

# **Analyst Briefing**

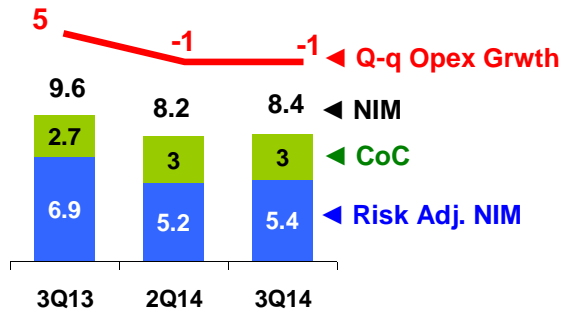
## **First Nine Months 2014 Results**

Jakarta, 16 October 2014

- **Financial Results**

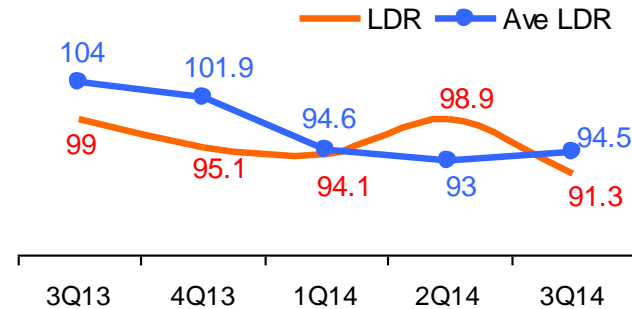
- Appendix

## NIM and Opex Growth (%)



Quarterly NIM improved, followed by negative opex growth, resulted in improved CIR

## LDR



LDR improved to 91.3% from last quarter.

## Loan

Rp 139 trillion  
↑ 7% YoY

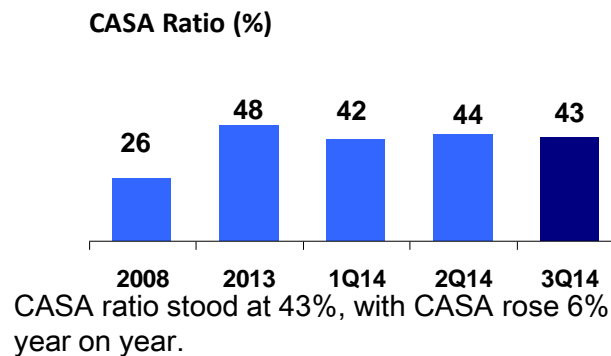
Total loans was Rp 139 trillion, increase of 7% from the previous year.

## Asset Quality

%	4Q13	1Q14	2Q14	3Q14
NPL	1.9	1.9	2.1	2.4
CoC	2.3	2.5	3.0	3.0

NPL slightly rose from last quarter driven by micro and smaller ticket SME, while CoC remained flat.

## CASA



CASA ratio stood at 43%, with CASA rose 6% year on year.

## NPAT

Normalized NPAT: Rp 2,532 bn  
Reported NPAT : Rp 2,106 bn

Reported NPAT was still affected by the new OJK rule on insurance fee impacting ADMF's fee income recognition.

## Highlights of Balance Sheet

<i>Rp billion</i>	9M13	9M14	YoY	1Q14	2Q14	3Q14	QoQ
Total Assets	173,094	194,373	12%	185,920	185,433	194,373	5%
Loans (gross)	129,065	138,681	7%	135,818	140,647	138,681	-1%
Government Bonds	5,548	6,488	17%	5,513	5,719	6,488	13%
Total Deposits	130,611	144,134	10%	138,915	136,663	144,134	5%
Current Account	20,705	20,053	-3%	18,406	19,500	20,053	3%
Savings	26,494	29,990	13%	28,321	29,320	29,990	2%
Time Deposit	55,123	65,823	19%	65,159	61,603	65,823	7%
Borrowings and LT. Funding	28,288	28,267	0%	27,029	26,240	28,267	8%
Equity	30,228	32,101	6%	32,106	31,558	32,101	2%

Income Statement : New OJK rule on insurance fee impacting ADMF's fee income recognition, hence NPAT reached Rp 2.1 tn for 9M14.

Rp billion	9M13	9M14	YoY	1Q14	2Q14	3Q14	QoQ
<b>Net Interest Income</b>	<b>10,104</b>	<b>10,171</b>	<b>1%</b>	<b>3,425</b>	<b>3,319</b>	<b>3,427</b>	<b>3%</b>
Non Interest Income	3,698	3,003	-19%	1,086	1,019	898	-12%
<b>Operating Income</b>	<b>13,802</b>	<b>13,174</b>	<b>-5%</b>	<b>4,511</b>	<b>4,338</b>	<b>4,325</b>	<b>0%</b>
Cost of Credit	2,432	2,835	17%	827	1,001	1,007	1%
<b>Risk Adjusted Op. Income</b>	<b>11,370</b>	<b>10,339</b>	<b>-9%</b>	<b>3,684</b>	<b>3,336</b>	<b>3,319</b>	<b>-1%</b>
Operating Expenses	7,206	7,410	3%	2,489	2,472	2,449	-1%
<b>Net Profit after taxes</b>	<b>3,006</b>	<b>2,106</b>	<b>-30%</b>	<b>875</b>	<b>614</b>	<b>617</b>	<b>0%</b>
<b>Normalized NPAT</b>	<b>3,006</b>	<b>2,532</b>	<b>-16%</b>	<b>938</b>	<b>816</b>	<b>778</b>	<b>-5%</b>

# Key Ratios

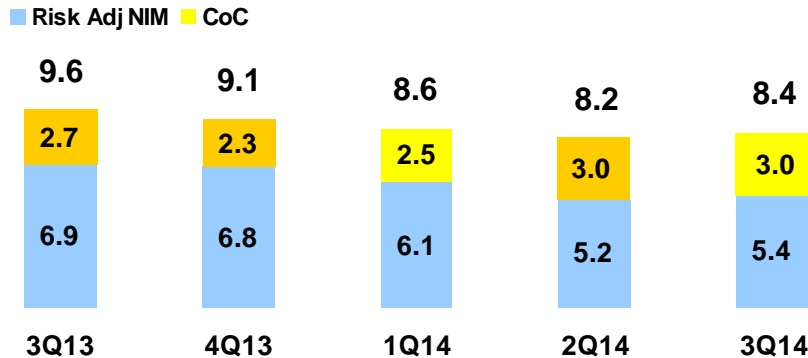
%	9M13	9M14	YoY	1Q14	2Q14	3Q14	QoQ
<b>Net Interest Margin</b>	9.8	8.4	-1.4	8.6	8.2	8.4	0.2
<b>Cost of Credit</b>	2.8	2.8	0.0	2.5	3.0	3.0	0.0
<b>Cost / Income</b>	52.2	56.2	4.0	55.2	57.0	56.6	-0.4
<b>BOPO</b>	77.7	74.6	-3.1	89.6	56.0	87.6	31.6
<b>ROAA</b>	2.5	1.5	-1.0	1.9	1.3	1.3	0.0
<b>ROAE</b>	14.5	9.3	-5.2	11.4	8.1	8.2	0.1
<b>Assets to Capital (x)</b>	6.4	6.6	0.2	6.2	6.3	6.6	0.3
<b>Regulatory LDR</b>	99.0	91.3	-7.7	94.1	98.9	91.3	-7.6
<b>Loan to Funding *</b>	88.4	85.9	-2.5	86.7	91.4	85.9	-5.5
<b>Stand Alone CAR</b>	18.1	18.2	0.1	18.4	17.8	18.2	0.4
<b>Consolidated CAR</b>	18.3	17.9	-0.4	18.8	17.7	17.9	0.2
<b>NPL – Gross</b>	2.2	2.4	0.2	1.9	2.1	2.4	0.3
<b>Loan Loss Coverage (LLP/Total Loans)</b>	2.6	2.8	0.2	2.5	2.6	2.8	0.2
<b>Coverage (LLP/NPL) – Mass Mkt</b>	115.2	112.8	-2.4	123.2	118.7	112.8	-5.9
<b>Coverage (LLP/NPL) – Non Mass Mkt</b>	130.8	128.6	-2.2	151.8	146.2	128.6	-17.6

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

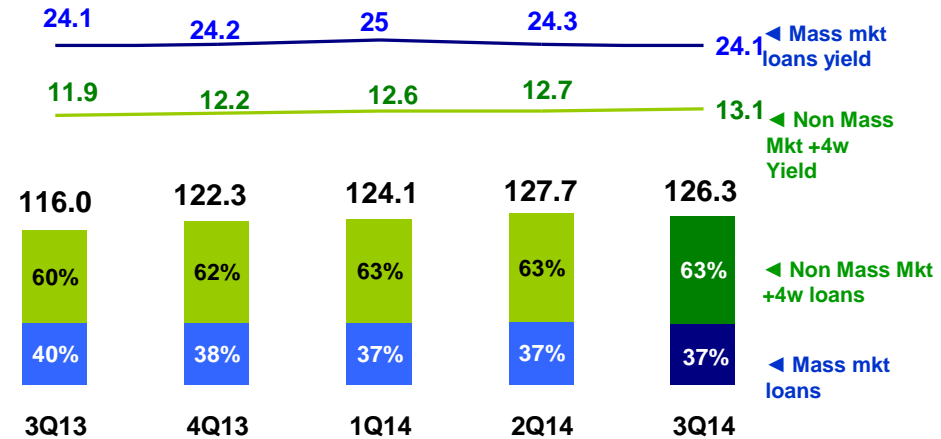
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# Q-Q Margin rose 20bps to 8.4% due to adjustment of yield in non mass market, while CoC was well managed.

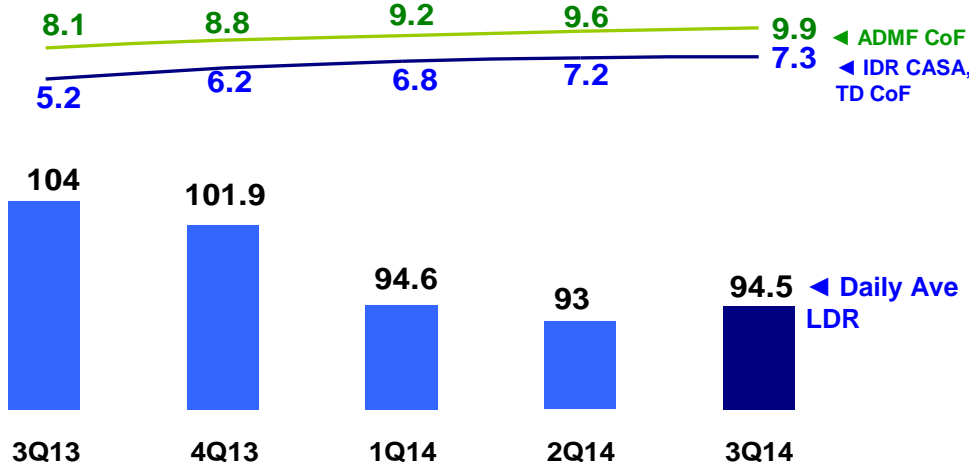
NIM and Risk Adj NIM (%)



IDR Yield (%), IDR Loans (Rp tn)



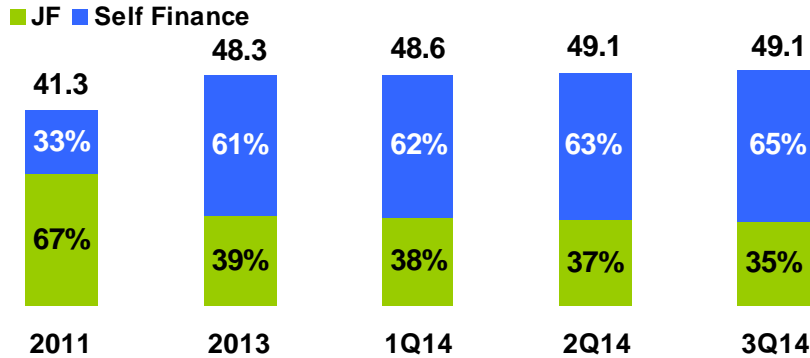
IDR Cost of Funds (%), LDR (%)



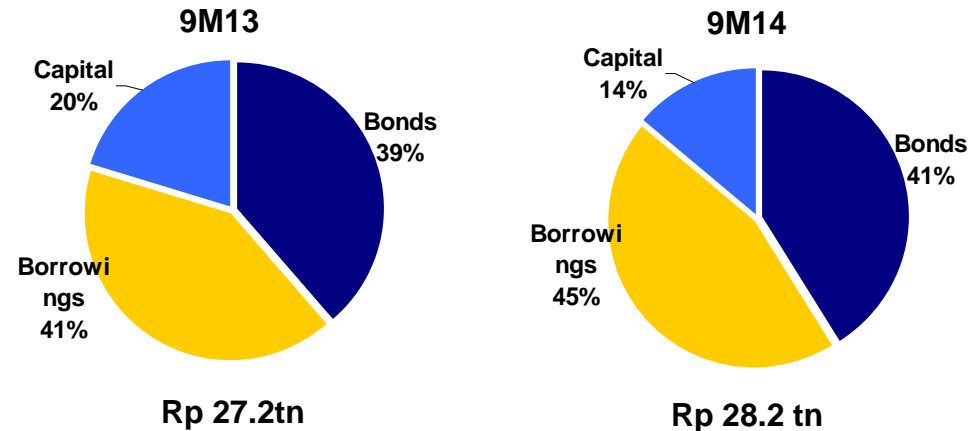
- LDR stood at 91.3% as of Sept 14 from 99% last year, following softer loan demand.
- NIM improved from last quarter's due to higher yield coming from non mass market and improvement of treasury asset.
- Increase in ADMF CoF mainly driven by re-pricing of matured borrowings.

