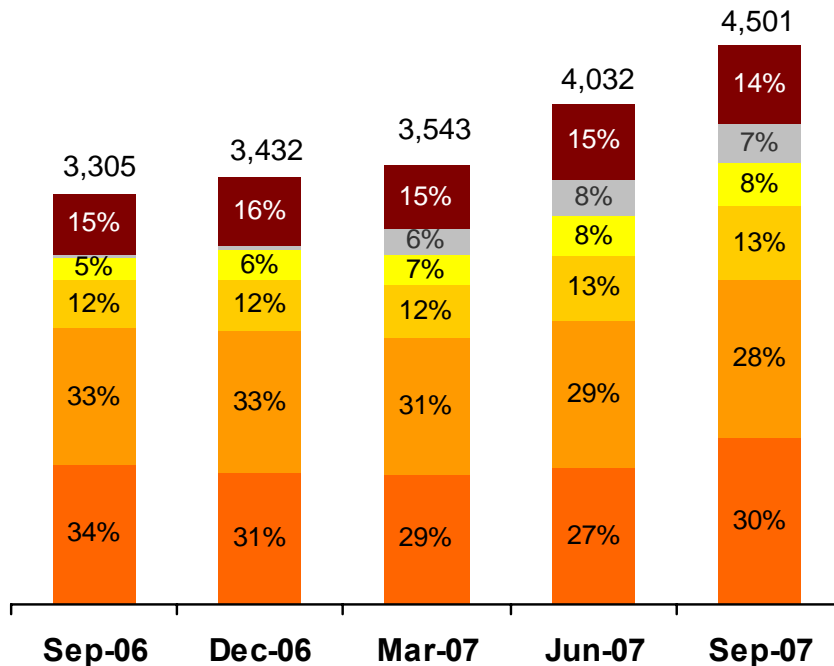
Growth	△QoQ		△YoY	
	Rp.bn	%	Rp.bn	%
Hire Purchase	36	12%	175	102%
Cars	75	2%	(21)	(1%)
Motorcycles	721	8%	1,995	26%
DSP CMM	195	34%	369	91%
DSP SEMM	772	10%	3,128	62%
<b>Total</b>	<b>1,799</b>	<b>9%</b>	<b>5,646</b>	<b>35%</b>

**DSP loans grew by 64% and accounted for 41% of mass market loans**

# Retail loans increased by 36% on the back of strong growth in personal and housing loans

## Retail Loan Composition

Rp. billion



## Loan Growth

Quarter-on-Quarter, Year-on-Year

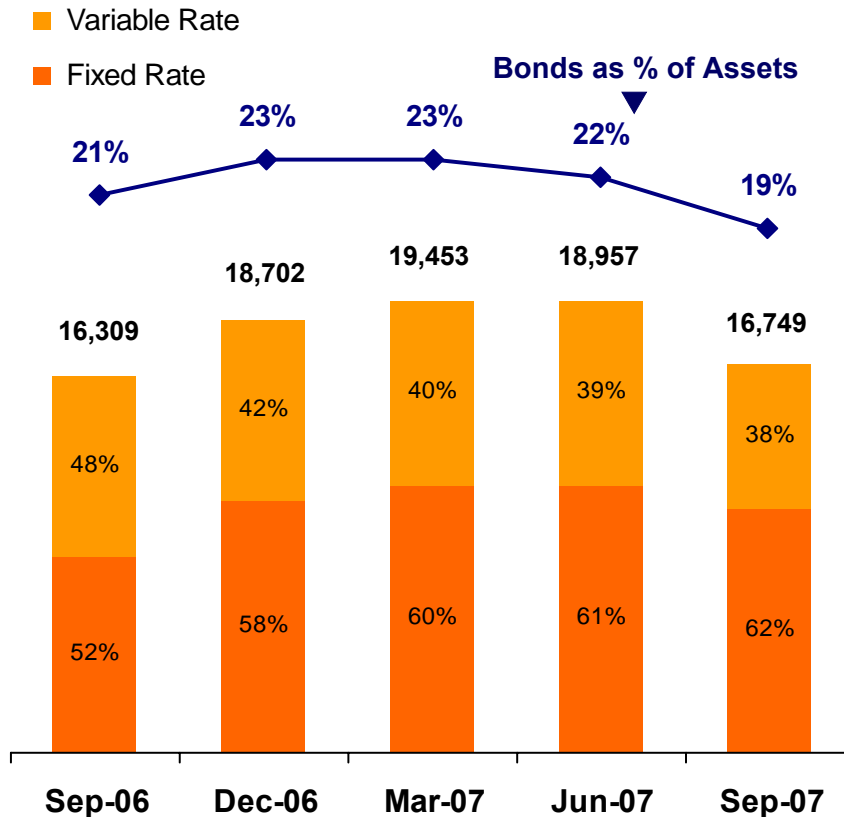
	ΔQoQ		ΔYoY	
	Rp.bn	%	Rp.bn	%
Others	20	3%	134	27%
Personal Loan	(4)	(1%)	282	1410%
Syariah	46	15%	188	112%
Multipurpose	82	16%	199	49%
Credit Card	87	7%	160	14%
Housing	237	21%	233	21%
<b>Total</b>	<b>469</b>	<b>12%</b>	<b>1,196</b>	<b>36%</b>

