

# Analyst Briefing

## First Nine Months 2012 Results

*Jakarta, 17 October 2012*

# Agenda

- **Macroeconomy and Industry Trend**
- Financial Results
- Corporate Updates
- Appendix

## Economic Briefing : Market Implication

- Increasing concern on growth due to the global economy condition, may leave BI with no room to lower the interest rate:
  - Despite well contained, the inflation outlook is higher due to increasing global food price due to extreme weather, and the possibility of electricity tariff hike (Danamon estimates additional 0.5% on inflation)
  - BI would need to bring rates higher to attract capital inflows to reduce the BoP pressure. Expect another FASBI rate hike this year, if the BoP does not show significant improvement
- BI may still keep BI rate at the 5.75% at least by year end, then possibly raising it next year
- Global slowdown put pressures on IDR. But higher short term rates may attract inflows thus we estimate IDR may reach Rp 9,450 by year-end, though with some downside risks.
- Credit growth slowed further (at 23.6% yoy in August) contributed by a slowdown in working capital credit (23.2% yoy) while consumption credit and investment credit remain at a high level each by 19.9% yoy and 29.8% yoy.

Source: Danamon analysis

Slide 3

## Economic Briefing : BI Rate - Maintained at 5.75%, focus on external balance while supporting domestic economy

- BI maintain focus on external balance - higher risk on the external development particularly the possible hard landing in China and India as the main trading partners.
- BI seems more optimistic on the current account balance. Current account deficit (CAD) is expected to improve in Q3 and for the Balance of Payment (BoP) to be in surplus with higher inflows of FDI and portfolios to counter the CAD.
- Inflation concern is currently set aside - September inflation was quite low at 4.31%.

*Source: Danamon analysis*

# Growth remained strong amid global pressures

## Economic Growth

- Growth in 2012 may slightly down to 6.2% yoy. Second quarter growth rise to 6.4%yoy on strong domestic demand
- Pressure lie more on the deteriorating net export due to global economic slowdown and declining global commodity prices

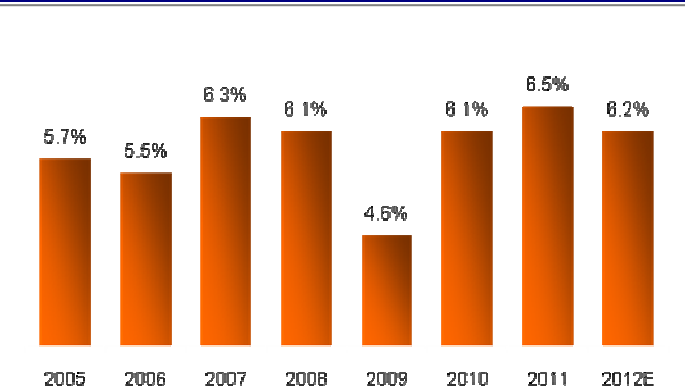
## Inflation rate

- Sep inflation is quite low at 0.01% mom driven by decline in food price and transportation costs as the Lebaran impact wears off. On a yearly basis, inflation rate decline to 4.31%. Core inflation also slightly down to 4.12% yoy.
- 2012 forecast is at 5% (with no fuel price hike), year end.

## Consumer sentiment

- Consumer confidence rose in Aug in line with the decline in the price expectation

### Real GDP Growth %YoY



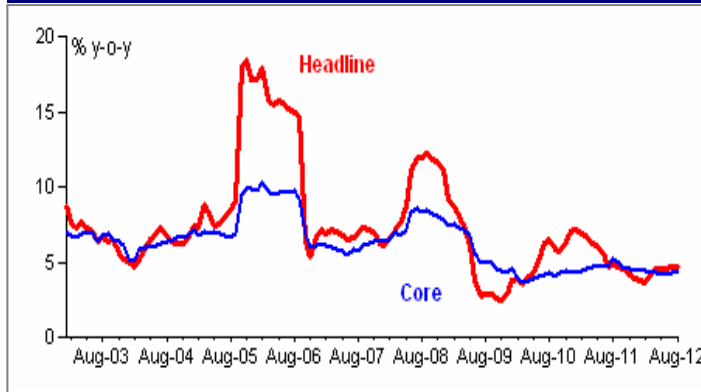
Source: BPS, CEIC, 2011: GDP (1Q-3Q11), Unemployment rate (Aug 11)

### Real GDP Breakdown

% YoY	FY09	FY10	FY11	FY12E
Real GDP	4.6	6.2	6.5	6.2
Consumption	4.9	4.7	4.7	5.0
Government	15.7	0.3	3.2	6.8
Investment	3.3	8.5	8.8	10.1
Net Export	12.5	8.7	14.4	-20.2

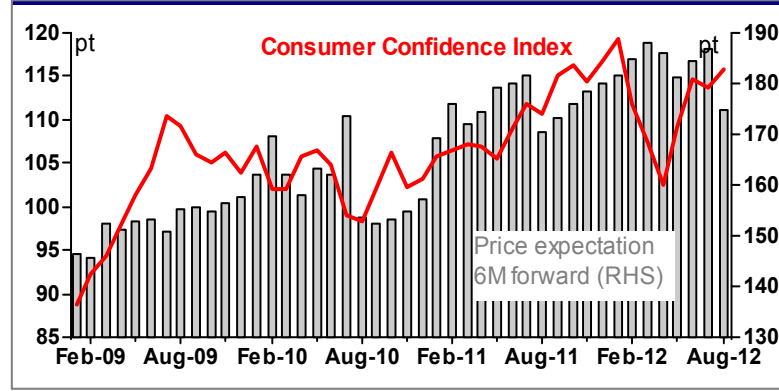
Source: BPS, CEIC, Danamon Estimates

### Headline vs Core Inflation %YoY, end of period, CPI



Source: BPS, CEIC

### Consumer Confidence Index Monthly,pt

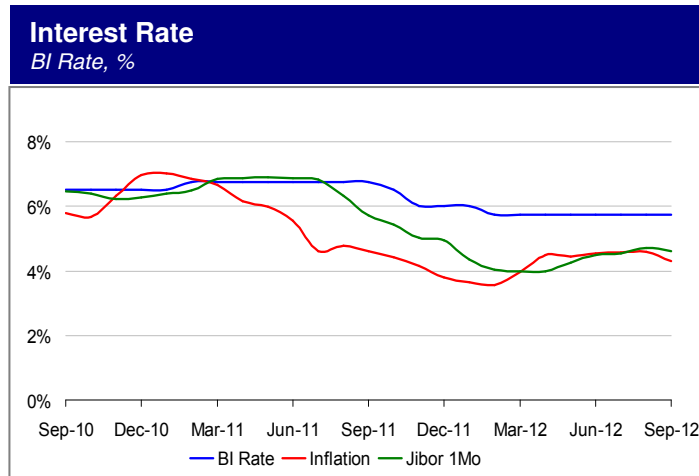


Source: BI, CEIC

# BI kept the policy rate at 5.75% and the FASBI rate at 4%, focus on external balance while support domestic economy

## Interest Rate

- In Oct, BI kept the policy rate at 5.75% and the FASBI rate at 4%. Global slowdown remained a concern
- Expect BI to maintain the policy rate at 5.75% and another 25 bps hike in Fasbi rate by year end, if the CA deficit does not show any significant improvement.

