

# ***Analyst Briefing***

## ***Full Year 2014 Results***

***Jakarta, 29 January 2015***

- **Financial Results**

- Appendix

## 2014 Highlights

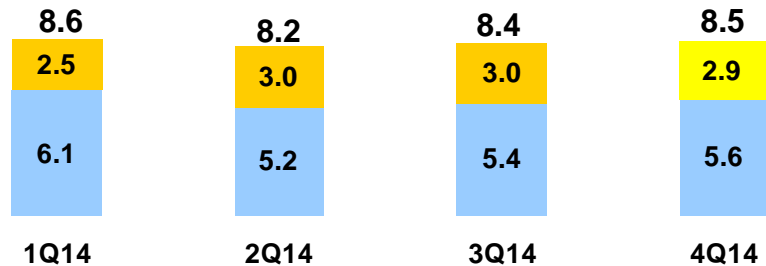
- Danamon's **NIM stabilized at 8.5% in 4Q14 against 8.4% in the previous quarter** underpinned by yield adjustment and eased CoF pressured.
- **LDR was secured at 91.7%** on average in 4Q14, well below BUKU 3 banks, after vigorous efforts in the past 18 months. **CASA ratio was 49%** by year end.
- Asset quality remained intact, **NPL at 2.3% and CoC of 2.8% in 2014**.
- The Bank exercised productivity and efficiency initiatives through branch and headcount realignment, resulted in **negative q-q opex growth since 1Q14**.
- **Rp 306 billion of restructuring cost** was booked in 4Q14 as part of turnaround strategy.
- By year end, **the Bank still had Rp 724 billion\* of ADMF fee income to be amortized for the rest of the loan tenor**, to comply with OJK rules regarding fee income recognition.
- FY2014 **Normalized NPAT reached Rp 3.45 trillion**, while **Reported NPAT was Rp 2.6 trillion**.

**2015 Key Focus:** Danamon is implementing **bankwide transformation task to enhance its competitive edge, customer service, and cost optimization; including hiving off non-profitable businesses**. This exercise is expected to become an important driver of return going forward.

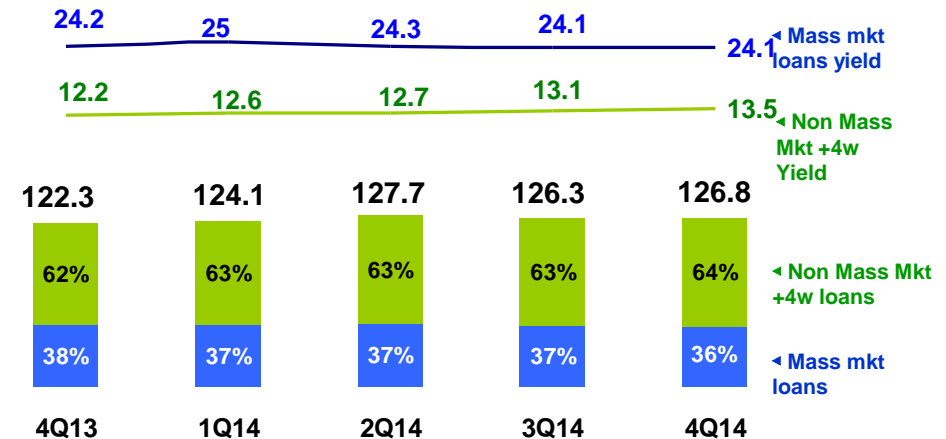
# Stabilized Q-Q Margin rose 10bps to 8.5% due to yield improvement and eased CoF pressure.

NIM and Risk Adj NIM (%)

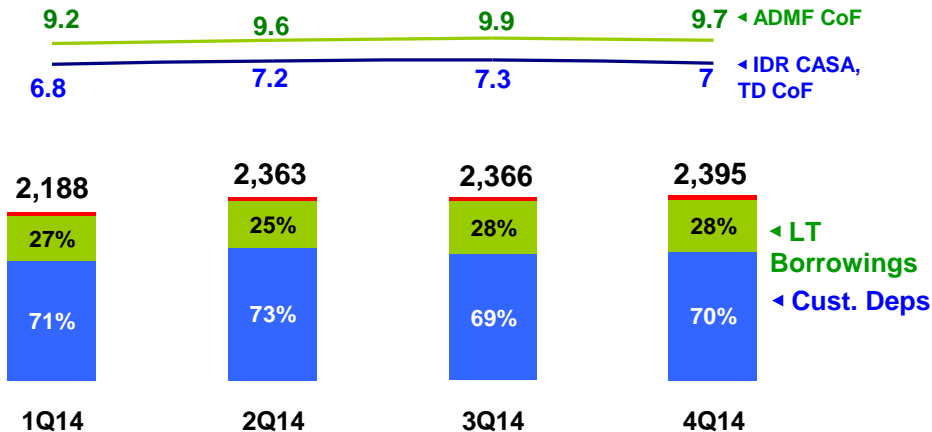
■ Risk Adj NIM ■ CoC



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



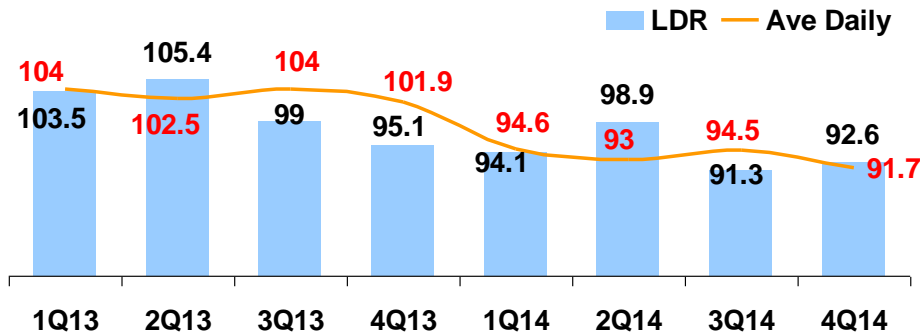
CoF (%), Interest Exp. (Rp tn)



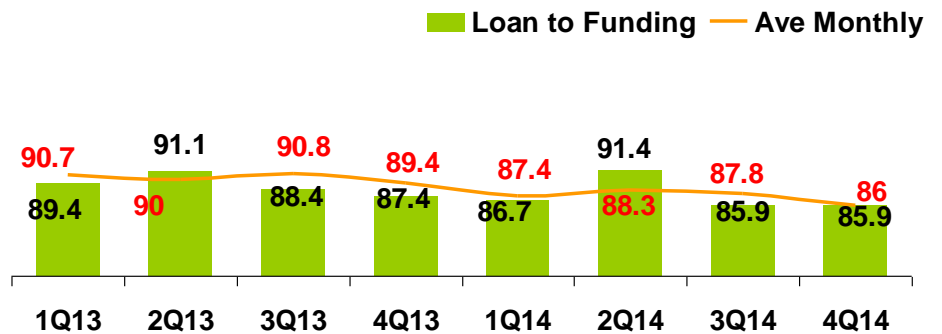
- Liquidity remained intact, average LDR at 91.7% in the last quarter.
- In the last quarter of the year, non mass market yield increased 40bps while CoF lowered by 10bps as OJK capped interest rate effective 1 Nov 2014.

