

Analyst Briefing First Half and Second Quarter 2013 Results

Jakarta, 18 July 2013

- **Macroeconomy**

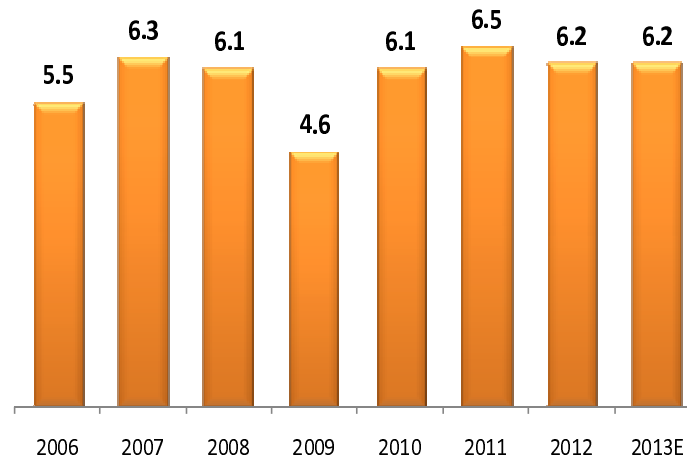
- Banking Industry
- Financial Results
- Corporate Updates
- Appendix

2013 growth may ease on slower domestic demand

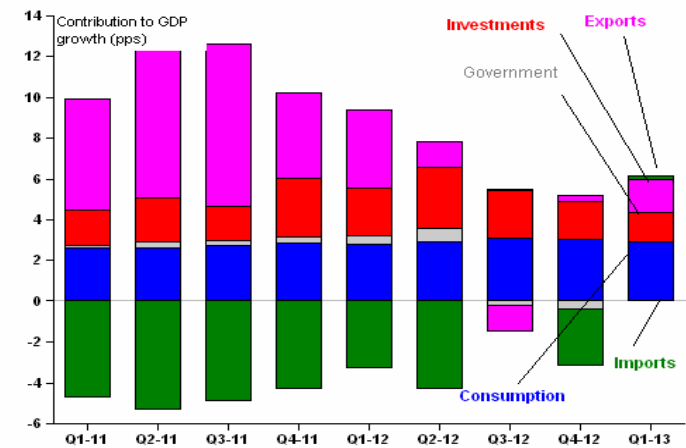
Economic Growth

- GDP growth may ease this year to 6.17%yoy. Q1 growth slowed to 6.02%yoy.
- The slowing pace is attributed to the lower pace of investment and the impact of fuel price hike on the consumption side.
- Revised budget 2013 has been approved by the parliament, with a wider fiscal deficit target at 2.38%.
- The government raised the subsidized fuel price in June by 44% for the low octane gasoline and 22% for the diesel fuel

Real GDP Growth %YoY



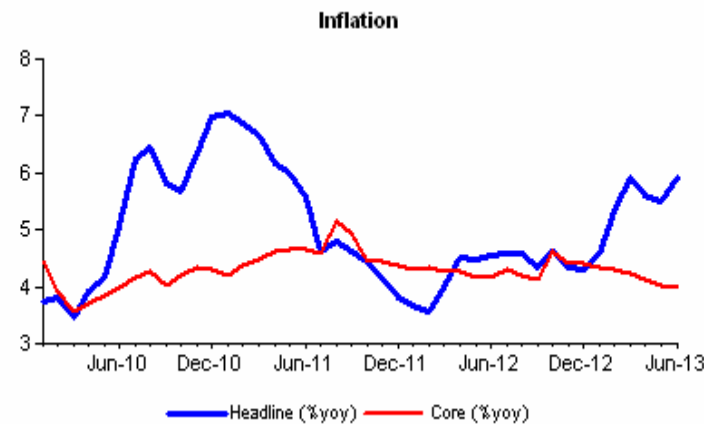
Real GDP Growth %YoY



Inflation %YoY

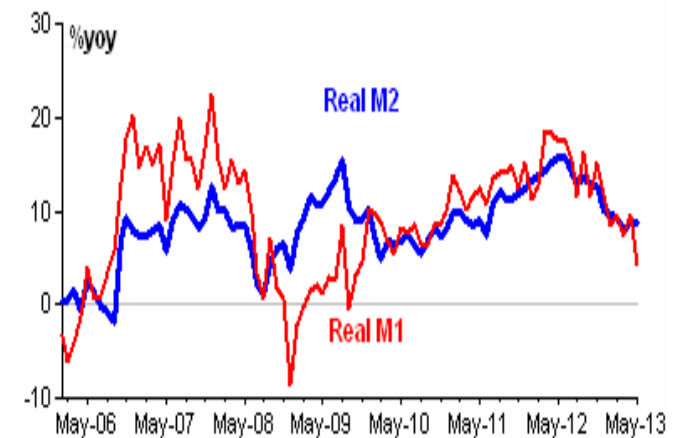
Inflation

- Inflation rise significantly at 1.03%mom (5.9%yoy) in June due to subsidized fuel price hike.
- Growth of M1 and M2 are still in a declining trend
- We expect higher inflation this year to 8.7%yoy.



Source: Danamon estimates, CEIC

Real M1 & M2 Growth %YoY

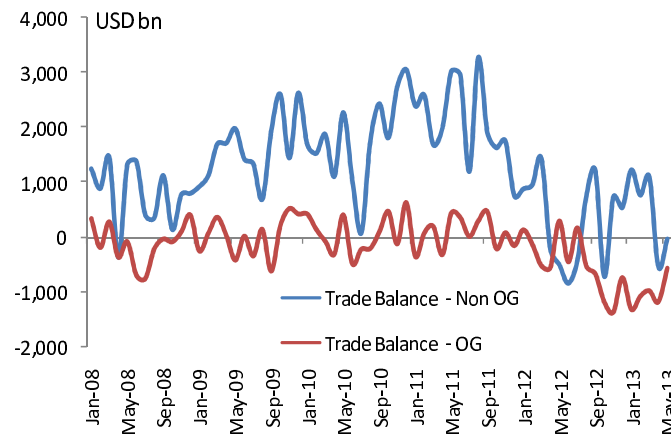


May trade data still in deficit, CA deficit in Q2 could be higher

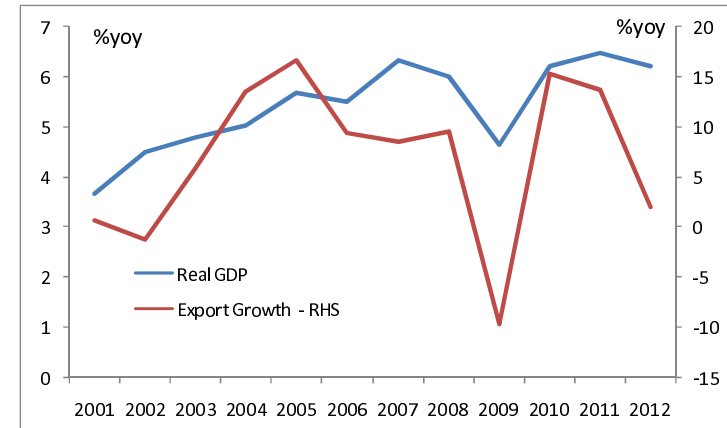
Trade & BoP

- Domestic demand growth will moderate while trade performance has not yet recovered.
- Exports contraction in May was milder at 4.5%yoy, depressed with the low commodity prices.
- Imports were also slightly down by 2.2%yoy, though this slight decline indicates imports is still relatively high
- Trade Deficit in May improved to US\$0.6bn
- Current account deficit in Q2 is expected to be higher than Q1
- FDI remained strong, though slowing down in pace. FDI grew by 23%yoy in Q1

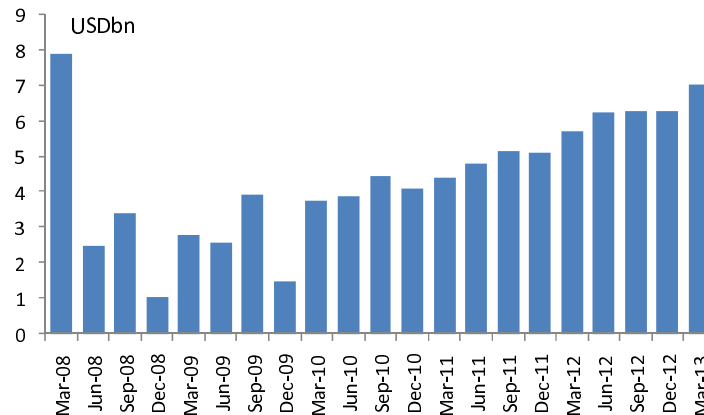
Trade Performance USD bn



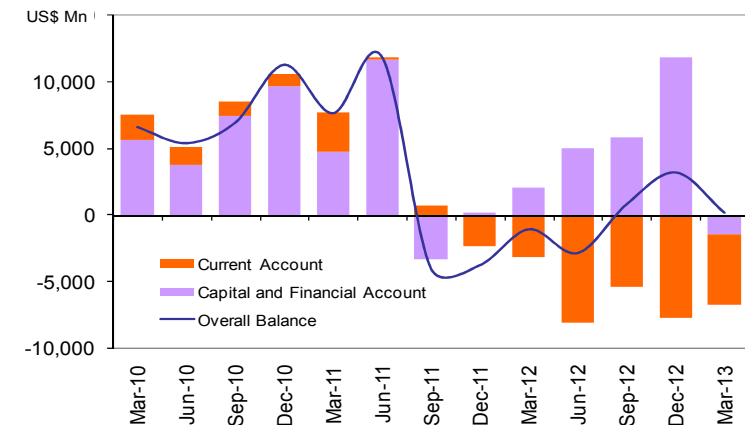
Real GDP & Export Growth %YoY



FDI USD bn



Balance of Payment %YoY



Source: Danamon estimates, CEIC

Source: BI, CEIC

Forex reserve fell to USD98bn, BI rate raised by 75bps

Exchange Rate

- IDR weakened to Rp9929 (end of June), still affected by the global sentiments.
- Forex reserve was fell by USD7bn to 2 year low level at USD98.1bn due to BI's effort stabilizing the IDR.

Bonds Market

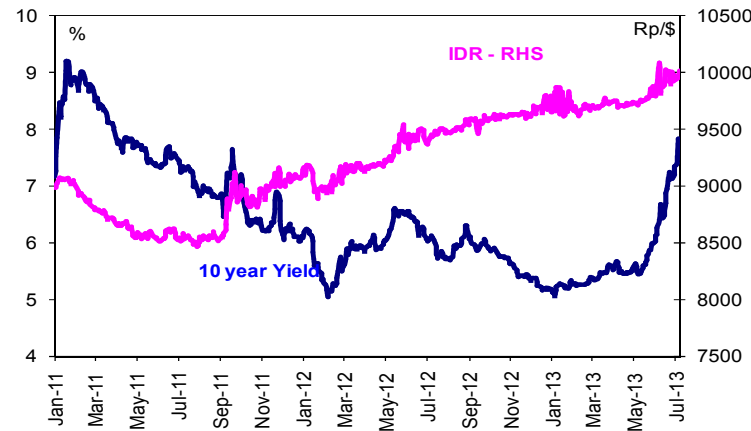
- Bond yields climbed across the board, with the 10-yr benchmark sharply rise to 8% due to the global sell-off.