**Liquidity** : LDR improved to 91.3% from last year's 99%. ADMF's source of fund is dominated by long term funding (86%), saved LDR by 33.1%.

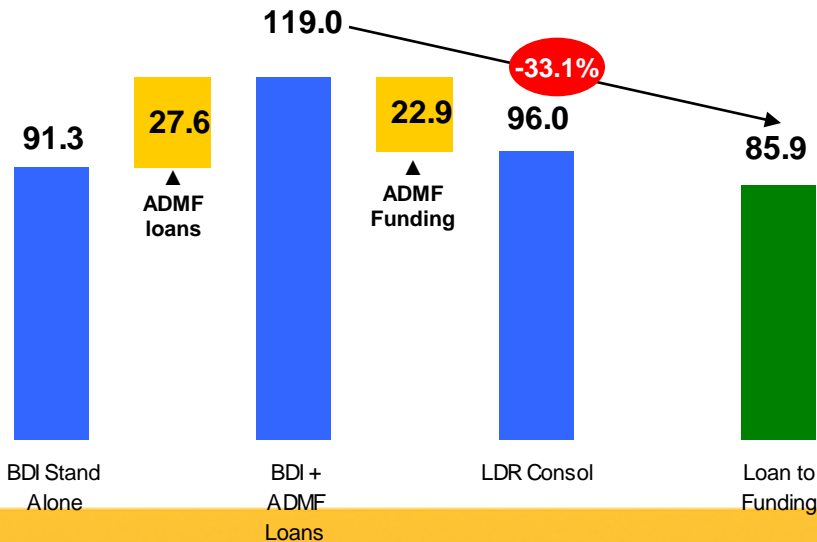
ADMF - JF and Self Finance (Rp tn)



ADMF Source of Fund



Loan to Funding - Conso 9M14 (%)

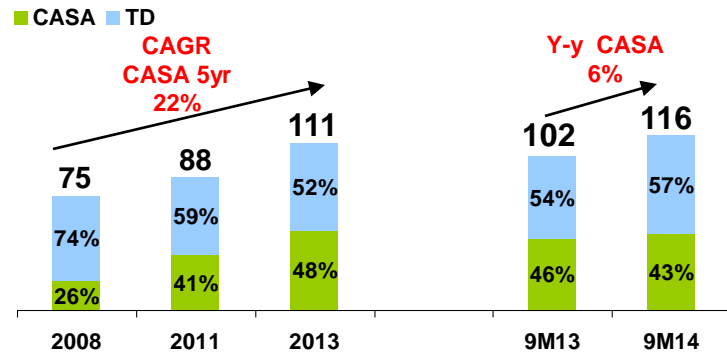


- ADMF's joint financing proportion was significantly reduced from 2011, primarily caused by increasing use of long term funding to address interest rate risk and asset liability duration mismatch.
- The use of long term funding is a strategic option to diversify funding and provide more steady liquidity.

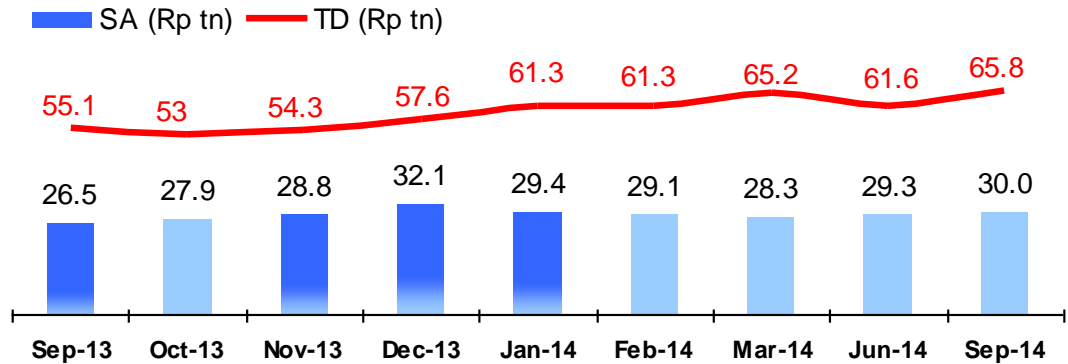


# CASA Journey : CASA ratio stood at 43%

Customer Deposits (Rp tn)



High cost TD was released to ease CoF



## Customers

- Grow the customer base focusing on self employed and affluent segment

## People & Infrastructure

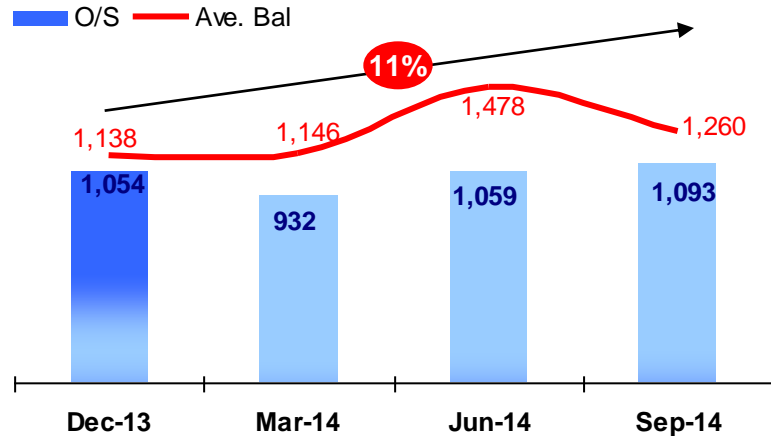
- Leverage Adira and DSP – 4 Adira branches piloting for cross selling and expand to all Adira branches by end of year 2014
- Relocation of non performing ATMs and branches
- Launched SMS Banking and in Q3 – 2014 will launch Mobile Banking apps
- Introduced Customer Lifecycle Management to increase the stickiness of customers
- Improve skills and increase +/- 1,000 number of sales force to nearly 3,000 by end of 2014 from 2008.
- Financial Supply Chain to boost funding

## Product / Services

- X-sell, new Bancassurance and CASA products
- Speed up process, reduce queuing time
- Centralized complaint handling system

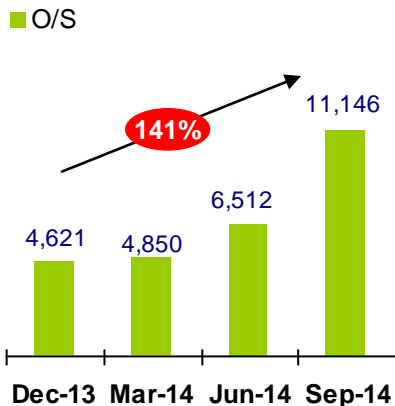
# CASA journey: Financial Supply Chain to boost funding showed promising outlook despite tightening competition.

**FSC Funding Project (Rp bn)**

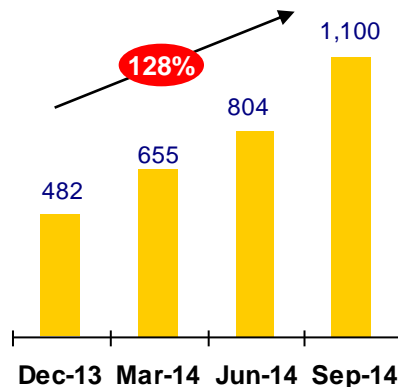


- Financial Supply Chain (FSC) is a joint program between Wholesale, SME and ADMF to optimize funding capacity targeting principal/anchors down to distributors nationwide
- There are more than 26 anchors and 370 distributors participating in this program.
- YTD average balance growth reached 11%, with CASA portion of 66% as of Sep 14

**CASA VC Project (Rp mn)**



**NoA**

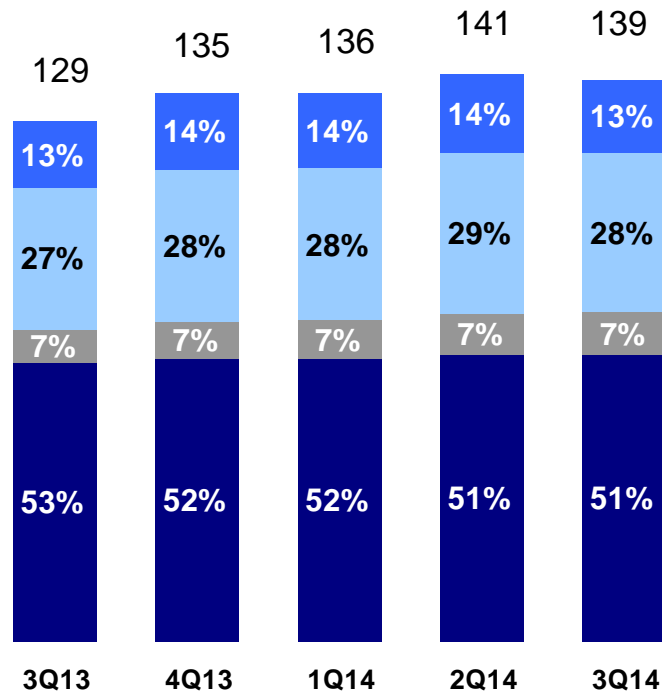


- CASA supply chain is one of Danamon's funding programs (SME, retail banking & DSP) specifically targeting distributor, retailers, students, individual/employees particularly to boost CASA in certain area.
- The major contributors for this project are SME and Retail Banking.
- CASA balance showed positive trends ,it has increased 141% YTD Sep14.

Overall loans grew by 7%, with shift of asset mix. Non mass market rose 13%.