# Liquidity management: Successfully brought down LDR over the past 18 months to 92.6%, below BUKU 3 banks\* of 99.6%.

**LDR and Ave. Daily LDR (%)** – reduced significantly since 1Q13 and stabilize at 92%

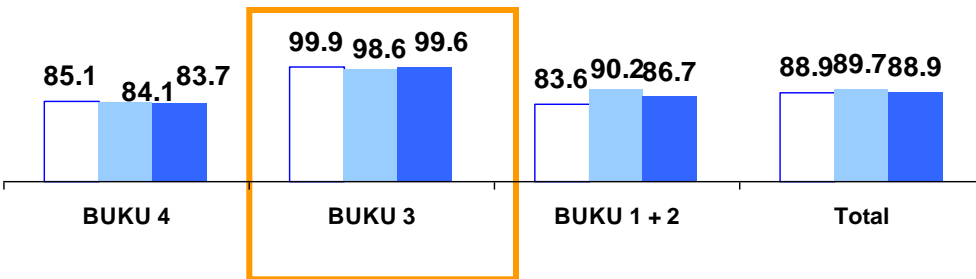


**Loan to Funding and Ave. Monthly (%)**



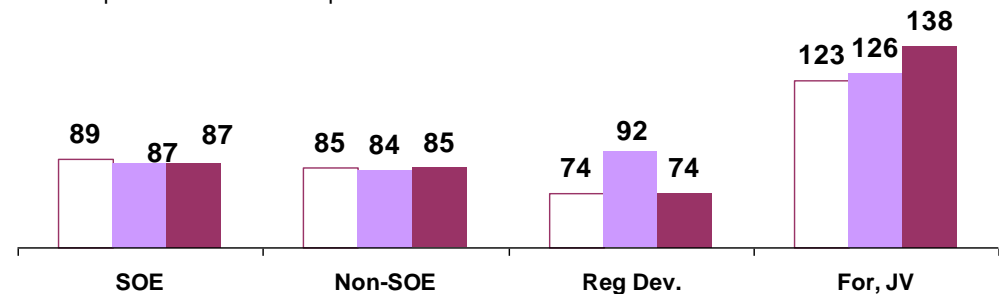
**LDR (%)** – LDR BDI has decreased substantially since 1Q13 to 92.6% by the end of the year, well below BUKU 3 banks.

□ Sep-13 □ Dec-13 ■ Sep-14



**Industry LDR (%)** – Foreign, JV banks LDR picked to 138%, faced the most challenge in raising IDR funding

□ Sep-13 □ Dec-13 ■ Sep-14



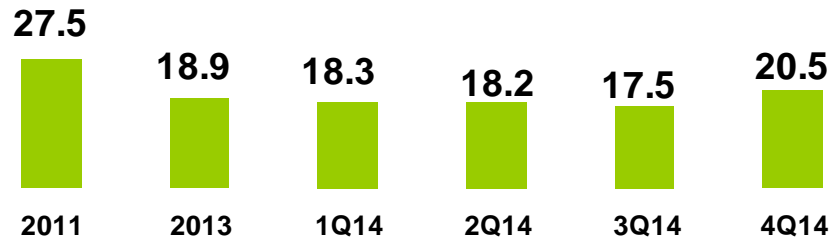
Source: BI, OJK, company report

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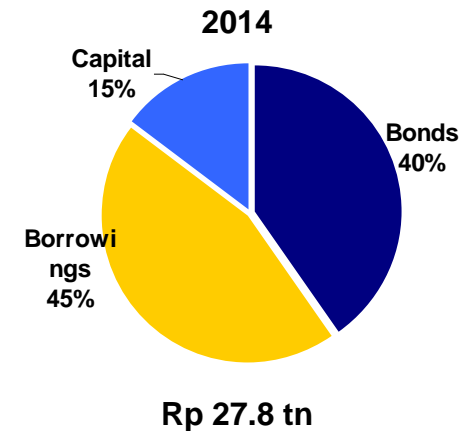
\*) Danamon is under BUKU 3 (Tier 1 below Rp30tn)

**Liquidity management:** LT funding has shifted the reliance on joint finance and limited market risk derived from customer short term deposit re-pricing.

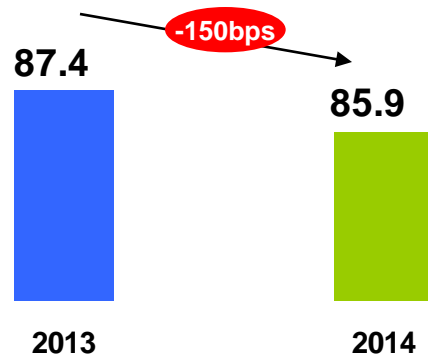
ADMF Joint Finance (Rp tn)



ADMF Source of Fund



Loan to Funding – Conso 2014 (%)



The Group long term funding is to diversify funding sources, that suit the asset and liabilities duration mis-match.

# Liquidity: Internal LCR assessment has met OJK minimum reference for Basel III

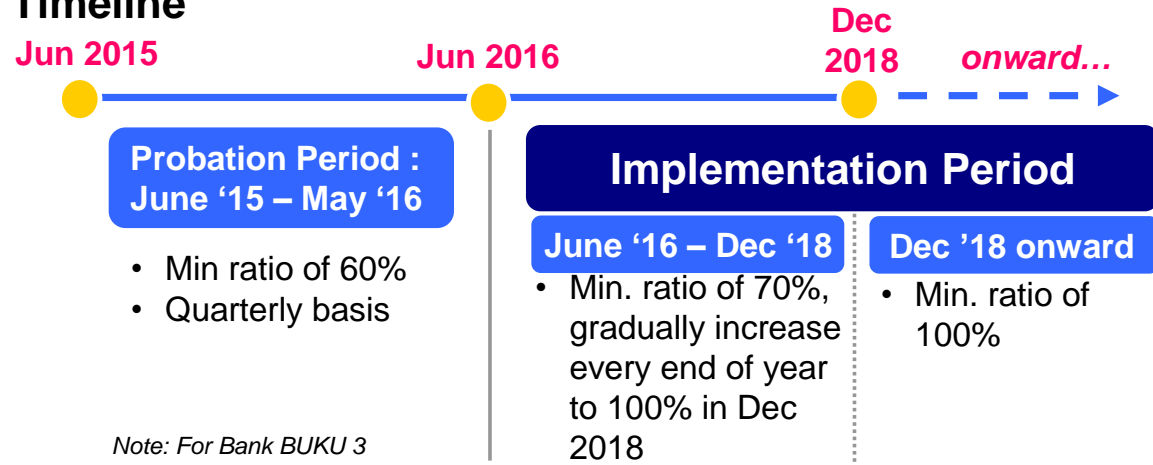
## Background

- Basel Committee on Banking Supervision (BCBS) document related to Basel III Liquidity Coverage Ratio (LCR) was released in January 2013.
- This ratio measures bank short term resilience of the liquidity risk profile based on its High Quality Liquid Assets within crisis scenario in 30 calendar days.
- OJK issued a Consultative Paper in September 2014.