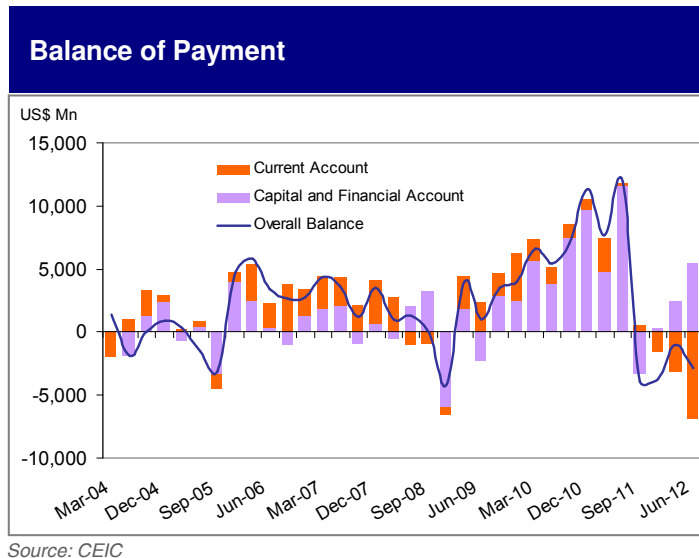


## Rupiah (DRF) vs 10 Yr Bond Yield

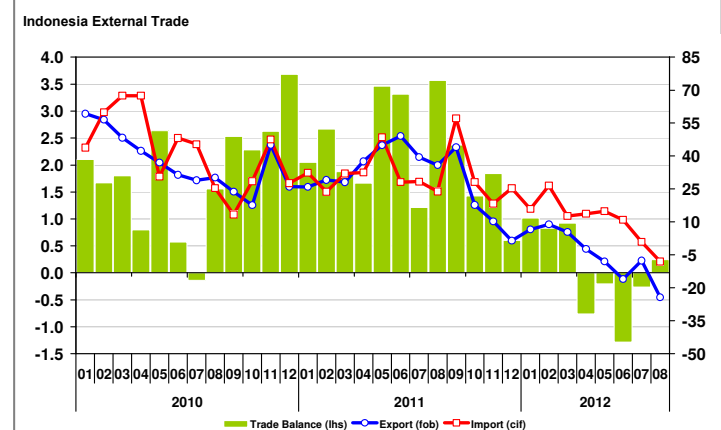


## Exchange Rate

- IDR remained weak, as BI tolerating a weaker rupiah to help adjustment in the CA deficit
- Global financial market volatility adds pressure to the CA deficit. We expect the IDR/USD may move towards 9,450 at year-end (2012)



## Indonesia Foreign Trade



Indonesia	2009	2010	2011	2012E	2013E
<b>National Account</b>					
Real GDP (% YoY)	4.6	6.2	6.5	6.2	6.3
Domestic demand ex. Inventory (% y-o-y)	5.4	5.3	5.7	6.6	6.3
Real Consumption: Private (% y-o-y)	4.9	4.7	4.7	5.0	5.0
Real Gross Fixed Capital Formation (% y-o-y)	3.3	8.5	8.8	10.1	9.1
GDP (US\$ bn) – nominal	543	709	847	901	1,043
GDP per Capita (US\$) – nominal	2,348	2,983	3,514	3,688	4,212
Open Unemployment Rate (%)	7.9	7.1	6.6	6.3	6.1
<b>External Sector</b>					
Exports, fob (% YoY, US\$ bn)	-14.3	32.1	26.9	2.0	13.1
Imports, fob (% YoY, US\$ bn)	-24.0	43.7	30.8	13.7	12.3
Central government debt (% of GDP)	28.4	26.1	24.6	23.1	21.1
International Reserves – IRFCL (US\$ bn)	66.1	96.2	110.1	114.7	124.1
Reserve cover (Imports and external debt)	6.5	7.1	6.3	6.3	6.6
Currency / US\$ (Year-end)	9,400	8,991	9,068	9,450	9,503
<b>Other</b>					
BI Policy Rate (% year end)	6.50	6.50	6.00	5.75	6.25
Consumer prices (% year end)	2.78	6.96	3.79	4.96	6.17
Fiscal balance (% of GDP; FY)	-1.6	-0.73	-1.2	-2.2	-1.5

Source: BPS, Bank Indonesia, Danamon

## Industry's (Commercial Banks) and Danamon's growth

### Industry (Rp trillion)

	Aug 11	Dec 11	Aug 12	ΔYoY	ΔYTD
Total Assets	3,253	3,653	3,924	21%	7%
Loans	2,032	2,200	2,511	24%	14%
Total Deposits	2,460	2,785	2,984	21%	7%
NPAT	48.2	75.1	59.7	24%	NM
NIM (%)	5.9	5.9	5.4	-0.5	-0.5
NPL (%)	2.8	2.2	2.2	-0.6	0.0
ROA (%)	3.0	3.0	3.1	0.1	0.1
LDR (%)	82.2	78.8	83.7	1.5	4.9
CAR (%)	17.3	16.1	17.3	0.0	1.2

Source: Indonesian Banking Statistics

### Danamon (Rp billion)

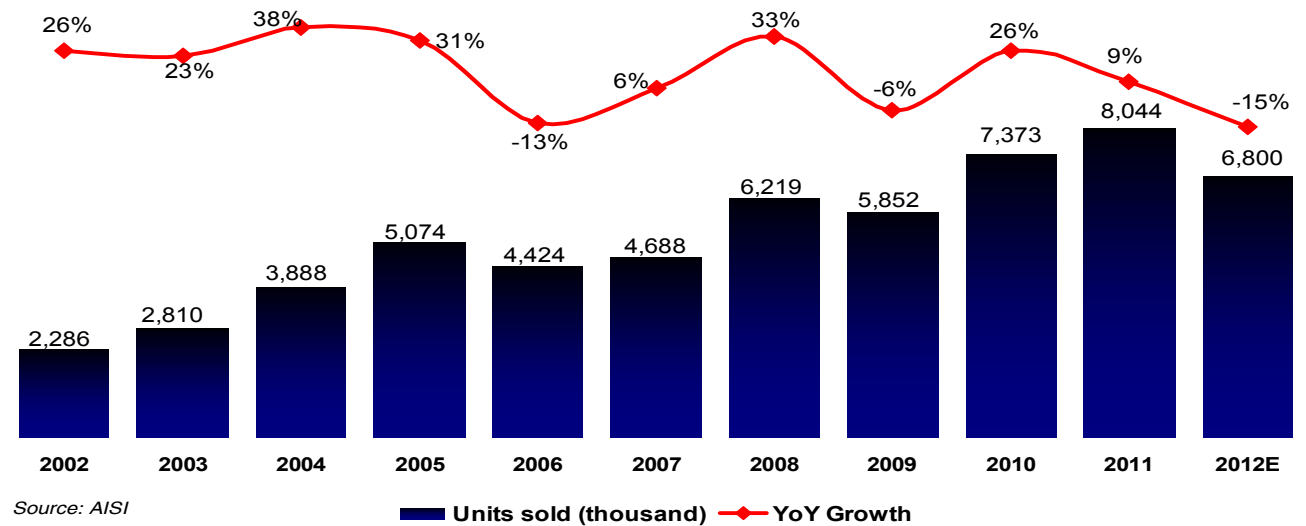
	Sep 11	Dec 11	Sep 12	ΔYoY	ΔYTD
Total Assets	136,073	141,934	150,109	10%	6%
Loans	97,434	101,678	113,267	16%	11%
Total Deposits	86,990	88,054	88,303	2%	0%
NPAT	2,449	3,336	2,992	22%	NM
NIM (%)	9.9	9.8	10.0	0.1	0.2
NPL (%)	2.9	2.5	2.4	-0.5	-0.1
ROA (%)	2.6	2.6	2.7	0.1	0.1
LDR (%)	99.5	98.3	103.5	4.0	5.2
CAR (%)	17.8	17.5	18.7	1.0	1.2