BI Rate

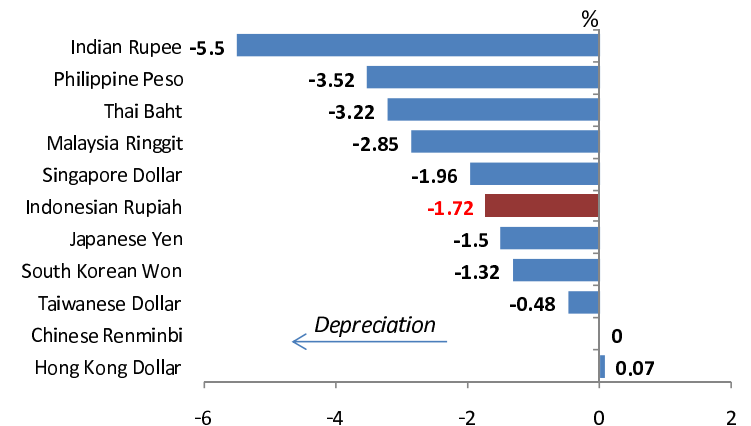
- BI took a preemptive measures and raise the BI rate by 75 bps (two times hike in June and July) to 6.5% in anticipating higher inflation due to the fuel price hike.
- To reduce pressure on the rupiah BI also raised the O/N deposit facility rate by 75bps
- BI perceive the 75bps hike in the BI rate and the O/N deposit facility rate is enough to contain inflation.
- BI also tighten LTV rule in the housing loans for second and third house/apt purchase.

Source: Danamon estimates, CEIC

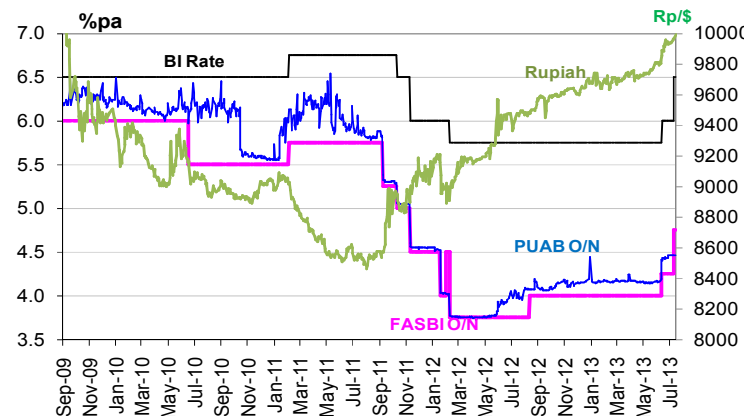
Rupiah & Bond Yield



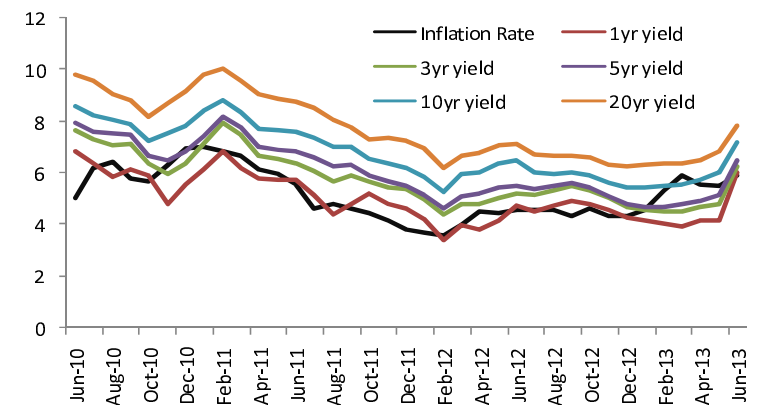
Regional Currencies (Jul 9 vs Jun 1)



Interest Rate and Rp/USD



Inflation and Yield

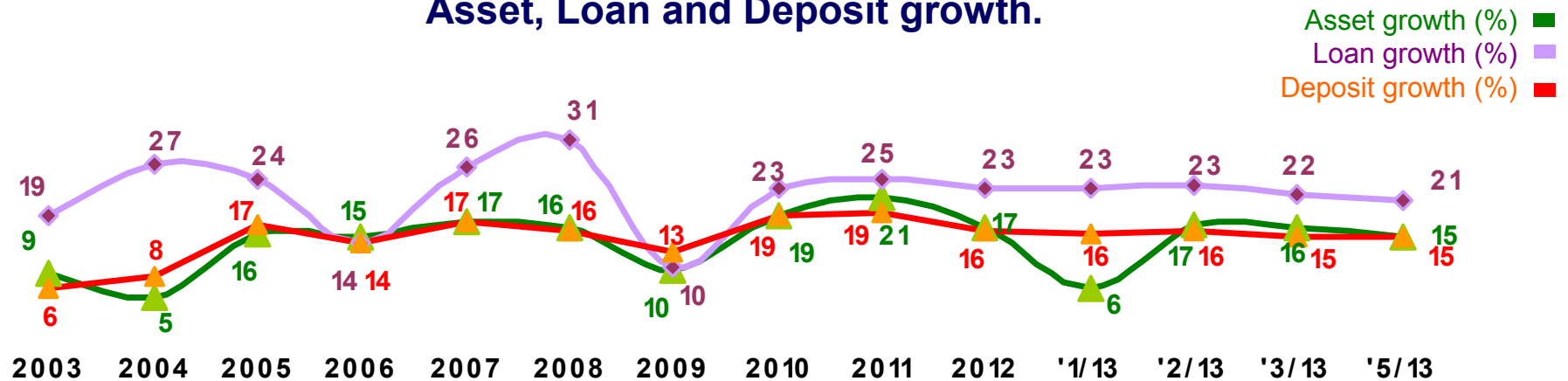


Agenda

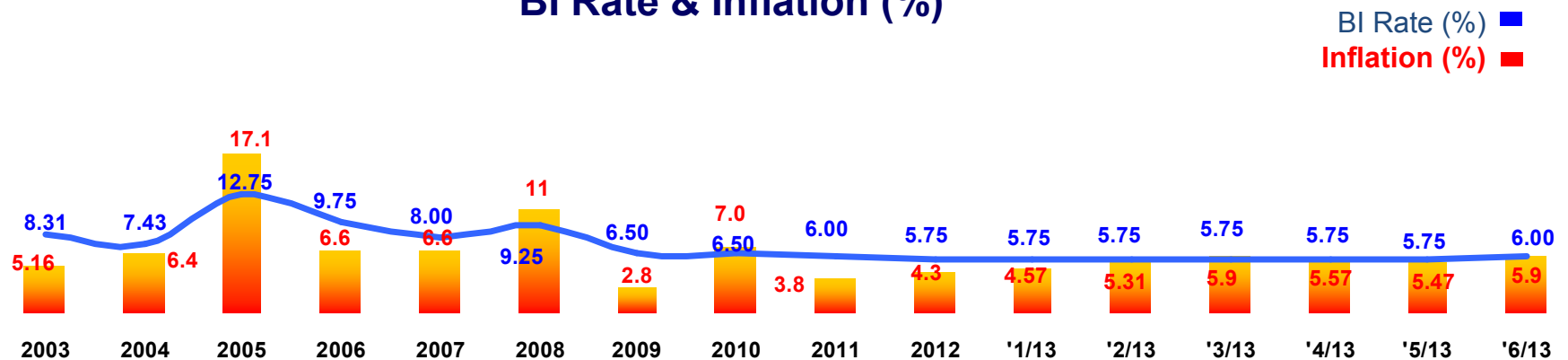
- Macroeconomy
- **Banking Industry**
- Financial Results
- Corporate Updates
- Appendix

Loans and deposits grew in slower pace since 2011, while interest rate and inflation on increasing trend.

Asset, Loan and Deposit growth.



BI Rate & Inflation (%)



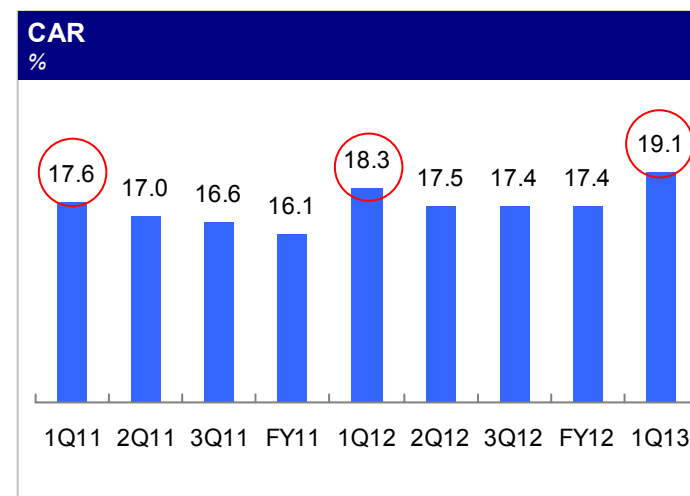
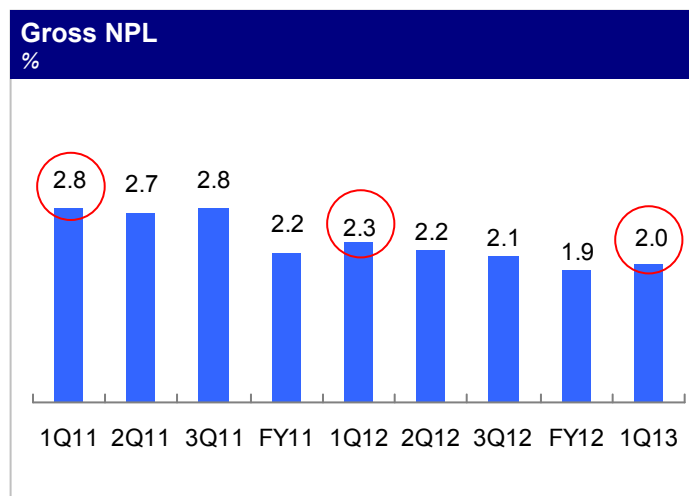
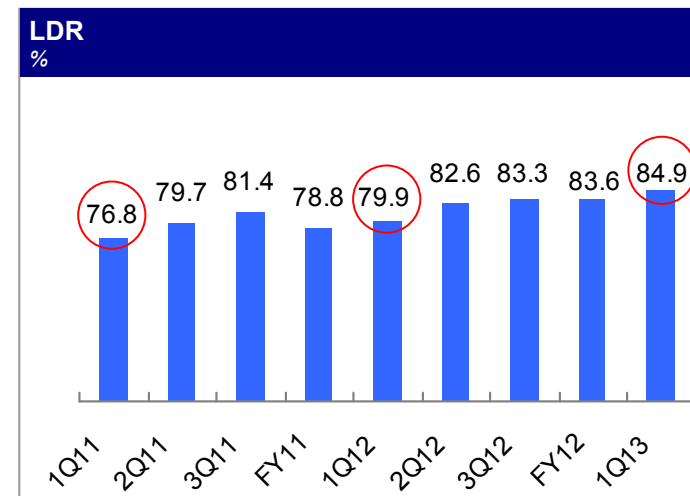
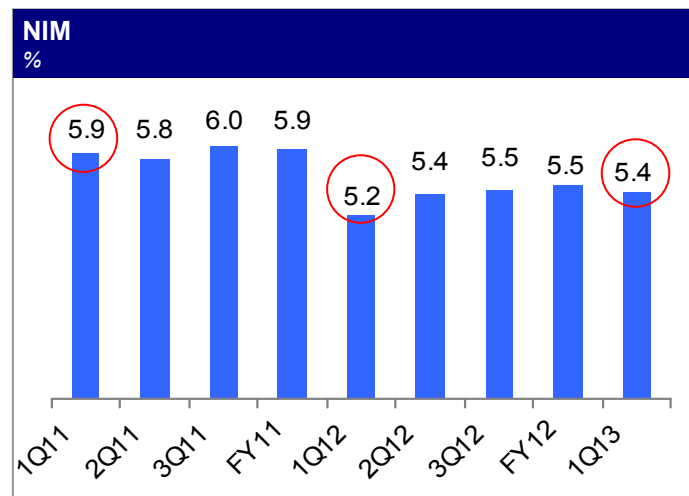
Note: 2003 and 2004 BI rate use 1 Month SBI rate

Slide 7

Untuk Anda, Bisa

Key Ratios -- LDR continue to rise at the expense of NIM

- YoY industry's NIM was slightly up from 1Q12 due to lower interest rate since 2Q12.
- LDR continued to rise reaching 85% vs 80% last year underpinned by robust lending growth over deposit growth.
- CAR was sound at 19.1% (vs 18.3% last year).
- Asset quality remained benign at 2.0% from 2.3% a year ago.
- ROA industry stood at 3.0% vs 3.1% last year.



