

Analyst Briefing

First Nine Months 2013 Results

Jakarta, 17 October 2013

Agenda

- **Macroeconomy**

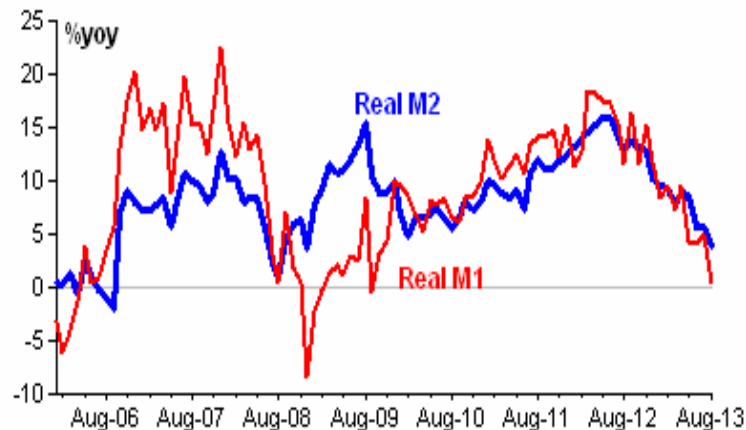
- Banking Industry
- Financial Results
- Corporate Updates
- Appendix

Economic Growth

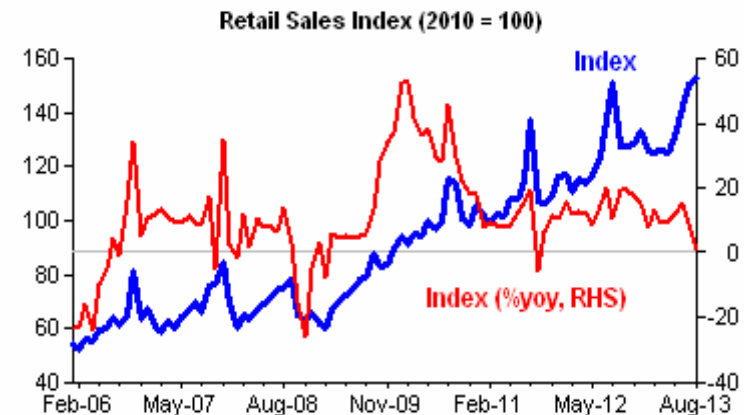
- Some economic indicators have shown some weakening signs. Money growth has been in declining trend since 2012.
- Credit growth gradually slowing down.
- Sales indicators shows mixed signs. Retail sales is slowing down. Car sales started to show a declining trend, though motorcycles sales seems to be holding up.
- BI expects economic growth in Q3 to reach 5.6%yoy. Overall year growth in 2013 is expected in the range 5.5-5.9%yoy.
- We revised down our forecast for the economic growth this year to 5.6%yoy.

Signs of slowdown, economy expected to grow 5.6%yoy

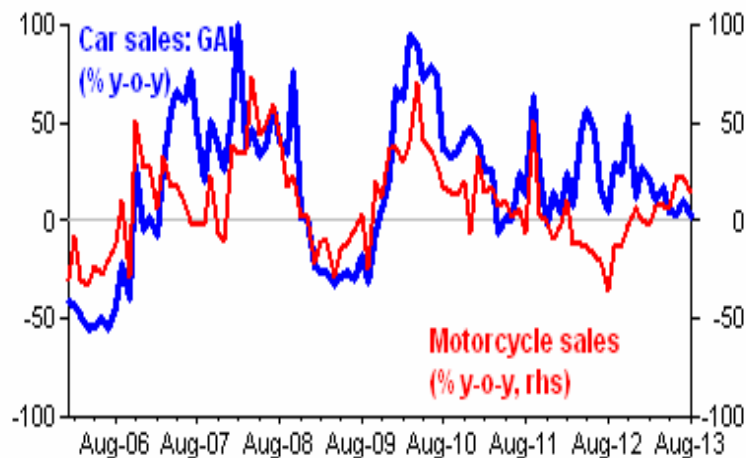
Real Money Growth %yoy



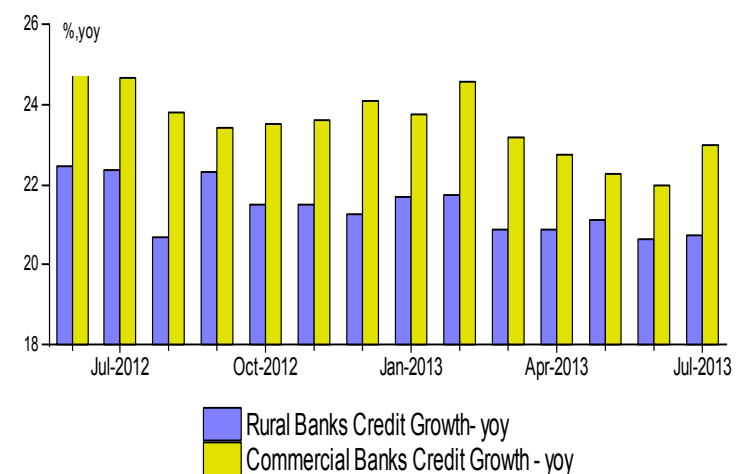
Retail Sales



Car & Motorcycle Sales %



Credit Growth %



Positive data: an unexpected deflation and trade surplus

Inflation

- We see an unexpected deflation in Sep at -0.35%mom (8.4%yoy).
- Impact of the fuel price hike and Lebaran's festivities have finally eased.

External Trade

- August trade data was also unexpectedly positive, bouncing back to a surplus of US\$132mn (from deficit of US\$2.3bn in July), though mostly due to the declining imports.

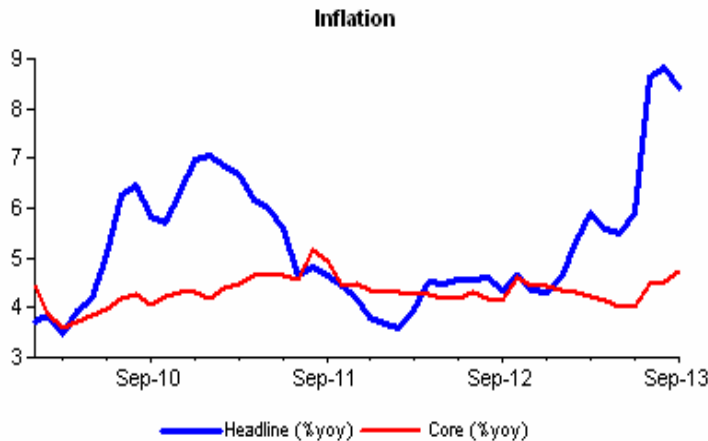
- CA deficit is expected to be at 3.4% of GDP in Q3 (BI forecast).

Exchange Rate

- Positive data gave positive sentiments on the rupiah.

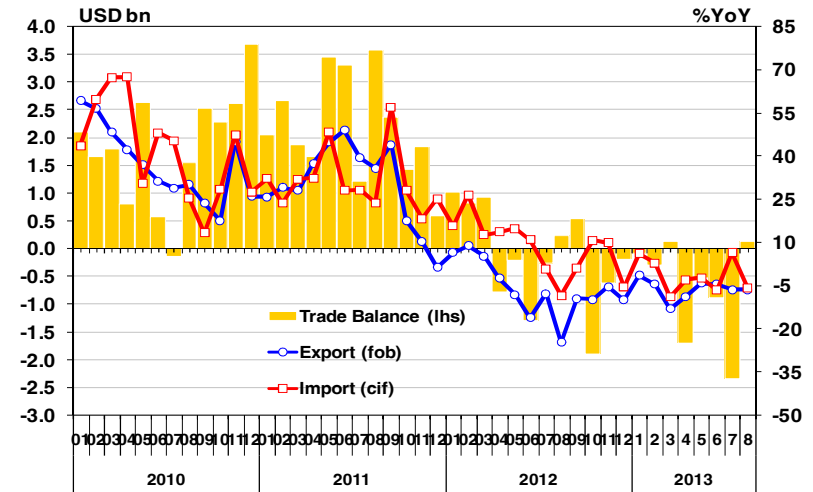
Headline Vs. Core Inflation

%yoy

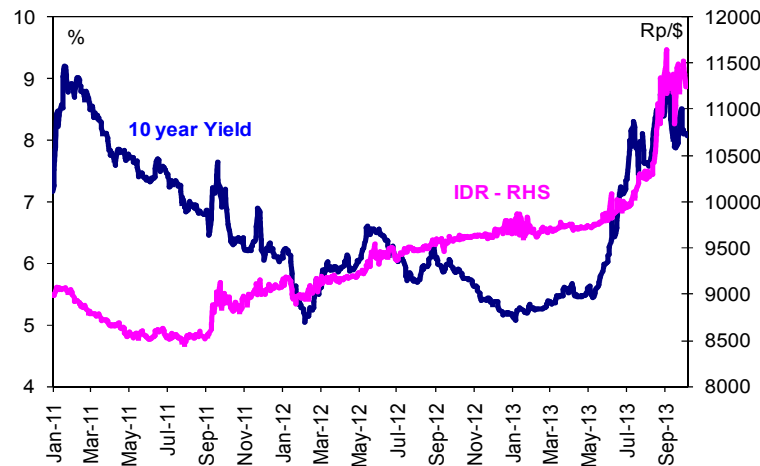


External Trade (BPS data)

USD bn, %yoy

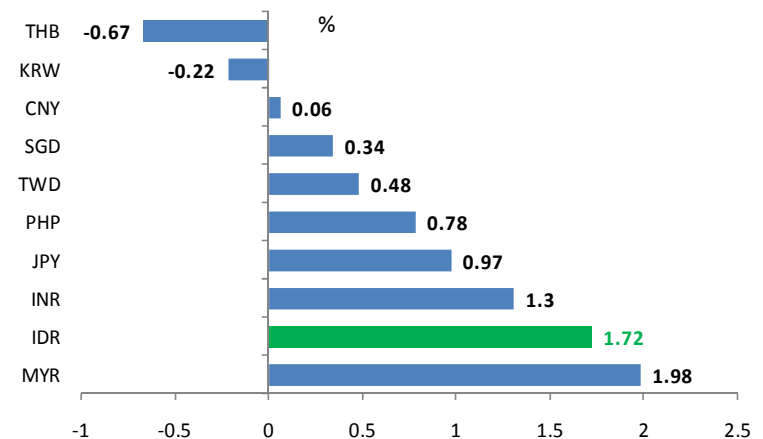


Rupiah & Bond Yield



Regional Currencies (Oct 9 Vs. Sep 30, eop)