**Personal loans grew strongly and accounted 7% of retail loans**

# Government bonds represented to 19% of the bank's assets

## Government Bonds Composition

Rp. billion



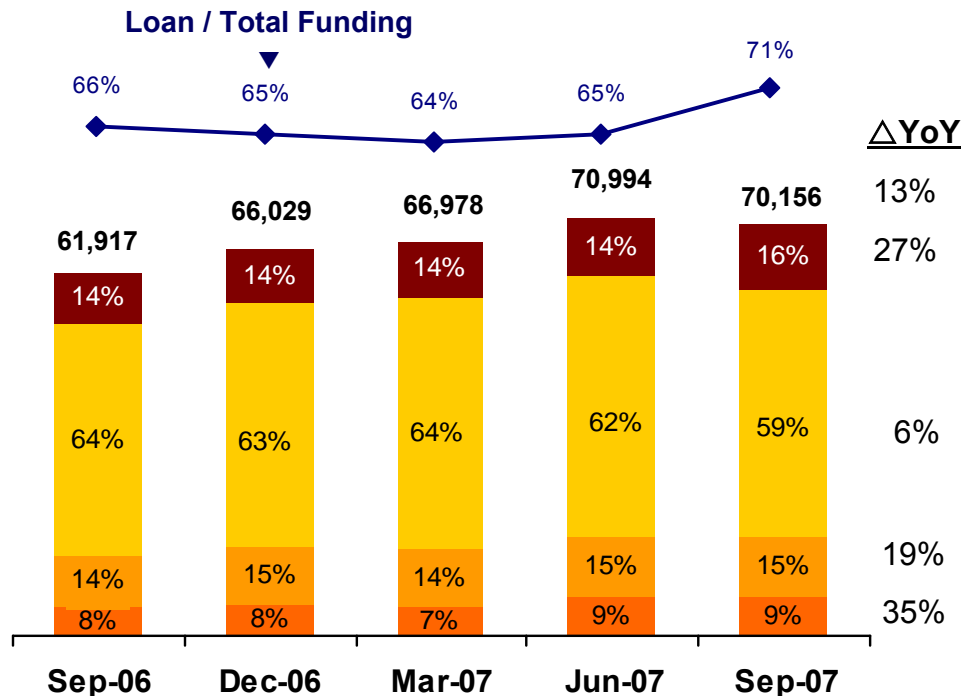
The duration of government bonds is 4.7 years as of September 30, 2007 as compared to 1.9 years a year earlier

Rp.bn	Sep-06	Sep-07	ΔYoY
Held to maturity	6,696	4,201	(37%)
Available for sale	9,062	11,328	25%
Trading	551	1,220	122%
<b>Total</b>	<b>16,309</b>	<b>16,749</b>	<b>3%</b>

# Funding increased by 13% on the back of strong deposit growth as well as structured and long-term funding

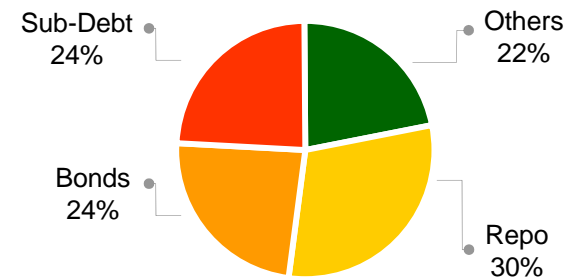
## Breakdown of Interest Bearing Funds

Rp. billion



## Structured and Long Term Funding

As of September 30, 2007



Total Rp 11,303 billion

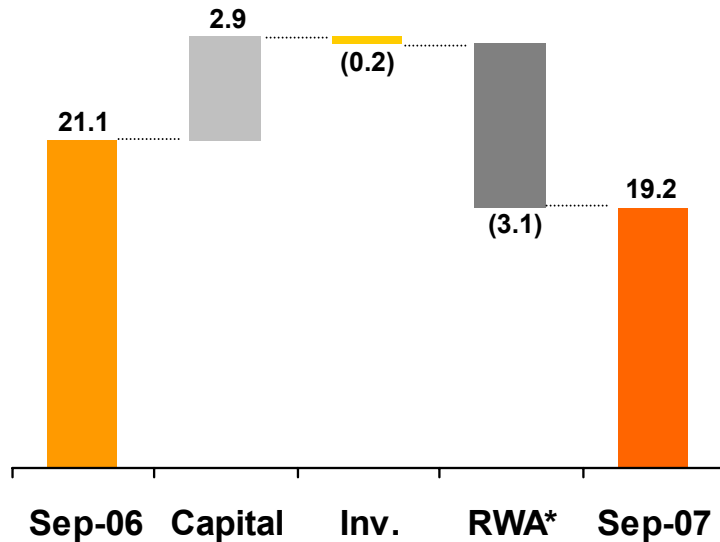
- Structured Funding
- Time Deposits
- Savings
- Current Account

**Total deposit rose by 11% supported by strong growth in current and saving accounts**

# Capital Adequacy Ratio (CAR) stood at 19.2% as of September 30, 2007

## Movement of Capital Adequacy Ratio

%



Rp. billion	Sep-06	Sep-07	ΔYoY
Tier 1 Capital	8,142	9,406	16%
Tier 2 Capital	3,782	3,996	6%
Investments	(1,116)	(1,244)	11%
<b>Total Capital after Investment</b>	<b>10,808</b>	<b>12,158</b>	<b>12%</b>
Risk Weighted Assets (RWA)*	51,176	63,435	24%
<b>Capital Adequacy Ratio*</b>	<b>21.1%</b>	<b>19.2%</b>	<b>(1.9%)</b>