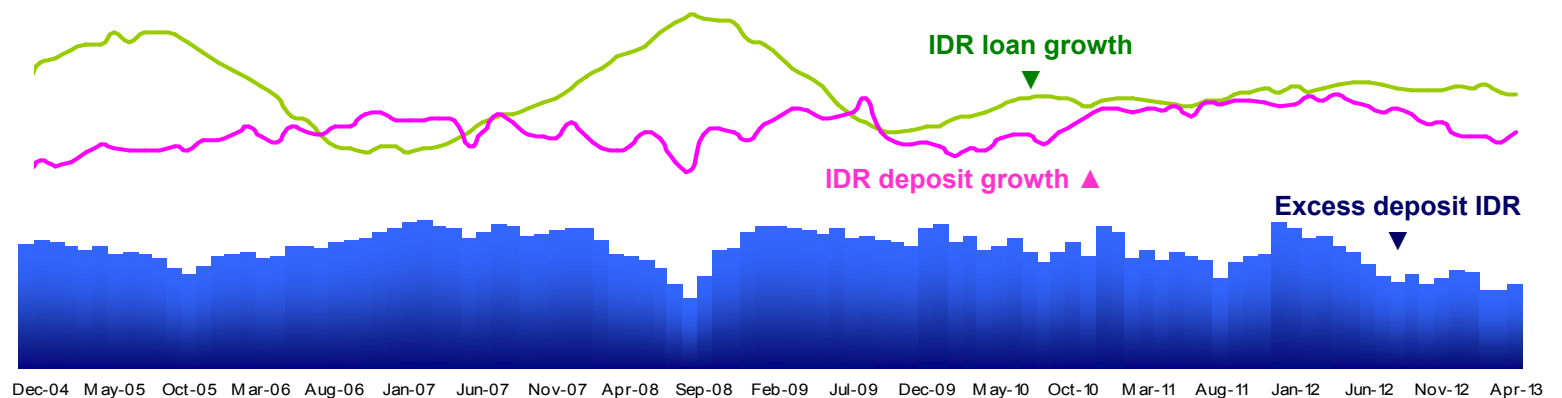
Source: Bank Indonesia

Slide 8

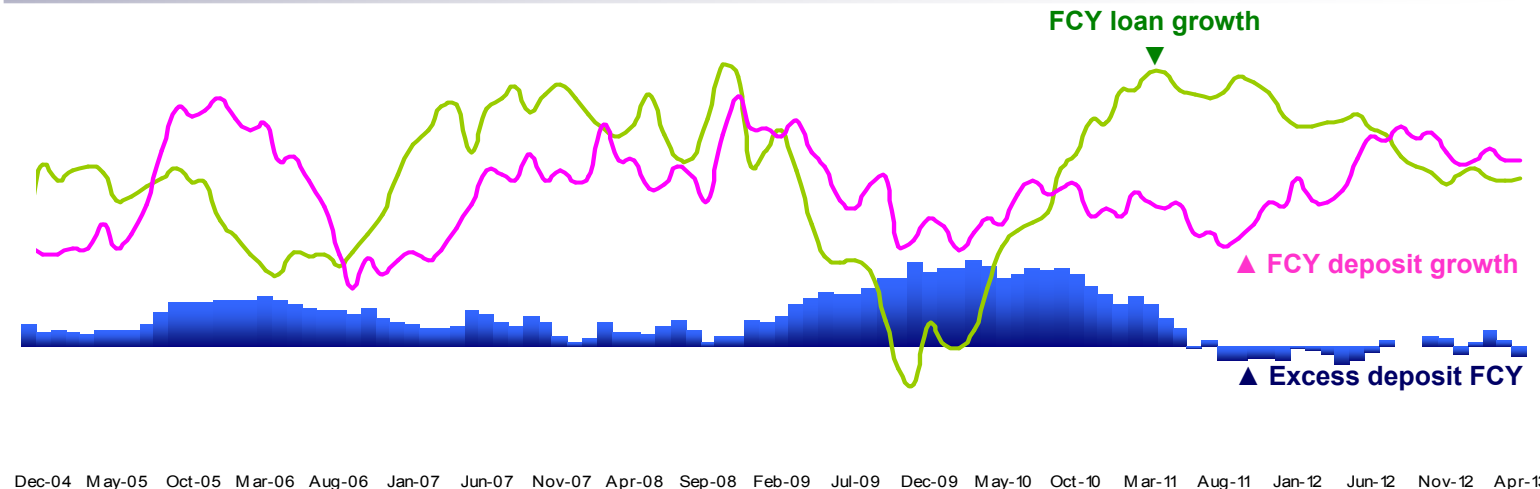
Despite rising trend of GDP/Capital, liquidity in the banking system shows a tightening trend.

- ...this is the result of more sophisticated society with more investment options outside the banking system, and the benefit of income tax difference to park fund abroad.
- Local liquidity is back at around 2008 level.
- Foreign liquidity has been more volatile since the mid of 2011.

Local currency liquidity

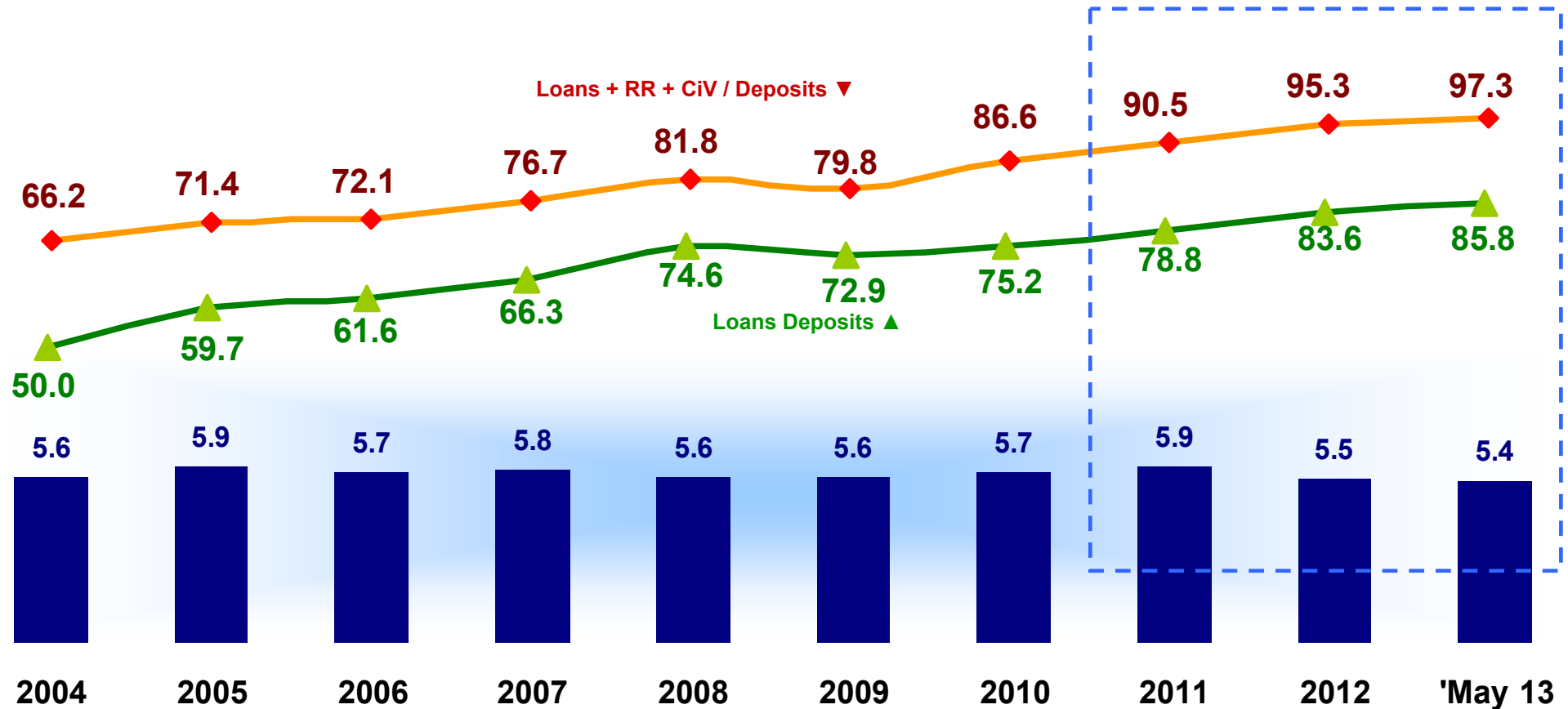


Foreign currency liquidity



Source: CEIC, Bank Indonesia

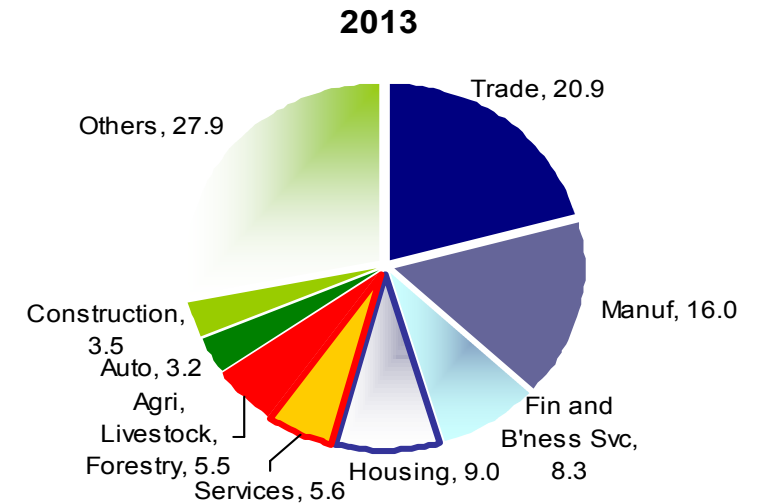
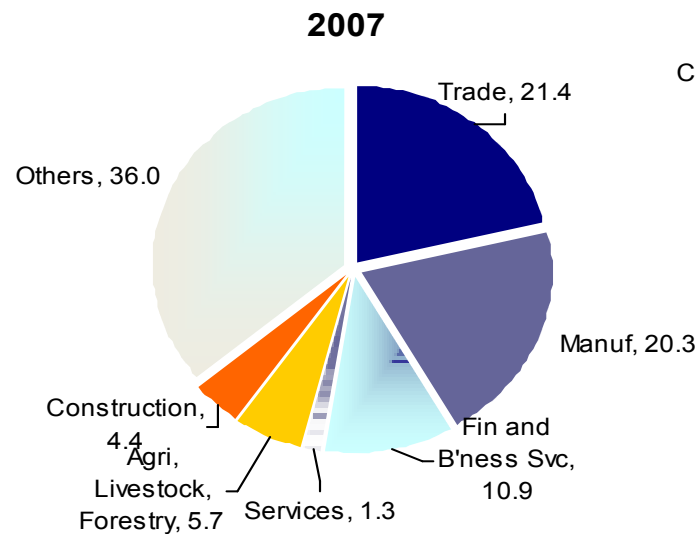
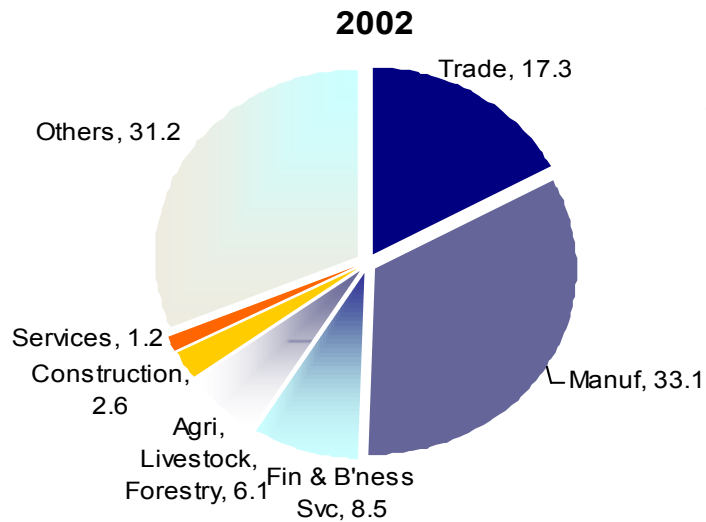
Including reserve requirement and cash in vault, industry's LDR stood at 97% as of May 2013. LDR is rising at the expense of NIM.