## Automotive industry trend

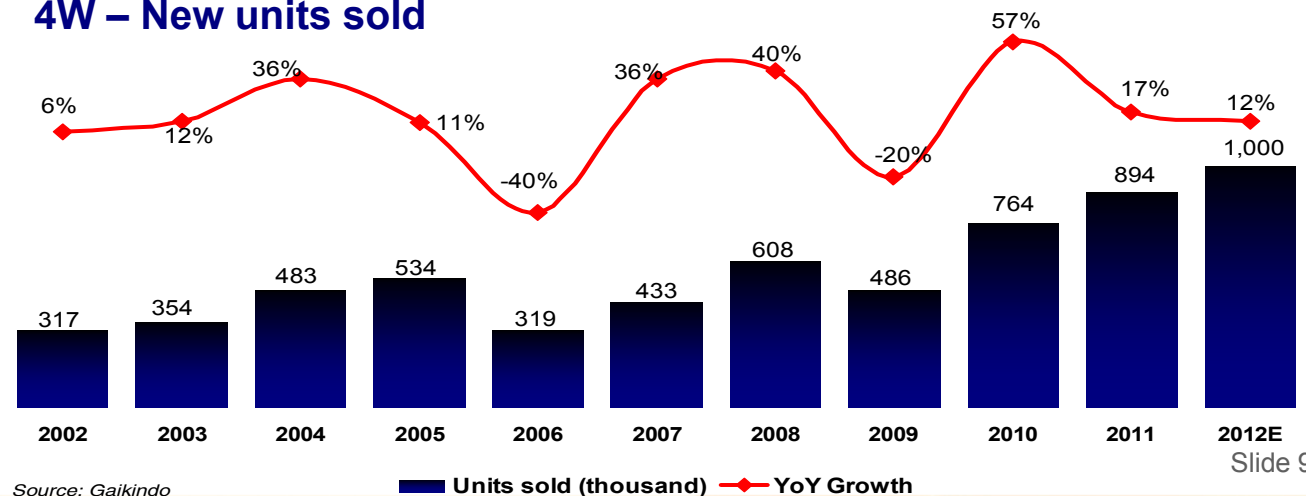
- We estimate domestic new motorcycle sales will decrease 15% from 8,044 to 6,800 thousand units in 2012 largely due to the impact from DP regulation.
- Sep 12 YoY growth: -14%, 9M12 YoY growth: -14%
- AISI forecasts that Indonesian domestic new motorcycles sales will decrease 2% or flat in the next 1 – 2 years.

### 2W – New units sold



- We estimate domestic new car sales will grow 12% from 894 thousand units to 1 million units in 2012.
- Sep 12 YoY growth: 28%, 9M12 YoY growth: 24%
- Gaikindo forecasts that Indonesian domestic new car sales will grow 5-10% per annum for the next 3 years.

### 4W – New units sold



- BI and Bapepam issued new ruling on the minimum down payment for vehicle financing and LTV for mortgage

❖ In March 2012, BI (through its circular letter No. 14/10/DPNP dated 15 March 2012) and Bapepam (through press release No. 53/HMS/2012 dated 16 March 2012) each issued a different set of ruling regarding the minimum down payment for auto loans as summarized below:

Type of vehicle	BI	Bapepam	Difference
Two wheels	min. 25%	min. 20%	5%
Four wheels - productive	min. 20%	min. 20%	-
Four wheels - non productive	min. 30%	min. 25%	5%

- ❖ Under the joint financing scheme, the minimum down payment will be set proportionally between the Bank and the financing company. For financing company, if the auto financing is funded by the finance company's funds (i.e. through working capital loans or bonds issuance), the minimum down payment must follow Bapepam ruling.
- ❖ BI also determined the maximum loan to value (LTV) for mortgage of 70%.
- ❖ The above requirement has been effective since 15 June 2012.
- MoF issued a new regulation No 130/PMK.010/2012 stipulating the requirement for consumer financing companies particularly vehicle financing to register collateral fiduciary certificates. Fiducia means an early form of transfer of ownership. In this case, borrower must sign a fiduciary deed in front of a notary and register the deed with the Law and Human Rights Ministry. This ruling took effect starting 7 October 2012 and is non-retroactive. This new regulation will impose additional cost of notary fee and registration fee.

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- Macroeconomy and Industry Trend

- **Financial Results**

- Corporate Updates

- Appendix

## Highlights 9M12 Results

- Total loans rose 16% to Rp 113 trillion year on year, driven by mass market and SMEC segments, that grew 14% and 19%, respectively. Wholesale loans also booked robust growth of 21% to Rp 14 trillion.
- Funding franchise was strengthened with CASA growth of 18% to Rp 39 trillion. CASA ratio rose to 44% vs 38%.
- Loan to funding (including long term funding) was 89.3%. LDR stood at 103.5%.
- Net Interest Margin stood at 10% compared to 9.9% last year.
- Cost to income improved to 50.1%. CoC also improved to 2.9%.
- Fee income accounted for 26% of operating income or Rp 3.3 trillion, rose 10% from last year due to higher credit related fees and bancassurance.
- NPAT rose 22% to Rp 2.992 trillion. Consolidated ROA was 2.7% and ROE stood at 16.2% supported by high CAR of 18.7%.

## Highlights of Income Statement

<i>Rp billion</i>	9M11	9M12	ΔYoY	1Q12	2Q12	3Q12	ΔQoQ
<b>Net Interest Income</b>	<b>7,972</b>	<b>9,590</b>	<b>20%</b>	<b>3,019</b>	<b>3,272</b>	<b>3,299</b>	<b>1%</b>
Non Interest Income	3,006	3,303	10%	1,029	1,143	1,131	-1%
<b>Operating Income</b>	<b>10,978</b>	<b>12,893</b>	<b>17%</b>	<b>4,048</b>	<b>4,415</b>	<b>4,430</b>	<b>0%</b>
Cost of Credit	(1,954)	(2,309)	18%	(788)	(742)	(779)	5%
<b>Risk adjusted Ops Income</b>	<b>9,023</b>	<b>10,584</b>	<b>17%</b>	<b>3,260</b>	<b>3,673</b>	<b>3,651</b>	<b>-1%</b>
Operating Expenses	(5,632)	(6,461)	15%	(2,032)	(2,151)	(2,278)	6%
<b>Net Profit after Taxes</b>	<b>2,449</b>	<b>2,992</b>	<b>22%</b>	<b>900</b>	<b>1,103</b>	<b>988</b>	<b>-10%</b>

## Highlights of Balance Sheet

<i>Rp billion</i>	9M11	9M12	ΔYoY	1Q12	2Q12	3Q12	ΔQoQ
Total Assets	136,073	150,109	10%	145,114	152,393	150,109	-1%
Loans (gross)	97,434	113,267	16%	105,558	110,457	113,267	3%
Government Bonds	3,846	4,366	14%	4,516	4,716	4,366	-7%
Total Deposits	86,990	88,303	2%	89,422	93,326	88,303	-5%
Current Account	11,454	13,321	16%	13,021	13,960	13,321	-5%
Savings	21,420	25,620	20%	23,214	23,582	25,620	9%
Time Deposit	54,116	49,362	-9%	53,187	55,784	49,362	-12%
Long Term Fundings	14,578	17,848	22%	15,967	17,747	17,848	1%
Equity	24,744	27,581	11%	25,515	26,595	27,581	4%

## Key Ratios

	9M11	9M12	ΔYoY	1Q12	2Q12	3Q12	ΔQoQ
Net Interest Margin	9.9	10.0	0.1	9.7	10.3	10.0	-0.3
Cost of Credit	3.0	2.9	-0.1	3.2	2.8	2.9	0.1
Cost / Income	51.3	50.1	-1.2	50.2	48.7	51.4	2.7
ROAA	2.6	2.7	0.1	2.5	3.0	2.6	-0.4
ROAE	18.3	16.2	-2.1	14.6	18.1	15.8	-2.3
Assets to Capital (x)	6.3	6.2	-0.1	6.3	6.4	6.2	-0.2
Consolidated RWA to Assets	89.7	85.9	-3.8	83.4	82.4	85.9	3.5
Loan to funding*	86.9	89.3	2.4	87.2	84.4	89.3	4.9
Regulatory LDR	99.5	103.5	4.0	98.6	97.1	103.5	6.4
Stand alone CAR	16.5	18.2	1.7	17.9	18.1	18.2	0.1
Consolidated CAR	17.8	18.7	0.9	19.1	18.8	18.7	-0.1
NPL – Gross	2.9	2.4	-0.5	2.5	2.5	2.4	-0.1
Impairment (LLP/Total Loans)	2.7	2.7	0.0	2.6	2.6	2.7	0.1
Loan Loss Coverage (LLP/NPL)	93.4	109.7	16.3	106.9	105.7	109.7	4.0

\*) Loan to funding is defined as (Loans + Reserves with BI + Cash in Vault + HTM bonds) / (Third Party Deposits + Long Term Funding + Capital – Net Other Assets). The ratio measures BDI's only, including joint financing.