### Loan Composition

Rp trillion



### Loan Growth

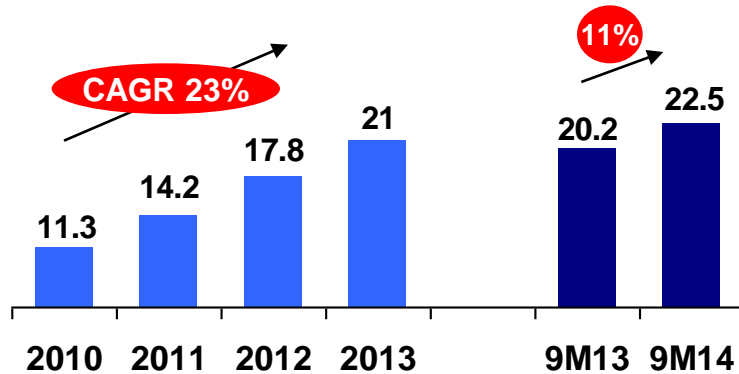
%

Rp billion	9M13	9M14	ΔYoY
Wholesale	16,822	18,057	7%
SMEC*	35,044	39,461	13%
Retail	8,391	10,382	24%
Mass Market	68,809	70,780	3%
<b>Total</b>	<b>129,065</b>	<b>138,681</b>	<b>7%</b>

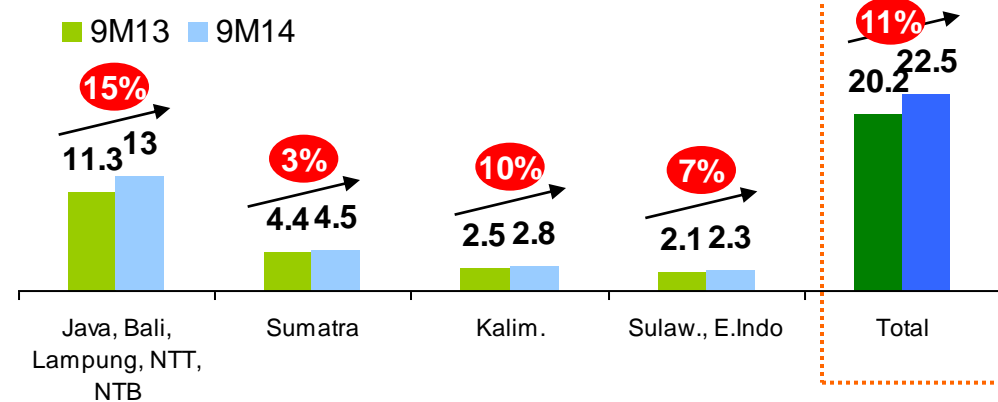
\* SME and Commercial segments

# SME : Continuously monitor loan growth and asset quality

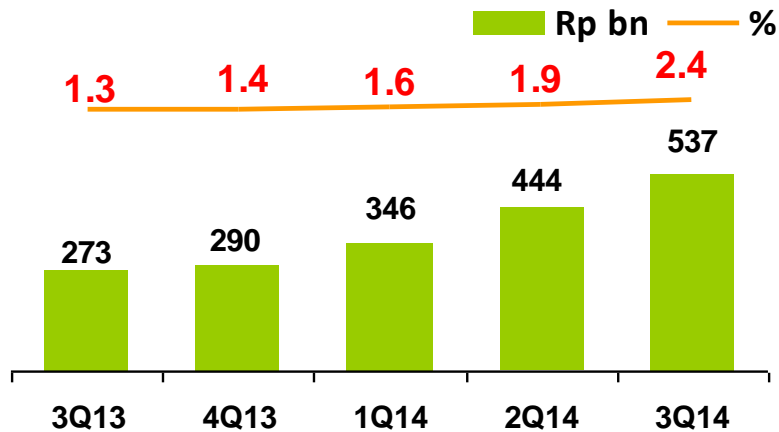
SME Loans (Rp tn)



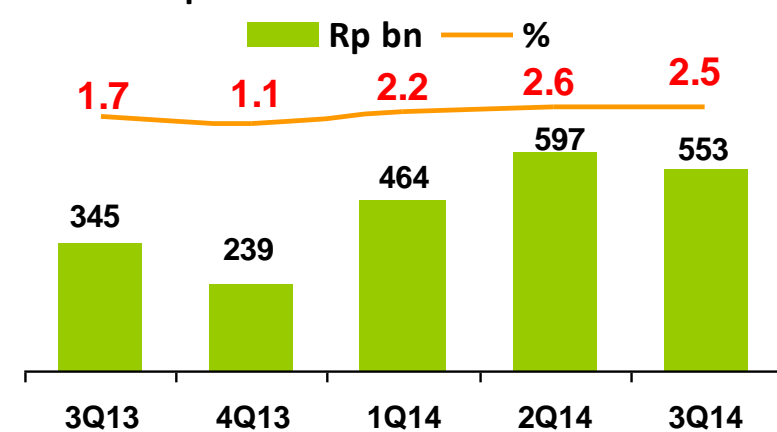
SME Outstanding Loans by Region (Rp tn)



BDI SME NPL



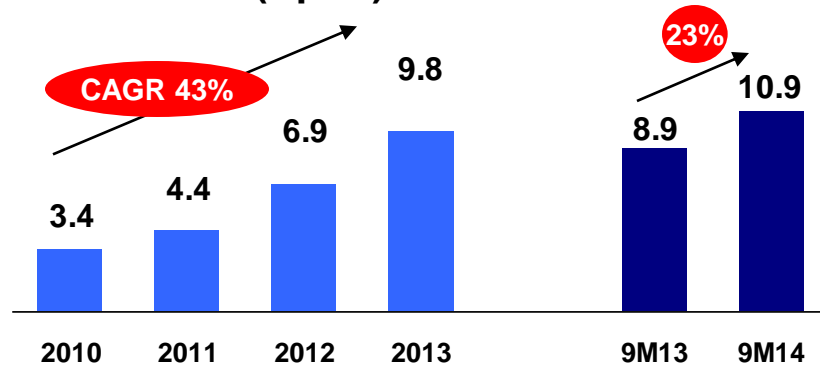
BDI SME Special Mentioned Loans



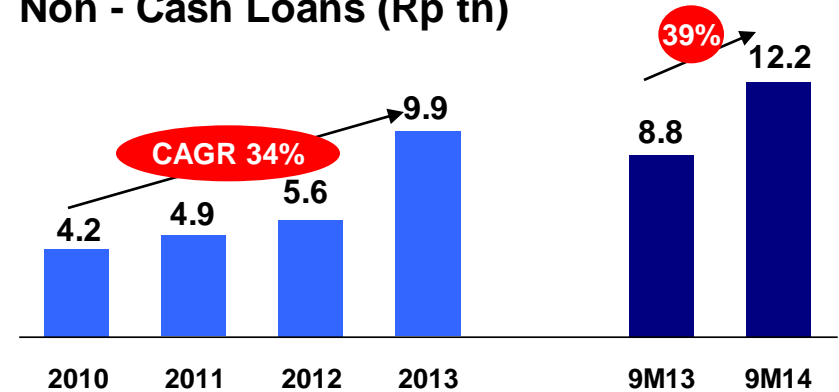
- The increase in NPL is primarily caused by smaller ticket SME/Emerging SME (below Rp 3bn) in commodities sector industry

# Trade Finance : 31% Expansion

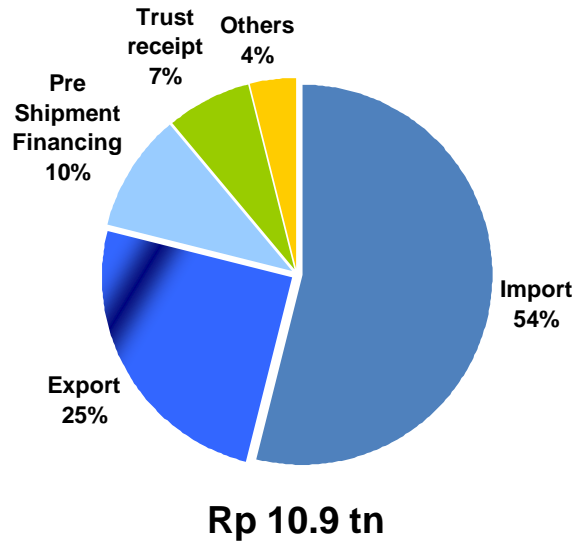
Cash Loans (Rp tn)



Non - Cash Loans (Rp tn)

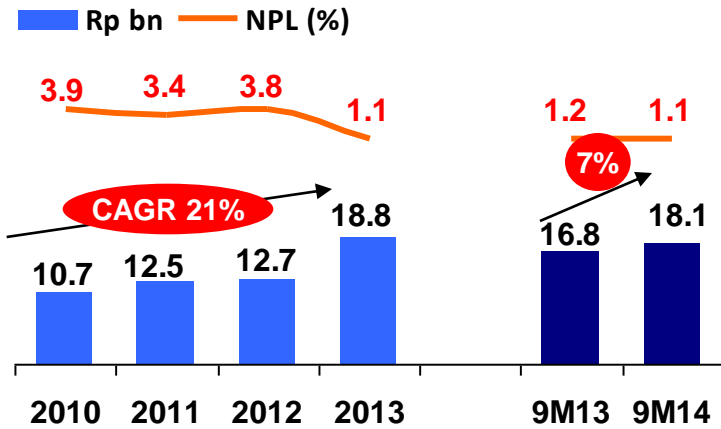


Cash Loans by products – Sept 14

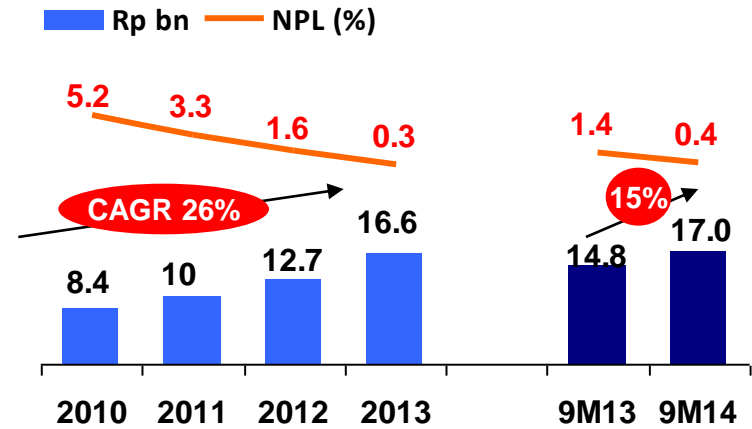


- Trade finance asset quality remained sound, NPL stood at 0.2%, or Rp 25 billion mostly from trust receipt.