Source: CEIC, Bank Indonesia

Slide 10

Manufacturing loans share was reduced significantly from 10 years ago, compensated by mortgage and services.



Note: Others in 2012 include mining quarrying, utilities, transport and communication, financial services. For 2007 and 2002 housing and auto industry data was not split (may include in 'Others' category).

Source: Bank Indonesia, 2013 data as of May.

Slide 11

Agenda

- Macroeconomy
- Banking Industry
- **Financial Results**
- Corporate Updates
- Appendix

Highlights 1H13 Results

- Total loans increased 12% to Rp 124 trillion. Softer growth was due to DP rule impact, however, ex-auto loans rose 18%. Mass market and SMEC remained as the growth driver, each rose 6% and 21% to Rp 67 trillion and Rp 33 trillion, respectively.
- Total funding amounted to Rp 119 trillion, with CASA of Rp 42 trillion (rose 11% against last year). CASA to funding stood at 35% vs 32% a year earlier.
- NIM was 9.9% from 10% last year in the midst of both lower yield and CoF. CoC was better at 2.8% against 3% in 1H12. CIR remained manageable at 51.9%.
- Fee income up 9% to Rp 2,376 billion, or 26% of operating income.
- NPAT amounted to Rp 1,985 billion with ROA stood at 2.6% and ROE of 14.3%
- Maintained strong capital with Tier 1 capital ratio of 18.2% and CAR of 18.7%

Slide 13

Highlights of Income Statement

<i>Rp billion</i>	1H12	1H13	ΔYoY	1Q13	2Q13	ΔQoQ
Net Interest Income	6,291	6,683	6%	3,334	3,349	0%
Non Interest Income	2,172	2,376	9%	1,122	1,254	12%
Operating Income	8,463	9,059	7%	4,456	4,603	3%
Cost of Credit	(1,530)	(1,598)	4%	(770)	(828)	8%
Risk Adjusted Op. Income	6,933	7,461	8%	3,686	3,775	2%
Operating Expenses	(4,182)	(4,699)	12%	(2,308)	(2,391)	4%
Net Profit after taxes	2,003	1,985	-1%	1,005	980	-2%

Highlights of Balance Sheet

<i>Rp billion</i>	1H12	1H13	ΔYoY	1Q13	2Q13	ΔQoQ
Total Assets	152,393	158,103	4%	153,785	158,103	3%
Loans (gross)	110,457	123,935	12%	117,484	123,935	5%
Government Bonds	4,716	3,895	-17%	4,066	3,895	-4%
Total Funding	117,474	118,741	1%	114,028	118,741	4%
Current Account	13,960	15,631	12%	15,845	15,631	-1%
Savings	23,582	25,991	10%	25,940	25,991	0%
Time Deposit	55,784	51,316	-8%	47,205	51,316	9%
Borrowings and LTF	24,149	25,803	7%	25,038	25,803	3%
Equity	26,595	29,234	10%	29,504	29,234	-1%

Key Ratios

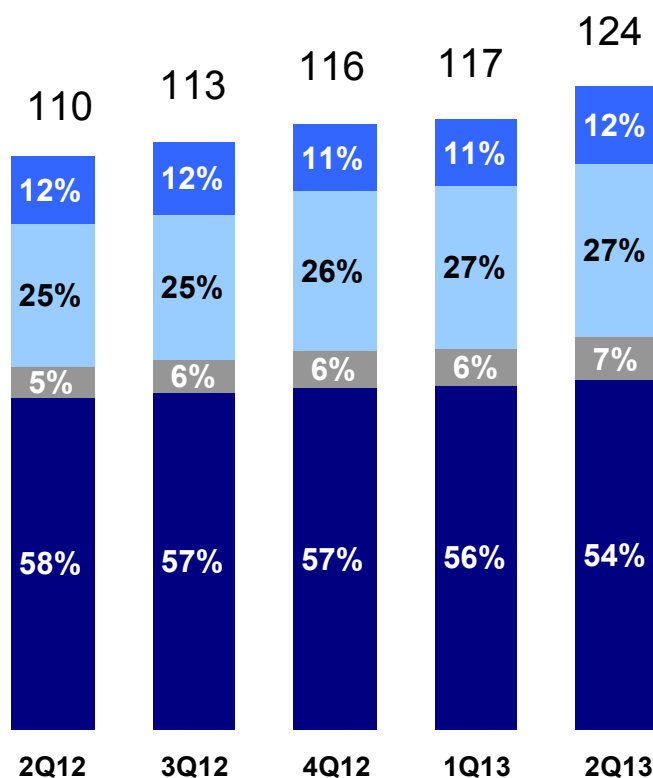
%	1H12	1H13	ΔYoY	1Q13	2Q13	ΔQoQ
Net Interest Margin	10.0	9.9	-0.1	10.1	9.7	-0.4
Cost of Credit	3.0	2.8	-0.2	2.7	2.8	0.1
Cost / Income	49.4	51.9	2.5	51.8	52.0	0.2
ROAA	2.8	2.6	-0.2	2.7	2.5	-0.2
ROAE	16.4	14.3	-2.1	14.4	14.2	-0.2
Assets to Capital (x)	6.4	6.0	-0.4	5.7	6.0	0.3
Stand Alone Loan to Funding *	84.4	91.9	7.5	89.1	91.9	2.8
Consolidated Loan to Funding *	85.2	91.1	5.9	89.4	91.1	1.7
Regulatory LDR	97.1	105.4	8.3	103.5	105.4	1.9
Stand Alone CAR	18.1	18.4	0.3	20.0	18.4	-1.6
Consolidated CAR	18.8	18.7	-0.1	20.1	18.7	-1.4
NPL – Gross	2.5	2.4	-0.1	2.5	2.4	-0.1
Impairment (LLP/Total Loans)	2.6	2.6	0.0	2.6	2.6	0.0
Loan Loss Coverage (LLP/NPL)	105.7	114.5	8.8	110.8	114.5	3.7

*) Loan to funding is defined as (Loans + Reserves with BI + Cash in Vault + HTM bonds) / (Third Party Deposits + net borrowing and LTF + net capital)

Loans grew 12% mostly driven by mass market and mid-size. DP rules still impacts auto loans, however, ex-auto loans grew 18%.

Loan Composition

Rp trillion



Loan Growth

Rp billion

1H12

1H13

ΔYoY

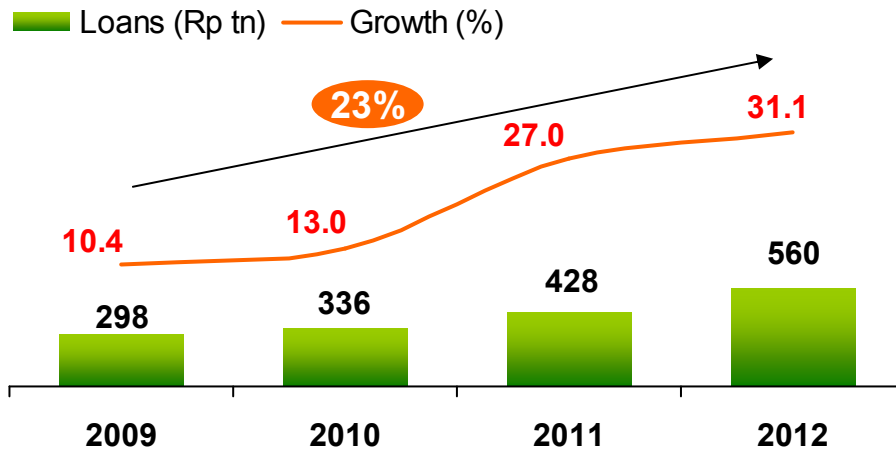
Wholesale	13,029	15,119	16%
SMEC*	27,505	33,370	21%
Retail	6,067	8,069	33%
Mass Market	63,855	67,377	6%
Total	110,457	123,935	12%

* SME and Commercial segments

Slide 17

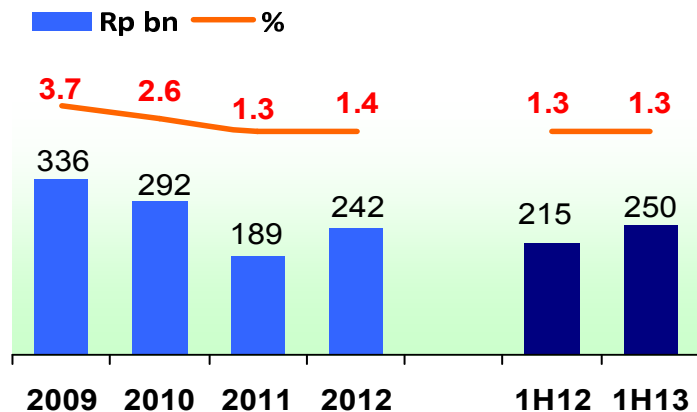
Robust growth balanced with improved asset quality. BDI continue to tap SME opportunity, in line with one of strategic priorities.

SME Industry (loan size Rp 0.5-10 bn)

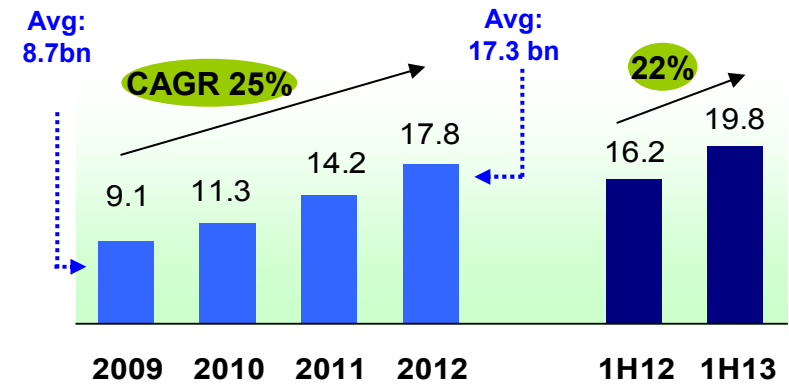


Source: Bank Indonesia

BDI SME NPL



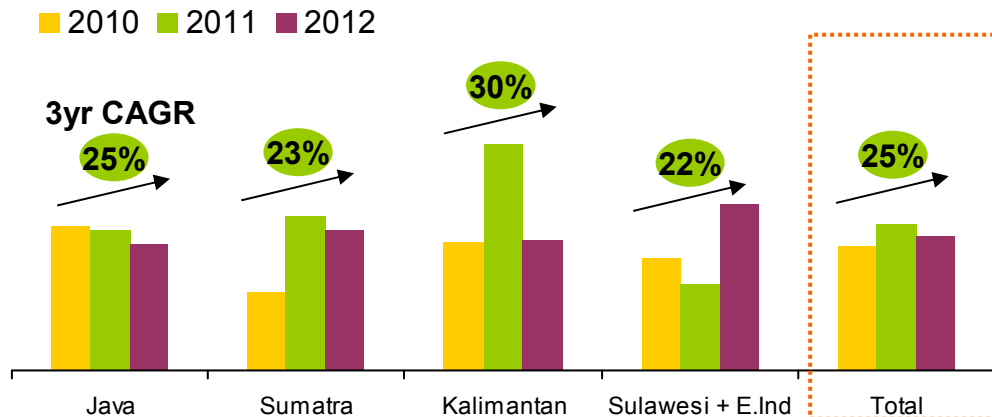
BDI SME Lending (Rp tn)



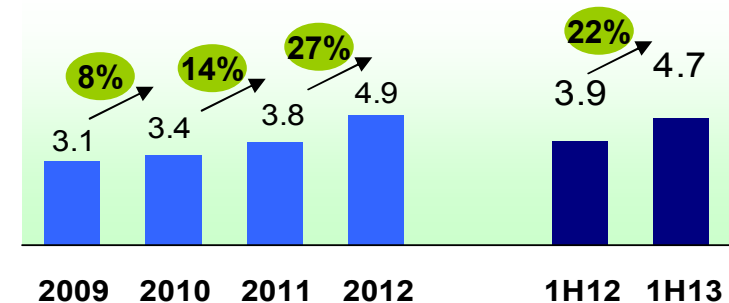
- SME lending booked robust growth at CAGR 25%. The average loans rose nearly double for the past 3 years, yet asset quality improved.