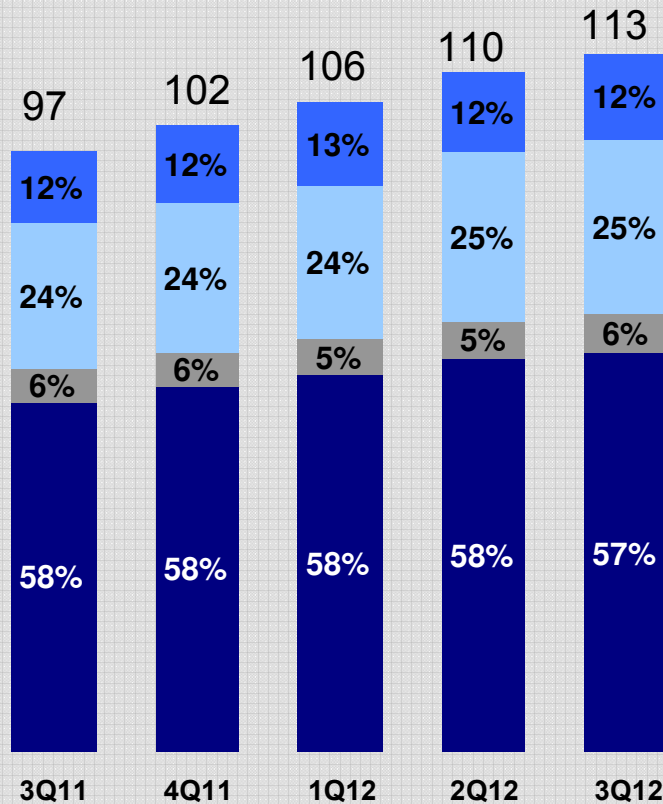
Slide 15



## Loans grew 16% yoy across all core segments

### Loan Composition

Rp trillion



### Loan Growth

Rp billion

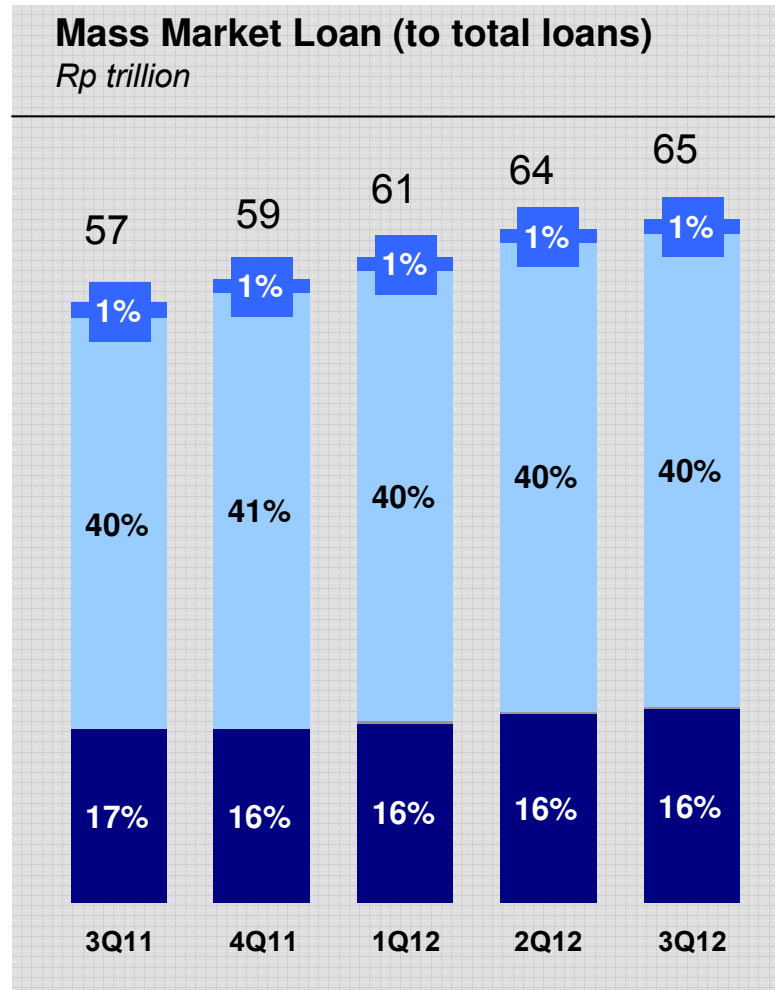
	9M11	9M12	△ YoY
Wholesale	11,434	13,852	21%
SMEC*	23,742	28,291	19%
Retail	5,383	6,289	17%
Mass Market	56,875	64,835	14%
<b>Total</b>	<b>97,434</b>	<b>113,267</b>	<b>16%</b>

\* SME and Commercial segments

Slide 16



High margin business was 57% of total loans.



**Mass Market Loan Growth**

<i>Rp billion</i>	9M11	9M12	ΔYoY
Adira Quantum	1,453	1,435	-1%
Adira Finance	39,023	44,923	15%
Pawn Broking	16	125	NM
SEMM (DSP)	16,383	18,353	12%
<b>Total</b>	<b>56,875</b>	<b>64,835</b>	<b>14%</b>

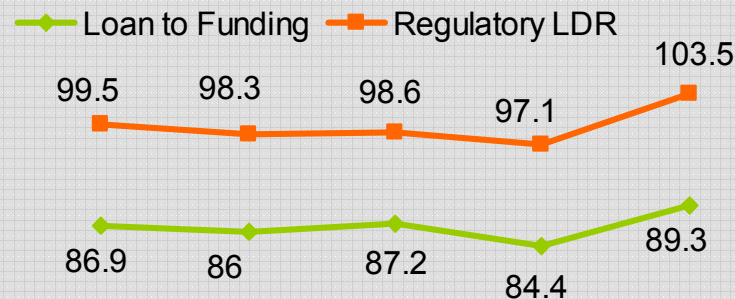
Slide 17

Untuk Anda, Bisa

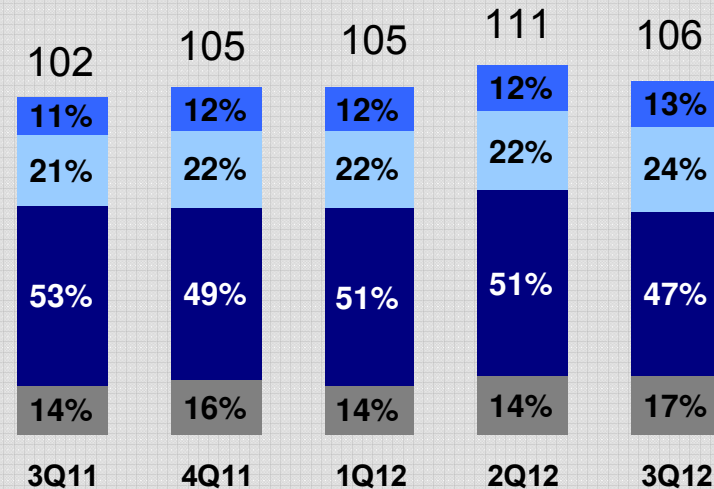
## CASA to deposits rose to 44% vs 38%.

- As of 28 September 2012, the bank has approx. IDR 8.1 trillion and USD 262 million of liquid assets (with additional IDR 4.2 trillion of Government bonds in the AFS portfolio).