## Implementation LCR in Danamon

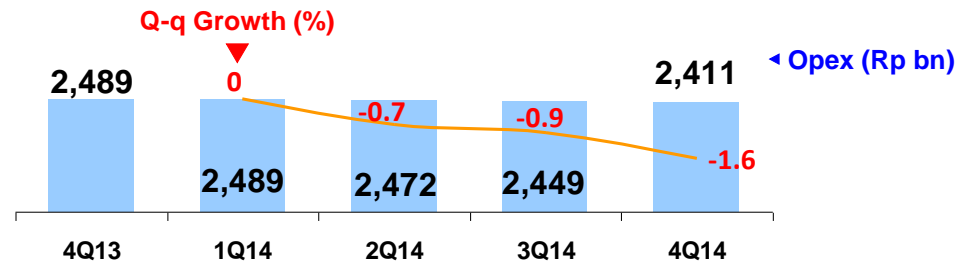
- Using bank only position, LCR is calculated in accordance with the Consultative Paper issued by OJK on 30 Sep 2014.
- BDI's LCR estimation has met OJK min. reference, indicating the Bank has promoted short-term resilience of the liquidity risk profile based on High Quality Liquid Asset within crisis scenario in 30 calendar days.
- The LCR estimation is conducted periodically to meet the Basel III standard and local regulatory requirement.
- In 2014, BDI has started developing an ALM system that incorporates LCR calculation.
- However, the current LCR result is not final as OJK has not released the final regulation (POJK) stipulating LCR.

## Timeline

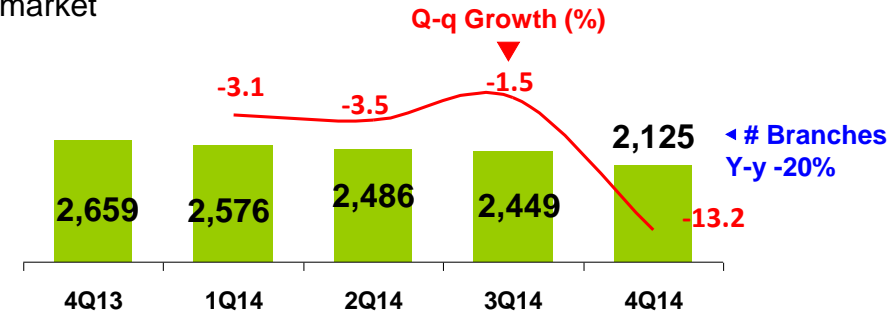


# Productivity and efficiency initiatives: through branch and headcount realignment

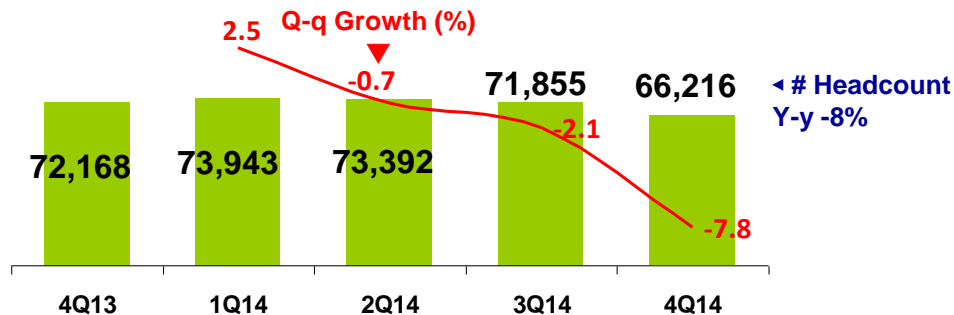
**Opex**– improved due to discipline opex management



**Branches** – Realignment is mostly done in mass market



**Headcount Composition (%)** – Mass market composition reduced



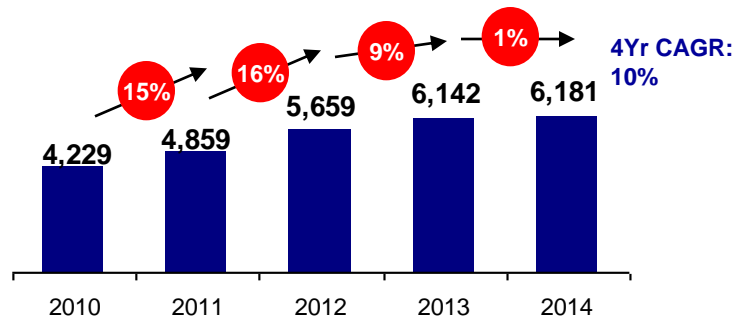
- Despite challenging operating environment, BDI applied discipline opex management aiming at improving efficiency and productivity, to lower CIR.



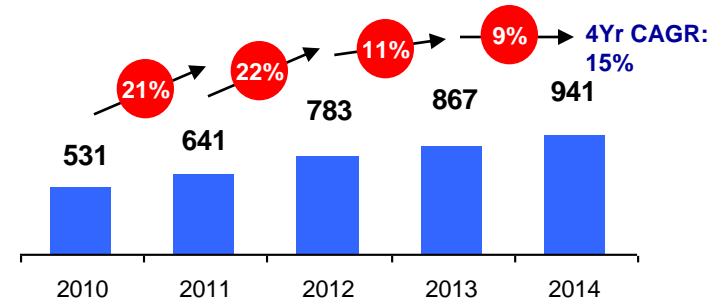
**Diligent opex management** is needed to preserve bottom line while margin is normalized. Approximately 80% Opex is directly related to HC and infrastructure.

- BDI is one of the largest employers in financial sector.
- MPC, Facilities, IT accounted for 81% of total opex, its growth has been well managed since 2013.