Growth of SME across the region is well-accommodated through capacity both in lending and funding.

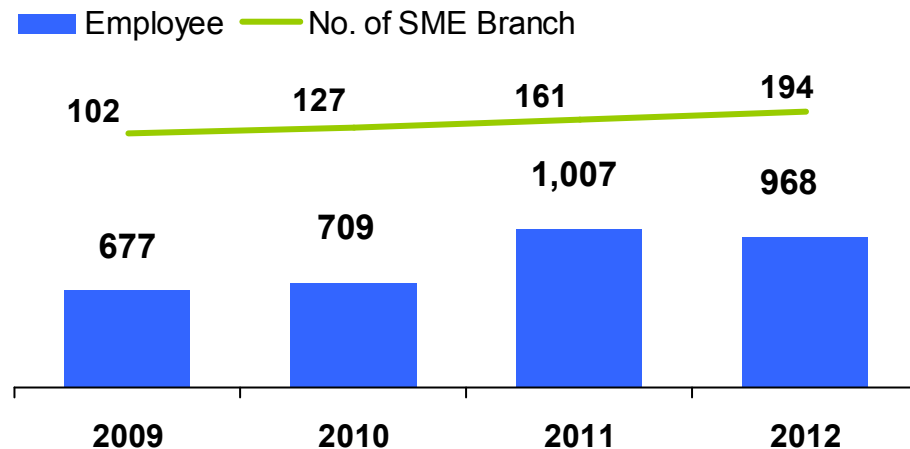
BDI Loan growth by region



SME CASA (Rp tn)



Employee and Branch

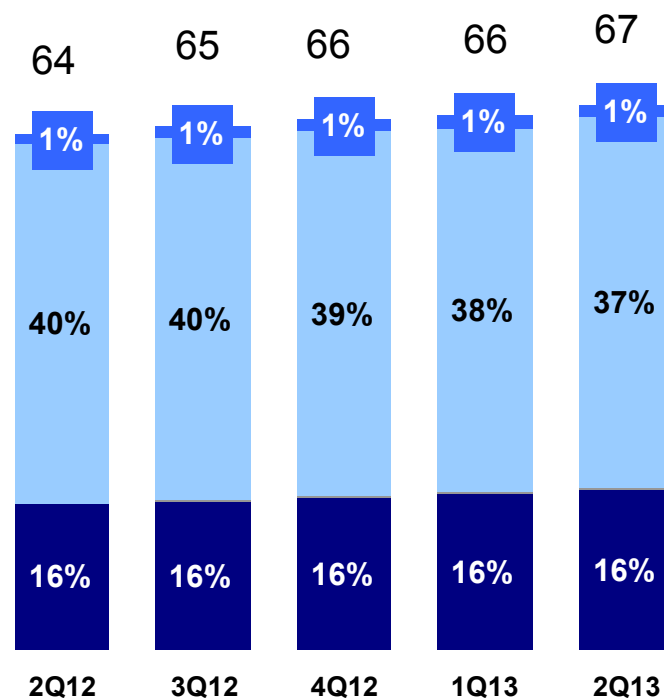


- SME loan growth is well distributed across the country, depicting market potential in SME community.
- Strong growth of SME CASA to support bankwide funding.
- Branch and human capital has been developed in line with business growth.

High margin business of mass market accounted for 54% of total loan book

Mass Market Loan (to total loans)

Rp trillion



Mass Market Loan Growth

Rp billion

1H12

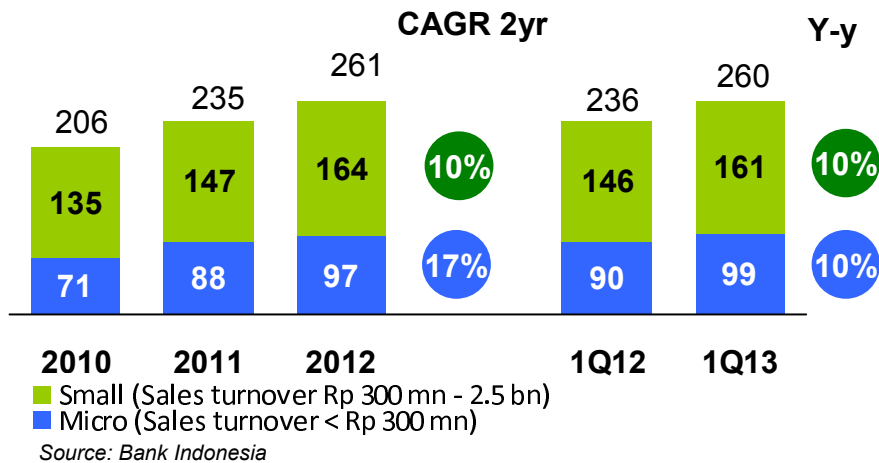
1H13

ΔYoY

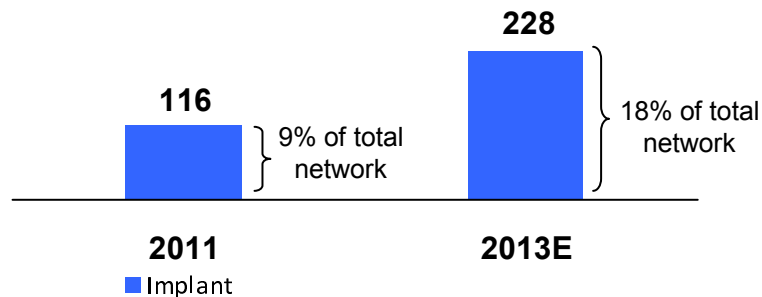
Adira Quantum	1,403	1,549	10%
Adira Finance	44,315	45,814	3%
Pawn Broking	91	195	NM
SEMM (DSP)	18,047	19,818	10%
Total	63,855	67,377	6%

Industry's micro grew the slowest compared to other types of loan. Competition prompts branch optimization particularly in Java.

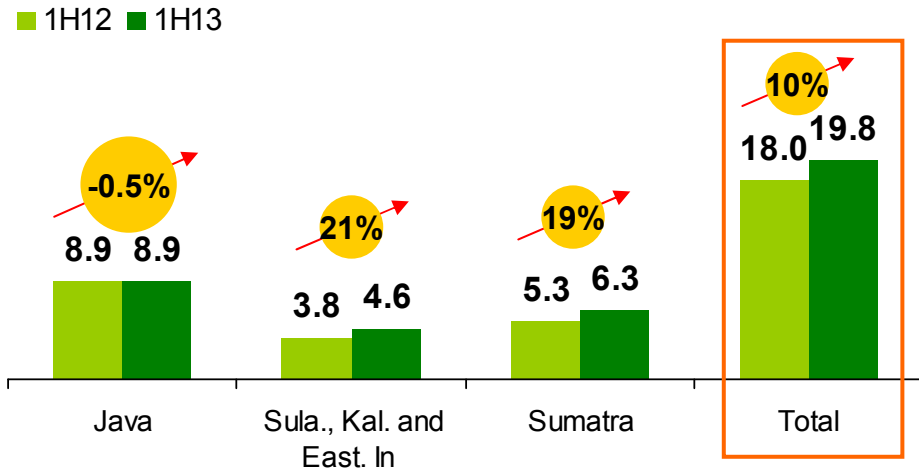
Industry Small and Micro (Rp tn)



Network optimization



Loans by Region (Rp tn)



Industry:

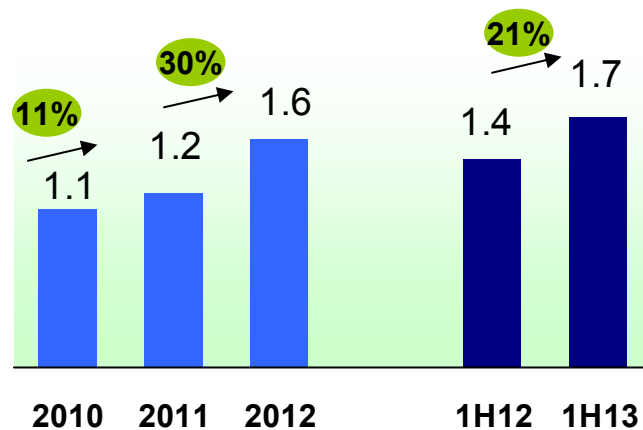
- Micro and small loans grew the slowest compared to medium and non UMKM at CAGR 13% for the last 2 years.

DSP initiatives:

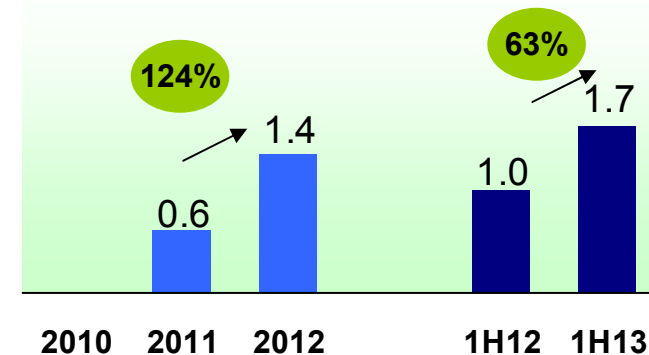
- Expansion outside Java
- Continue expansion in upper tier micro
- Expansion in selected agri lending equipped by dedicated team
- Network optimization will reach 18% of total network in 2013E. Further branch optimization will be carried out going forward

Various business models are developed to expand customer segment. Funding shows promising opportunity.