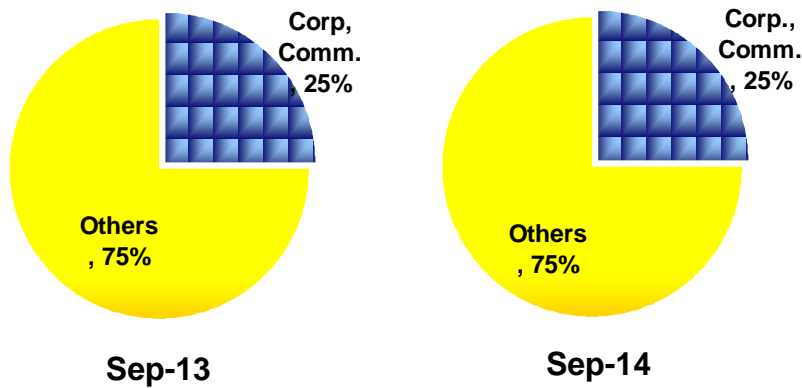
## Corporate Loans and NPL



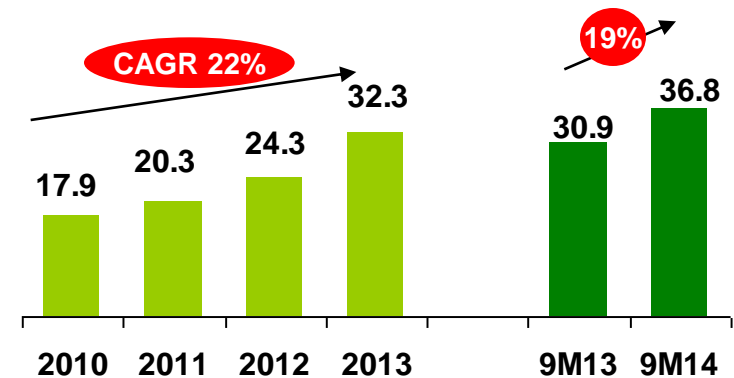
## Commercial Loans and NPL



## Commercial and Wholesale Lending Portion

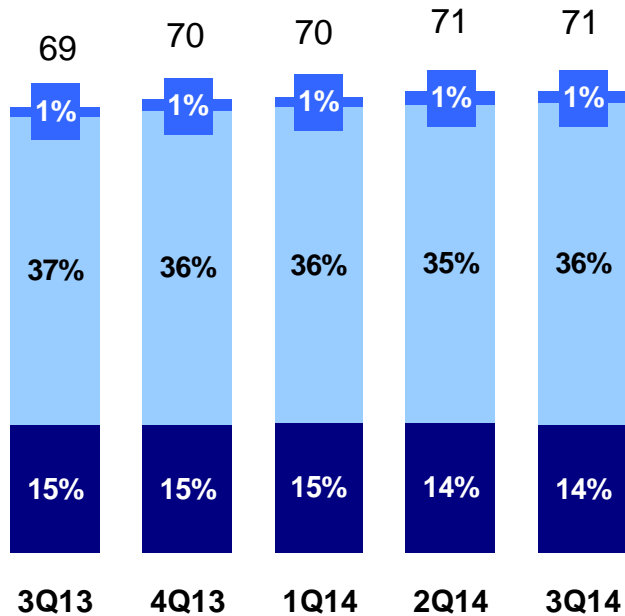


## Funding - Commercial and Wholesale (Rp tn)



# Softer mass market growth of 3% due to DSP and ADMF

## Mass Market Loan (to total loans) *Rp trillion*



## Mass Market Loan Growth

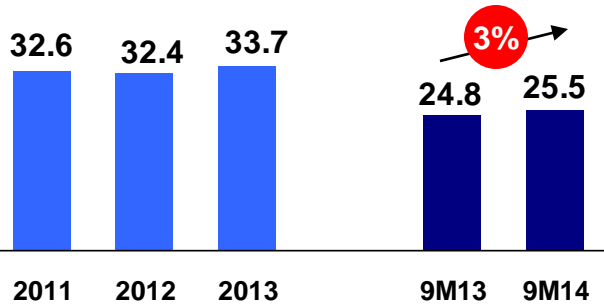
<i>Rp billion</i>	9M13	9M14	ΔYoY
Adira Quantum	1,607	1,630	1%
Adira Finance	47,381	49,484	4%
DSP	19,821	19,666	-1%
<b>Total</b>	<b>68,809</b>	<b>70,780</b>	<b>3%</b>

Note:  
 Adira Quantum : white goods financing  
 Adira Finance : auto financing  
 DSP : micro lending

- Slower industry growth, combined with rising competition still challenged ADMF and DSP, respectively.
- Several actions have been taken to maximize opportunities in mass market while also improving efficiencies.

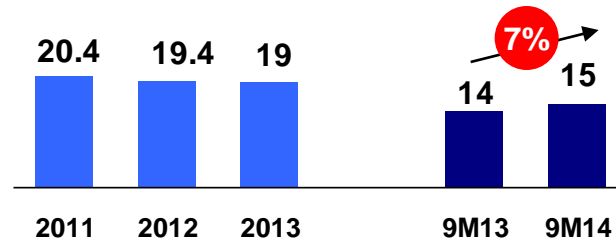
# ADMF : 9M14 New Financing grew by 3% to Rp 25.5 tn

### New Financing (Rp tn)

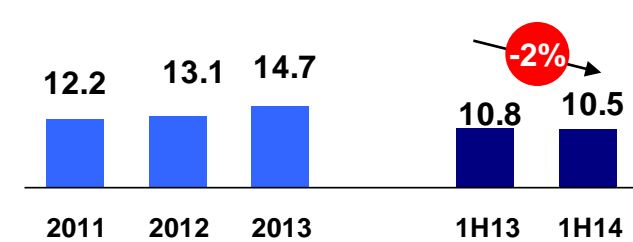


Note: Including JF portion.

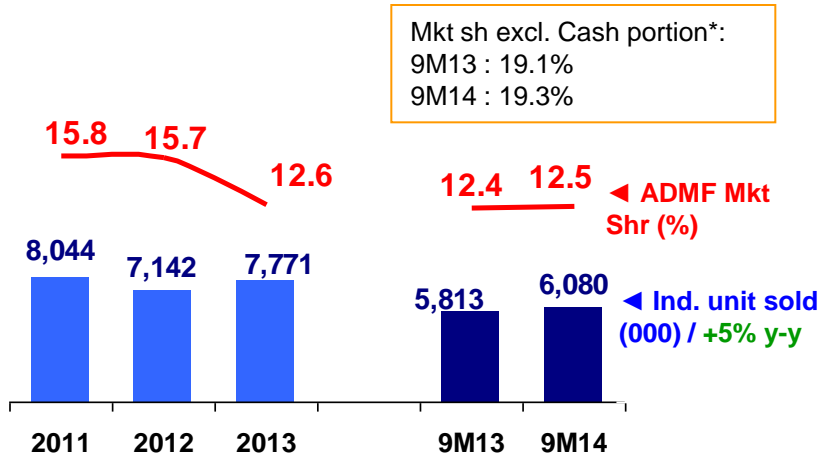
### 2W New Financing (Rp tn)



### 4W New Financing (Rp tn)

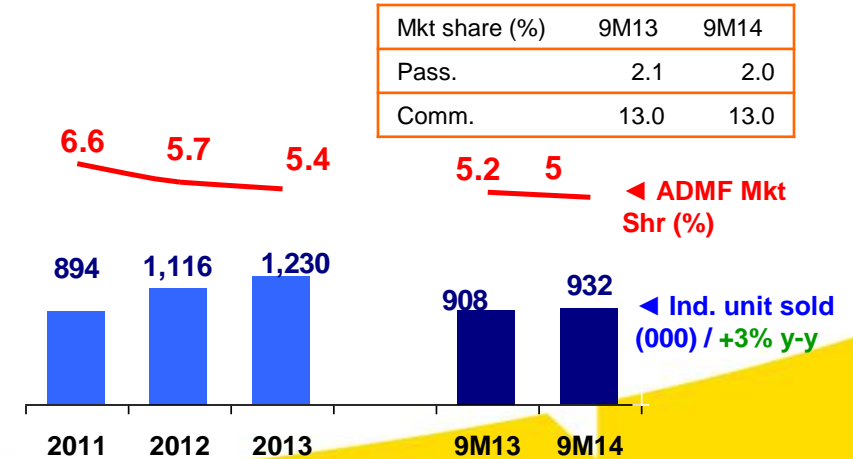


### 2W Industry Sales and ADMF Mkt Share



Mkt sh excl. Cash portion\*:  
 9M13 : 19.1%  
 9M14 : 19.3%

### 4W Industry Sales and ADMF Mkt Share



Mkt share (%)	9M13	9M14
Pass.	2.1	2.0
Comm.	13.0	13.0

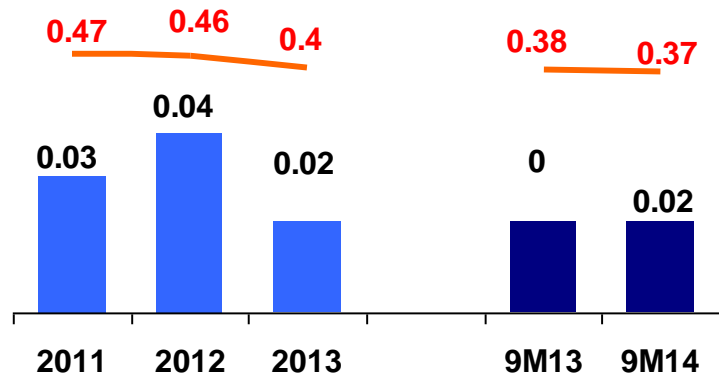
\* Ex Cash Portion: assumes 35% of industry sales are purchased via cash



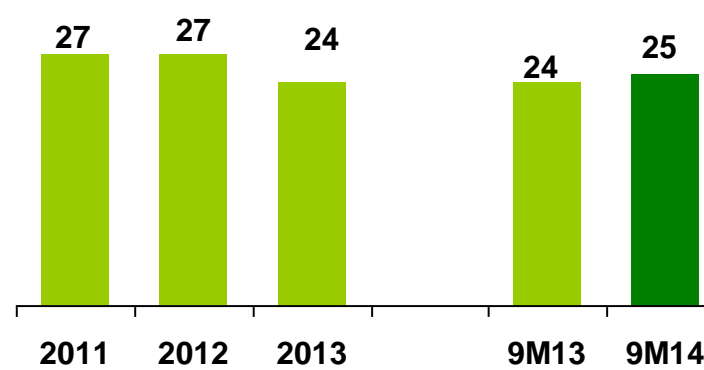
# ADMF : Repo assets, loss on repo assets and NCL has been manageable

Repo Assets as % of Receivables (%)

>180 days All stock

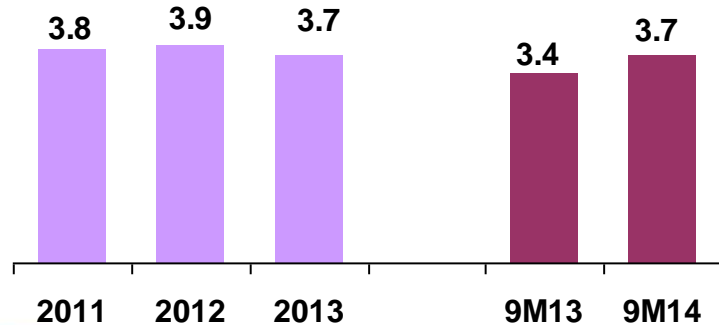


Loss on Repo Assets - Average (%)



- % Repo / ENR was maintained at 0.4%
- Old Inventory (>180 days) stayed at 0.02%
- LOR Rate (on sold repossessed assets) relatively showed manageable trend

NCL (%)



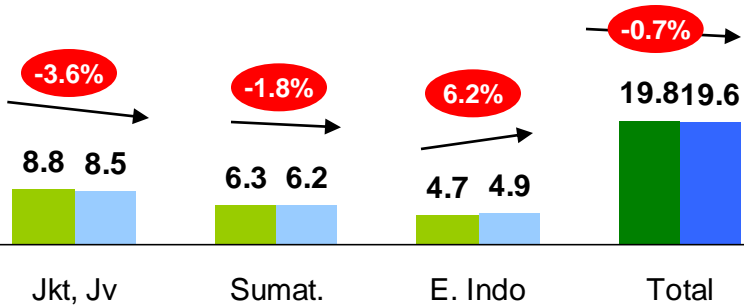
- Since end of 2013, NCL was at a stable level with the company's prudent and an end-to-end approach risk management.

NCL: [Recovery of write - off] - [Loss on Repossession] - [write - off]

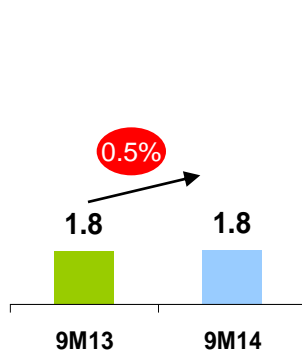
# SEMM : Continued efficiency efforts to maximise opportunities.

Loans by Region (Rp tn)

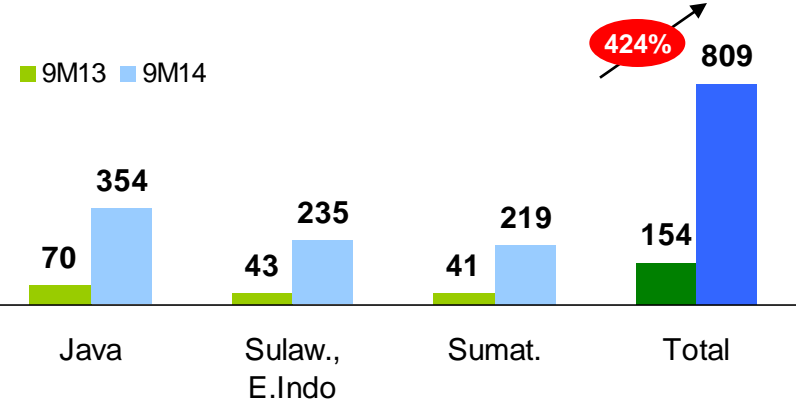
■ 9M13 ■ 9M14



Solusi Modal (Rp tn)



Upper Tier Micro (Rp bn)



- Java growth for DSP remains a challenge.
- Robust growth of Upper Tier Micro, while asset quality remain intact.