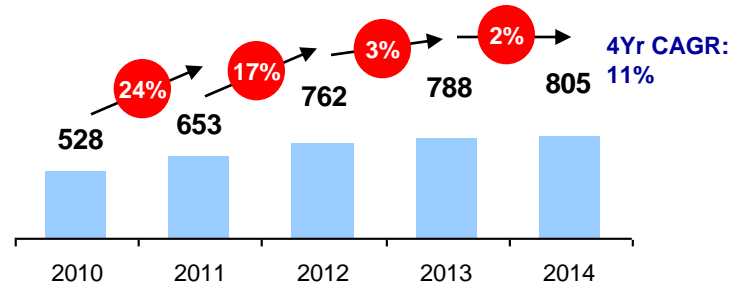
**MPC (Rp bn)**



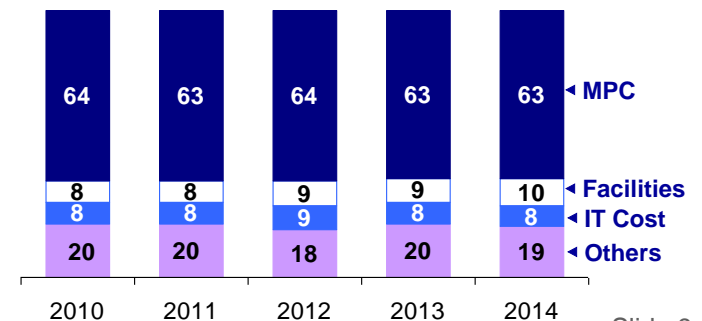
**Facilities (Rp bn)**



**IT Cost (Rp bn)**



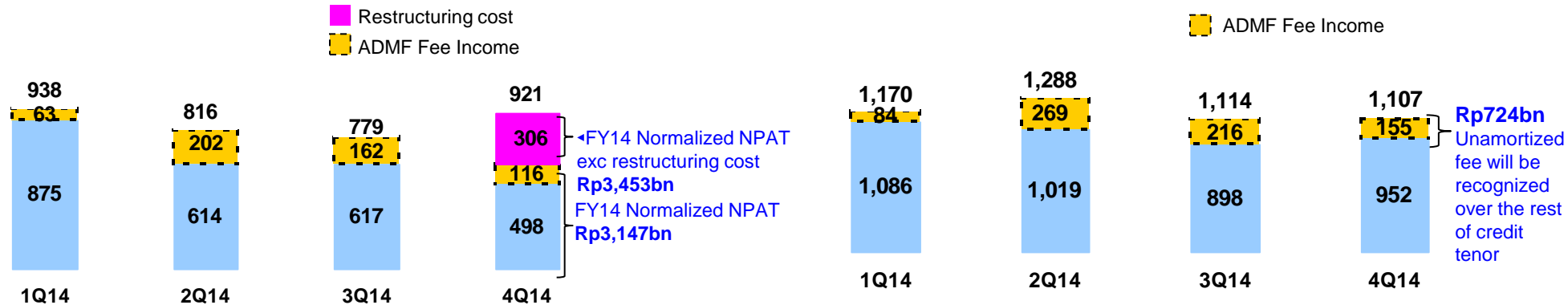
**Opex Composition (%)**



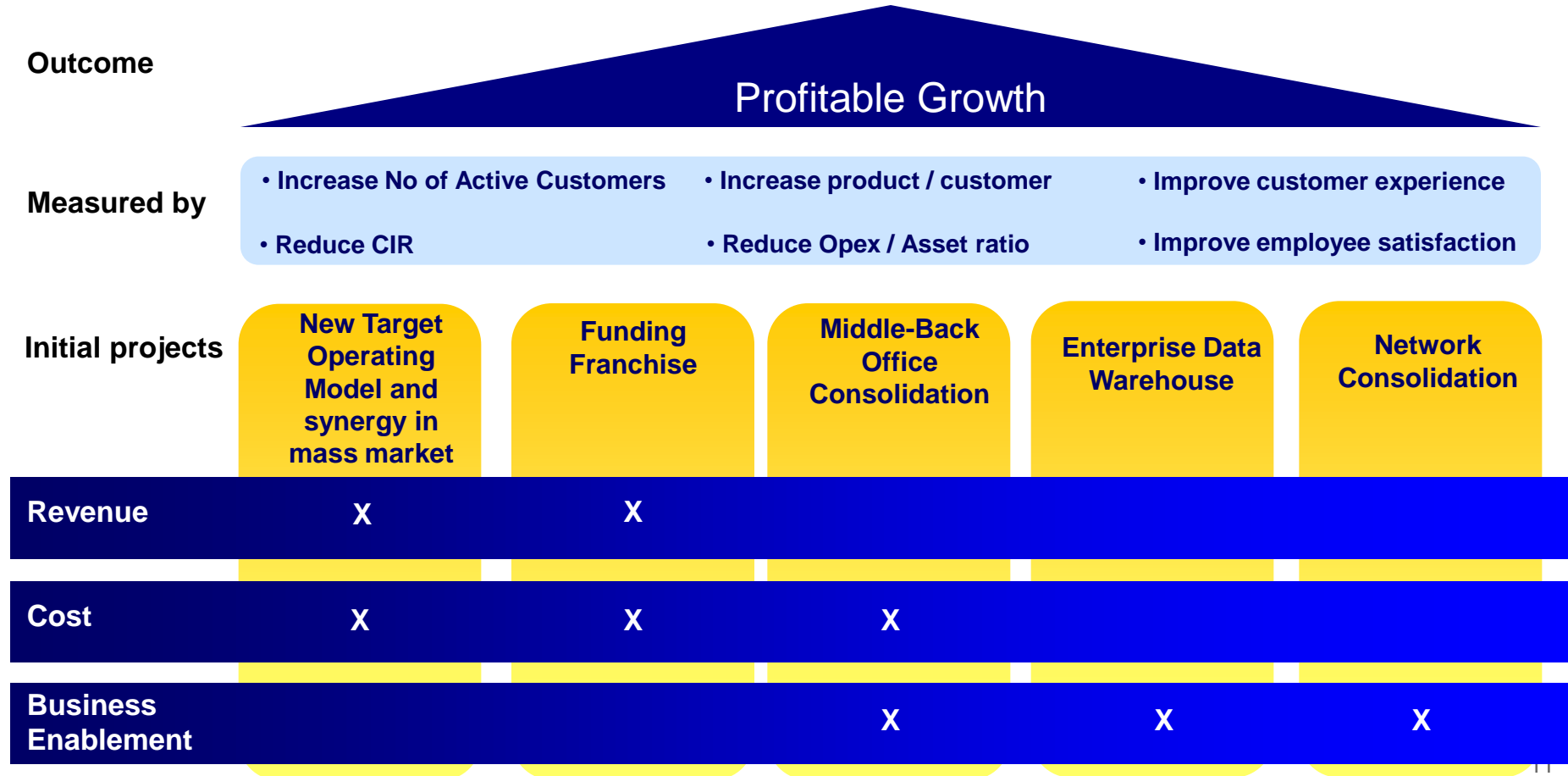
**Cost optimization** is an important driver of return going forward. Rp 306 billion of restructuring cost was booked to reform the Bank. Rp 724 billion of deferred ADMF fee income to be realized in 2015 and 2016.

**NPAT (Rp bn)** – Rp 306 bn lower due to restructuring cost incurred in 4Q14 to align infrastructure and headcount.

**Fee Income (Rp bn)** – change in ADMF fee recognition has impacted to lower fee income by Rp724bn (gross)



2015: Danamon is implementing **bankwide transformation task** to enhance its competitive edge, customer service, and cost optimization including hiving off non profitable businesses. This exercise is expected to become an important driver of return going forward.



## DSP - End to End Business Review

- DSP's new Target Operating Model will be characterized by **more customer centric approach, centralized and automated back office functions** e.g. underwriting process, credit approval process.
- Identifying **new customer segments that will be served through multi-channel distribution**. For e.g. agri customers through co-operatives, supply chain with other line of businesses.
- **Branch remodelling**: combining PM and SM branch, hub and spoke model, Ultra Small Branch (USB).
- Transformation will take place between now until 18 months

## ADMF and AQ Synergy

- **Maximise synergy in the same customer segment** leveraging ADMF network for productivity and efficiencies
- **Optimize cross sell** for revenue uplift
- **Middle and back office consolidation** to improve efficiency and turnaround time
- Retaining 9 AQ branches, ADMF will book white goods financing portfolio in April 2015.

## SME

- **Simplify credit process for improved turnaround time**: from 23 working days to 14 working days (loan up to IDR 5bio) and 7 working days (loan up to IDR 5bio)
- Launch **credit process automation system**

## Enhance Funding Franchise, Leverage ADMF network

- **Piloting 10 ADMF branches to tap funding opportunities** through BDI seamless account opening process targeting ADMF customers and dealers
- Leveraging **ADMF – DSP cross sell**

### Shared Service for HR and Finance

- **Right-sizing HR and Finance across LoBs** to promote shared service, automation, reduce redundancy and high productivity.
- Initial implementation will focus on the Bank, will be expanded to its subsidiaries.

### Network consolidation

- **Optimizing distribution channels in Syariah, SEMM, Retail Banking** to provide better product and services, to reduce inefficiencies.

### Headcount optimization

- Headcount optimization to align with more streamlined business process, **reduce redundancy, and improve productivity.**

## Loan

**Rp139**trillion  
est. 9-12% YoY

Loan projected to grow 9-12% YoY. Loan is expected to grow from all line of businesses.