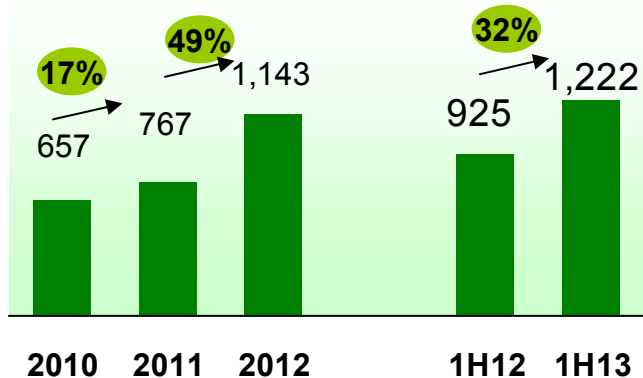
Solusi Modal (Rp tn)



Agri (Rp tn)



Funding (Rp bn)

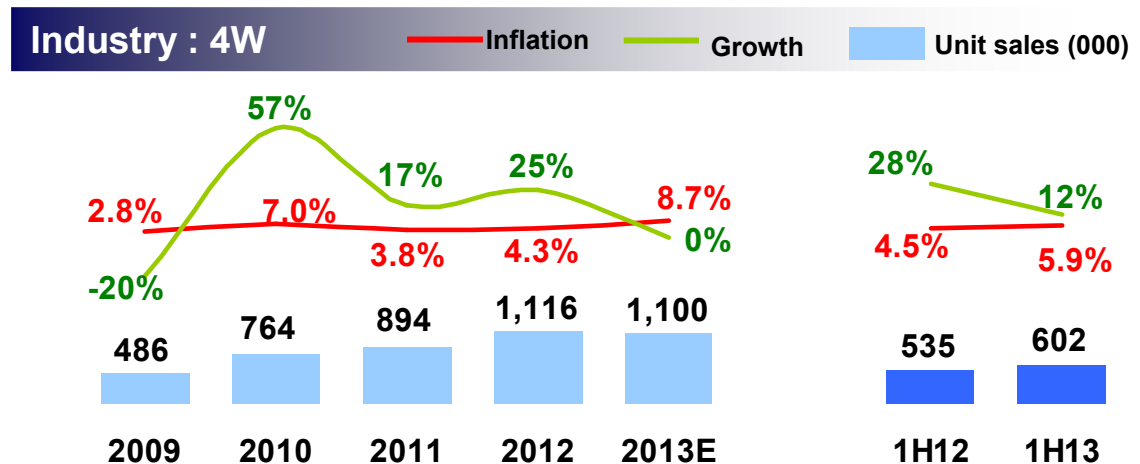
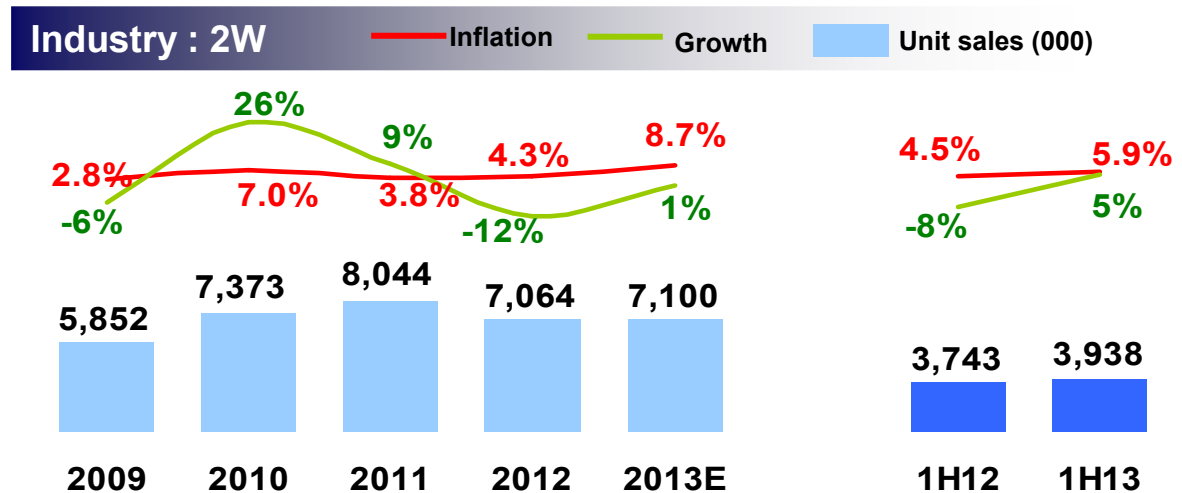


- Various business models are developed through solusi modal and selected agri sectors.
- New hire 143 sales officer are in place in Jun 2013, dedicated for upper-tier micro business.
- 42 new units to be installed by September 2013 in supporting growth.
- DSP funding grew robustly supported by SA (87% as of June 13).

Slide 22

Auto industry is still challenged by DP and fiducia rules, both for conventional and syariah financing.

- 2W market is more affected by DP rule, but slightly improved in 1H13 (up 5% y-y), while 4W remained strong with 12% y-y growth.
- ADMF 2W sales in 1H13 was largely impacted by early adoption of JF Syariah LTV (1 Jan '13), 3 months earlier than regulation guided by BI (1 April 2013).
- Auto industry FY2013: 2W stable at 7.1 mn due to DP impact on syariah financing as well as the domestic economic condition in general. 4W to stay flat also at 1.1 mn. (source: AISI and Gaikindo)



Slide 23

ADMF – Continue to grow with well-managed asset quality, while improving productivity and efficiency.

Business Growth

- Plan to gain back market share in 2H13
- Establish regional training centers to improve knowledge management and attrition rate

Optimizing Current Capacity and Productivity

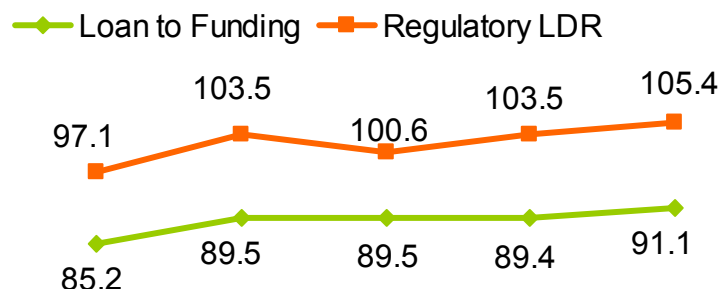
- Optimize infrastructure capacity (branch and acquisition personnel). For e.g. by converting an initially Mcy branch to serve both Mcy and Car portfolio.
- Investment in IT to improve process.

Asset Quality Management

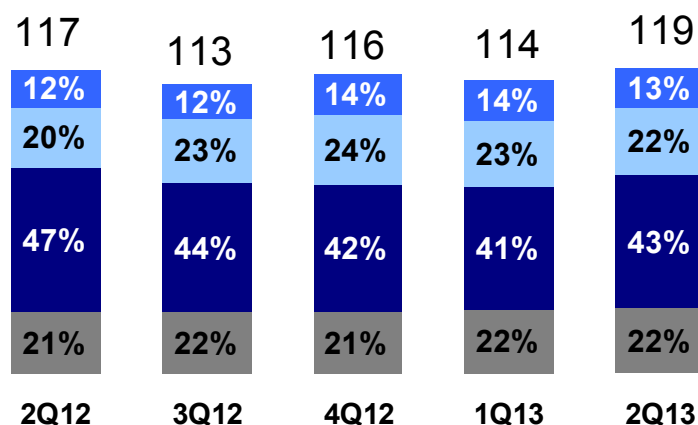
Discipline in managing asset quality and underwriting process through prudent policies followed by dynamic measurement instruments.

Diversified funding continued to grow providing sound liquidity. CASA to funding stood at 35% vs 32% last year.

Loans to Deposits Ratio (%)



Funding Composition (Rp trillion)



*) Loan to funding is defined as (Loans + Reserves with BI + Cash in Vault + HTM bonds) / (Third Party Deposits + net borrowings and LTF + net capital)

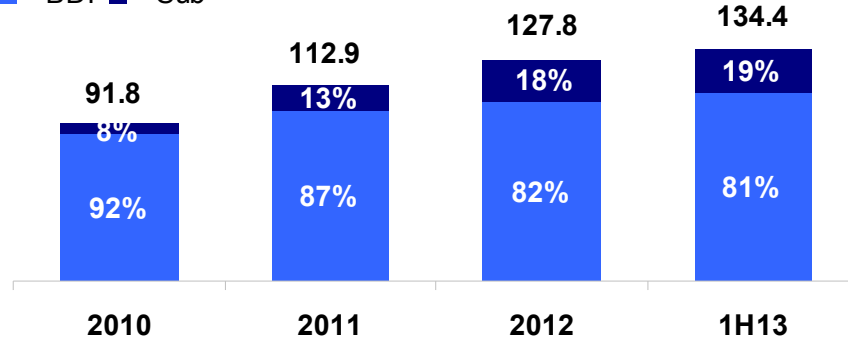
Funding Growth

Rp billion	1H12	1H13	ΔYoY
Current Account	13,960	15,631	12%
Saving Account	23,582	25,991	10%
Time Deposit	55,784	51,316	-8%
Total Deposits	93,326	92,938	0%
Borrowings & LTF	24,149	25,803	7%
Total Funding	117,474	118,741	1%

The use of borrowings and long term funding has been in line with bankwide funding strategy, particularly for ADMF.

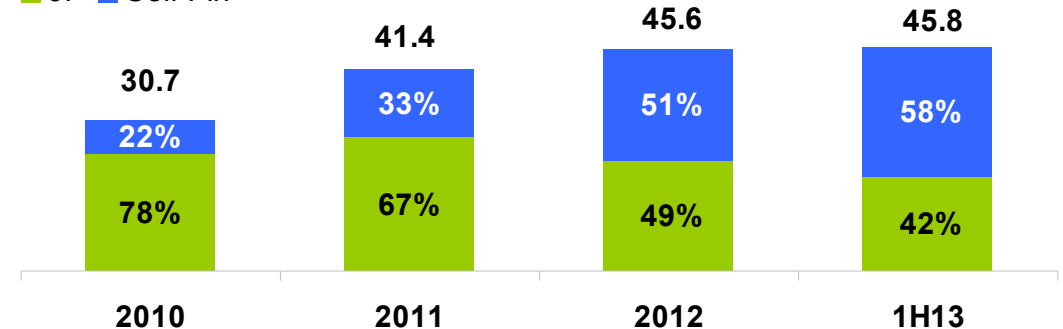
Consolidated loans (Rp tn)

■ BDI ■ Sub



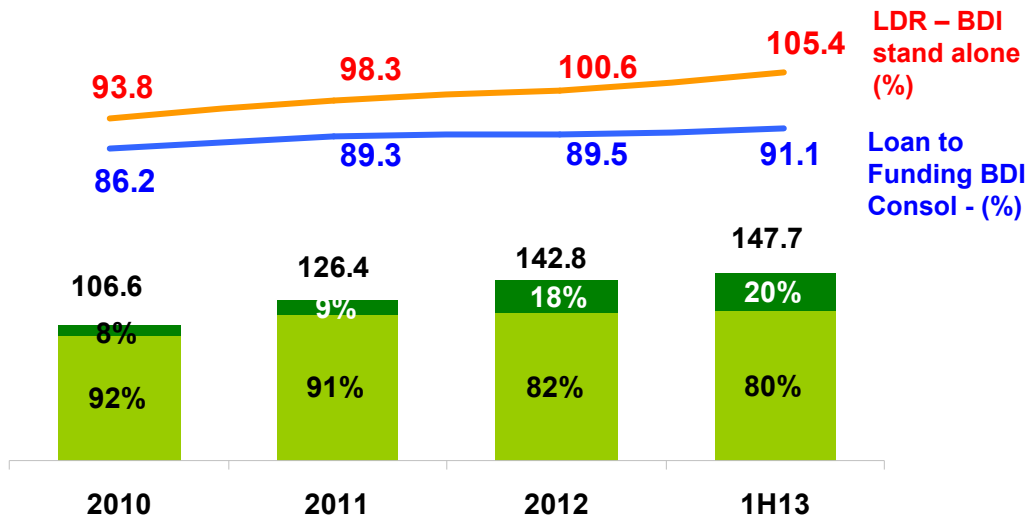
ADMF - JF vs Self Finance (Rp tn)

■ JF ■ Self Fin



Consolidated deposits (Rp tn)

■ BDI ■ Sub



- Bankwide funding strategy optimize the used of borrowings and LTF to compensate expensive source of fund amid tightening liquidity competition.
- ADMF steadily raise borrowings and LTF to sustain growth.