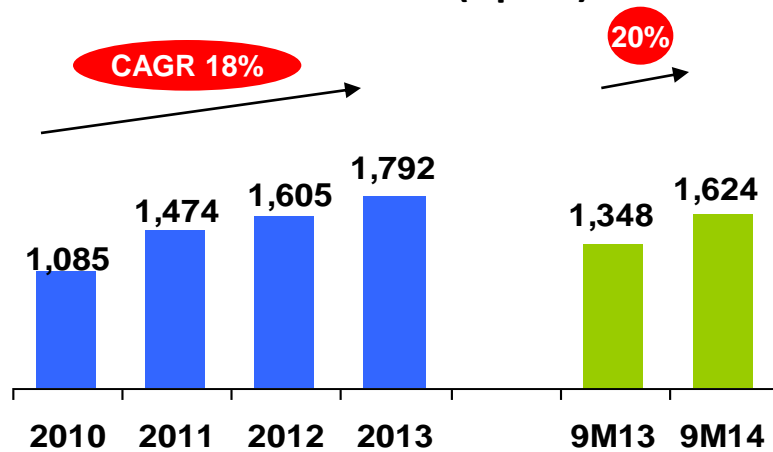
## What have been done?

- Accelerate growth of upper-mass market
- Referral program to prime customers
- Intensify customer engagement activities that results in low customer attrition
- Engage a consultant to revisit operating model and customer segmentation, for e.g. network remodeling - Hub & Spoke in Jakarta and Java area.
- Implement motorcycle team to reach remote area
- Transform to paperless process (i.e. for credit application, sales prospecting application, mobile collection)
- Reduce no.of headcount by 17% (+/- 3,500) from Oct 13.

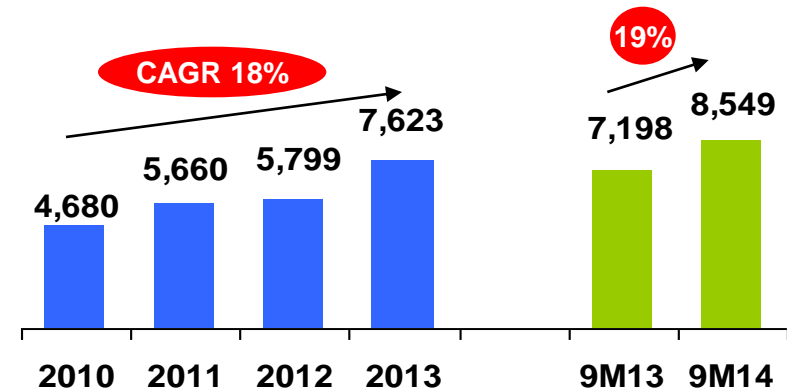
# Adira Insurance :

## Strong growth of GWP and number of active policies

Gross Written Premium (Rp bn)



No of Active Policy (000)

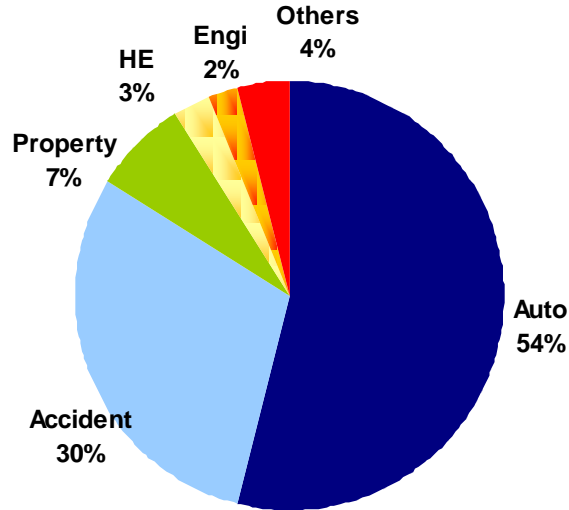


- GWP in 9M14 was Rp 1,624 bn or increased by 20%YoY.
- No. of active policies 9M14 was 8,5 mn; rose 19% from last year
- Cost to Income ratio improved tend to be flat at 39%
- RoE continuously increased to 33% from 31% a year ago, while RoA also was maintained at 9%

%	2010	2011	2012	2013	9M13	9M14
RBC	401	337	234	205	206	176
CIR	31	32	35	40	40	39
RoE	36	38	36	29	31	33
RoA	15	14	11	9	9	9

Note: Lower RBC and RoA from 2011 to 2012 was due to the implementation of IFRS related to Insurance

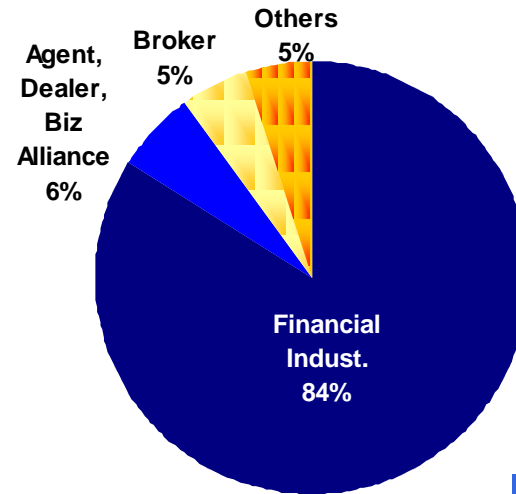
9M14 - GWP by Class of Business



**Rp 1,624 bn**

	Rp bn
MV	881 (54%)
Non MV	743 (46%)

9M14 - GWP by Source of Business



**Rp 1,624 bn**

	Rp bn
Group	1,183 (73%)
Non Grp	441 (27%)

## Customers

- Call center serves 24 hour and during 2014 receive 7 thousands number of calls per month
- Serving customers by 665 certified agents as of September 2014

## People & Infrastructure

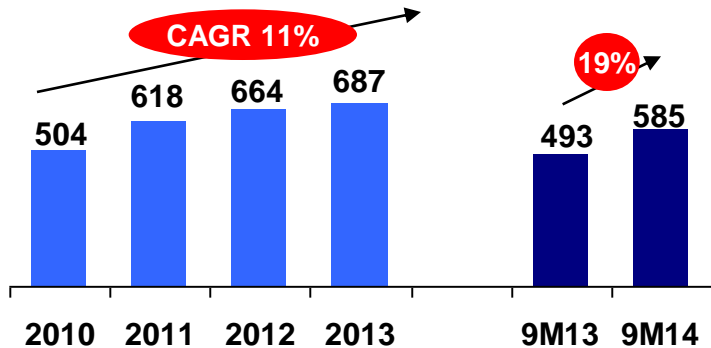
- Supported by 1165 employees in 53 outlets by end of September 2014
- Health business supported by 855 Hospitals & Clinics

## Products / Services / Coverages

- Health insurance includes hospitalization, outpatient, dental & optical care.
- Trade Credit Insurance which protect the Account Receivable from Buyer/Distributor's bad debt.
- In Q1 2014 launched Typhus Insurance (Micro Insurance)

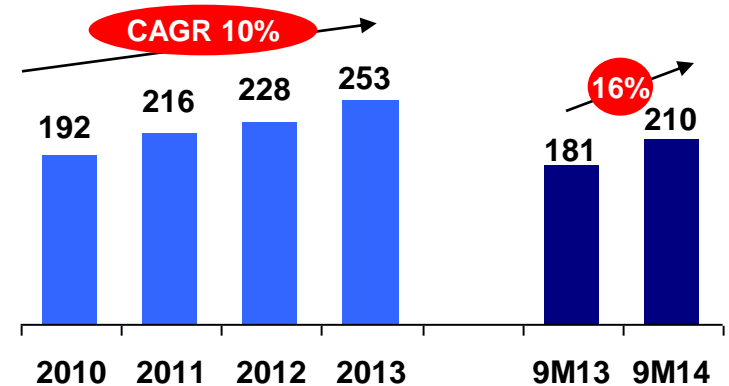
# Fee Income\* : General Insurance dominated fee income, rose 19%.

### General Insurance (Rp bn)

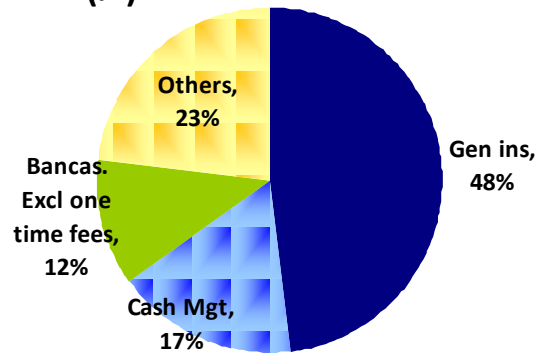


Note : General insurance including investment fees

### Cash Management (Rp bn)

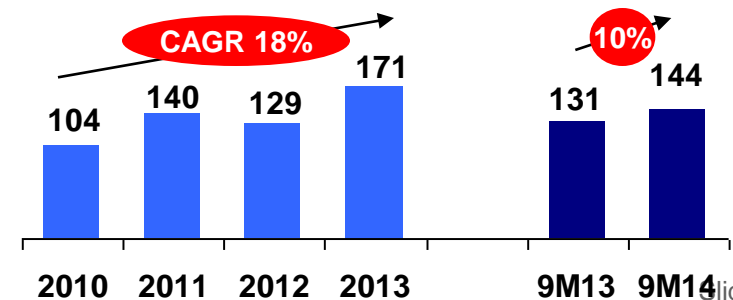


### Distribution of Fee Income 9M14 (%)



Rp 1,215 bn

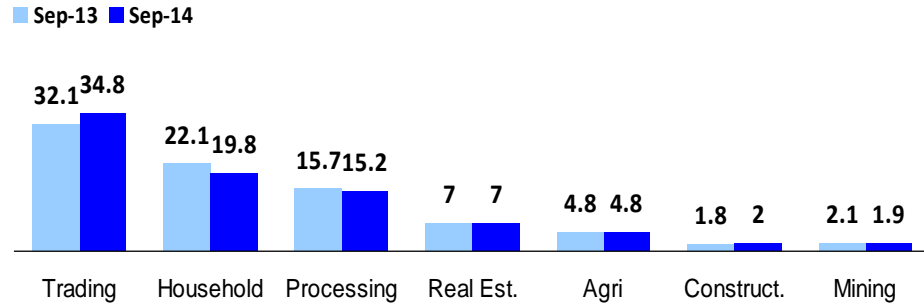
### Bancassurance excluding one time fee (Rp bn)



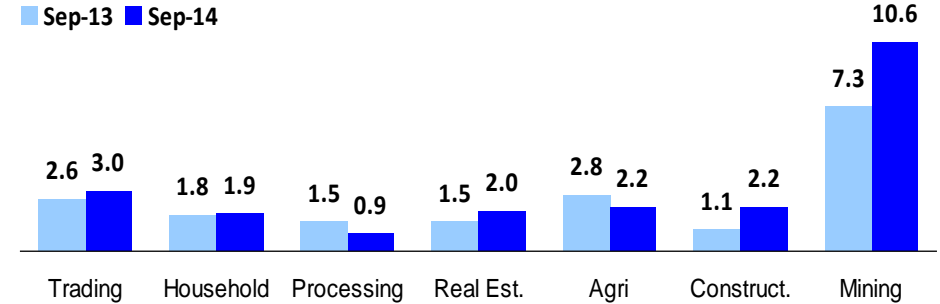
\* Ex-credit related

# Asset Quality :BDI Loans are dominated by trading industry. Overall NPL still manageable.

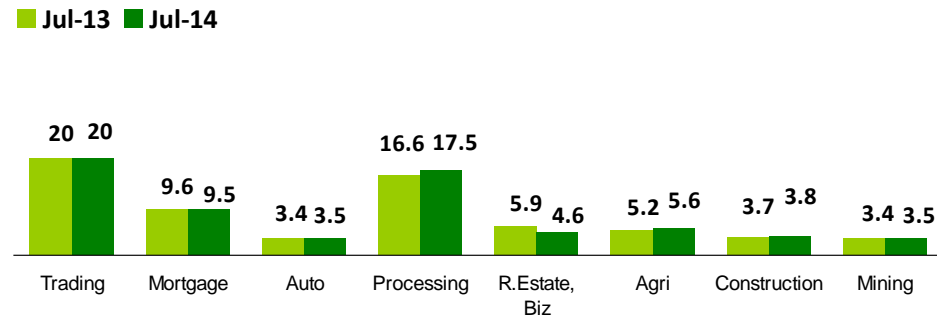
**BDI Loans by Industry (% of total loans)**