## Adira Finance

**Rp49**trillion  
est. 4-6% YoY

Looking at today fuel price trends, new auto financing is expected higher than target in 2015

## SEMM

**Rp19**trillion  
est. 7-9% YoY

SEMM expected will recover and grow positively by improving sales productivity and streamlining credit underwriting processes

## Non Mass Market Loan

**Rp69**trillion  
est. 13-15% YoY

Non mass market loan is aimed to gain more market share in SME driven by positive operating environment

## Trade Finance

**Rp11**trillion  
est. 18-20% YoY

Trade finance business expects to grow by 20% by boosting its syariah financing amid weakening global commodities demand

## LDR

**92.6%**  
est. 2015: 90-92%

LDR will remain intact at 90-92%

# 2014 Balance Sheet Highlights

<i>Rp billion</i>	2013	2014	YoY	1Q14	2Q14	3Q14	4Q14	QoQ
Total Assets	184,237	195,709	6%	185,920	185,433	194,373	195,709	1%
Loans (gross)	135,383	139,057	3%	135,818	140,647	138,681	139,057	0%
Government Bonds	5,598	6,605	18%	5,513	5,719	6,488	6,605	2%
Total Deposits	139,858	145,705	4%	138,915	136,663	144,134	145,705	1%
Current Account	21,132	23,157	10%	18,406	19,500	20,053	23,157	15%
Savings	32,053	35,100	10%	28,321	29,320	29,990	35,100	17%
Time Deposit	57,621	60,068	4%	65,159	61,603	65,823	60,068	-9%
Borrowings and LT. Funding	29,052	27,381	-6%	27,029	26,240	28,267	27,381	-3%
Equity	31,251	32,780	5%	32,106	31,558	32,101	32,780	2%

## 2014 Income Statement : Rp 306 billion of restructuring cost incurred in 4Q14.

Rp billion	2013	2014	YoY	1Q14	2Q14	3Q14	4Q14	QoQ
<b>Net Interest Income</b>	<b>13,531</b>	<b>13,680</b>	<b>1%</b>	<b>3,425</b>	<b>3,319</b>	<b>3,427</b>	<b>3,509</b>	<b>2%</b>
Non Interest Income	4,929	3,956	-20%	1,086	1,019	898	952	6%
<b>Operating Income</b>	<b>18,460</b>	<b>17,636</b>	<b>-4%</b>	<b>4,511</b>	<b>4,338</b>	<b>4,325</b>	<b>4,461</b>	<b>3%</b>
Cost of Credit	3,184	3,798	19%	827	1,001	1,006	963	-4%
<b>Risk Adjusted Op. Income</b>	<b>15,276</b>	<b>13,837</b>	<b>-9%</b>	<b>3,684</b>	<b>3,336</b>	<b>3,319</b>	<b>3,498</b>	<b>5%</b>
Operating Expenses	9,695	9,821	2%	2,489	2,472	2,449	2,411	-2%
<b>Restructuring cost after tax</b>		<b>306</b>					<b>306</b>	
<b>Net Profit after taxes</b>	<b>4,041</b>	<b>2,604</b>	<b>-36%</b>	<b>875</b>	<b>614</b>	<b>617</b>	<b>498</b>	<b>-19%</b>
<b>Normalized NPAT</b>	<b>4,041</b>	<b>3,453</b>	<b>-15%</b>	<b>938</b>	<b>816</b>	<b>779</b>	<b>921</b>	<b>+18%</b>



## 2014 Key Ratios

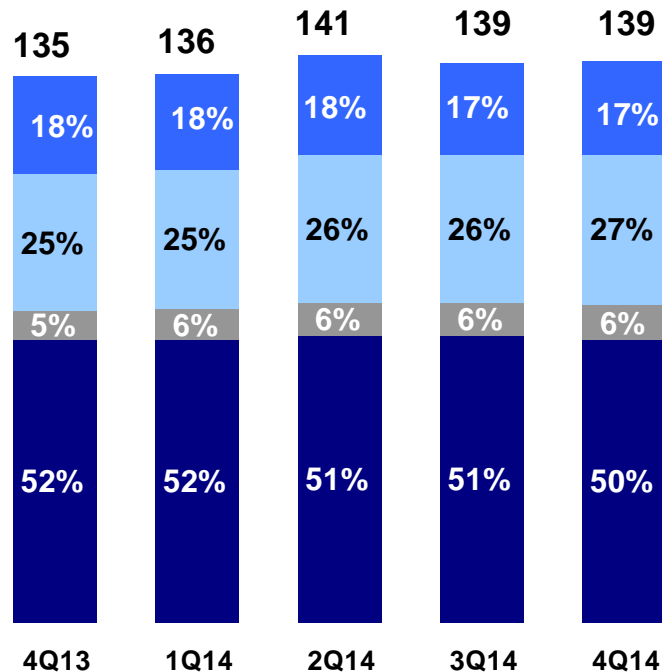
%	2013	2014	YoY	1Q14	2Q14	3Q14	4Q14	QoQ
Net Interest Margin	9.6	8.4	-1.2	8.6	8.2	8.4	8.5	0.1
Cost of Credit	2.6	2.8	0.2	2.5	3.0	3.0	2.9	-0.1
Cost / Income	52.5	55.7	3.2	55.2	57.0	56.6	54.0	-2.6
BOPO	79.7	76.6	-3.1	89.6	56.0	87.6	83.7	-3.9
ROAA	2.5	1.4	-1.1	1.9	1.3	1.3	1.0	-0.3
ROAE	14.5	8.6	-5.9	11.4	8.1	8.2	6.6	-1.6
Assets to Capital (x)	6.7	6.6	-0.1	6.2	6.3	6.6	6.6	0.0
Regulatory LDR	95.1	92.6	-2.5	94.1	98.9	91.3	92.6	1.3
Loan to Funding *	87.4	85.9	-1.5	86.7	91.4	85.9	85.9	0.0
Stand Alone CAR	17.5	18.2	0.7	18.4	17.8	18.2	18.2	-0.0
Consolidated CAR	17.9	17.9	0.0	18.8	17.7	17.9	17.9	-0.1
NPL – Gross	1.9	2.3	0.4	1.9	2.1	2.4	2.3	-0.0
Loan Loss Coverage (LLP/Total Loans)	128.3	122.6	-5.7	130.6	126.0	117.5	122.6	5.1
Coverage (LLP/NPL) – Mass Mkt	121.0	119.6	-1.4	123.2	118.7	112.8	119.6	6.8
Coverage (LLP/NPL) – Non Mass Mkt	149.1	128.8	-20.2	151.8	146.2	128.6	128.8	0.2

\*) 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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# Overall 2014 loans growth largely driven by midsize customers

**Loan Composition**  
*Rp trillion*



**Loan Growth**  
**%**

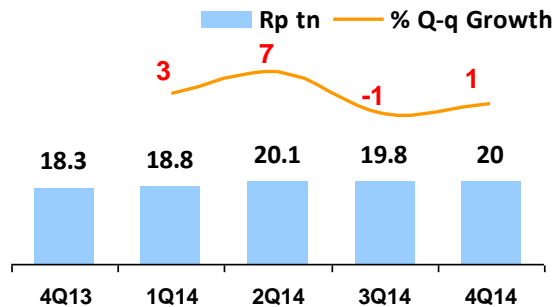
<i>Rp billion</i>	2013	2014	△YoY
Wholesale	18,047	17,548	-3%
ABF	6,447	5,660	-12%
SMEC*	33,717	37,380	11%
Retail	7,401	8,463	14%
Mass Market	69,771	70,005	0%
<b>Total</b>	<b>135,383</b>	<b>139,057</b>	<b>3%</b>

\* SME, Commercial segments, syariah

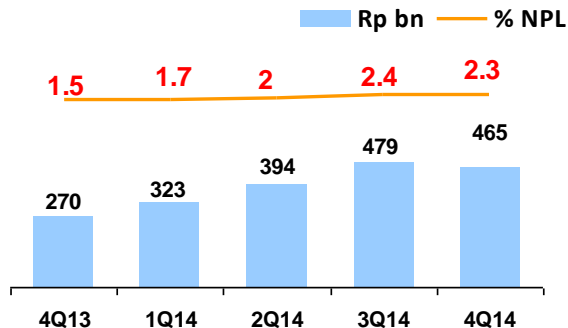
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# SME\* : Grew higher than industry, gained market share. NPL better than industry.