%



BI maintained policy rate at 7.25 bps

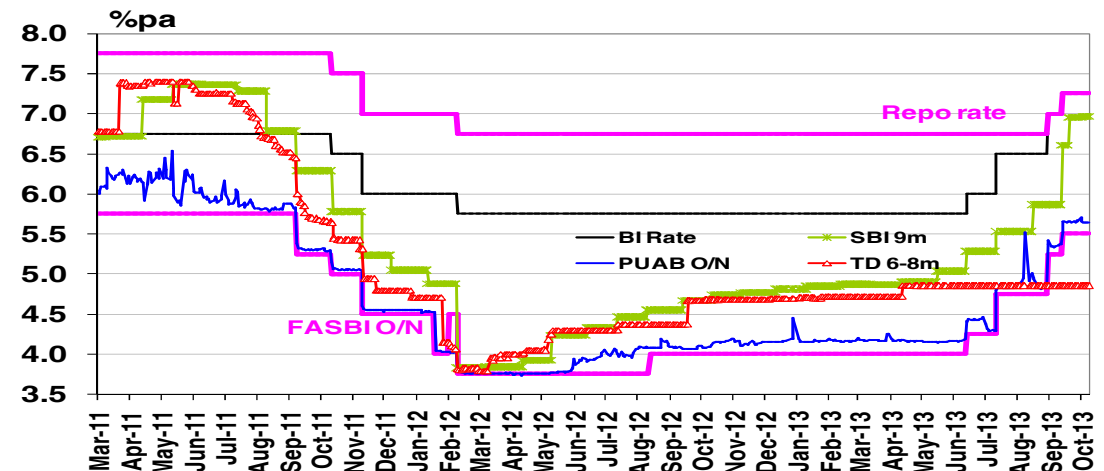
BI Rate

- After raising the benchmark rate by 150bps this year, BI paused in October and maintain its policy rate at 7.25%.
- The overnight deposit facility rate (FASBI) was also kept at 5.5% and the Repo rate at 7.25%.
- Policies announced :** Policies recently announced :
 - Tighter LTV rule on property loans
 - Gradual tightening on the secondary reserve requirement 3% (Oct 1-31, 2013), 3.5% (Nov 1 – Dec 1, 2013), 4% (Dec 2, 2013 – onwards)
 - RR on LDR, no penalty if: LDR in the range 78-92% or above 92% with CAR >14%
 - Hedging regulation for individuals, non bank institution (incl. SOEs), to support the previous hedging regulation issued by SOEs ministry.

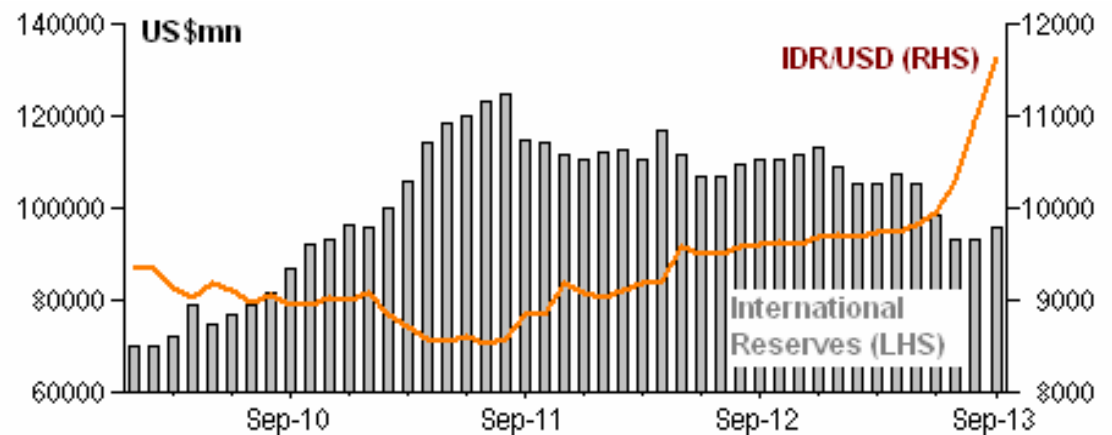
Foreign Exchange Reserve

- Despite the weakness of the rupiah, foreign exchange reserve in September rise to USD95.7bn, partly due to incoming funds from global SUKUK issuances

Interest Rate



Foreign Exchange Reserves



Indonesia	2010	2011	2012	2013E	Sep'13	2014E
National Account						
Real GDP (% YoY)	6.2	6.5	6.2	5.6	5.81(Q2)	5.9
Domestic demand ex. Inventory (% y-o-y)	5.3	5.7	6.2	4.5	4.69	5.8
Real Consumption: Private (% y-o-y)	4.7	4.7	5.3	4.7	5.06	4.9
Real Gross Fixed Capital Formation (% y-o-y)	8.5	8.8	9.8	4.7	4.67	5.2
GDP (US\$ bn) – nominal	709	847	879	915		1,063
GDP per Capita (US\$) – nominal	2,983	3,514	3,596	3,650	-	4,182
Open Unemployment Rate (%)	7.1	6.6	6.3	6.0	-	5.8
External Sector						
Exports, fob (% YoY, US\$ bn)	32.1	26.9	-6.3	-4.0	-3.9(Q2)	4.5
Imports, fob (% YoY, US\$ bn)	43.7	30.8	8.3	-2.2	-1.0	5.6
Central government debt (% of GDP)	26.1	24.6	23.1	22.0	-	21.2
International Reserves – IRFCL (US\$ bn)	96.2	110.1	112.9	95.1	95.7	97.2
Reserve cover (Imports and external debt)	7.1	6.3	6.1	5.3	5.2	5.4
Currency / US\$ (Year-end)	8,991	9,068	9,670	10,714	11,346	9,982
Other						
BI Policy Rate (% year end)	6.50	6.00	5.75	7.25	7.25	7.25
Consumer prices (% year end)	6.96	3.79	4.30	8.70	8.79	4.18
Fiscal balance (% of GDP; FY)	-0.73	-1.16	-1.77	-2.10	-	-1.80

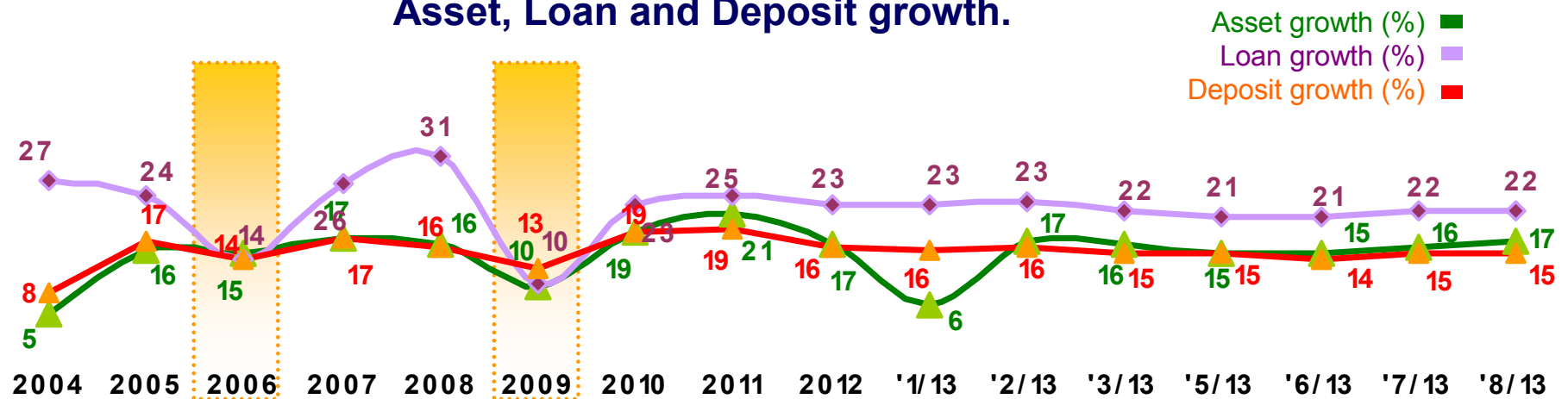
Source: BPS, Bank Indonesia, Danamon Estimates

Agenda

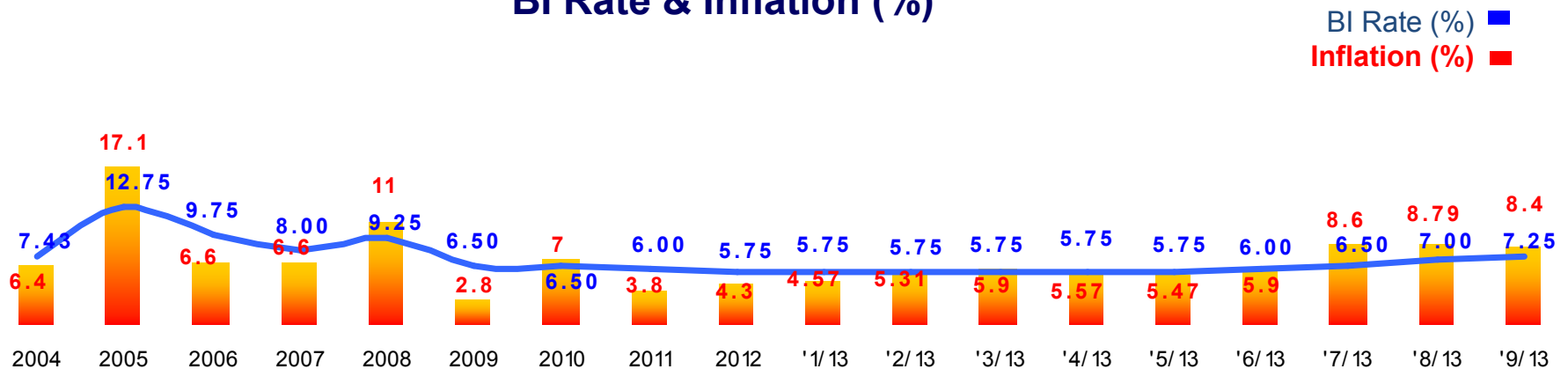
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Loans and deposits grew in slower pace since 2012, while interest rate and inflation on increasing trend.

Asset, Loan and Deposit growth.