\* After market risk charge

**Adequate capital to support business expansion**



# Agenda

- Financial Results

- **Asset Quality**

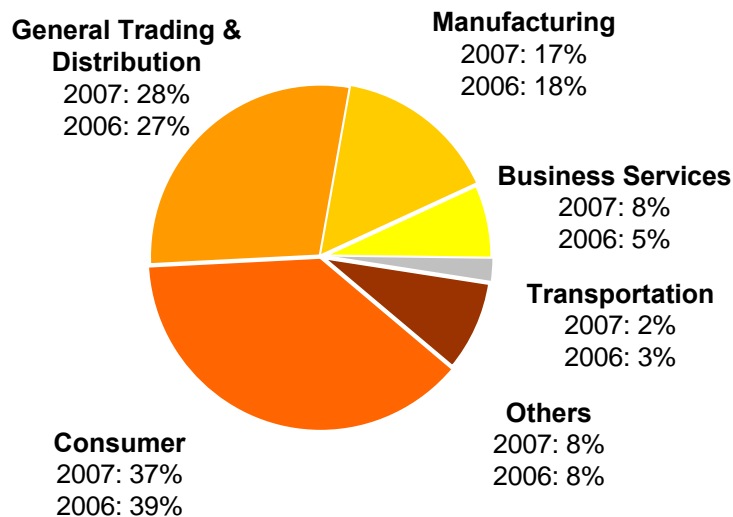
- Business Update

- Appendix

# Well diversified loan portfolio across economic sectors

## Loans by Economic Sector

*As of September 30*

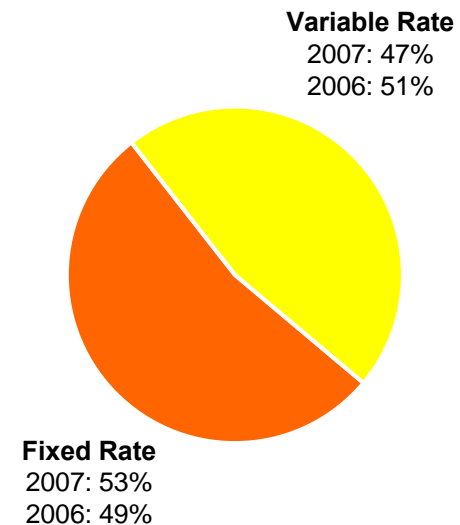


### Total Loans

2007: Rp 50,153 billion  
2006: Rp 40,962 billion

## Loans by Interest Rate

*As of September 30*



### Total Loans

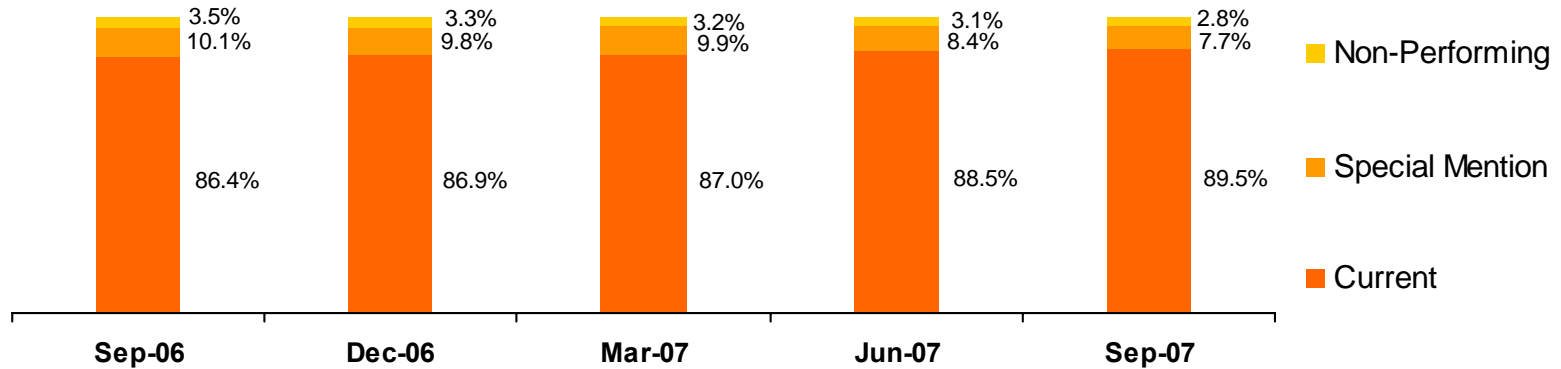
2007: Rp 50,153 billion  
2006: Rp 40,962 billion