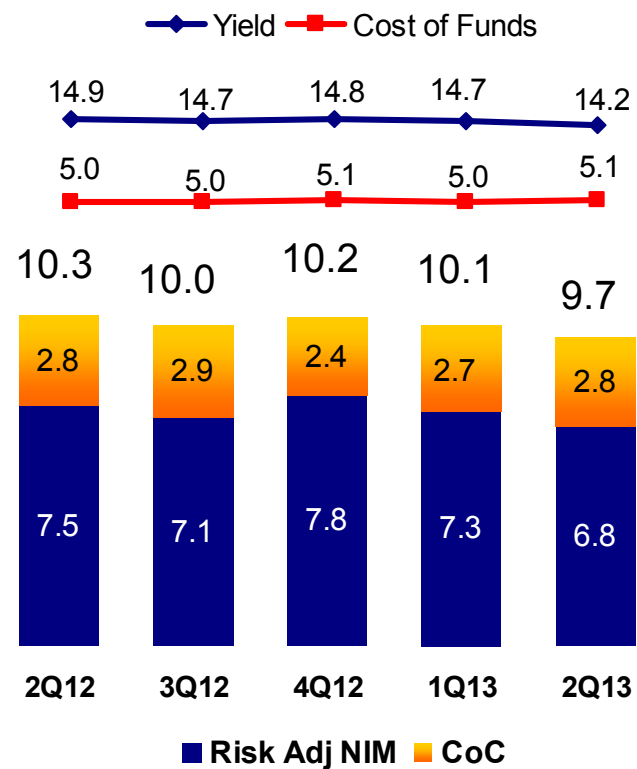
Note:

- Data include acquisition costs directly attributable to the origination of financing accounts and interest receivables
- Loans is defined as: receivables + cash. Funding is defined as third party deposits + net borrowings and LTF + net capital

NIM stood at 9.9%

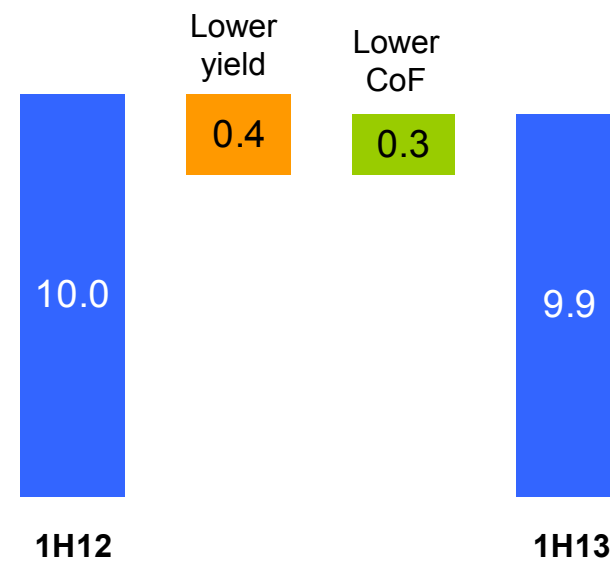
Net Interest Margin

%, annualized



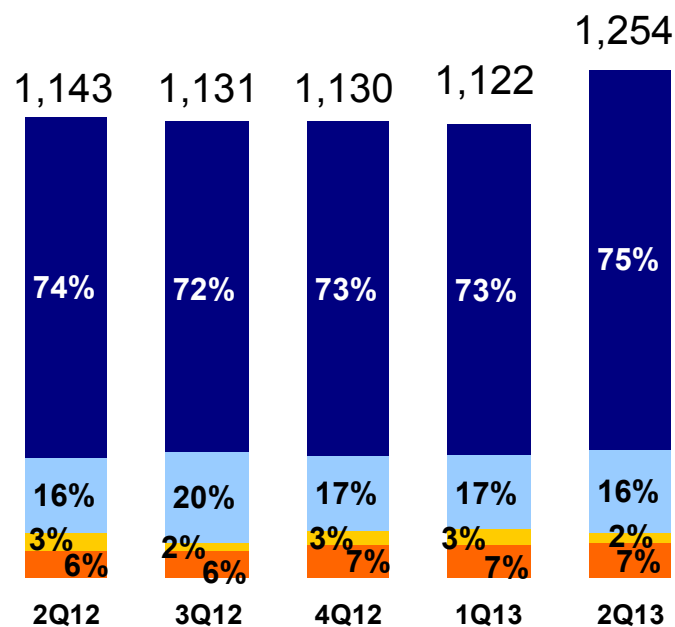
YoY NIM Movement

%, annualized



Non interest income rose 9% driven by credit related fees and general insurance

Non Interest Income Composition *Rp billion*



Non Interest Income Growth *Rp billion*

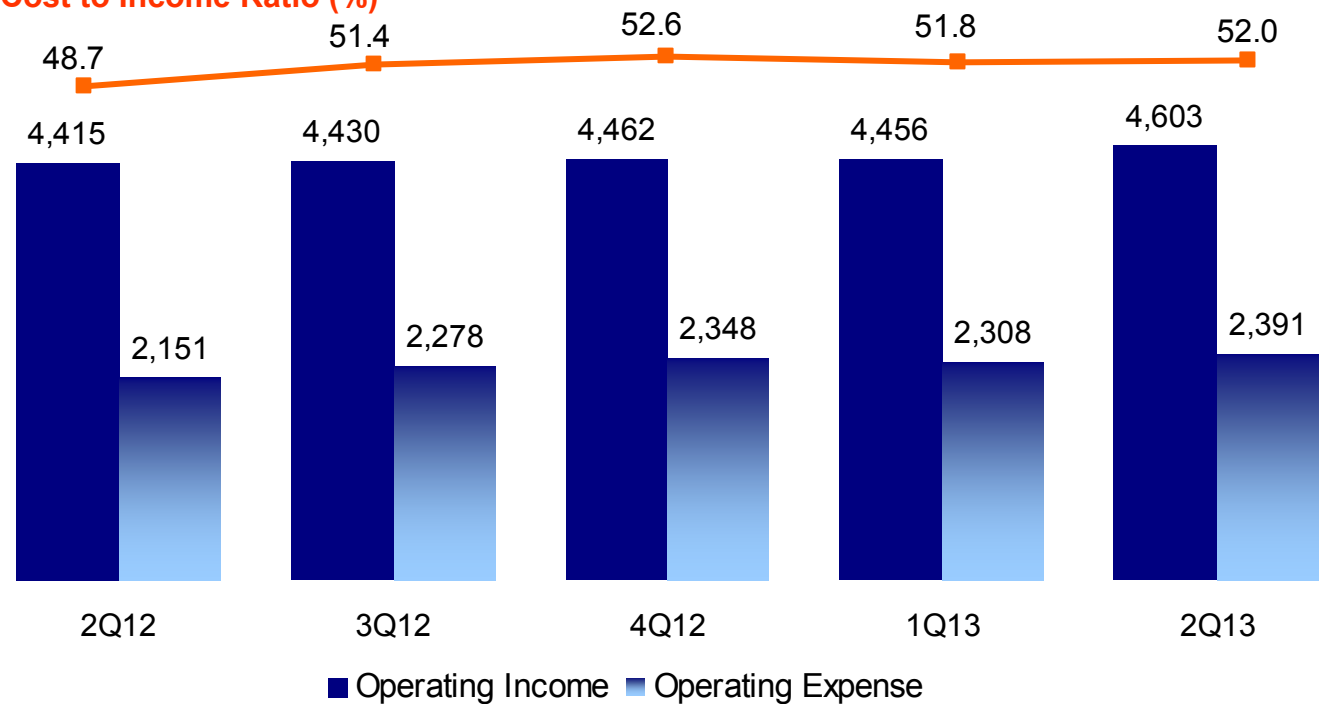
<i>Rp billion</i>	1H12	1H13	ΔYoY
Credit Related	1,628	1,756	8%
Bancassurance	148	164	10%
General Insurance	196	228	16%
Treasury	62	61	-1%
Transaction Banking	138	168	21%
Total	2,172	2,376	9%

Cost to Income was 51.9%

Operating Income and Expense

Rp billion

▼ Cost to Income Ratio (%)

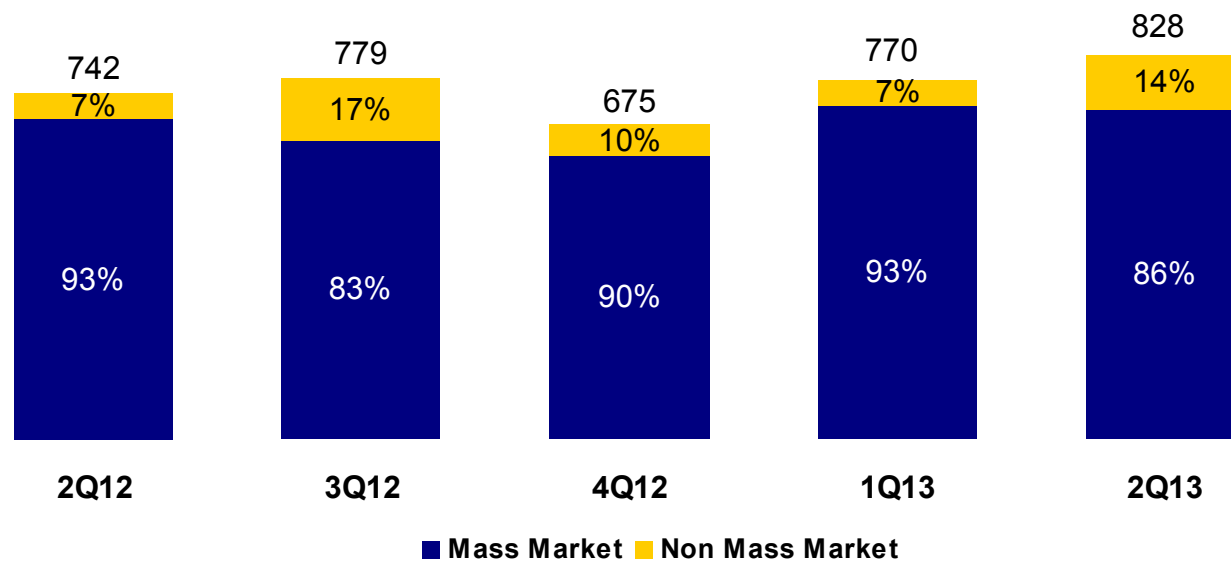


Cost of Credit stood at 2.8%

Cost of Credit / Avg. Loans (%)

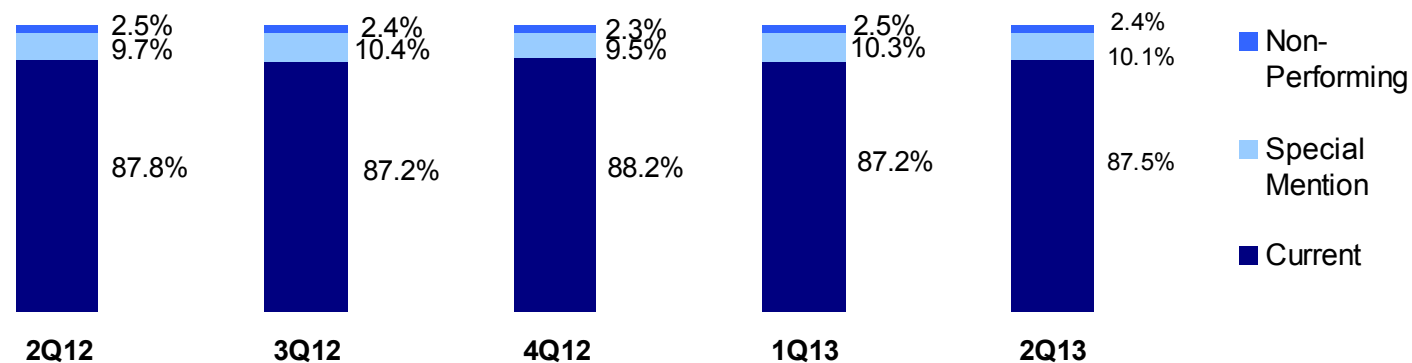


Cost of Credit (Rp billion)