**Loans to Deposits Ratio (%)**



**Funding Composition (Rp trillion)**



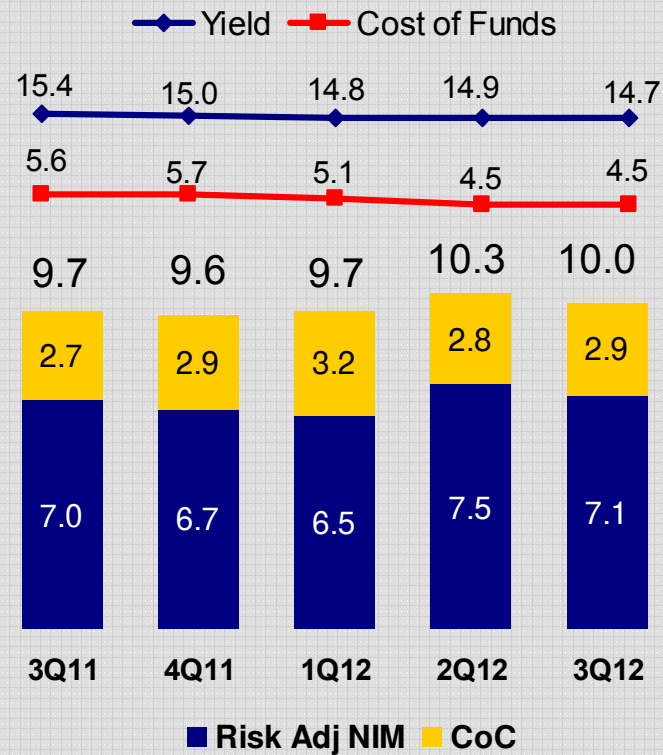
**Funding Growth**

<i>Rp billion</i>	9M11	9M12	ΔYoY
Current Account	11,454	13,322	16%
Saving Account	21,420	25,620	20%
Time Deposit	54,116	49,361	-9%
<b>Total Deposits</b>	<b>86,990</b>	<b>88,303</b>	<b>2%</b>
Long-term Funding	14,578	17,848	22%
<b>Total Funding</b>	<b>101,568</b>	<b>106,151</b>	<b>5%</b>

NIM remained stable as lower yield was offset by lower CoF

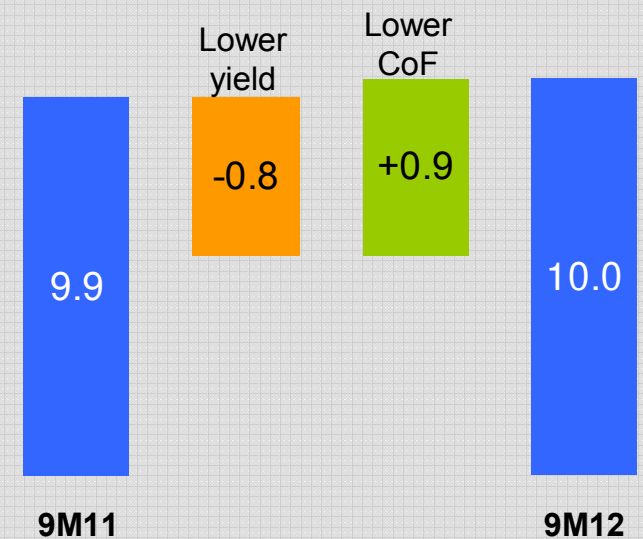
### Net Interest Margin

%, annualized



### YoY NIM Movement

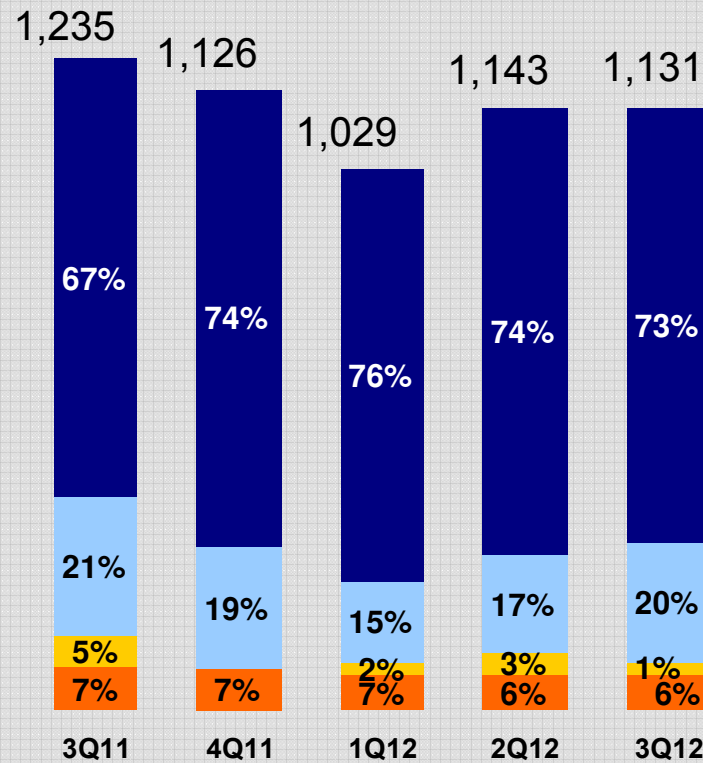
%, annualized



## Non interest income rose 10% driven by bancassurance and credit related fees

### Non Interest Income Composition

Rp billion



### Non Interest Income Growth

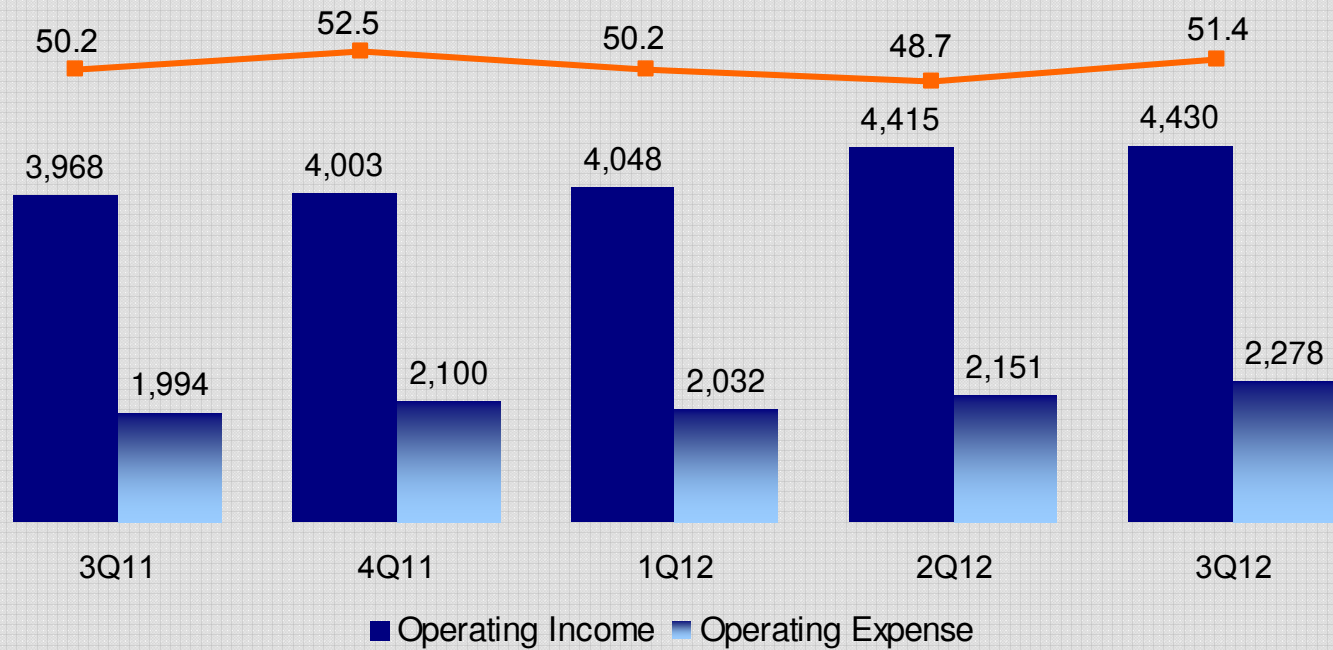
Rp billion	9M11	9M12	ΔYoY
Credit Related	2,187	2,465	13%
Bancassurance	194	231	19%
General Insurance	368	339	-8%
Treasury	55	61	10%
Transaction Banking	202	207	3%
<b>Total</b>	<b>3,006</b>	<b>3,303</b>	<b>10%</b>