**Fixed rate loans are mainly comprised of auto financing and Danamon Simpan Pinjam**

# Non-performing loans ratio steadily decline to 2.8% as of September 2007

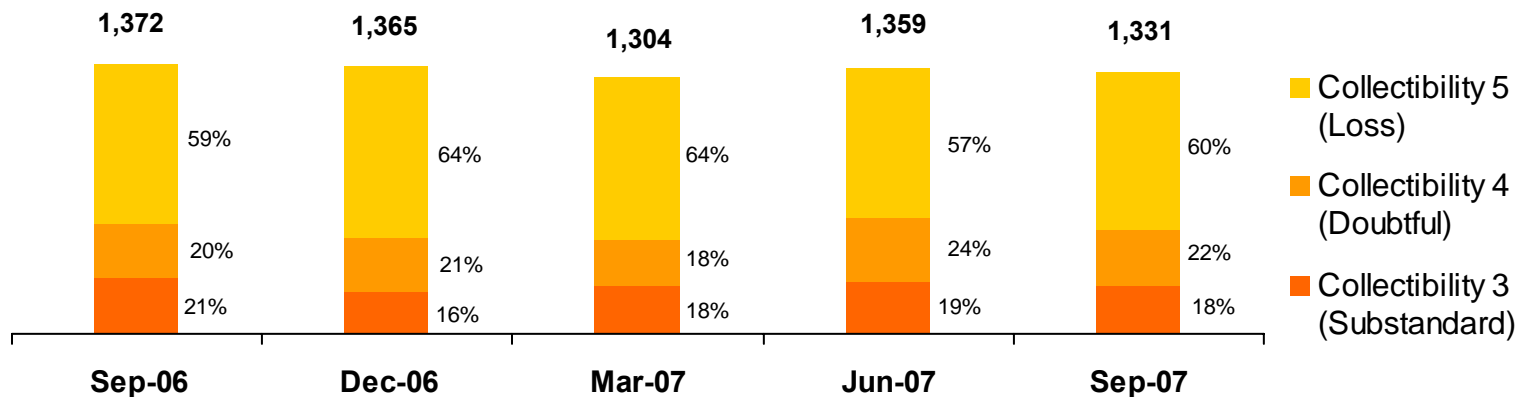
## Loan's Collectibility

% Total



## Non-Performing Loans Breakdown

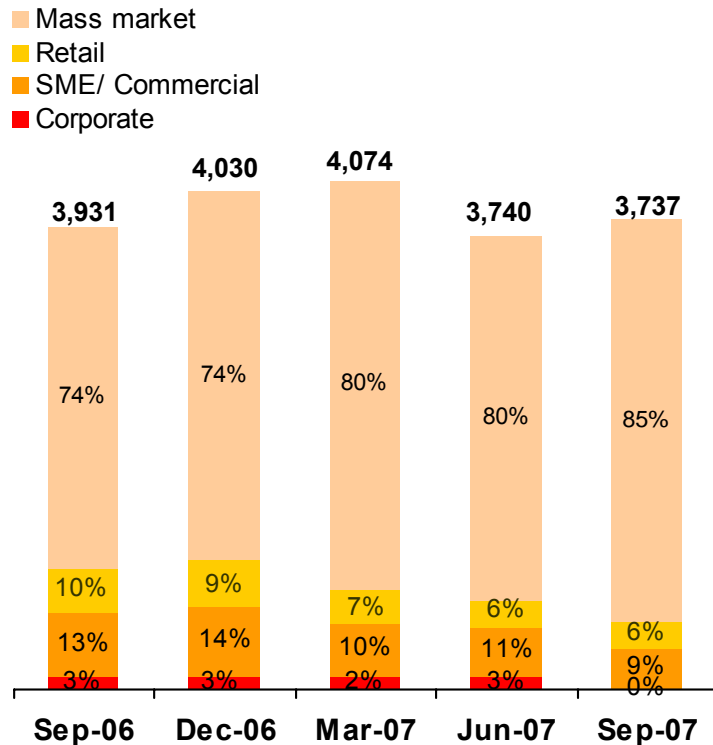
% Total



# Special mention loans concentrate on DPD 1-30 days

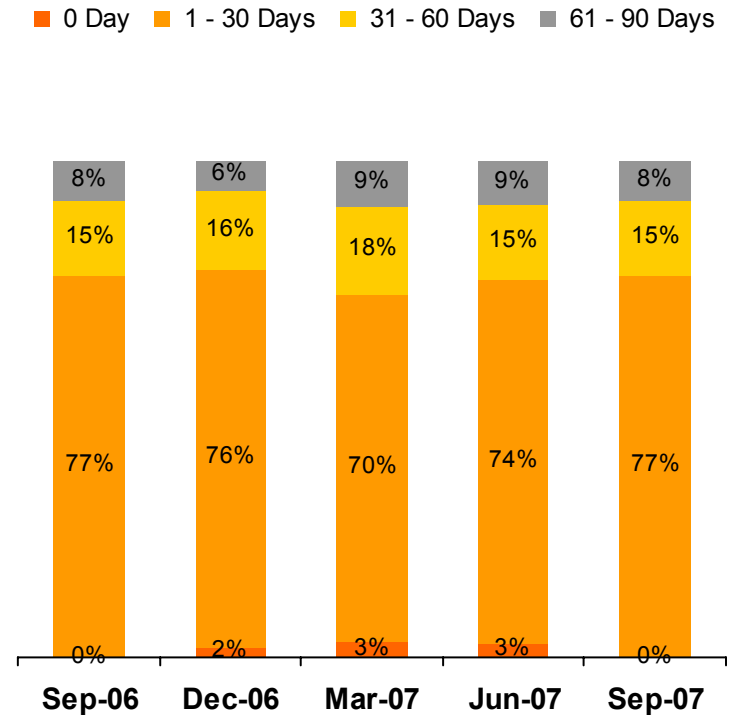
## Special Mention Loans

Rp. billion



## Aging of Special Mention Loans

% Total

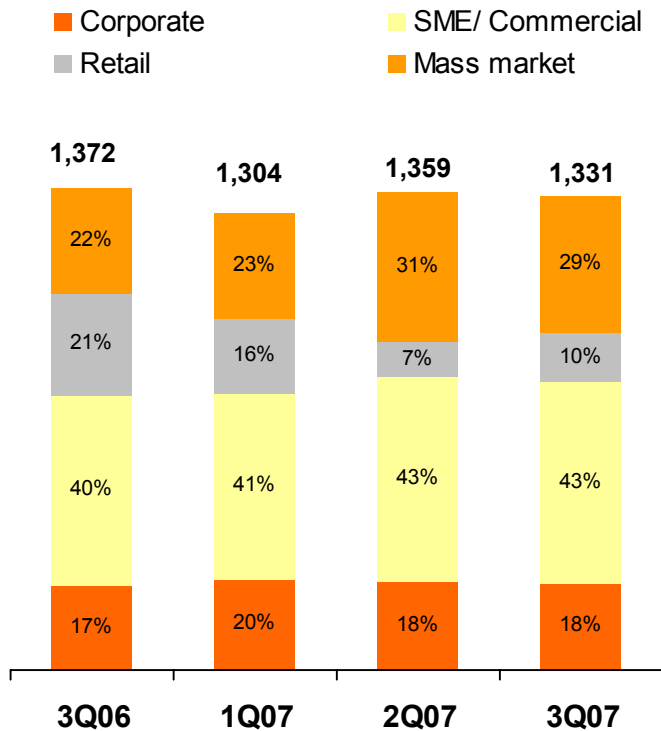


**Special mention loans largely came from mass market loans**

# Adequate loan loss provision to cover non-performing loans

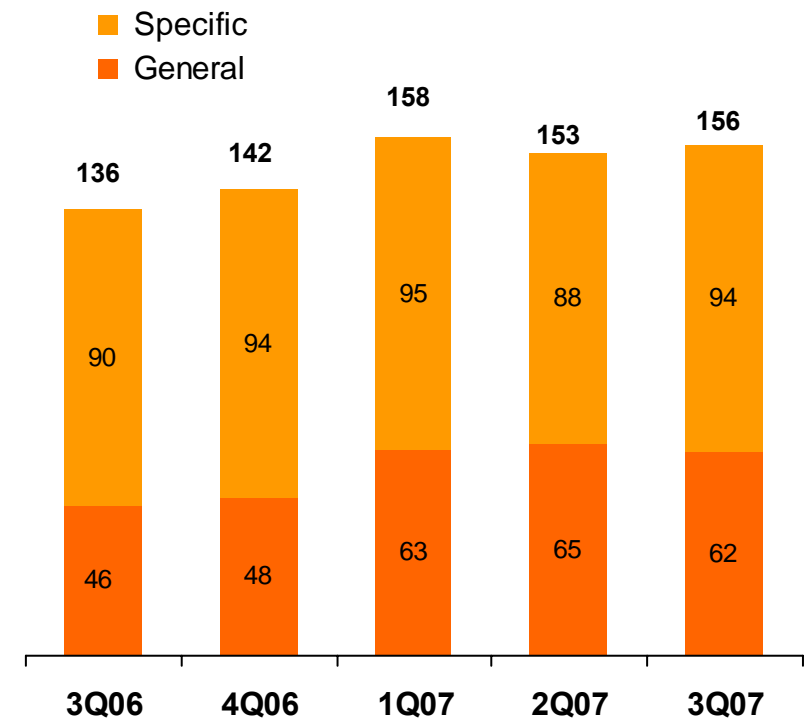