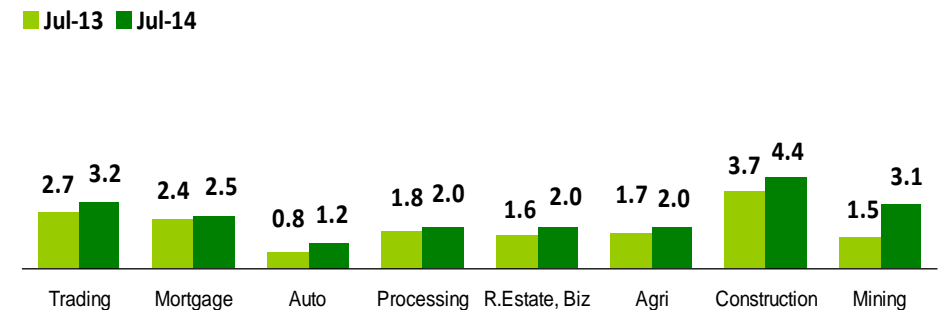
**BDI NPL (%)**



**Industry Loans by Industry (% of total loans)**



**Industry NPL (%)**

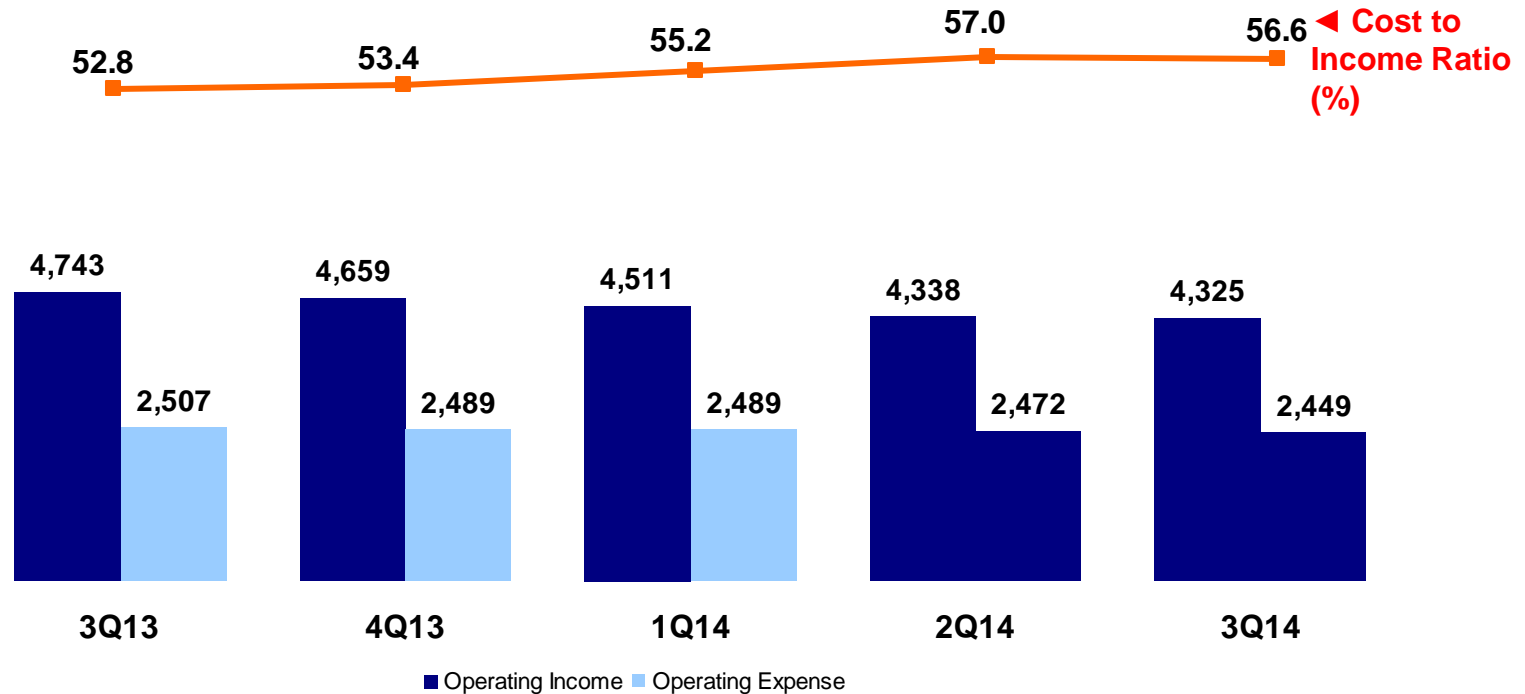


- Trading loans rose driven by Commercial and Corporate segment

- Increase in NPL ratio for mining industry is partly caused by worsening performance of some coal-related borrowers

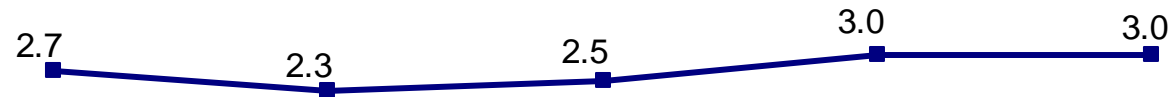
Negative opex growth was well managed since 4Q13. CIR improved from last quarter.

**Operating Income and Expense**  
Rp billion

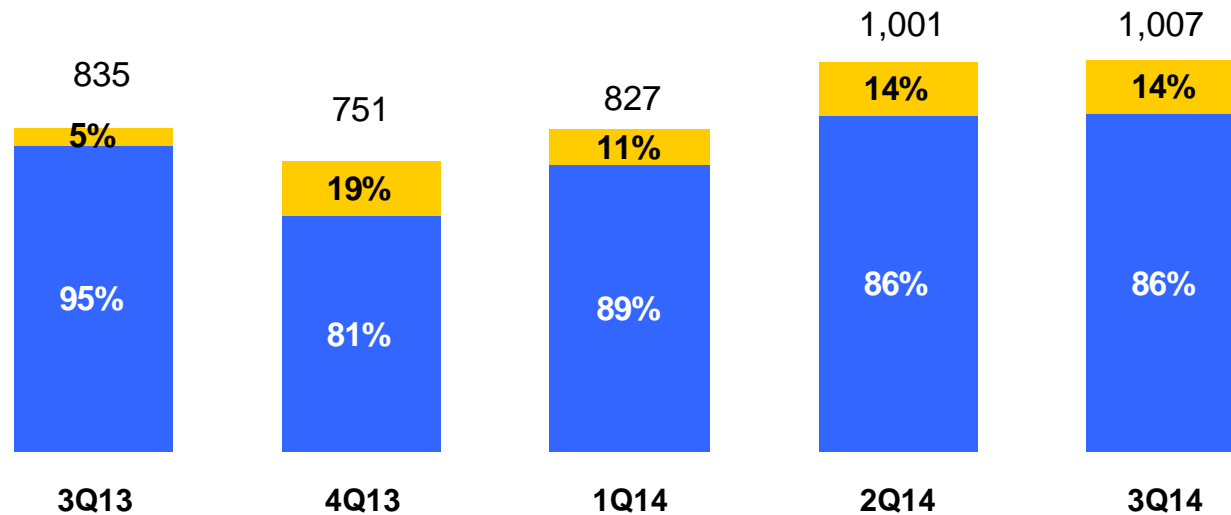


Cost of Credit was 2.8% in 9M14, maintained flat from last year's.