## Cost to Income Ratio improved at 50.1% as CoF eased

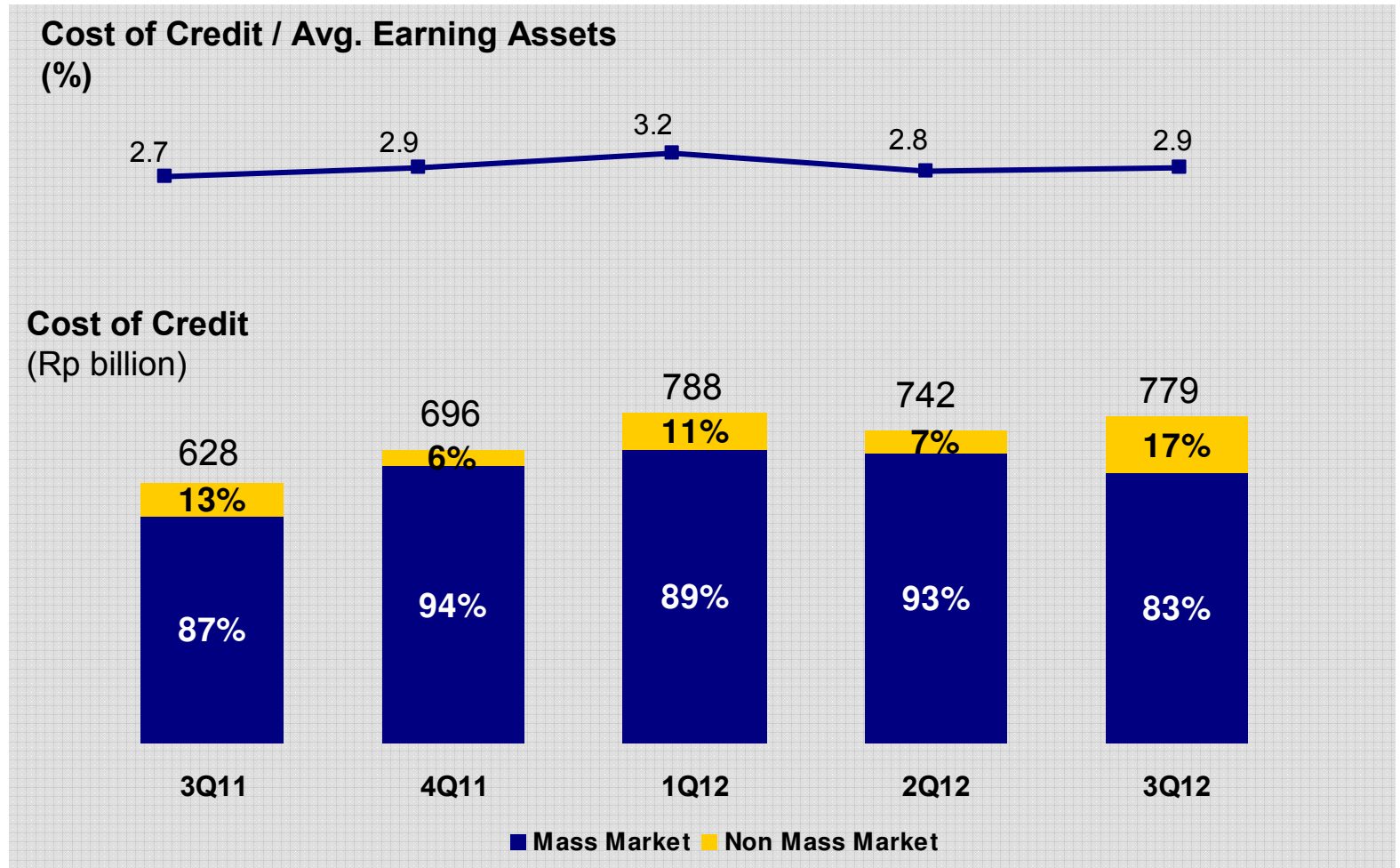
### Operating Income and Expense

Rp billion

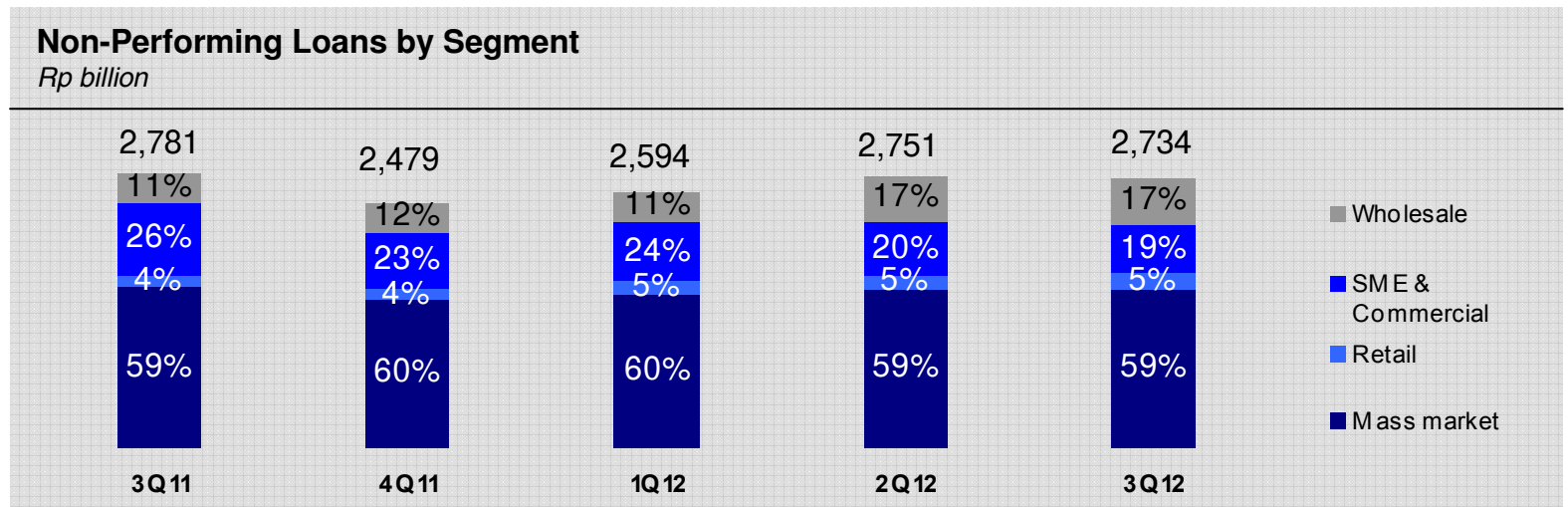
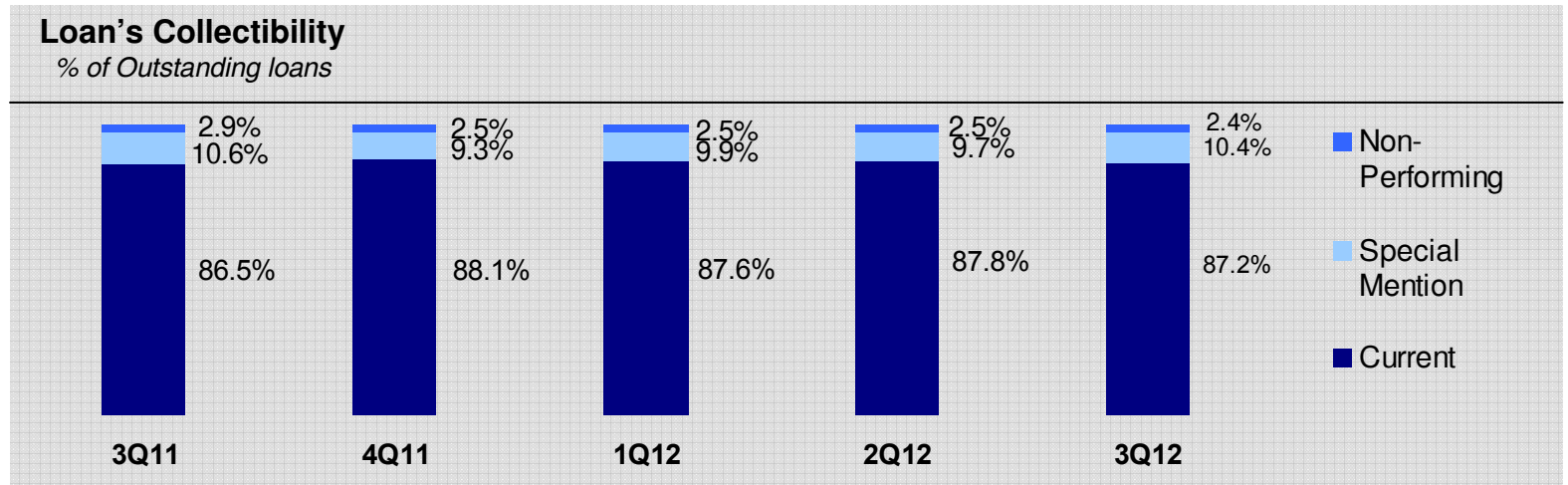
#### ▼ Cost to Income Ratio (%)