## Non Performing Loans by Segments

Rp. billion



## Loan Loss Provision / NPL <sup>1</sup>

%



<sup>1</sup>After collateral value

The decline in non-performing loans was mainly come from mass market loans

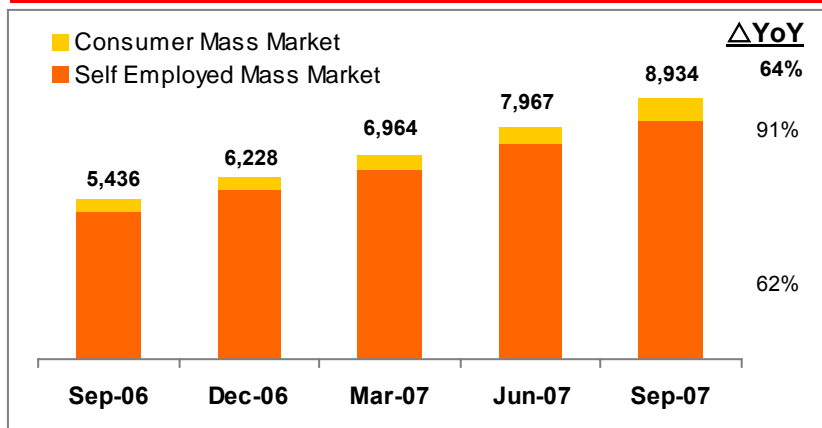
# Agenda

- Financial Results
- Asset Quality
- **Business Update**
- Appendix

# Danamon Simpan Pinjam

## Outstanding Loans

Rp. billion



## Self Employed Mass Market (SEMM)

- 700 units and 38 mobile units of DSP SEMM are currently in operation
- SEMM extended Rp 5,151 billion new loans in the first nine months of 2007, up 59% from in the same period last year
- SEMM introduced a new **Supply Chain Model** in July to serve traders in low end of supply chains. Currently it has operated 6 sales units