BI Rate & Inflation (%)

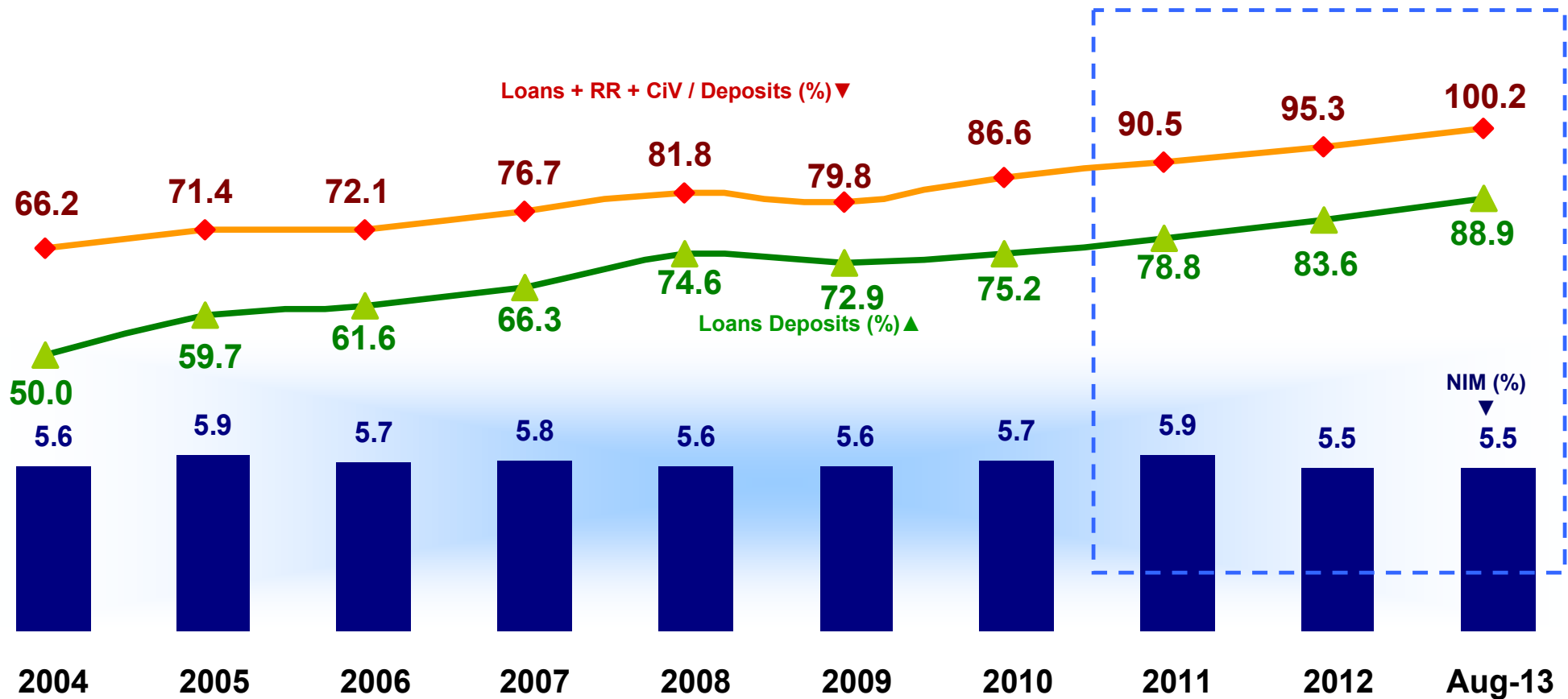


Note: 2003 and 2004 BI rate use 1 Month SBI rate

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Untuk Anda, Bisa

Including reserve requirement and cash in vault, industry's LDR stood at 100.2% in August 2013.



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

Industry (Rp trillion)

	Aug-12	Dec-12	Aug-13	YoY	YTD
Total Assets	3,924	4,263	4,581	17%	7%
Loans	2,511	2,708	3,067	22%	13%
Total Deposits	2,984	3,225	3,440	15%	7%
NPAT	59.7	92.83	70.74	18%	NM
NIM (%)	5.4	5.5	5.5	0.1	0.0
NPL (%)	2.2	1.9	1.9	-0.3	0.0
ROA (at) (%)	2.4	2.4	2.4	0.0	0.0
LDR (%)*	83.7	83.6	88.9	5.2	5.3
CAR (%)	17.3	17.4	18.0	0.7	0.6

Danamon (Rp billion)

	Aug-12	Dec-12	Aug-13	YoY	YTD
Total Assets	150,069	155,791	164,171	9%	5%
Loans	111,224	116,385	126,525	14%	9%
Total Deposits	90,967	91,676	94,614	4%	3%
NPAT	2,645	4,012	2,687	2%	NM
NIM (%)	10.0	10.1	9.8	-0.2	-0.3
NPL (%)	2.5	2.3	2.2	-0.3	-0.1
ROA (at) (%)	2.7	2.7	2.6	-0.1	-0.1
LDR (%)*	88.2	100.6	91.1	2.9	-9.5
CAR (%)	18.7	18.9	18.4	-0.3	-0.5

Source: Indonesian Banking Statistics

*) Industry LDR refers to customer deposits / loans. For BDI, refers to loan to funding which is defined as (Loans + Reserves with BI + Cash in Vault + HTM bonds) / (Third Party Deposits + net borrowings and LTF + net capital)

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Highlights 9M13 Results

- Total loans increased 14% to Rp 129 trillion. Ex-auto loans rose 20%. SMEC and mass market remained as the growth driver, each rose 24% and 6% to Rp 35 trillion and Rp 69 trillion, respectively.
- Total funding amounted to Rp 130 trillion, with robust CASA growth of 21% to Rp 47 trillion. CASA to deposits stood at 46% vs 44% last year. LDR was 99.0% compared to 105.4% last quarter.
- NIM was 9.8% from 10.0% last year due to shift in asset mix and lower yield. CoC was 2.8% while CIR at 52.2%.
- Fee income rose 12% to Rp 3,698 billion, or 27% of operating income.
- NPAT amounted to Rp 3 trillion with ROA stood at 2.5% and ROE of 14.5%.
- Maintained strong capital with Tier 1 capital ratio of 17.8% and CAR of 18.3%.

Highlights of Income Statement

<i>Rp billion</i>	9M12	9M13	ΔYoY	1Q13	2Q13	3Q13	ΔQoQ
Net Interest Income	9,590	10,104	5%	3,334	3,349	3,421	2%
Non Interest Income	3,303	3,698	12%	1,122	1,254	1,322	5%
Operating Income	12,893	13,802	7%	4,456	4,603	4,743	3%
Cost of Credit	(2,309)	(2,432)	5%	(770)	(828)	(835)	1%
Risk adjusted Ops Income	10,584	11,370	7%	3,686	3,775	3,909	4%
Operating Expenses	(6,461)	(7,206)	12%	(2,308)	(2,391)	(2,507)	5%
Net Profit after Taxes	2,992	3,007	1%	1,005	980	1,022	4%

Highlights of Balance Sheet

<i>Rp billion</i>	9M12	9M13	ΔYoY	1Q13	2Q13	3Q13	ΔQoQ
Total Assets	150,109	173,094	15%	153,785	158,103	173,094	9%
Loans (gross)	113,267	129,065	14%	117,484	123,935	129,065	4%
Government Bonds	4,366	5,548	27%	4,066	3,895	5,548	42%
Total Funding	112,551	130,232	16%	114,028	118,741	130,232	10%
Current Account	13,321	20,705	55%	15,845	15,631	20,705	32%
Savings	25,620	26,494	3%	25,940	25,991	26,494	2%
Time Deposit	49,362	55,123	12%	47,205	51,316	55,123	7%
Borrowings and LT Fund.	24,248	27,909	15%	25,038	25,803	27,909	8%
Equity	27,581	30,228	10%	29,504	29,234	30,228	3%

Key Ratios

%	9M12	9M13	ΔYoY	1Q13	2Q13	3Q13	ΔQoQ
Net Interest Margin	10.0	9.8	-0.2	10.1	9.7	9.7	0.0
Cost of Credit	2.9	2.8	-0.1	2.7	2.8	2.7	-0.1
Cost / Income	50.1	52.2	2.1	51.8	52.0	52.8	0.8
ROAA	2.7	2.5	-0.2	2.7	2.5	2.5	0.0
ROAE	16.2	14.5	-1.7	14.4	14.2	14.8	0.6
Assets to Capital (x)	6.2	6.4	0.2	5.7	6.0	6.4	0.4
Stand Alone Loan to Funding *	89.3	87.6	-1.7	89.1	91.9	87.6	-4.3
Consolidated Loan to Funding *	89.5	88.4	-1.1	89.4	91.1	88.4	-2.7
Regulatory LDR	103.5	99.0	-4.5	103.5	105.4	99.0	-6.4
Stand Alone CAR	18.2	18.1	-0.1	20.0	18.4	18.1	-0.3
Consolidated CAR	18.7	18.3	-0.4	20.1	18.7	18.3	-0.4
NPL – Gross	2.5	2.2	-0.3	2.5	2.4	2.2	-0.2
Impairment (LLP/Total Loans)	2.7	2.6	-0.1	2.6	2.6	2.6	0.0
Loan Loss Coverage (LLP/NPL)	109.7	119.6	9.9	110.8	114.5	119.6	5.1

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

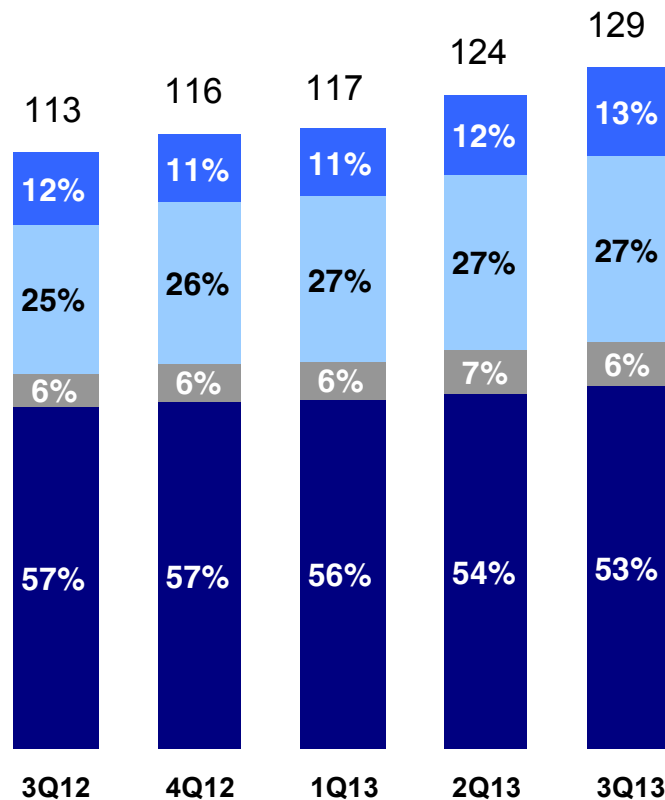
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Untuk Anda, Bisa

Loans grew 14% mostly driven by mid-size and mass market. DP rules still impacts auto loans, however, ex-auto loans grew 20%.