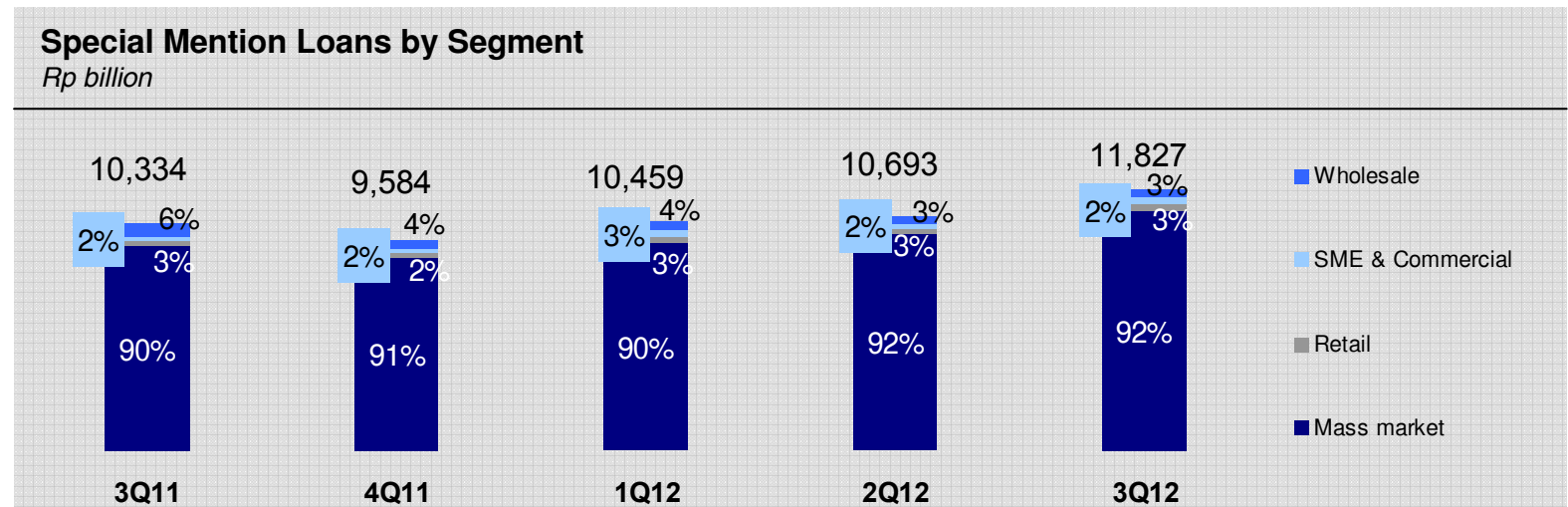
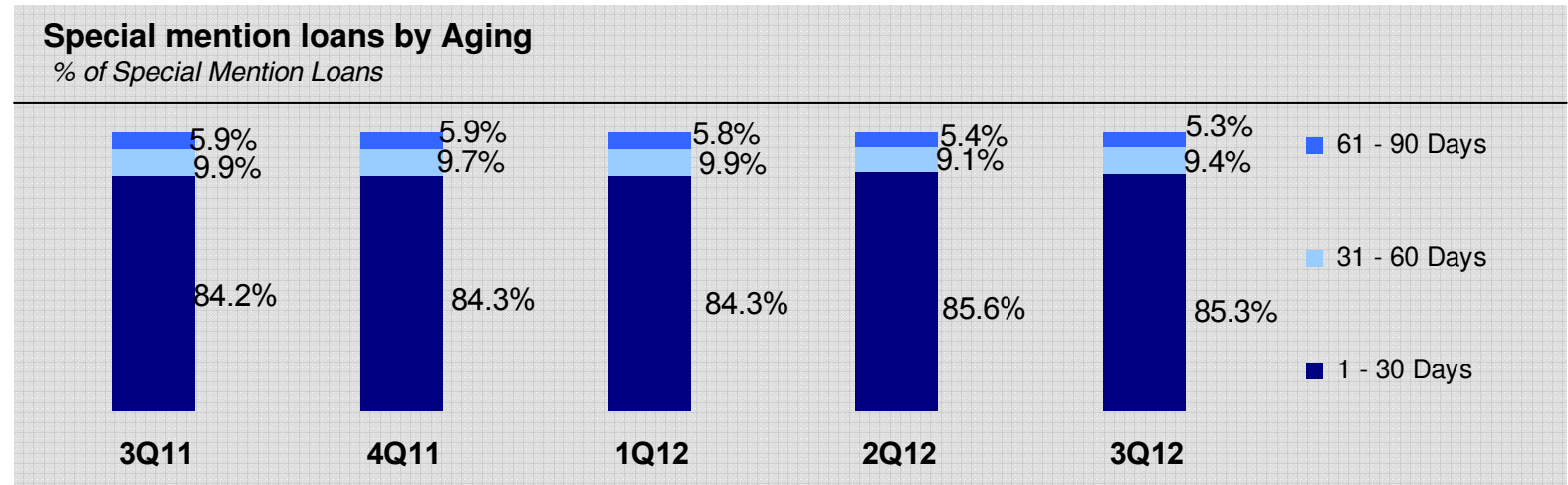
## Cost of Credit improved to 2.9%