## Consumer Mass Market (CMM)

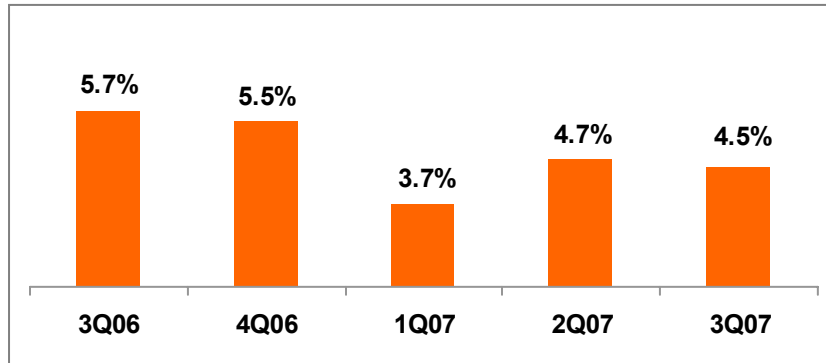
- CMM offers personal loans to salaried consumers
- CMM has stepped in 79 Adira Finance's branches for **cross selling** personal loans
- 76 units of CMM are currently in operation for **worksite** model offering personal installment loans to employees

**DSP loans grew by 64% to Rp 8,934 billion, representing 18% of the loan book**

# Danamon Simpan Pinjam

## Cost of credit

% of Average Loans, annualized

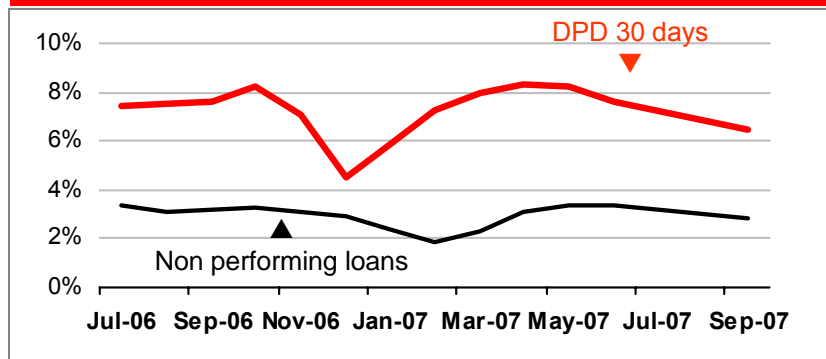


**Cost of credit was maintained below 5% on the back of strong loan growth**

- Cost of credit stood at 4.5% of average receivables in the third quarter of 2007 as compared to 5.7% in the previous year's quarter
- 30+ days past due (DPD 30+) loans as a percentage of total loans was 6.5% as of September 30, 2007 compared to 7.6% a year earlier

## DPD 30+ Days and NPL Ratio

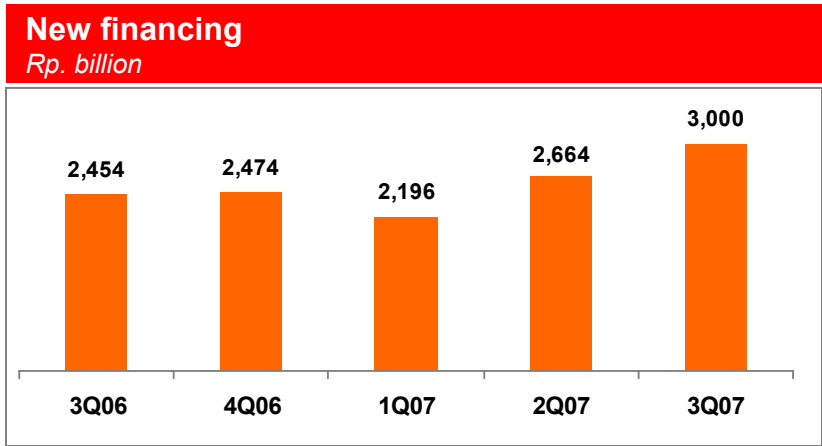
% of Receivables



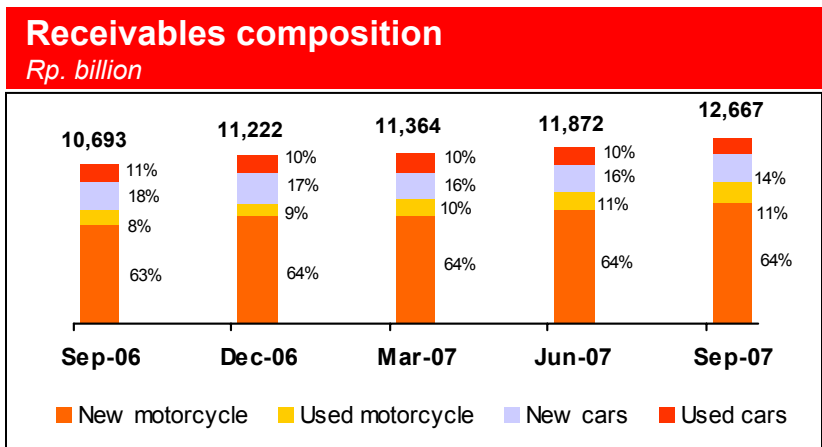
**Asset quality improved as reflected by the declining cost of credit**