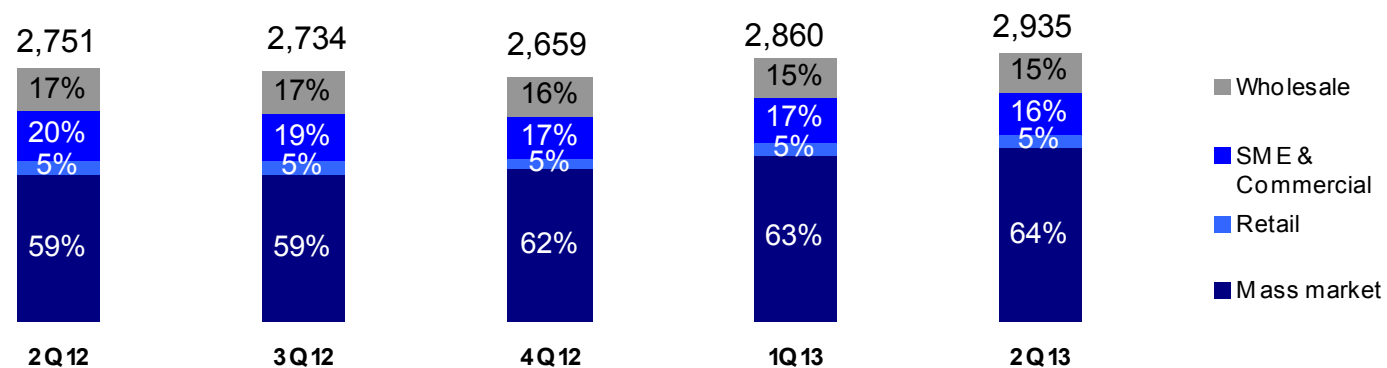


NPL remained low

Loan's Collectibility *% of Outstanding loans*

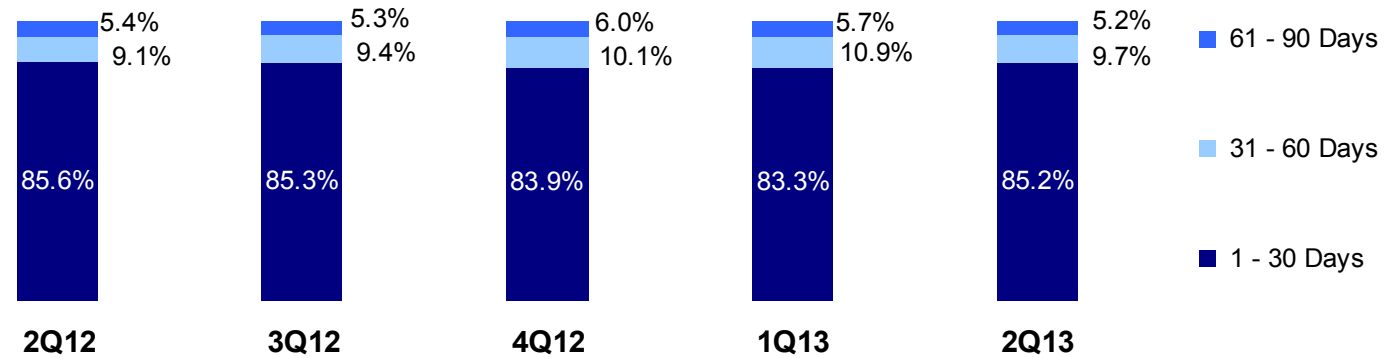


Non-Performing Loans by Segment *Rp billion*

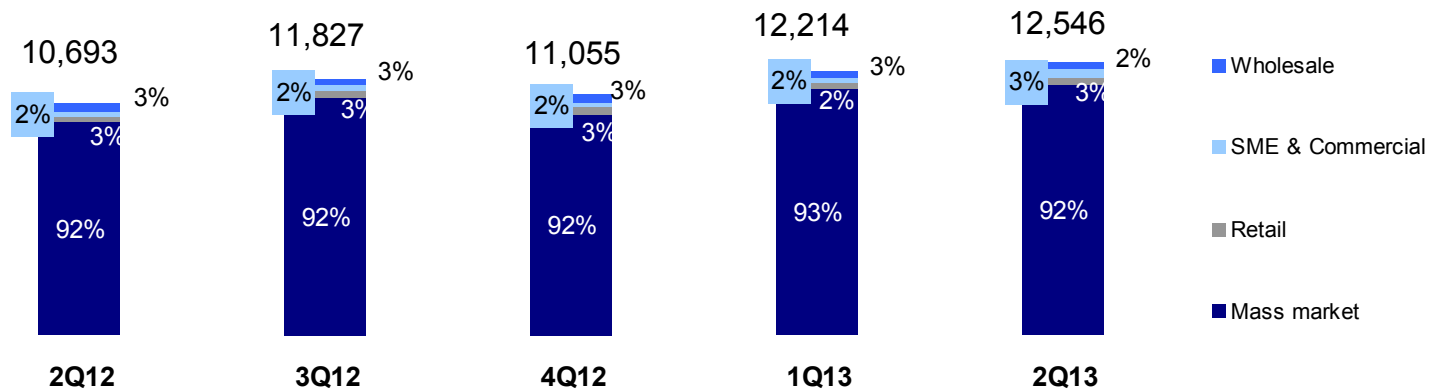


Majority of special mention loans were within 30 days

Special mention loans by Aging
% of Special Mention Loans



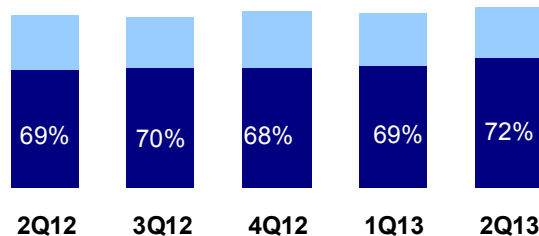
Special Mention Loans by Segment
Rp billion



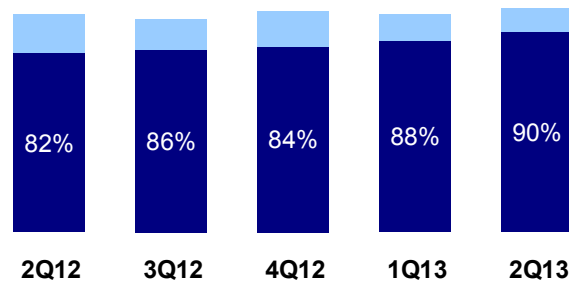
RWA / Total Assets

Capital Adequacy Ratio (%)

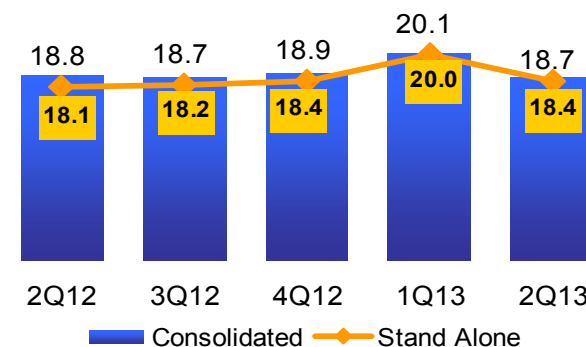
RWA BDI Only



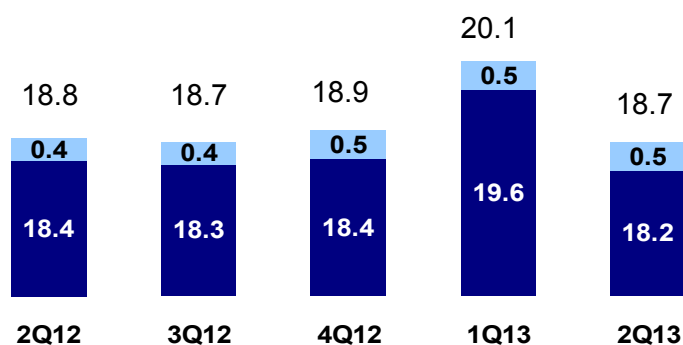
RWA Consolidated



■ RWA ■ Other Assets



Tier 1 and Tier 2 capital ratio (%) - Consol



■ Tier 1 Capital ■ Tier 2 Capital

%	2Q12	3Q12	4Q12	1Q13	2Q13
CAR w/ Credit Risk	23.5	23.3	23.4	25.6	23.5
Market Risk Charge	0.1	0.1	0.0	0.0	0.1
Operational Risk Charge	4.6	4.5	4.5	5.4	4.7
CAR Consolidated	18.8	18.7	18.9	20.1	18.7

Agenda

- Macroeconomy
- Banking Industry
- Financial Results
- **Corporate Updates**
- Appendix

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

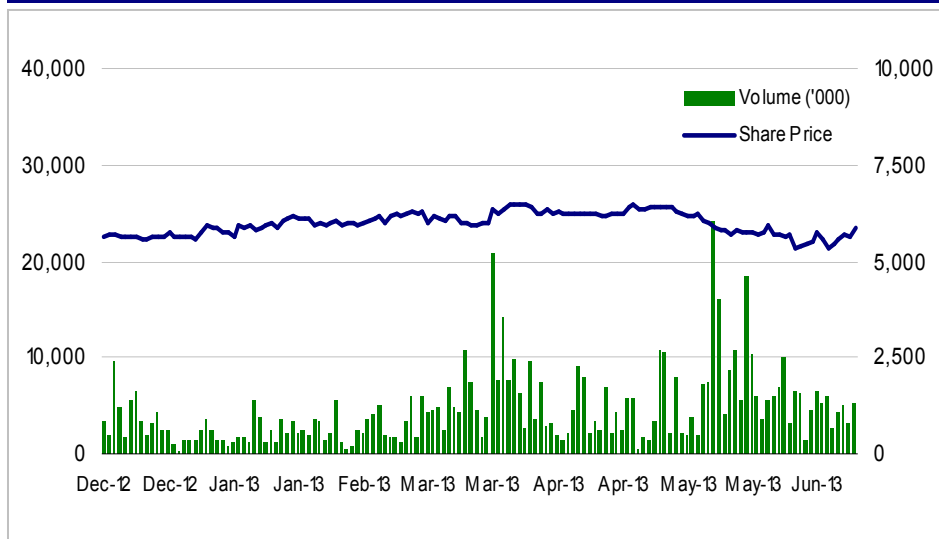
- Macroeconomy
- Banking Industry
- Financial Results
- Corporate Updates

- **Appendix**

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

Daily share price and trading volume

BDMN IJ



Ownership Structure

As of 30 June 2013

Ownership Structure	Number of Shares	Ownership (%)
Asia Financial (Indonesia) Pte, Ltd.	6,457,558,472	67.4%
JPMCB - Franklin Templeton Inv. Funds	612,856,888	6.4%
Public < 5%	2,514,228,005	26.2%
Total	9,584,643,365	100.00%

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

Danamon

PEFINDO <i>April 2012</i>	Corporate Rating	id ^{id} AA+ / Positive
	Bond Rating	id ^{id} AA+ / Positive
Standard & Poor's <i>December 2012</i>	Long-term / Short-term Local Currency	BB / B / Stable
	Long-term / Short-term Foreign Currency	BB / B / Stable
Fitch's <i>June 2013</i>	Long Term/Short Term Issuer Default Rating	BB+ / B / Positive
	National Long Term Rating	AA+(idn)
	Viability Rating/Support Rating	bb+ / 3
Moody's <i>January 2012</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+ / Stable	BBB- / Stable	Baa3 / Stable

Slide 37

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
6,715	226	59	3,435	(7,675)	-	(44)	2,715	(678)	(53)	1,985

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
6,775	3,661	10,435	(7,675)	2,760	-	(44)	(678)	(53)	1,985	
(91)		(91)	91	-						- LPS Deposit Insurance
		-		-	(2)	2				- Loss on reposess assets
	(11)	(11)		(11)	11					- Provision for ADMF acquisition cost
	(71)	(71)		(71)	71					- Write off on amortization cost
	(6)	(6)		(6)	6					- Recovery of impairment loss reserves
	(97)	(97)	97	-						- ADMF indirect acquisition cost
	(907)	(907)	907	-						- Decrease in fair value of financial assets (MTM)
	(6)	(6)	6	-						- Losses from sale of financial assets (marketable securities)
	(7)	(7)	16	9		(9)				- Losses from spot and derivative transaction (realised)
		-	1,701	1,701	(1,701)					- Impairment losses on financial assets
	(18)	(18)		(18)	18					- Impairment losses on reposessed assets
	(160)	(160)	160	-						- Fees/commissions and administrative expenses
		-	2	2	(2)					- Allowance for possible losses on non earning assets
	(2)	(2)	(3)	(5)		5				- Others
6,683	2,376	9,059	(4,699)	4,359	(1,598)	(46)	(678)	(53)	1,985	
Analyst Briefing Presentation										



Thank You

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