Loan Composition

Rp trillion



Loan Growth

%

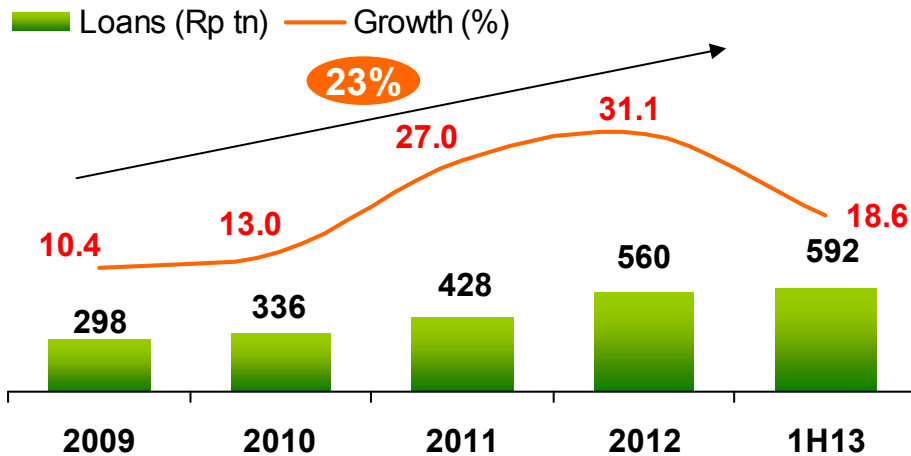
<i>Rp billion</i>	9M12	9M13	ΔYoY
Wholesale	13,852	16,822	21%
SMEC*	28,291	35,044	24%
Retail	6,289	8,220	31%
Mass Market	64,835	68,979	6%
Total	113,267	129,065	14%

* SME and Commercial segments

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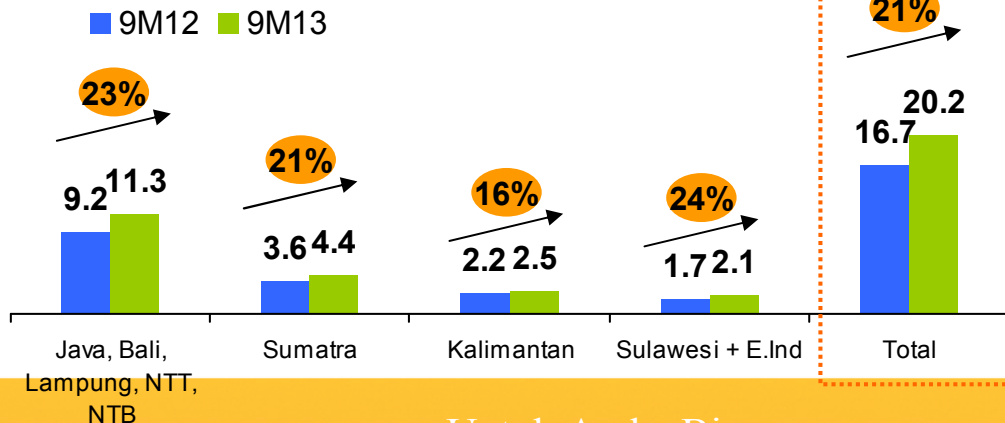
Strong growth across all regions amid increasing competition, with benign NPL. SME Accounted for 16% of loan book.

SME Industry (loan size Rp 0.5-10 bn)

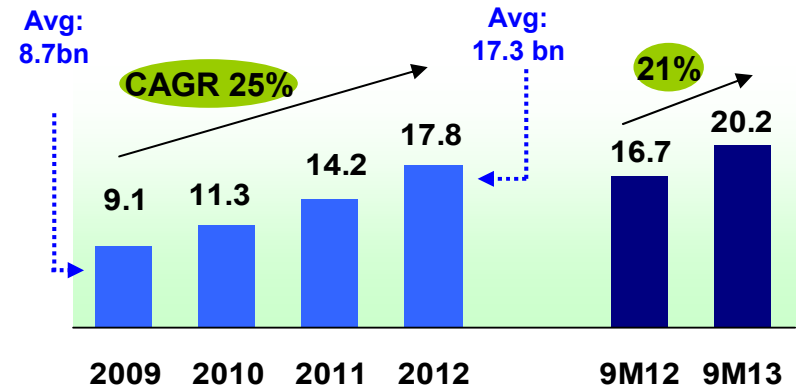


Source: Bank Indonesia

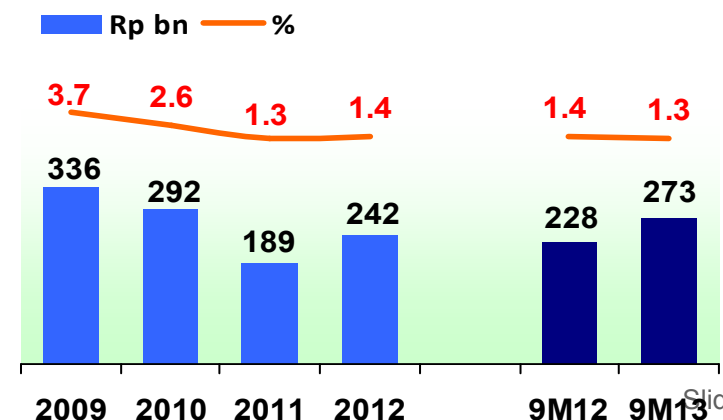
BDI SME Outstanding Loans by Region (Rp tn)



BDI SME Lending (Rp tn)



BDI SME NPL

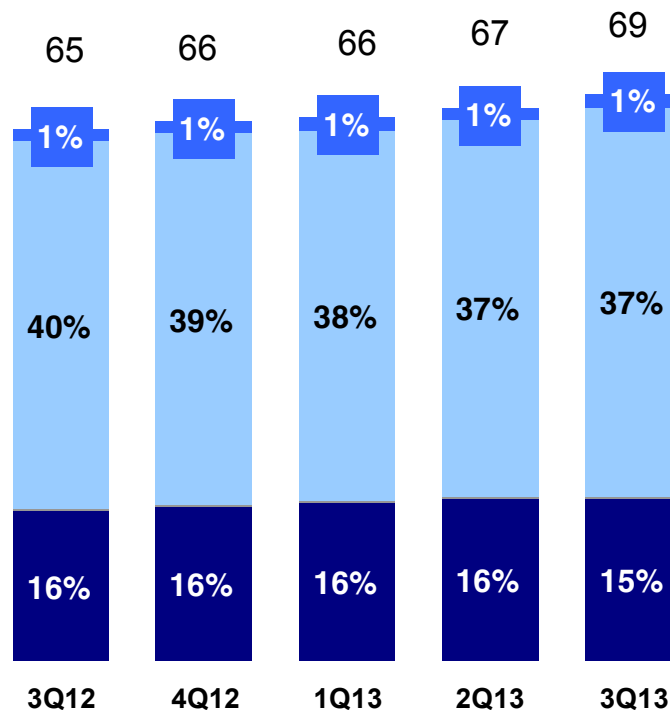


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High margin business was 53% of total loans

Mass Market Loan (to total loans)

Rp trillion



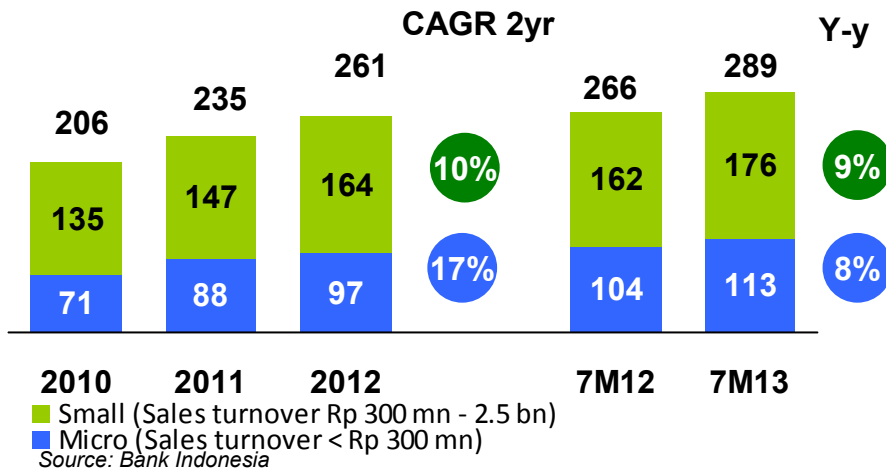
Mass Market Loan Growth

%

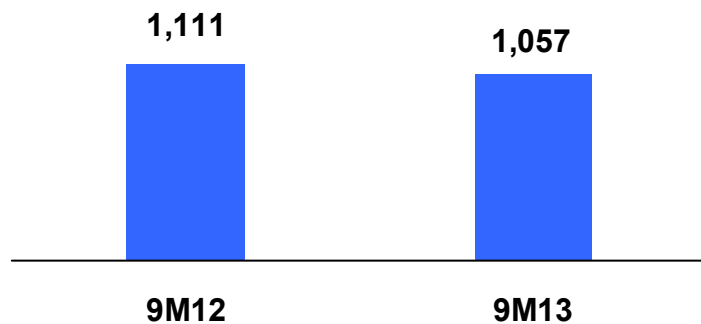
Rp billion	9M12	9M13	ΔYoY
Adira Quantum	1,435	1,607	12%
Adira Finance	44,923	47,381	5%
Pawn Broking	125	171	37%
SEMM (DSP)	18,353	19,821	8%
Total	64,835	68,979	6%

Bolstering human capital and network optimization is primary to continue growth

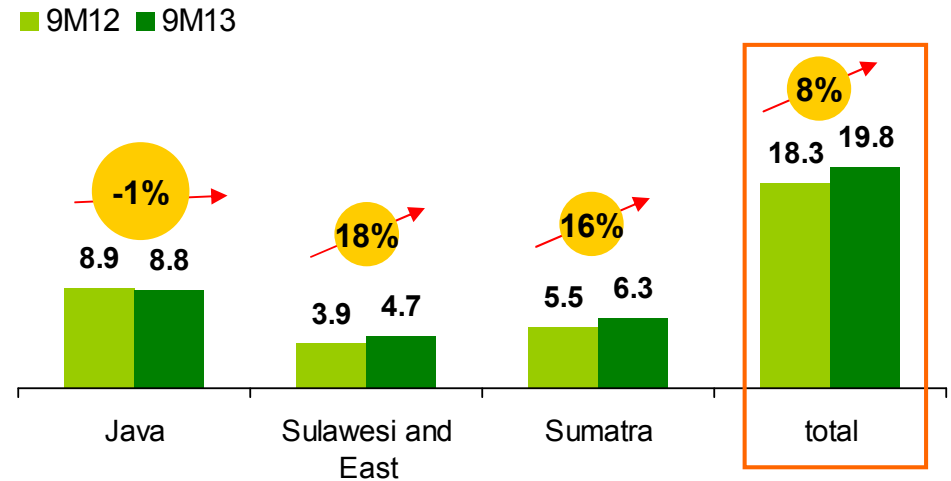
Industry Small and Micro (Rp tn)



Network optimization



Loans by Region (Rp tn)

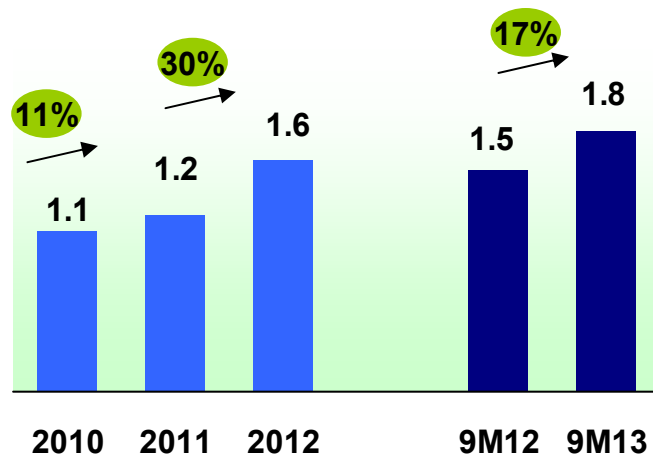


DSP initiatives:

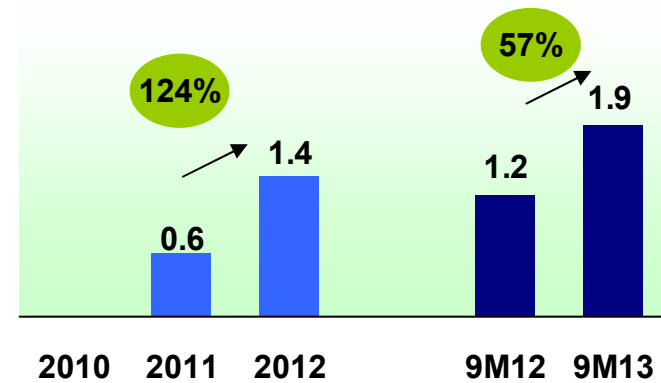
- Market potential ex-Java
- Continue network optimization in Java
- Fostering human capital is key to sustain growth

Solusi modal, selected agri sectors and upper tier micro showed continuous growth potential. Funding strongly increased.