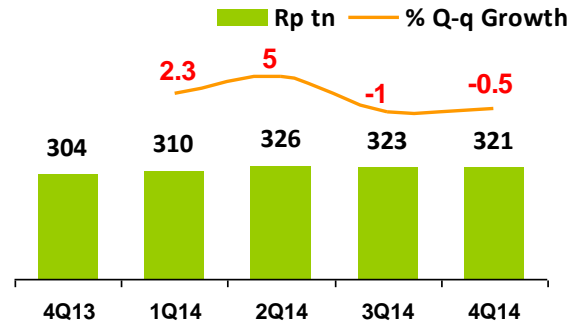
**BDI SME Loans (Rp tn) – grew 9% YoY**



**BDI SME NPL – Lower than industry**

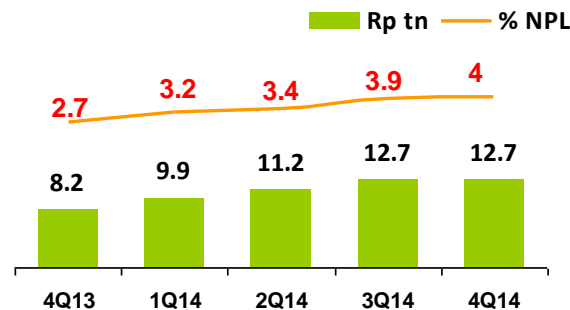


**Industry SME Loans (Rp tn) – rose 6% y-y**

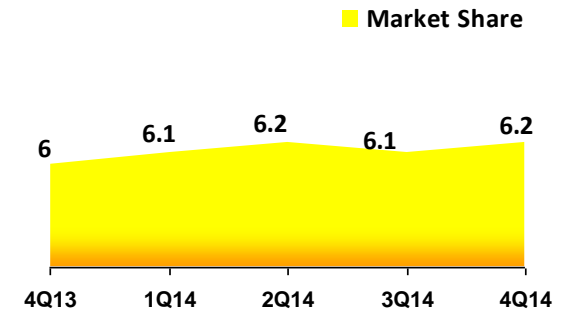


Source: OJK

**Industry SME NPL**



**BDI Market Share (%)**



- BDI SME NPL of 2.3% better than industry of 4%.
- The increase in NPL is primarily caused by smaller ticket SME/Emerging SME (below Rp 3bn) in commodities sector industry

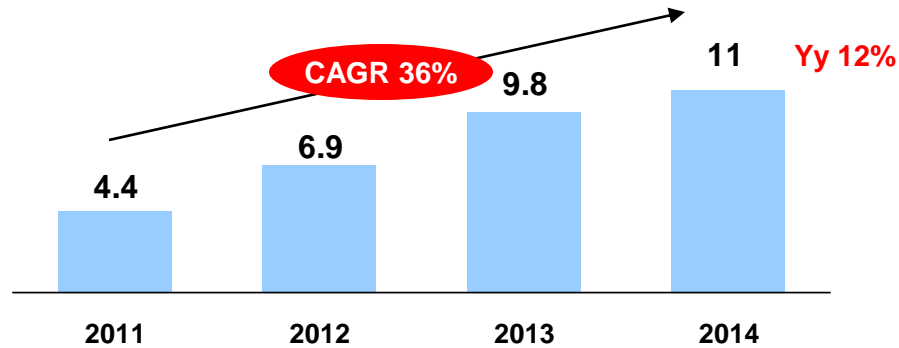
Note:

- Industry SME loans : business with turnover of Rp 2.5bn – 50 bn, or asset size of Rp 500 mn – 10 bn. (Source: PBI No. 20/2008).
- BDI loans are netted off with deferred credit provision.

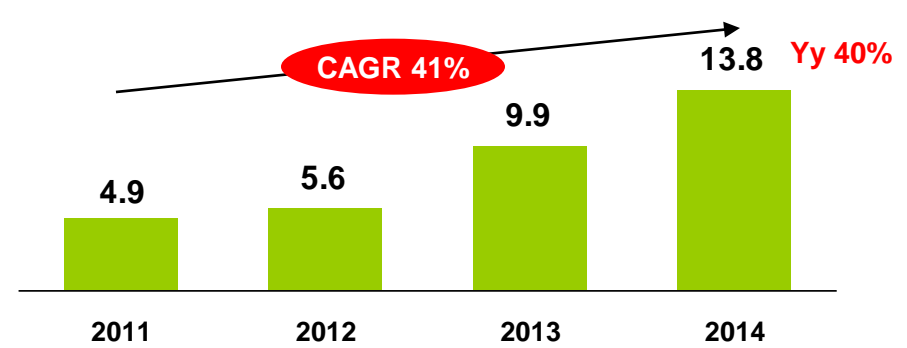
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# Trade Finance : 39% Expansion for 3-Yr CAGR

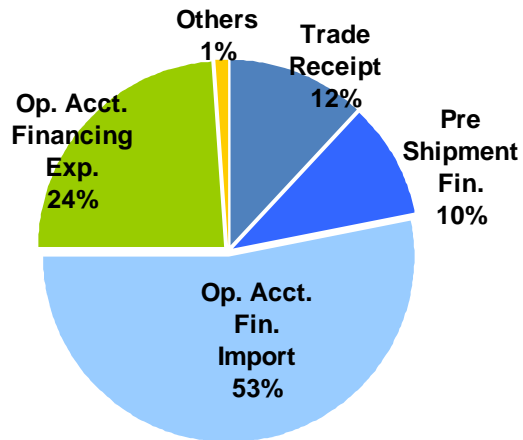
Cash Loans (Rp tn)



Non - Cash Loans (Rp tn)