**Cost of Credit / Avg. Loans (%)**



**Cost of Credit (Rp billion)**



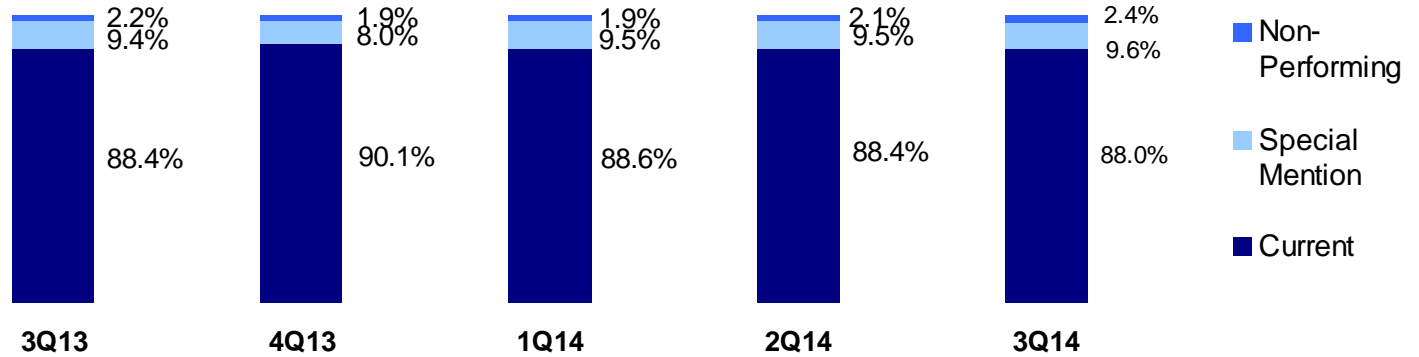
■ Mass Market ■ Non Mass Market



# NPL remained low

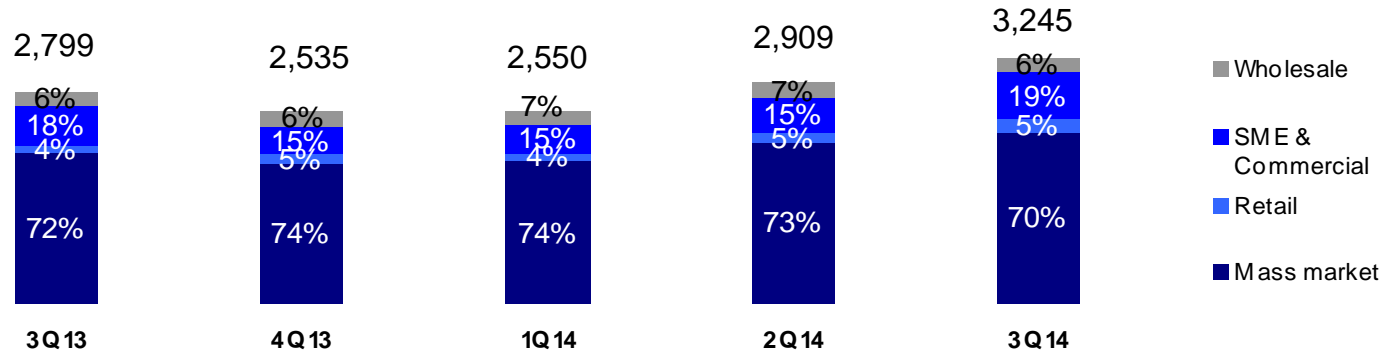
## Loan's Collectibility

% of Outstanding loans



## Non-Performing Loans by Segment

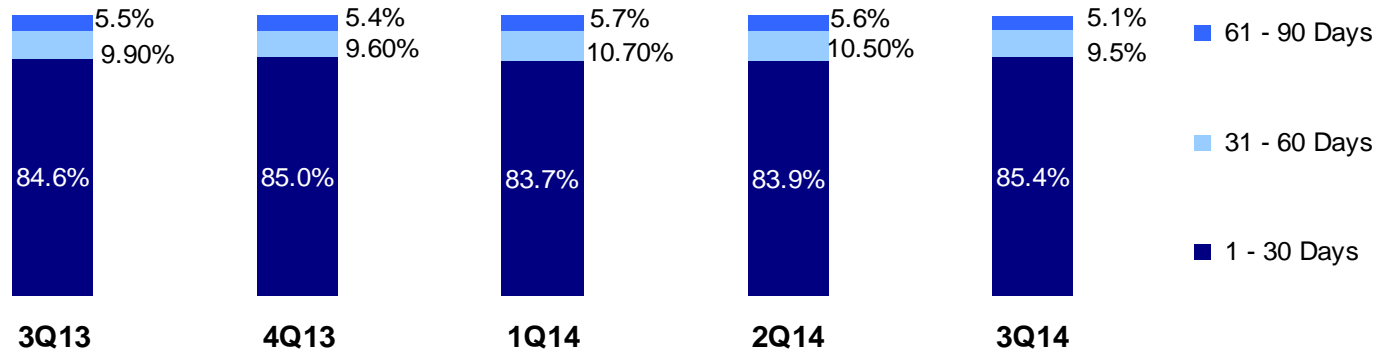
Rp billion



# Majority of special mention loans were within 30 days

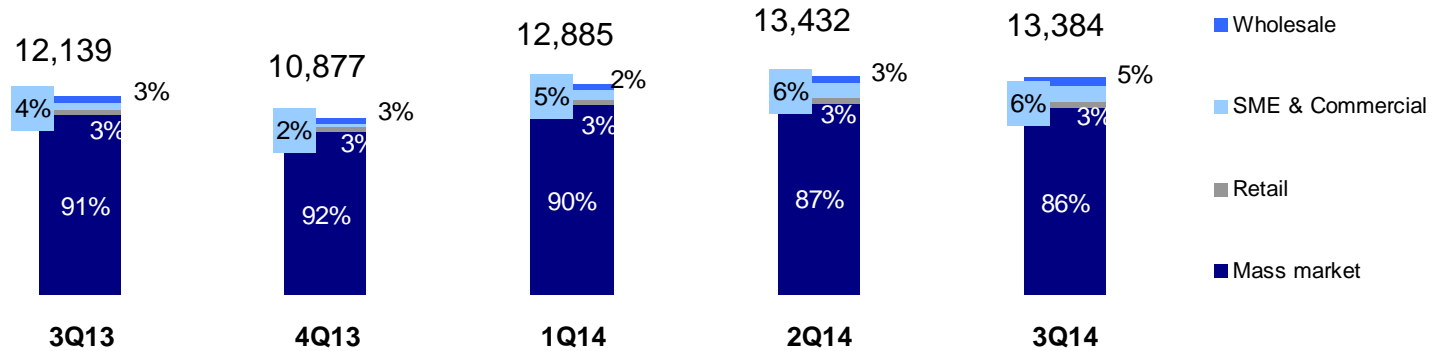
## Special mention loans by Aging

*% of Special Mention Loans*



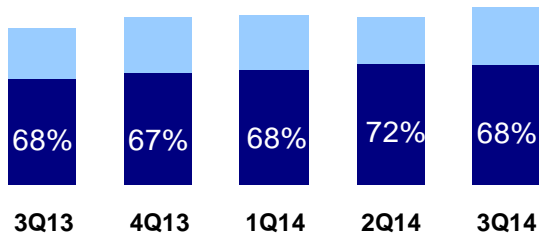
## Special Mention Loans by Segment

*Rp billion*

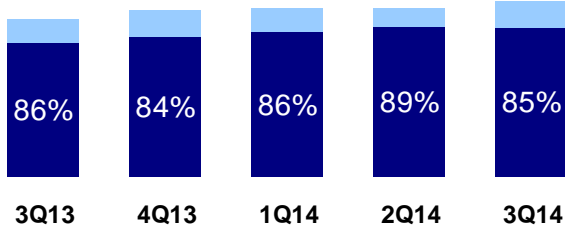


## RWA / Total Assets

### RWA BDI Only

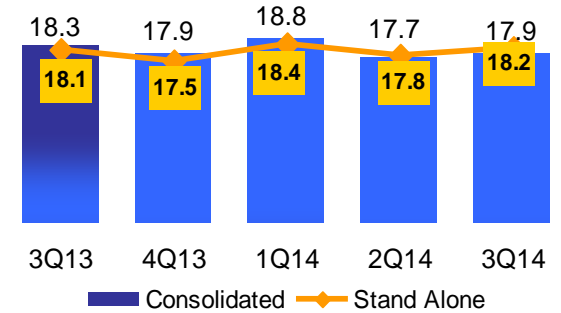


### RWA Consolidated

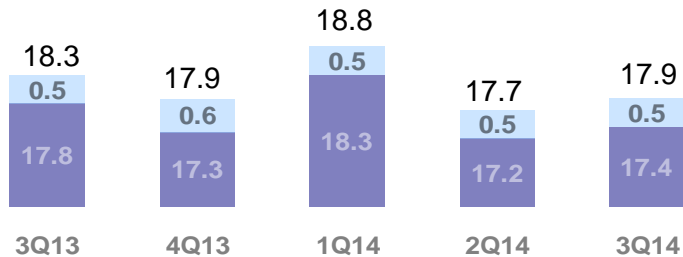


■ RWA ■ Other Assets

## Capital Adequacy Ratio (%)



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



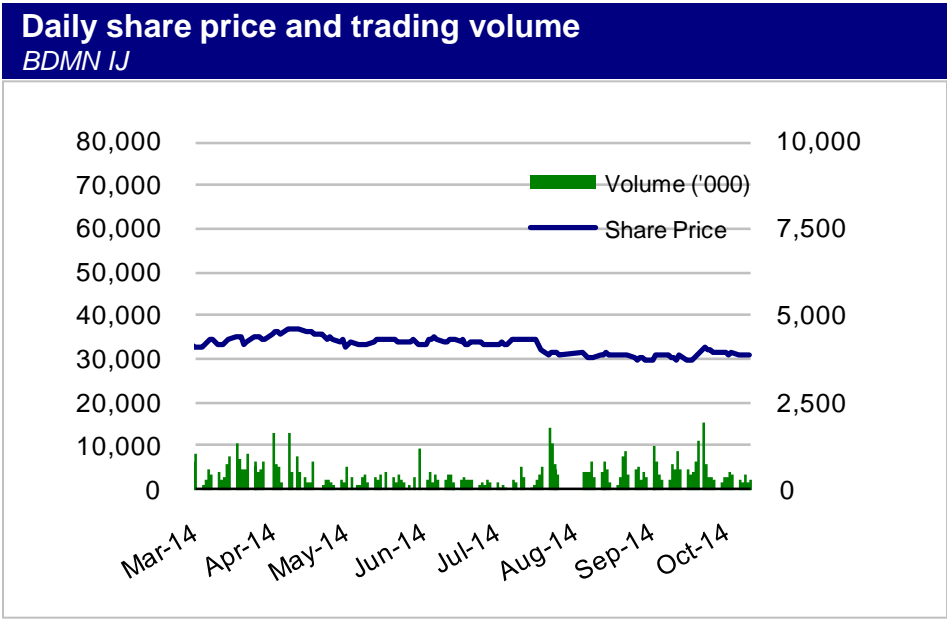
■ Tier 1 Capital ■ Tier 2 Capital

%	3Q13	4Q13	1Q14	2Q14	3Q14
CAR w/ Credit Risk	22.8	22.0	23.5	22.1	22.4
Market Risk Charge	0.1	0.0	0.0	0.1	0.1
Operational Risk Charge	4.4	4.1	4.7	4.3	4.4
<b>CAR Consolidated</b>	<b>18.3</b>	<b>17.9</b>	<b>18.8</b>	<b>17.7</b>	<b>17.9</b>

# Agenda

- Financial Results

- **Appendix**



Ownership Structure	Number of Shares	Ownership (%)
<i>As of 30 September 2014</i>		
Asia Financial (Indonesia) Pte, Ltd.	6,457,558,472	67.4%
JPMCB - Franklin Templeton Inv. Funds	625,802,288	6.5%
Public < 5%	2,501,282,605	26.1%
<b>Total</b>	<b>9,584,643,365</b>	<b>100.00%</b>

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

Danamon		
<b>PEFINDO</b>	Outlook	Stable
<i>August 2014</i>	LT General Obligation	idAA+
<b>Standard &amp; Poor's</b>	Outlook	Stable
<i>December 2013</i>	LT Foreign Issuer Credit	BB
	ST Foreign Issuer Credit	B
	LT Local Issuer Credit	BB
	ST Local Issuer Credit	B
<b>Fitch's</b>	Outlook	Stable
<i>August 2014</i>	LT Issuer Default Rating	BB+
	ST Issuer Default Rating	B
	Individual Rating	WD
	Support Rating	3
	Viability	bb+
	National Long Term	AA+ (idn)
<b>Moody's</b>	Outlook	Stable
<i>September 2014</i>	Long Term Rating	Baa3
	Foreign LT Bank Deposits	Baa3
	Local LT Bank Deposits	Baa3
	Bank Financial Strength	D
	Foreign Currency ST Dept	P-3
	Local Currency ST Debt	P-3

# 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
10,245	356	99	3,902	(11,649)	-	(74)	2,878	(710)	(63)	2,106

a+c	b+d	e		f+g		h	i		Net Profit after Tax and Minority Interest		Remark
Net Interest Income	Non-Interest Income	Operating Income	Operating Expenses	Pre-Provision Operating Profit	Cost of Credit	Non Operating Income/(Loss)	Taxes	Minority Interest	Minority Interest		
10,344	4,257	14,602	(11,649)	2,953	-	(74)	(710)	(63)	2,106		
(173)		(173)	173	-							LPS Deposit Insurance
	(10)	(10)		(10)	10						Provision for ADMF acquisition cost
	(132)	(132)		(132)	132						Write off on amortization cost
	(163)	(163)	163	-							ADMF indirect acquisition cost
	(299)	(299)	299	-							Decrease in fair value of financial assets (MTM)
	(2)	(2)	2	-							Losses from sale of financial assets (marketable securities)
	(363)	(363)	363	-							Losses from spot and derivative transaction (realised)
		-	2,976	2,976	(2,976)						Impairment losses on financial assets
	(267)	(267)	267	-							Fees/commissions and administrative expenses
	(19)	(19)	(3)	(22)		22					Others
10,171	3,003	13,174	(7,410)	5,764	(2,835)	(51)	(710)	(63)	2,106		

Analyst Briefing Presentation

## **Global Economy : Volatility rise on speculation of Fed's rate hike timing**

- The Global financial market is still affected by the speculation of the timing of the Fed's interest rate hike. The Federal Open Market Committee Minutes showed concern remained over the global economy slowdown and the recent strengthening of the USD. This led to a more dovish view of the Fed's normalization monetary policy.

## **Domestic : Political tension rising**

- The speakers of the Indonesia's parliament (consists of the People's Representative Council (DPR) and the Upper House or the People's Consultative Assembly (MPR)), were mostly dominated by the opposition coalition. This led to a concern that the new government may face bigger hurdles in the parliament that caused jitter in the stock market and also contributed to the weakness of the rupiah.
- Inflation remained tame in September at 0.27%mom (4.53%yoy) as prices of raw food and clothing declined. Core inflation was also mild at 4.04%yoy. However trade balance slipped back to deficit of USD 318mn as imports outperformed exports.
- BI Rate maintained at 7.5% in September. Credit growth declined further to 13.4%yoy in August.

## **Market implication**

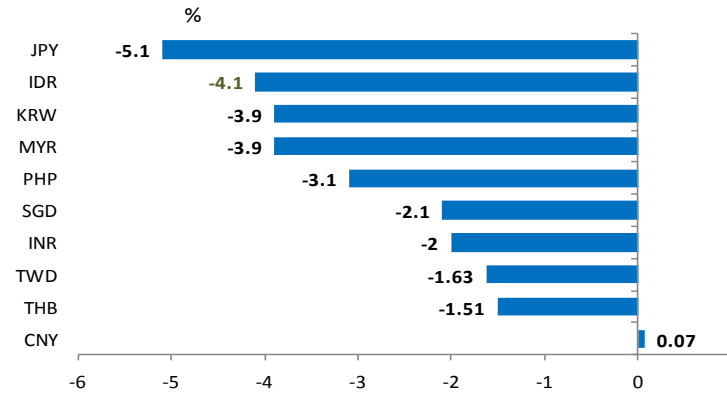
- Rising volatility affecting the exchange rate and the bond market. We maintained the IDR forecast this year end at around Rp12,000/USD, expecting catalyst of the new president inauguration and cabinet announcement.