# Adira Finance (consumer auto financing)



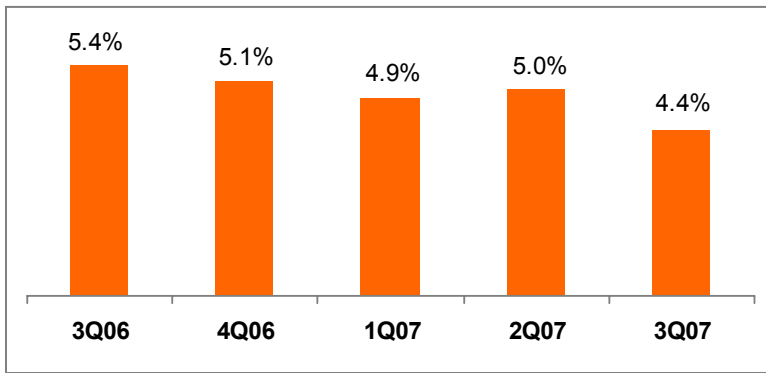
- New financing rose by 31% YoY to Rp. 7,860 billion in the first nine months of 2007
- Outstanding receivables rose by 18% YoY to Rp. 12,667 billion as of September 30, 2007
- Market share in new motorcycles financing rose to 15.0% in the third quarter of 2007 as compared to 12.2% in the earlier year's period
- Cost of credit normalized to 4.4% in the third quarter of 2007 as compared to 5.4% in the previous year's period due to lower loss on repo. assets and write off



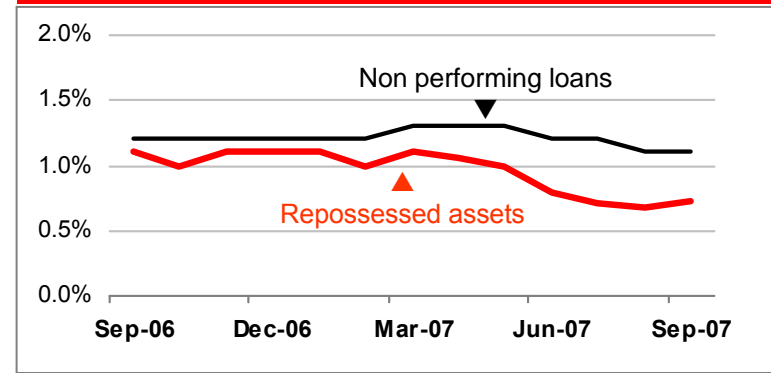
**New financing rose by 31% to Rp 7,860 billion in the first nine months of 2007, reflecting market share gain**

# Adira Finance (consumer auto financing)

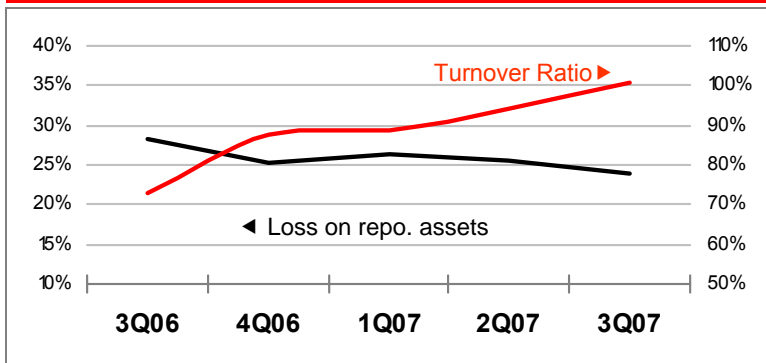
## Cost of credit % of Average Receivables



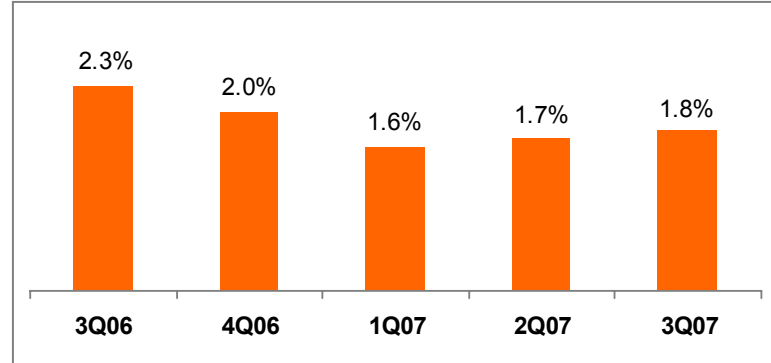
## NPL and Repo Assets % of Receivables



## Loss on Repo. Assets and Turnover Ratio <sup>1)</sup> %



## Net write off % of Average Receivables



**Cost of credit stood at 4.4% in the third quarter of 2007**

<sup>1)</sup> Turnover ratio was measured by number of repossessed asset units sold as % of repossessed asset inventory. LOR was measured by losses of repossessed assets as % of outstanding loan principal