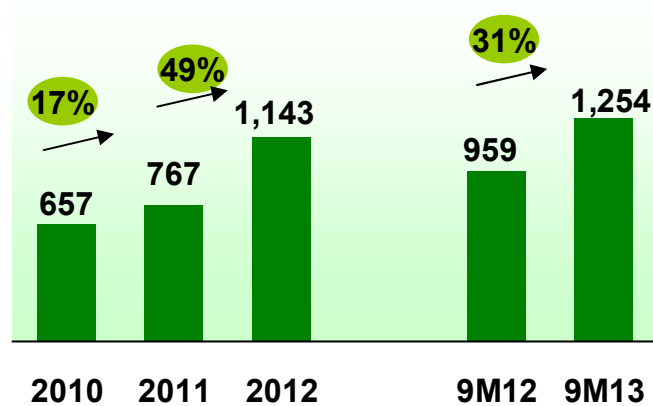
Solusi Modal (Rp tn)



Agri (Rp tn)



Funding (Rp bn)

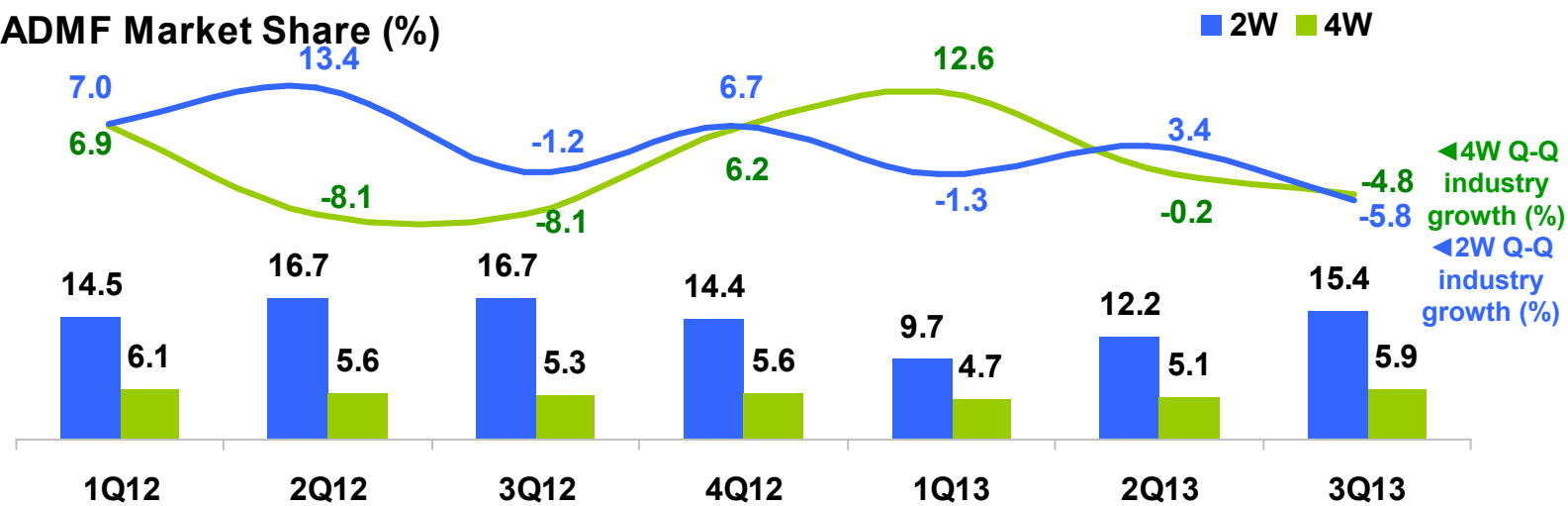


- Agri business is in growth momentum particularly in ex-Java, with concentration in CPO sector.
- Upper tier micro employs 170 staff as of September 2013.

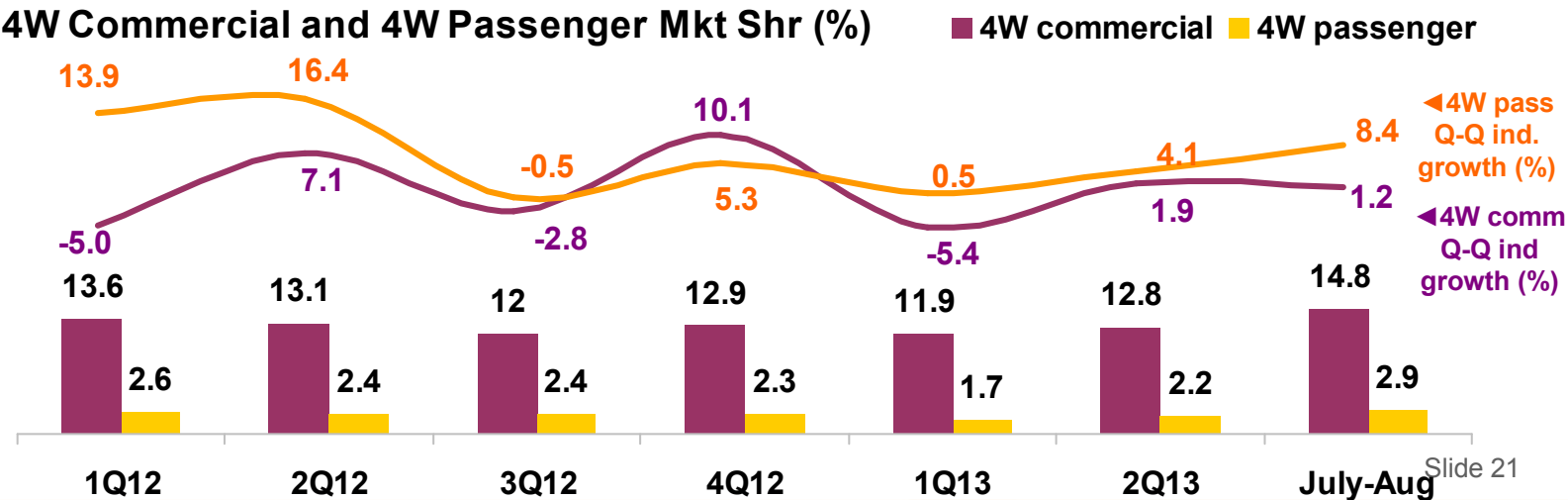
Auto market share steadily recovered since the second quarter of the year

- Auto market share improved since the second quarter of the year as DP rules on syariah financing was applied to all players.
- 4W commercial and 4W passenger market share also improved, back at pre-DP rule level.

ADMF Market Share (%)



4W Commercial and 4W Passenger Mkt Shr (%)



Source industry data: Gaikindo, AISI

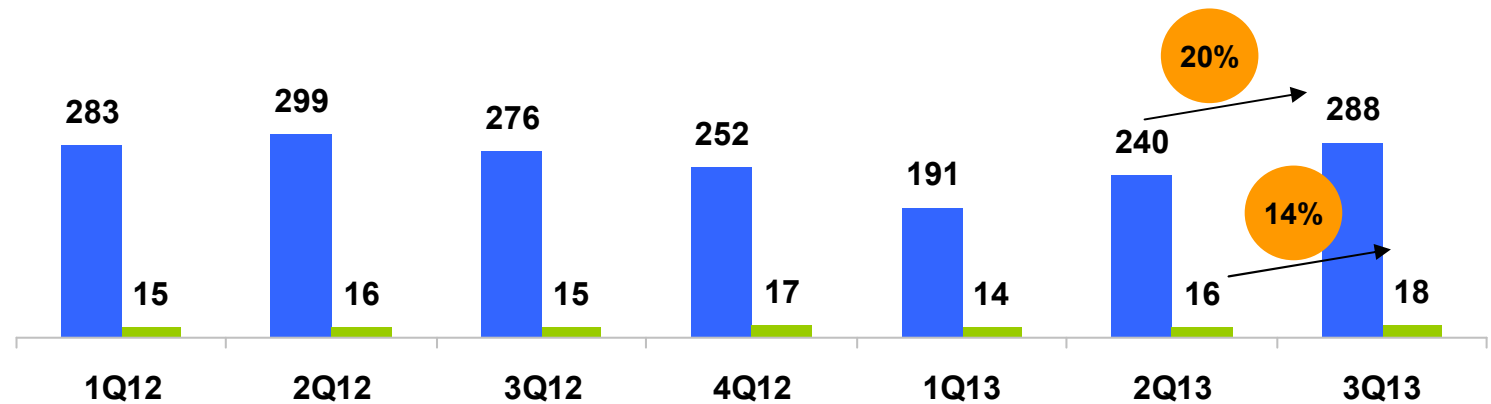
Untuk Anda, Bisa

New units sold and new financing improved confidently

- 2W new units sold rose 20% in 3Q13 from the previous quarter, or 4% higher than 3Q12. 4W new units sold increased 14% than 2Q13, or 21% against 3Q12.
- New financing Q-Q growth was healthy at 20% for new 2W, and 9% for new 4W. Compared to 3Q12, the growth was 10% and 34% for 2W new and 4W new, respectively.