## NPL remained low



## Majority of special mention loans were within 30 days

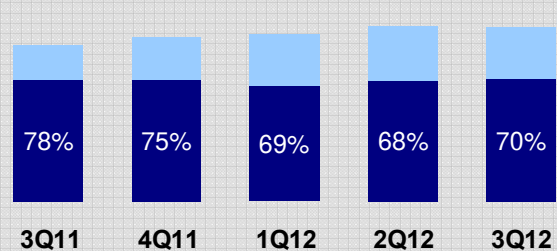




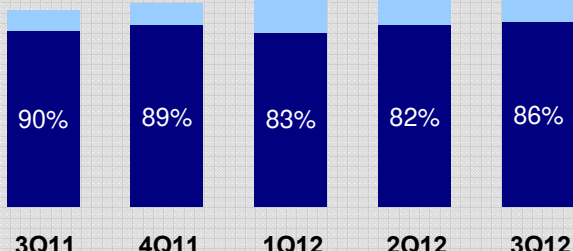
CAR stood at 18.7%

## RWA / Total Assets

### RWA BDI Only

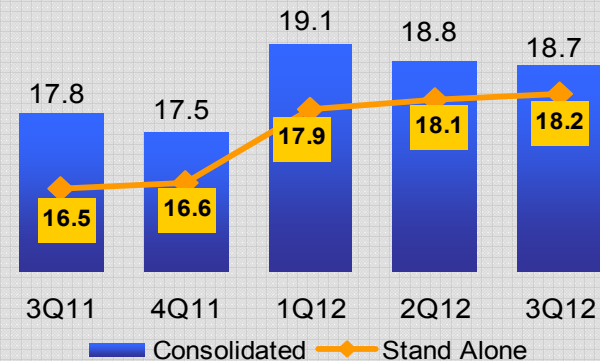


### RWA Consolidated

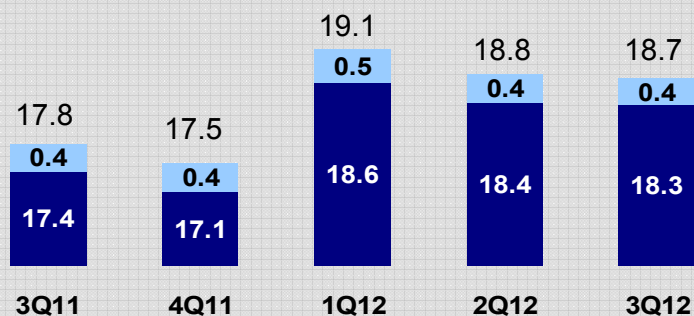


■ RWA ■ Other Assets

## Capital Adequacy Ratio (%)



## Tier 1 and Tier 2 capital ratio (%)



■ Tier 1 Capital ■ Tier 2 Capital

%	3Q11	4Q11	1Q12	2Q12	3Q12
CAR w/ Credit Risk	21.8	21.2	24.1	23.5	23.3
Market Risk Charge	0.1	0.0	0.1	0.1	0.1
Operational Risk Charge	3.9	3.7	4.9	4.6	4.5
<b>CAR Consolidated</b>	<b>17.8</b>	<b>17.5</b>	<b>19.1</b>	<b>18.8</b>	<b>18.7</b>

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### Ownership structure

- As at 2 April 2012, the Bank has been informed by Fullerton Financial Holding Pte. Ltd. (FFH), that it has entered into a share purchase agreement with DBS Group Holdings (DBS) to sell its interest in the whole of the issued share capital of Asia Financial (Indonesia) Pte. Ltd. to DBS. Currently, AFI holds approximately 67.37% of the total issued shares of the Bank. This transaction is subject to the approvals, among others, of DBS shareholders and regulators, including Bank Indonesia.

## Agenda

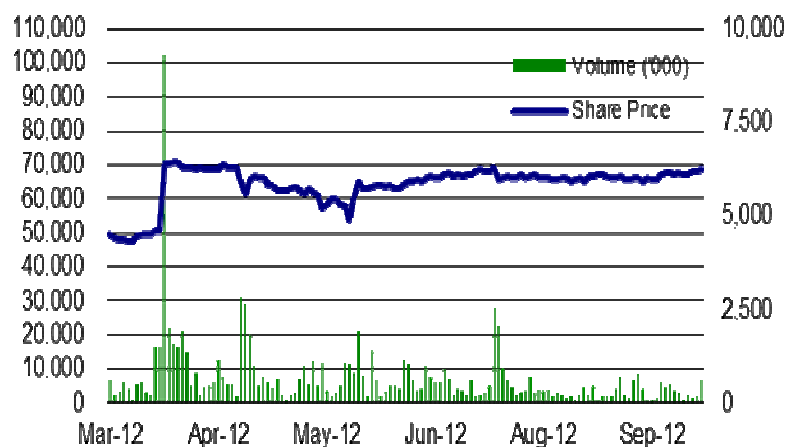
- Macroeconomy and Industry Trend
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- **Appendix**

## S&P upgrade BDI's outlook to positive in April 2012 following DBS acquisition

### Daily share price and trading volume

BDMN IJ



### Ownership Structure

As of 30 Sep 2012

	Number of Shares	Ownership (%)
Asia Financial (Indonesia) Pte, Ltd.	6,457,558,472	67.37%
JPMCB - Franklin Templeton Inv. Funds	611,958,888	6.38%
Public < 5%	2,515,126,005	26.25%
<b>Total</b>	<b>9,584,643,365</b>	<b>100%</b>

The ultimate shareholder of AFI is Temasek Holding Pte. Ltd, an investment holding company based in Singapore.

### Danamon

<b>PEFINDO</b> <i>August 2012</i>	Corporate Rating	idAA+ / Stable
	Bond Rating	idAA+ / Stable
<b>Standard &amp; Poor's</b> <i>April 2012</i>	Long-term / Short-term Local Currency	BB / B / Positive
	Long-term / Short-term Foreign Currency	BB / B / Positive
<b>Fitch's</b> <i>October 2012</i>	Long-term / Short-term Foreign Currency	BB+ / B / RWP
	National Long-term	AA+ (idn) / RWP
	Individual / Support Rating	C/D / 3 / RWP
<b>Moody's</b> <i>April 12</i>	Global Local Currency Deposit	Baa3 / P-3 / Stable
	Foreign Currency Long-term / Short-term Deposit	Baa3 / P-3 / Stable
	Bank Financial Strength Rating (BFSR)	D / Positive

### Indonesia Sovereign (Foreign Currency)

Standard & Poor's	Fitch's	Moody's
BB+ / Positive	BBB- / Stable	Baa3 / Stable

Slide 29

# Reconciliation with Newsletter

Newsletter										
a	b	c	d	e	f	g	h	i		
Net Interest Income	Net Under-writing Income	Net Sharia Interest Income	Other Operating Income	Other Operating Expenses	Non Operating Income	Non Operating Loss	Income before Tax	Taxes	Minority Interest	Income after Minority Interest
9,667	345	59	4,089	(9,563)	-	(504)	4,093	(1,020)	(82)	2,992
a+c	b+d	e			f+g		h	i		
Net Interest Income	Non-Interest Income	Operating Income	Operating Expenses	Pre-Provision Operating Profit	Cost of Credit	Non Operating Income/(Loss)	Taxes	Minority Interest	Net Profit after Tax and Minority Interest	Remark
9,727	4,434	14,160	(9,563)	4,598	-	(504)	(1,020)	(82)	2,992	
(136)		(136)	136	-	(476)	476			-	LPS Deposit Insurance
		-		-					-	Loss on reposess assets
	(1)	(1)		(1)	1				-	Provision for ADMF acquisition cost
	(120)	(120)		(120)	120				-	Write off on amortization cost
	(154)	(154)	154	-					-	ADMF indirect acquisition cost
	(576)	(576)	576	-					-	Decrease in fair value of financial assets (MTM)
	(10.382)	(10)	10	-					-	Losses from sale of financial assets (marketable securities)
	(54)	(54)	54	-					-	Losses from spot and derivative transaction (realised)
		-	1,947	1,947	(1,947)				-	Impairment losses on financial assets
	(235)	(235)	235	-					-	Fees/commissions and administrative expenses
		-	5	5	(5)				-	Allowance for possible losses on non earning assets
	21	21	(16)	5	(3)	(2)			-	Others
9,590	3,303	12,893	(6,461)	6,433	(2,309)	(30)	(1,020)	(82)	2,992	
Analyst Briefing Presentation										

Analyst Briefing Presentation



# Thank You

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