## Adira Finance (consumer auto financing)

Rp. billion	1Q07	2Q07	3Q07	△QoQ	9M06	9M07	△YoY
New Financing Units	194,240	232,662	264,434	14%	505,394	691,336	37%
New Financing Volume	2,196	2,664	3,000	13%	5,985	7,860	31%
<b>O/S Receivables</b>	<b>11,364</b>	<b>11,872</b>	<b>12,667</b>	<b>7%</b>	<b>10,710</b>	<b>12,667</b>	<b>18%</b>
Interest Income	813	830	887	7%	2,134	2,530	19%
Interest Expenses <sup>1</sup>	(273)	(278)	(293)	5%	(1,037)	(844)	(19%)
<b>Net Interest Income</b>	<b>540</b>	<b>552</b>	<b>594</b>	<b>8%</b>	<b>1,097</b>	<b>1,686</b>	<b>54%</b>
Fee Income <sup>2</sup>	7	8	24	200%	(16)	39	NM
<b>Total Operating Income</b>	<b>547</b>	<b>560</b>	<b>618</b>	<b>10%</b>	<b>1,081</b>	<b>1,725</b>	<b>60%</b>
Operating Expenses <sup>2</sup>	(170)	(206)	(211)	2%	(452)	(587)	30%
Cost of Credit	(137)	(147)	(136)	(7%)	(465)	(420)	(10%)
Other Income/(Expense)	-	-	(2)	NM	(16)	(2)	(88%)
<b>Profit before Tax</b>	<b>240</b>	<b>207</b>	<b>269</b>	<b>30%</b>	<b>148</b>	<b>716</b>	<b>384%</b>
Tax	(75)	(64)	(82)	28%	(24)	(221)	821%
<b>Net Income</b>	<b>165</b>	<b>143</b>	<b>187</b>	<b>31%</b>	<b>124</b>	<b>495</b>	<b>299%</b>

<sup>1</sup>Including internal transfer pricing charge

<sup>2</sup>Restated due to changes in accounting policy on incentive payment to the dealer

# Agenda

- Financial Results
- Asset Quality
- Business Update

- **Appendix**

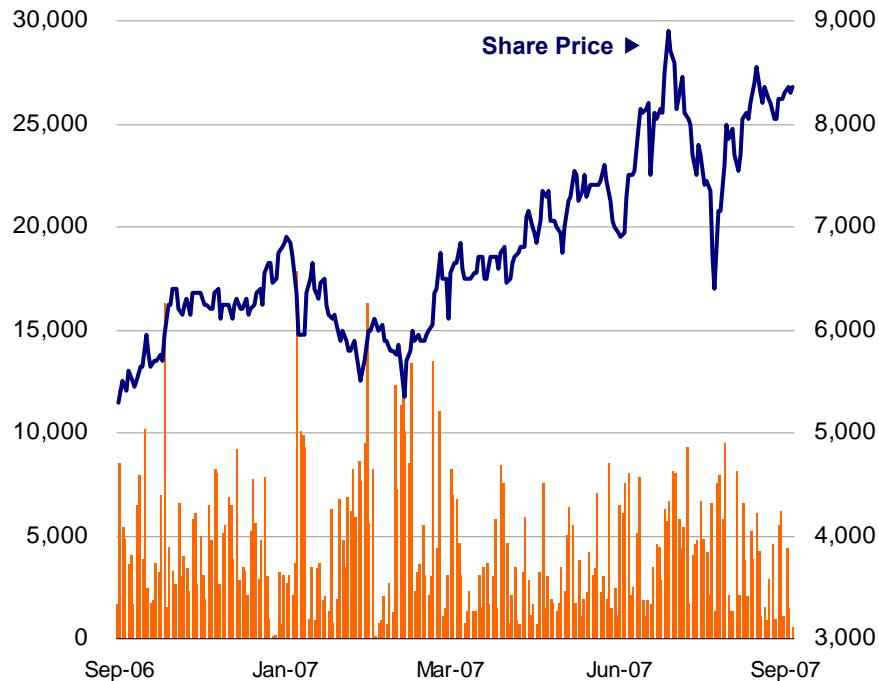
# Shareholding Structure

## Daily share price and trading volume

BDMN IJ

Daily trading volume in thousands

Share price in Rupiah



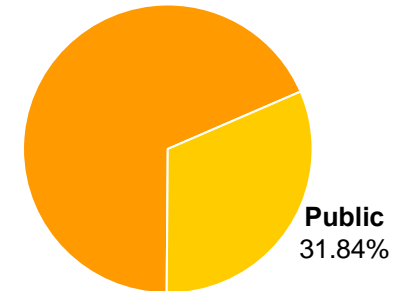
Source: Bloomberg

## Shareholding Structure

As of September 30, 2007

**Asia Financial (Indonesia)**

68.16%



**Asia Financial (Indonesia) (AFI)**

AFI is a consortium of Fullerton Financial Holdings Pte. Ltd. (FFH) (85%) and Deutsche Bank (15%).

FFH is wholly owned by Temasek Holdings

# Credit Rating

## Danamon

<b>Standard &amp; Poor's</b>	Long-term / Short-term Local Currency	BB- / Stable / B
	Long-term / Short-term Foreign Currency	BB- / Stable / B
	Subordinated Debt	B / Stable
<b>Moody's</b>	Global Local Currency Deposit	Baa3 / Stable
	Foreign Currency Long-term / Short-term Deposit	B1 / Stable / Not Prime
	Subordinated Debt	Ba2 / Stable
	National Scale Rating	Aaa.id
<b>PEFINDO</b>	Corporate Rating	<sup>id</sup> AA- / Stable
	Bond Rating	<sup>id</sup> AA- / Stable
<b>Fitch Ratings</b>	Long-term / Short-term Foreign Currency	BB- / Positive / B
	National Long-term	AA (idn) / Stable



# Thank You

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