# Rupiah weaken on strengthening USD and political factor

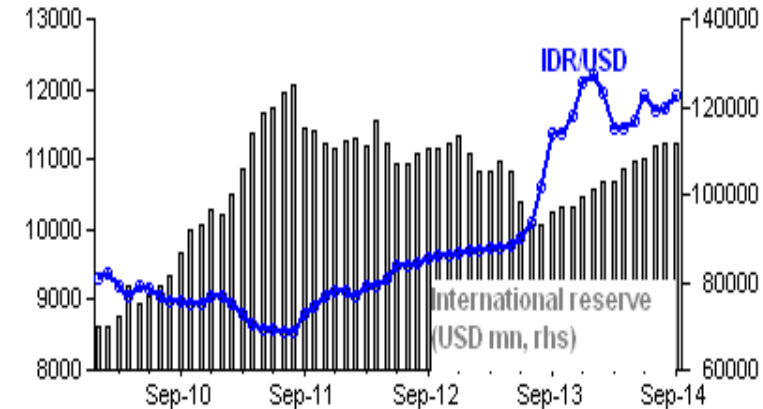
## Rupiah

- Rupiah weakens, as speculation of Fed's rate hike continued, while in domestic, political tension rising. Rupiah currently traded at Rp12,220/USD.
- Forex reserve stable at USD111.1 bn by end of Sep.

### Regional Currency (%mtm, end of Sep)



### Foreign Exchange Reserves USDmn



## Inflation

- Sep's inflation was mild at 0.27%mom (4.53%yoy) as prices of raw food declines.
- Expect a fuel price hike in Nov and maintain our YE forecast at 6.5%

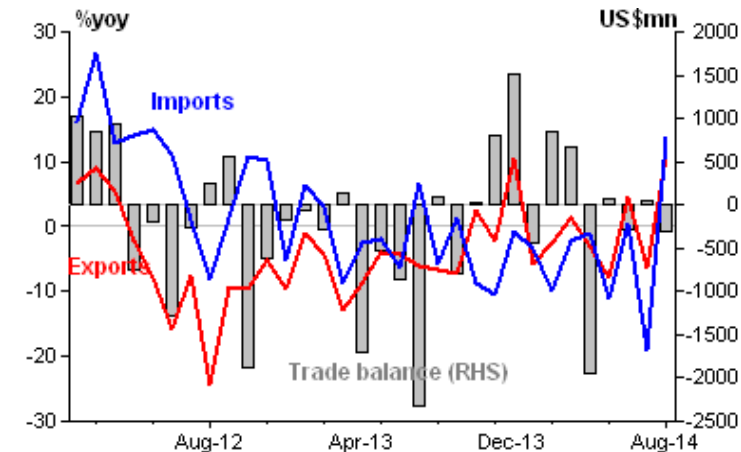
### Inflation %yoy



## Trade

- Trade balance slipped back to deficit of USD 318mn as imports outperformed exports.

### Trade



Source: Danamon estimates, CEIC

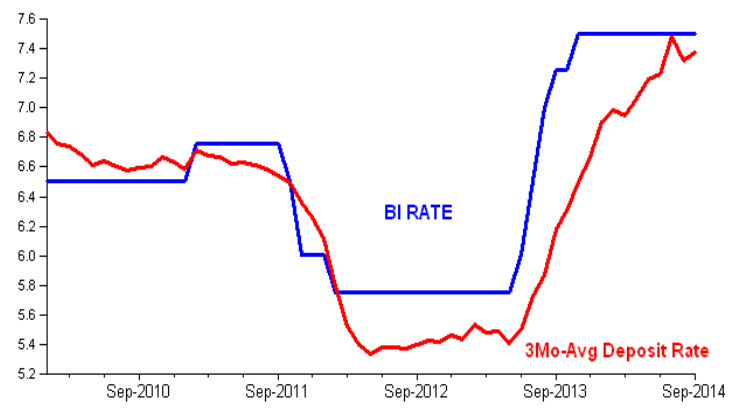


# Credit growth slowed down further

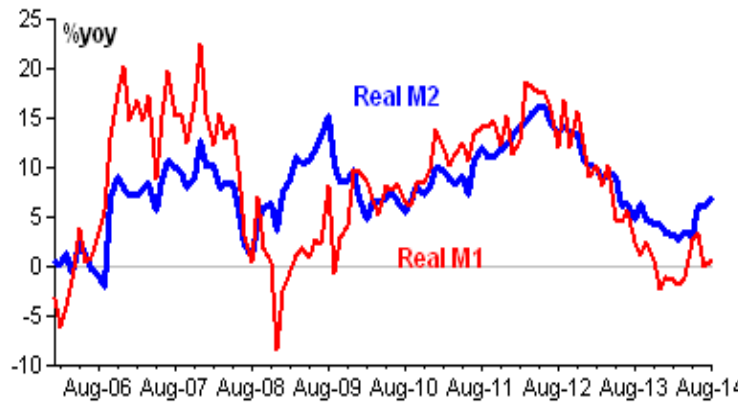
## Banking Sector

- BI Rate maintained at 7.5% in September.
- Credit growth slowed further to 13.4%yoy in August (from previously 15%yoy).
- Liquidity condition remained relatively stable, as reflected in the moderate growth of M2 at 11%yoy and deposit at 11.6%yoy.
- The expansion of the government spending in the second half may also support market liquidity for the rest of the year.
- OJK capped deposit rate for large banks (BUKU4) at 9.5%, and mid size banks (BUKU3) at 9.75%. The move is expected to be able to loosen the tight funding competition, lower cost of fund and lending rate.

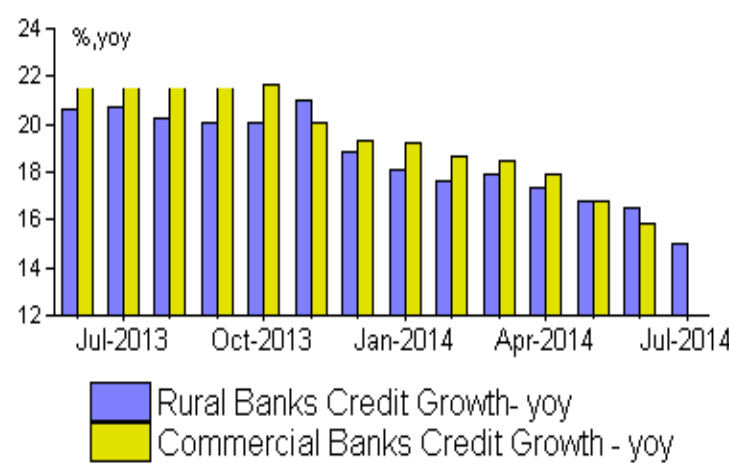
**BI Rate, Deposit Rate %yoy**



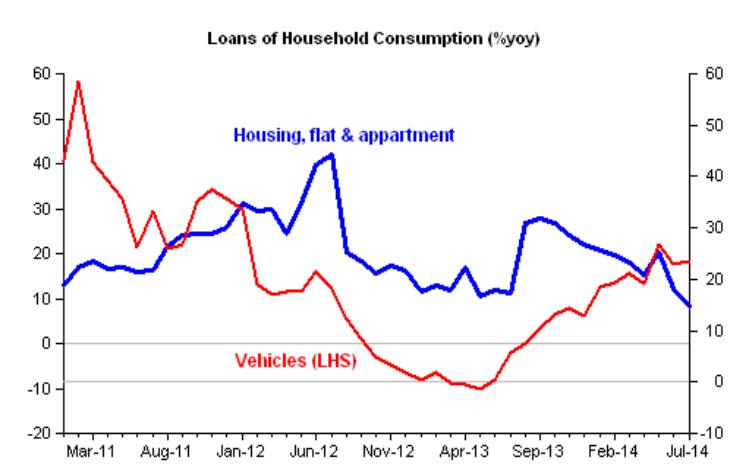
**Money Supply %yoy**



**Credit Growth %yoy**



**Housing and Vehicles Loans %yoy**



Source: Danamon estimates, CEIC

Indonesia	2010	2011	2012	2013	2014E	2015E
<b>National Account</b>						
Real GDP (% YoY)	6.2	6.5	6.2	5.8	5.1	5.5
Domestic demand ex. Inventory (% y-o-y)	5.3	5.7	6.2	5.1	5.1	5.0
Real Consumption: Private (% y-o-y)	4.7	4.7	5.3	5.3	5.4	5.3
Real Gross Fixed Capital Formation (% y-o-y)	8.5	8.8	9.8	4.7	4.6	4.8
GDP (US\$ bn) – nominal	709	847	879	871	878	960
GDP per Capita (US\$) – nominal	2,983	3,514	3,596	3,478	3,462	3,736
Open Unemployment Rate (%)	7.1	6.6	6.3	6.3	6.1	6.1
<b>External Sector</b>						
Exports, fob (% YoY, US\$ bn)	32.1	26.9	-6.3	-2.6	1.7	6.0
Imports, fob (% YoY, US\$ bn)	43.7	30.8	8.3	-1.4	3.0	4.2
Central government debt (% of GDP)	26.1	24.6	23.1	22.0	21.2	22.2
International Reserves – IRFCL (US\$ bn)	96.2	110.1	112.9	99.4	105.1	103.5
Reserve cover (Imports and external debt)	7.1	6.3	6.1	5.4	5.9	5.8
Currency / US\$ (Year-end)	8,991	9,068	9,670	12,189	12,000	11,900
<b>Other</b>						
BI Policy Rate (% year end)	6.50	6.00	5.75	7.50	7.50	7.75
Consumer prices (% year end)	6.96	3.79	4.30	8.38	6.54	6.46
Fiscal balance (% of GDP; FY)	-0.73	-1.16	-1.77	-2.24	-2.30	-2.00

Source: BPS, Bank Indonesia, Danamon Estimates

## New OJK supervisory action on interest rate cap

On 30 September 2014, took a new supervisory action to cap interest rate on third party fund.

This provision has become effective starting from 1 October 2014. The maximum rates are set separately based on the type of bank and the nominal of fund deposited as follow:

BUKU	Type of bank		Nominal deposited	
	Tier 1 (Rp tn)		≤ Rp 2bn	> Rp 2bn
1	<1 Tn		No limit set	
2	1 – 5 Tn		No limit set	
3	5 – 30 Tn		LPS rate	BI Rate + 225 bps
4	> 30 Tn		LPS rate	BI Rate + 200 bps

# New OJK regulation on Insurance Fee impacting ADMF's fee income recognition

## Background

- On 31 December 2013, OJK issued new regulation, in the form of circular letter, No SE-06/D.05/2013 regarding vehicle insurance, which took effect on March 1, 2014
- By this regulation, OJK :
  - **set a range of gross premium** that an insurance company could charge to customers
  - **regulate the commission** to be given to agents **and the discount** to customer, which are **based on the gross premium**
- As such, third parties (including multifinance companies and banks) are **prohibited to sell insurance at the rate higher or lower than the premium rate set by the regulator**.
- To certain extend, the new regulation would benefit Adira Insurance, due to regulated pricing that would eliminate unhealthy price competition among general insurance companies

## Fee Income Recognition

- **Income generated from insurance would need to be amortized** vis-a-vis booked upfront previously, hence, pricing adjustment must be made to maintain economics of the loans.
- ADMF need to recognize the incomes from insurance premium discount and other loan related fee over the loan tenor using the **effective interest rate (EIR) method**.
- There is a **timing difference** between the amount that is recognized under the EIR method and the amount should the income recognized immediately (cash basis).

## Financial Impact

- Depending on the loan tenor, financial impact of the income recognition will vary. Assuming loan with tenor of 3 years, under the EIR income fee will be recognized as follow:
  - Year 1: 54%
  - Year 2: 34%
  - Year 3: 12%
- Throughout the years, the income would be normalized. For comparison, ideally if regulation had not been introduced, Adira Finance could directly recognize the income immediately.

# Thank You

## Investor Relations

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