Cash Loans by products – 2014

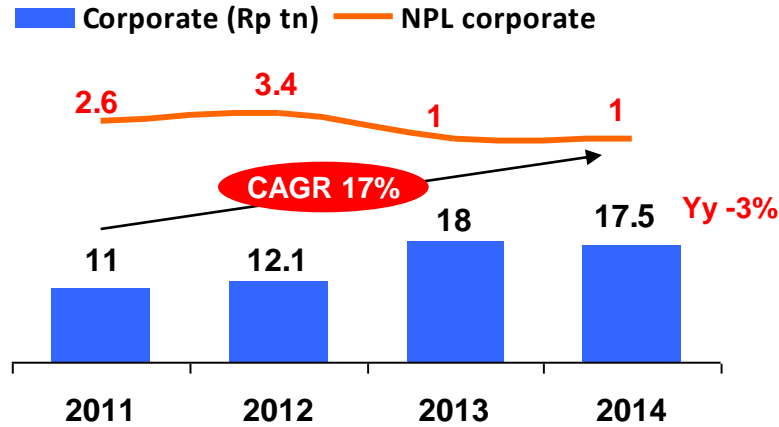


Rp 10,966 bn

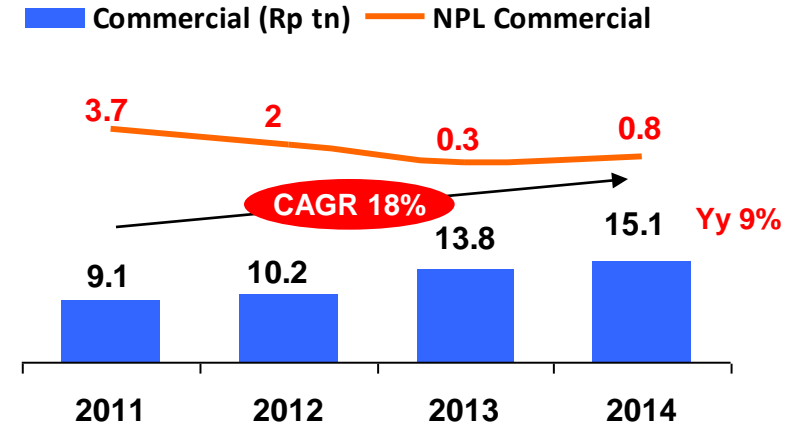
- Trade finance asset quality remained sound, NPL stood at 0.5%, or Rp 60 billion mostly from trust receipt.

# Commercial and Wholesale \*: manageable asset quality

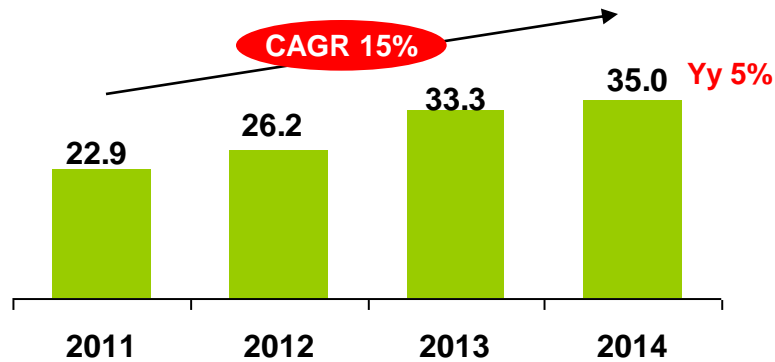
## Corporate Loans and NPL



## Commercial Loans and NPL



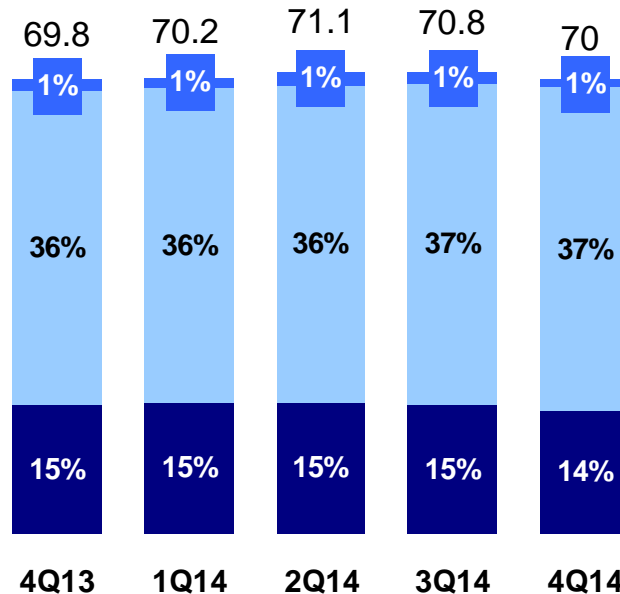
## Funding - Commercial and Wholesale (Rp tn)



- NPL in Corporate and Commercial segments chiefly stemmed from mining and quarrying sector despite marginal exposure to the Bank of 1.7%.

# Mass market loans of Rp 70 trillion. ADMF rose 3%. Restructuring mass market is one of the Management's key focus to optimize opportunities.

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



## Mass Market Loan Growth

<i>Rp billion</i>	2013	2014	△YoY
Adira Quantum	1,611	1,419	-12%
Adira Finance	48,294	49,619	3%
DSP	19,865	18,967	-5%
<b>Total</b>	<b>69,771</b>	<b>70,005</b>	<b>0%</b>

Note:

Adira Quantum : white goods financing

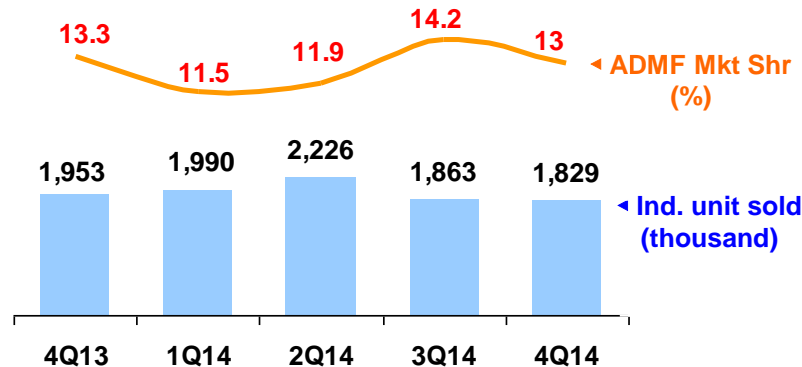
Adira Finance : auto financing

DSP : micro lending

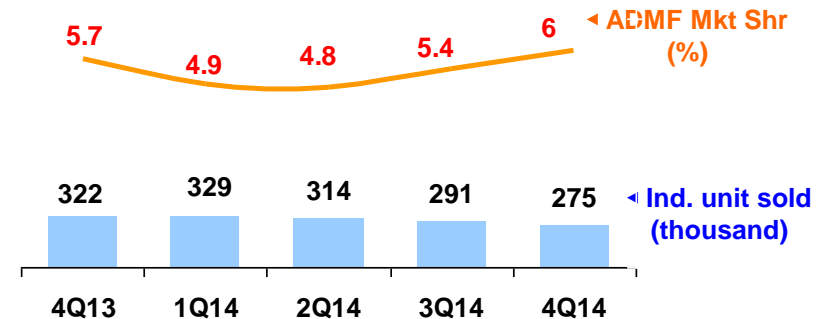
- Slower industry growth, combined with rising competition still challenged ADMF and DSP, respectively.
- Several actions have been taken to maximize opportunities in mass market, such as merging ADMF and AQ.