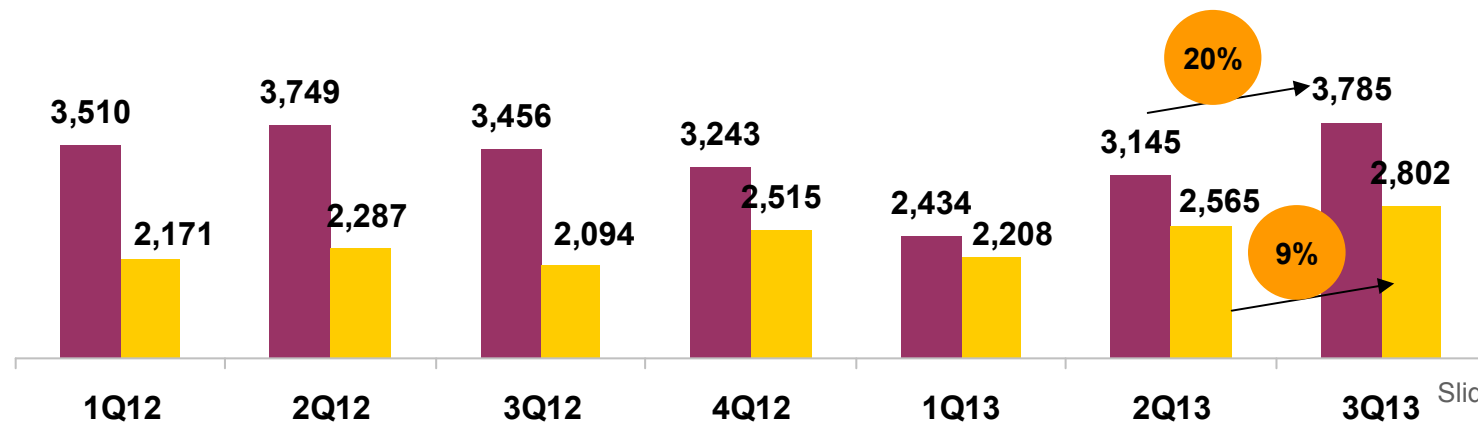
ADMF New Units Sold (000)

■ 2W New Units ■ 4W New Units



ADMF 2W and 4W New Financing (Rp bn)

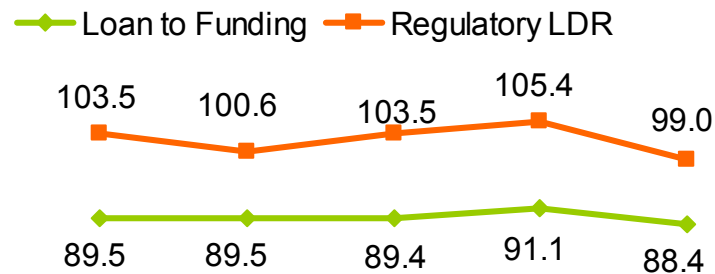
■ 2W New Fin. ■ 4W New Fin.



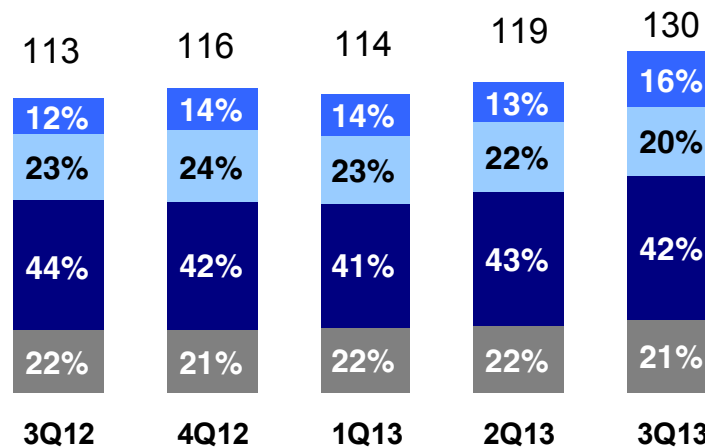
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Robust CASA growth of 21%. CASA to deposits stood at 46%.

Loans to Deposits Ratio (%)



Funding Composition (Rp trillion)



Funding Growth (%)

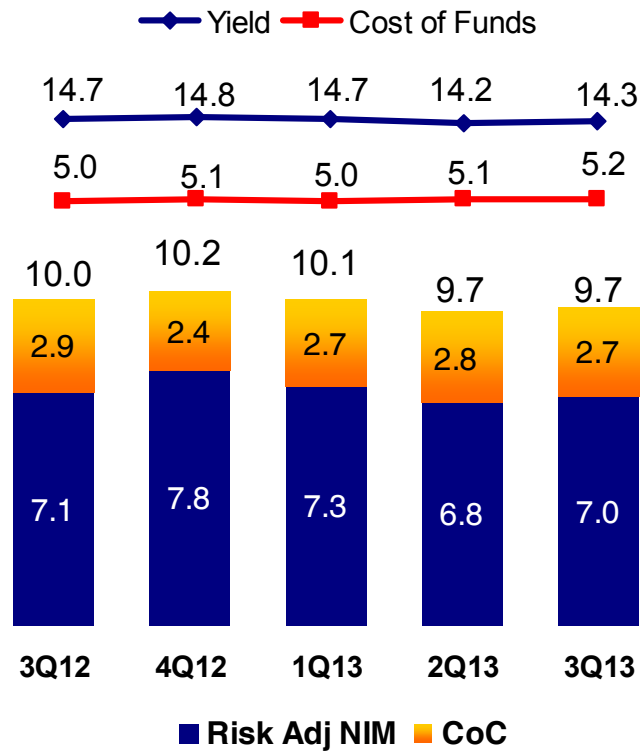
Rp billion	9M12	9M13	ΔYoY
Current Account	13,321	20,705	55%
Saving Account	25,620	26,494	3%
Time Deposit	49,362	55,123	12%
Total Deposits	88,303	102,322	16%
Borrowings and LT. Funding	24,248	27,909	15%
Total Funding	112,551	130,232	16%

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

NIM stood at 9.8%

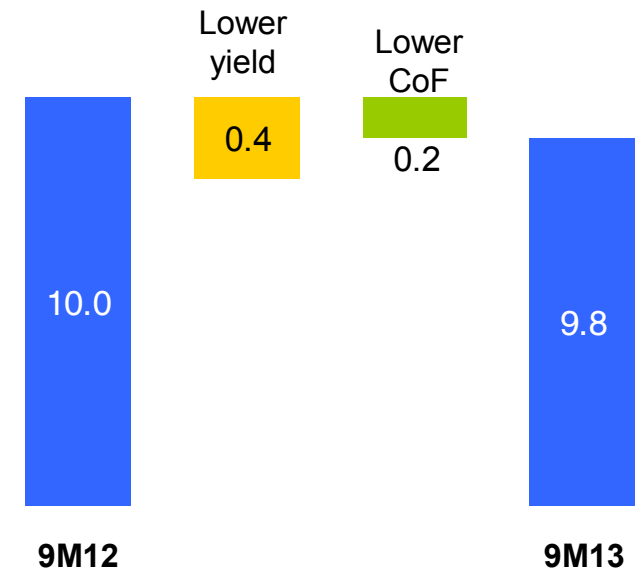
Net Interest Margin

%, annualized



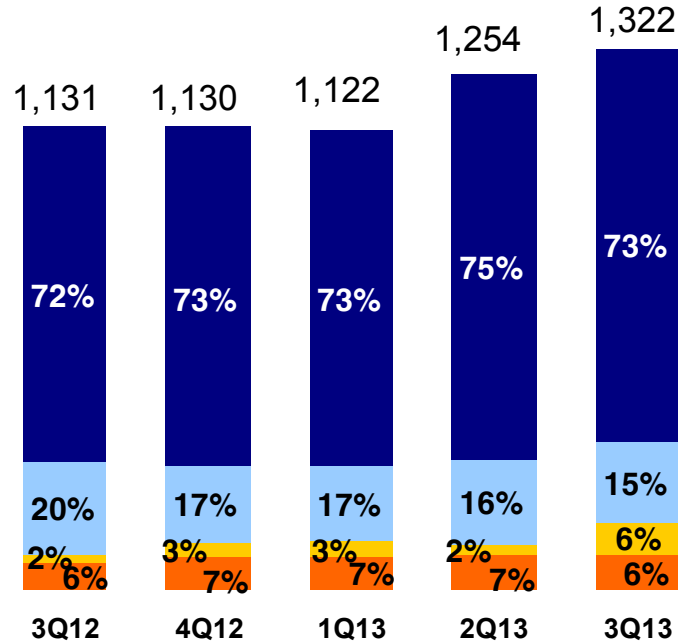
YoY NIM Movement

%, annualized



Non interest income rose 12% driven by credit related fees and transaction banking

Non Interest Income Composition *Rp billion*

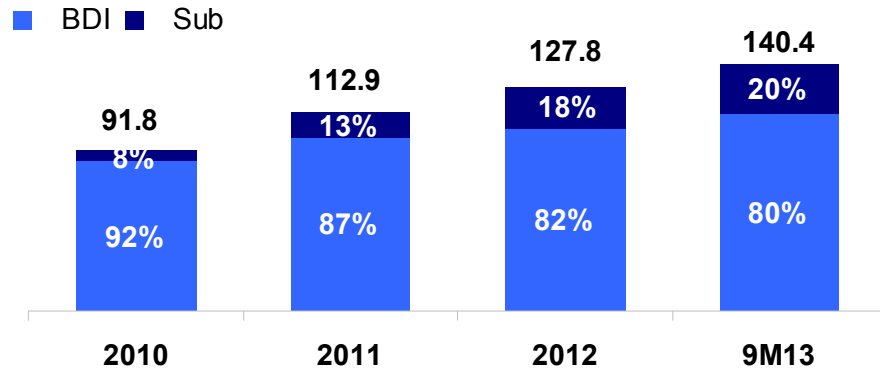


Non Interest Income Growth %

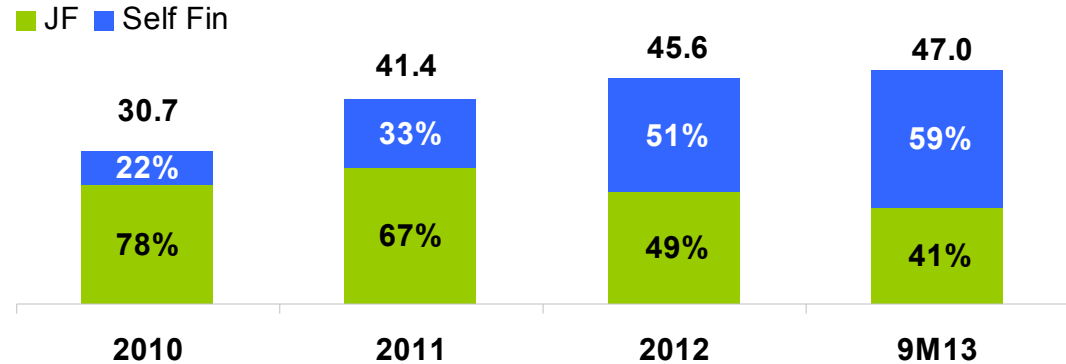
<i>Rp billion</i>	9M12	9M13	ΔYoY
Credit Related	2,445	2,700	10%
Bancassurance	231	234	1%
General Insurance	339	355	5%
Treasury	81	138	71%
Transaction Banking	207	255	23%
Total	3,303	3,698	12%

Continue the use of borrowings and long term funding for growth amid rising price of liquidity

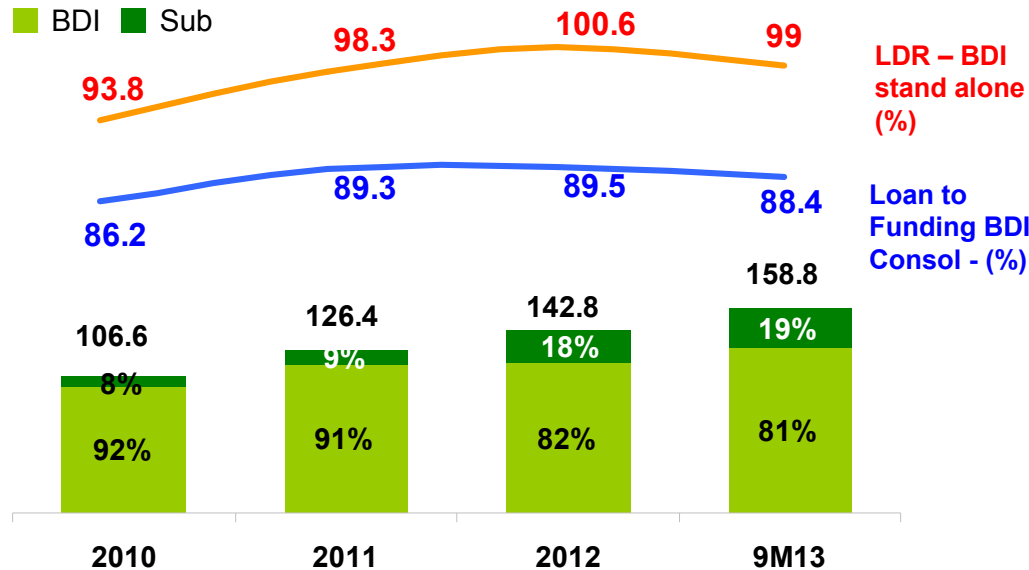
Consolidated loans (Rp tn)



ADMF - JF vs Self Finance (Rp tn)



Consolidated deposits (Rp tn)



- Liquidity is getting more expensive, hence, fixed rate long term funding and bank borrowing is strategic for Danamon, particularly for Adira Finance.

Note:

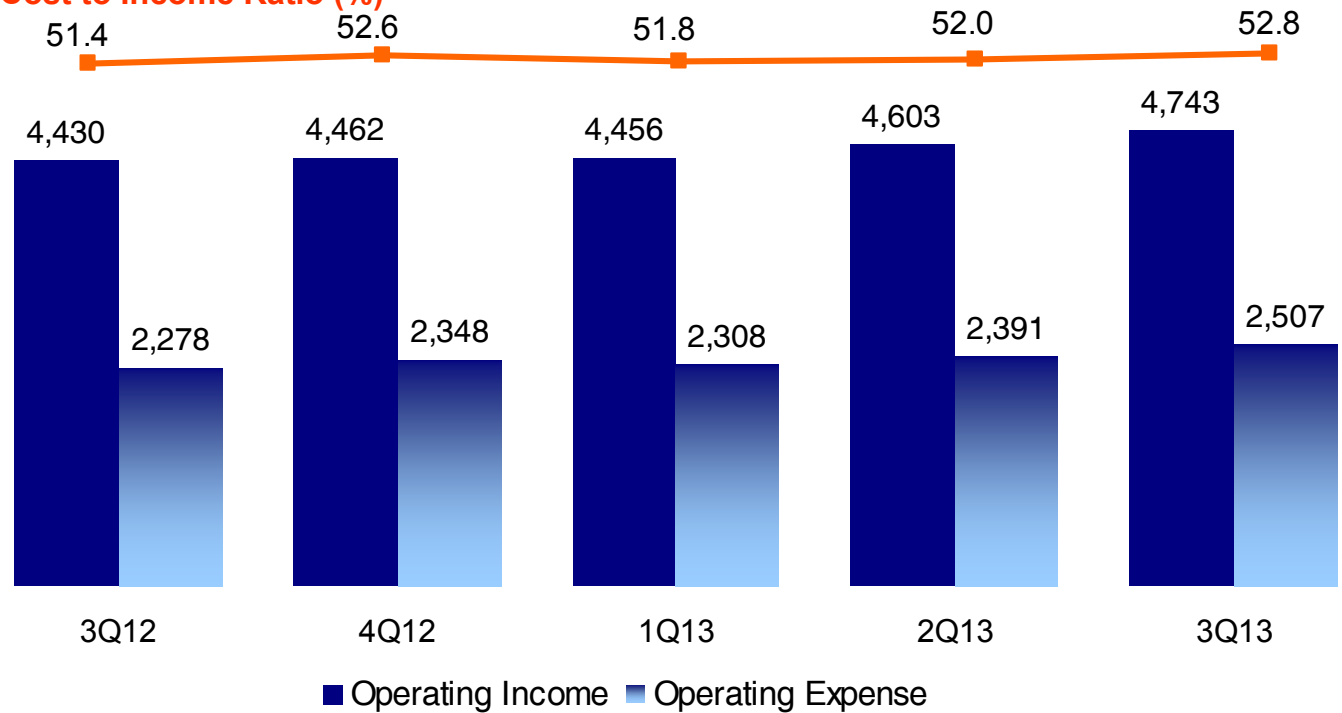
- Data include acquisition costs directly attributable to the origination of financing accounts and interest receivables
- Loans is defined as: receivables + cash. Funding is defined as third party deposits + net borrowings and long term funding + net capital

Cost to Income Ratio stood at 52.2%

Operating Income and Expense

Rp billion

▼ Cost to Income Ratio (%)

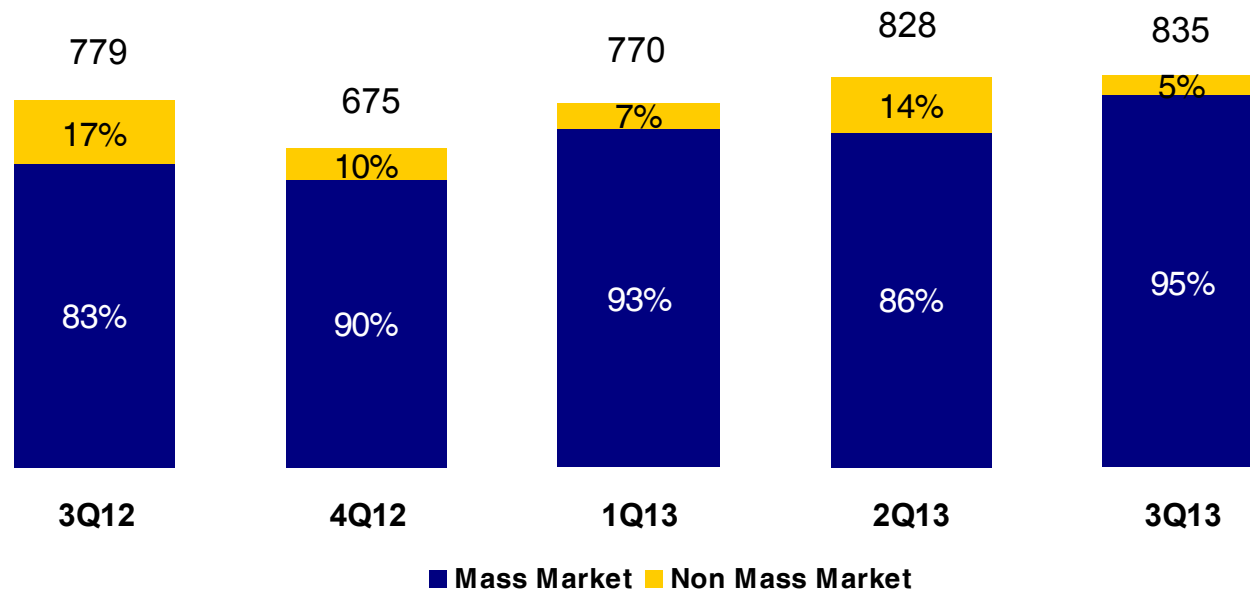


Cost of Credit improved to 2.8%

Cost of Credit / Avg. Loans (%)

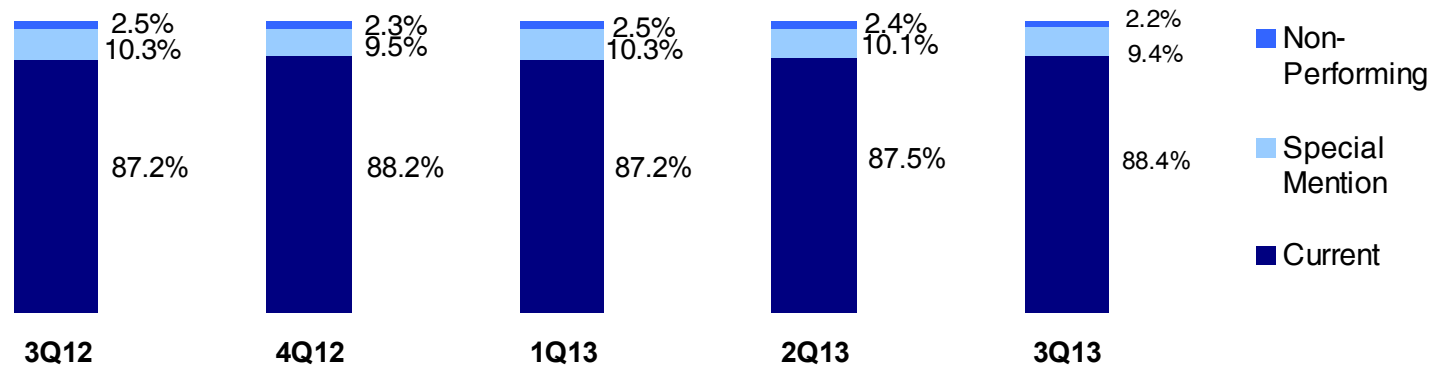


Cost of Credit (Rp billion)

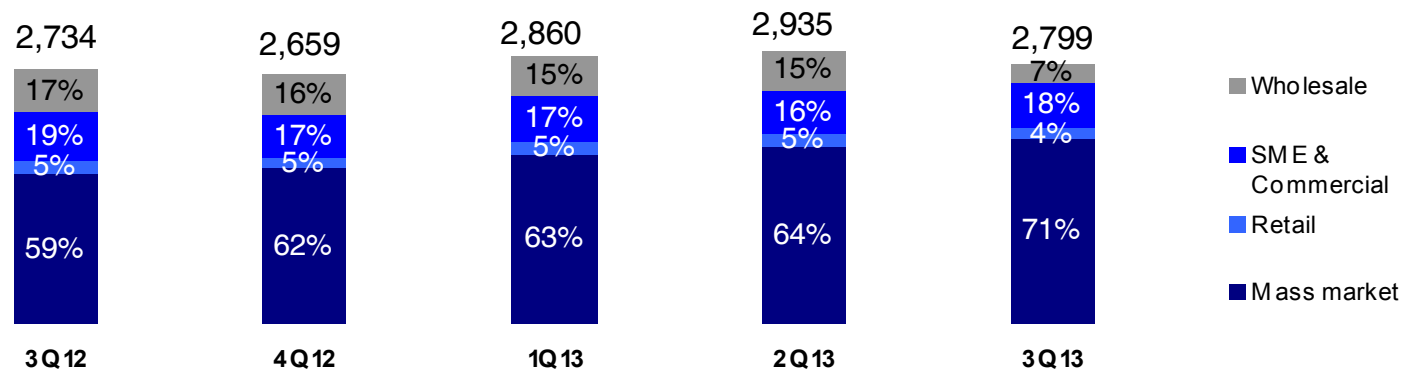


NPL remained low

Loan's Collectibility *% of Outstanding loans*

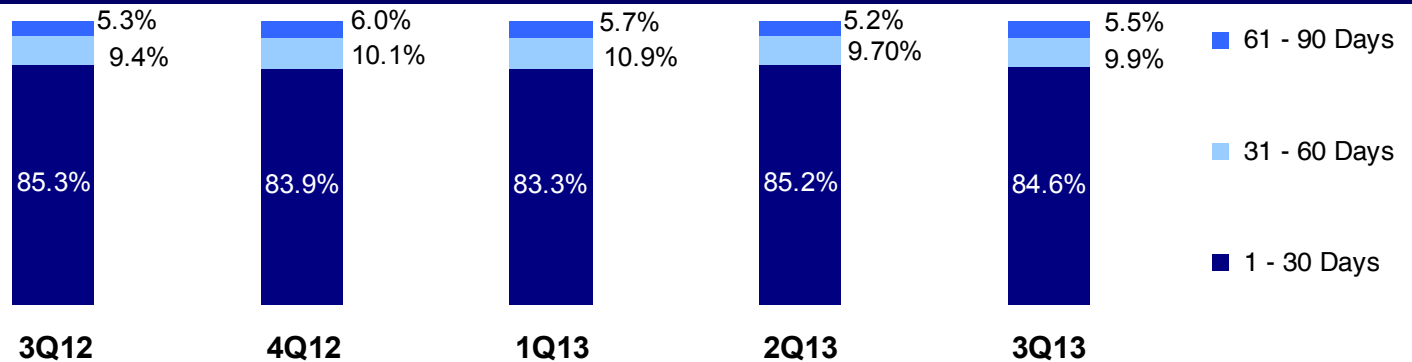


Non-Performing Loans by Segment *Rp billion*

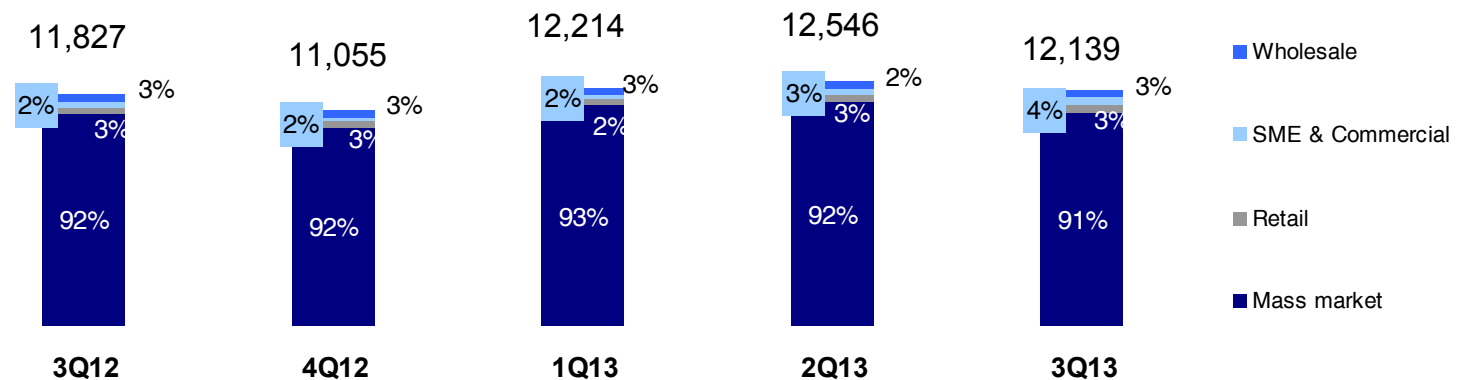


Majority of special mention loans were within 30 days

Special mention loans by Aging *% of Special Mention Loans*



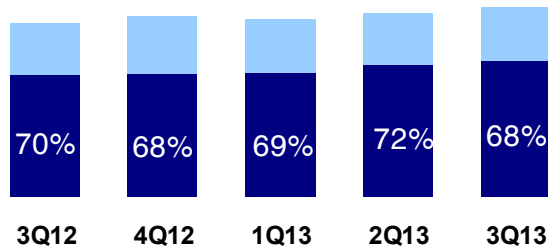
Special Mention Loans by Segment *Rp billion*



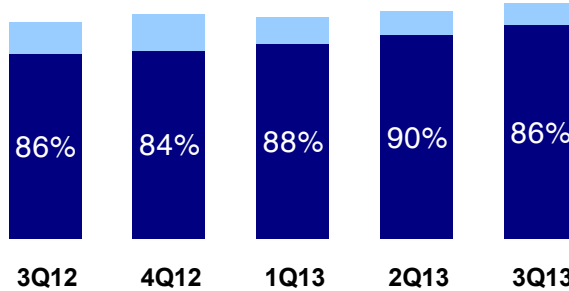
Ample capitalization for growth

RWA / Total Assets

RWA BDI Only

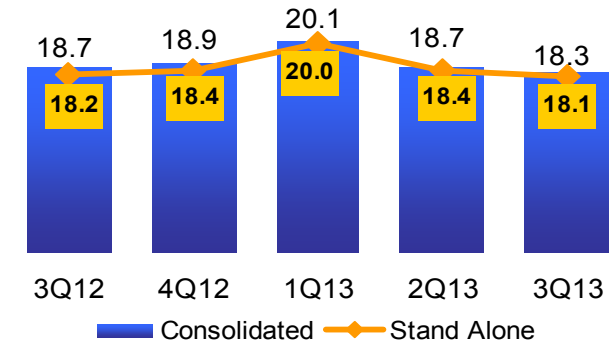


RWA Consolidated

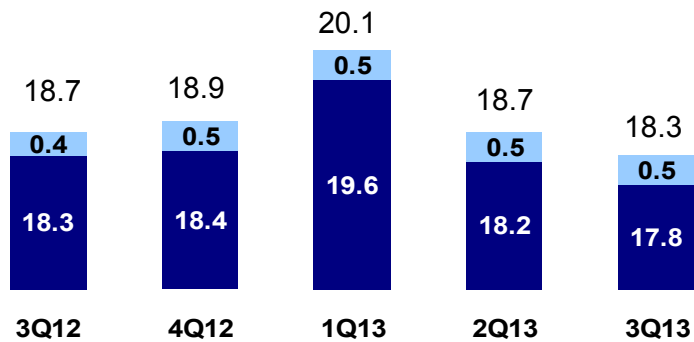


■ RWA ■ Other Assets

Capital Adequacy Ratio (%)



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



■ Tier 1 Capital ■ Tier 2 Capital

%	3Q12	4Q12	1Q13	2Q13	3Q13
CAR w/ Credit Risk	23.3	23.4	25.6	23.5	22.8
Market Risk Charge	0.1	0.0	0.0	0.1	0.1
Operational Risk Charge	4.5	4.5	5.4	4.7	4.4
CAR Consolidated	18.7	18.9	20.1	18.7	18.3

Agenda

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

Ownership structure

- On June 3, 2013, the Bank has been informed by FFH that DBS and FFH has mutually agree to renew the conditional share purchase agreement of the entire FFH interest in the share capital of AFI, which previously expired at April 4, 2013 and June 2, 2013 changed to August 1, 2013.
- On July 31, 2013, the Bank has been informed by FFH that the conditional share purchase agreement between FFH and DBS to purchase AFI shares will be expired after the date of August 1, 2013, and will not be renewed, and therefore the agreement is no longer valid after August 1, 2013.

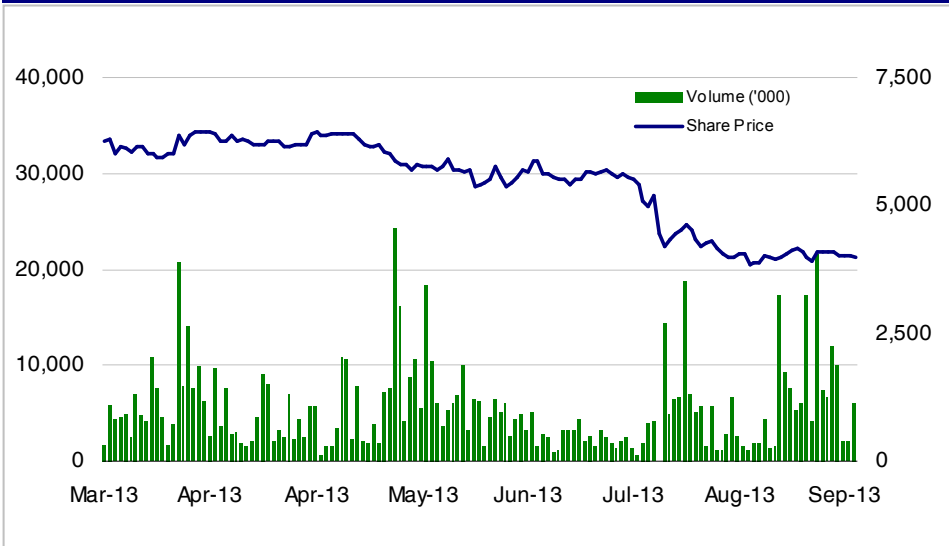
Agenda

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



Danamon Rating

Daily share price and trading volume BDMN IJ



Ownership Structure <i>As of 30 September 2013</i>	Number of Shares	Ownership (%)
Asia Financial (Indonesia) Pte, Ltd.	6,457,558,472	67.4%
JPMCB - Franklin Templeton Inv. Funds	612,879,888	6.4%
Public < 5%	2,514,205,005	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>August 2013</i>	Corporate Rating	^{id} AA+ / Stable
	Bond Rating	^{id} AA+ / Stable
Standard & Poor's <i>August 2013</i>	Long-term / Short-term Local Currency	BB / B / Stable
	Long-term / Short-term Foreign Currency	BB / B / Stable
Fitch's <i>August 2013</i>	Long Term/Short Term Issuer Default Rating	BB+ / B / Stable
	National Long Term Rating	AA+(idn)
	Viability Rating/Support Rating	bb+ / 3
Moody's <i>August 2013</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 / Stable

Indonesia Sovereign (Foreign Currency)

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

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Untuk Anda, Bisa

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
10,155	346	87	6,839	(13,256)	-	(54)	4,119	(1,027)	(85)	3,007

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
10,242	7,185	17,428	(13,256)	4,172	-	(54)	(1,027)	(85)	3,007	
(139)		(139)	139	-					-	LPS Deposit Insurance
		-		-	(2)	2			-	Loss on reposess assets
	(20)	(20)		(20)	20				-	Provision for ADMF acquisition cost
	(105)	(105)		(105)	105				-	Write off on amortization cost
	(146)	(146)	146	-					-	ADMF indirect acquisition cost
	(2,937)	(2,937)	2,937	-					-	Decrease in fair value of financial assets (MTM)
	(6)	(6)	6	-					-	Losses from sale of financial assets (marketable securities)
	(12)	(12)	16	5		(5)			-	Losses from spot and derivative transaction (realised)
		-	2,554	2,554	(2,554)				-	Impairment losses on financial assets
	(254)	(254)	254	-					-	Fees/commissions and administrative expenses
		-	1	1	(1)				-	Allowance for possible losses on non earning assets
	(8)	(8)	(3)	(11)		11			-	Others
10,104	3,698	13,802	(7,206)	6,596	(2,432)	(45)	(1,027)	(85)	3,007	

Analyst Briefing Presentation



Thank You

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