# ADMF : Climbing market share in 2014, asset quality has been manageable.

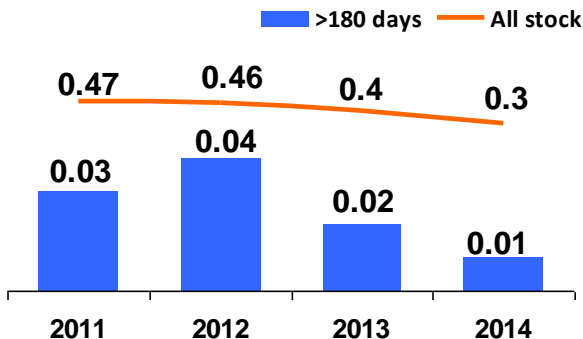
2W Industry Sales and ADMF Mkt Share



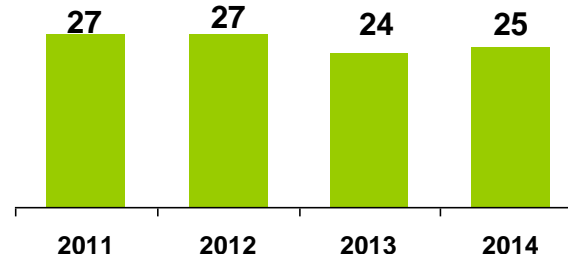
4W Industry Sales and ADMF Mkt Share



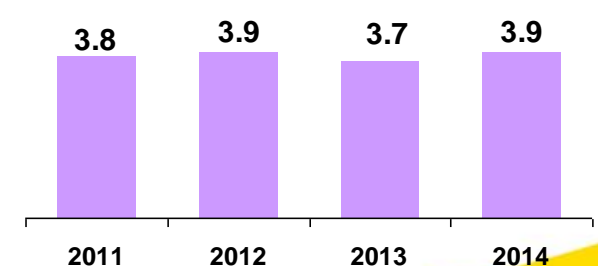
Repo Assets as % of Receivables (%)



Loss on Repo Assets – Ave. (%)

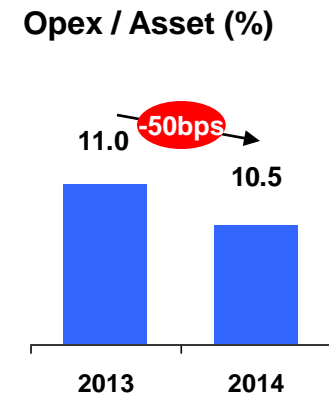
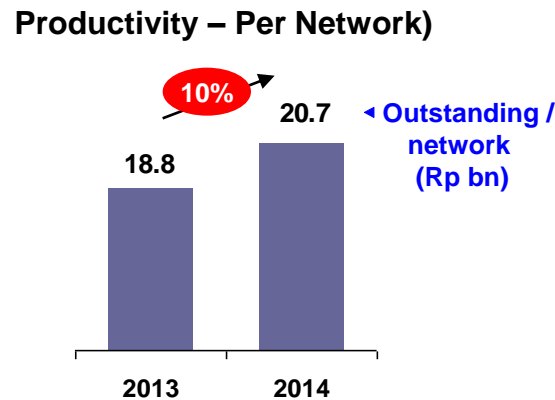
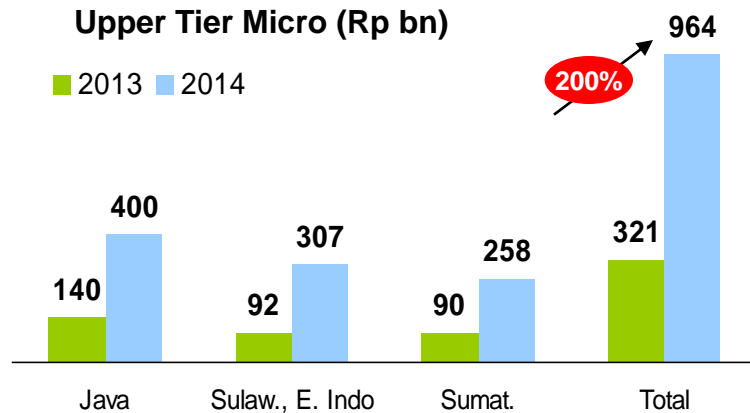


NCL (%)



- % Repo / ENR was maintained at 0.3%, while old Inventory (>180 days) stayed at 0.01%
- LOR Rate (on sold repossessed assets) relatively showed manageable trend
- Since end of 2013, NCL was at a stable level with the company's prudent and an end-to-end approach risk management.

# SEMM : Improved productivity and full-loaded opex / asset.



## What have been done?

- Accelerate growth of upper-mass market
- Consolidated 18% (177) of SEMM physical network
- Reduce no.of headcount by 17% (+/- 3,700) since Oct 13
- Cooperated with International Finance Corporation (IFC), a member of the World Bank Group, to design and expand new agricultural loan model
- Revisit operating model, customer segmentation, and to centralize the processing structure to improve independency of credit officers / reviewers
- Implement motorcycle team to reach remote area

## 2015 Strategy

### Customers

- Expand to more agri sectors through Cooperatives
- Expand the one to many channel with Mitra DSP, Kawan DSP, Klik DSP and Halo DSP

### People and Infrastructure

- Continuously develop the competency building through comprehensive and integrated of training and coaching programs
- Roll-out Hub & Spoke model to entire SEMM network
- Roll-out centralized processing structure to entire SEMM network
- Continue to improve turn around time through automation system

### Products / Service / Coverage

- Expand the customer point of touch through 19 Mobil DSP and 50 Kios DSP

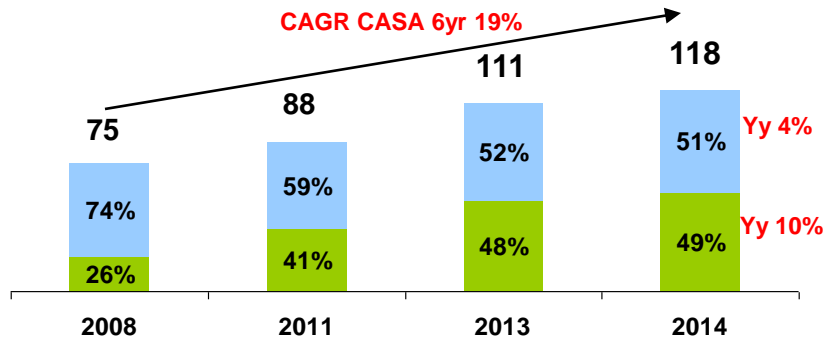
Slide 24



# CASA Journey : CASA ratio stood at 49%. CASA dominated by SA (60%). CASA ratio above BUKU 3\*.

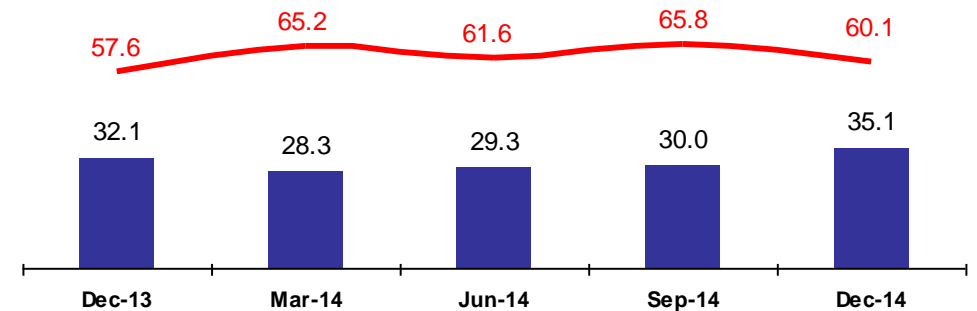
Customer Deposits (Rp tn)

■ CASA ■ TD

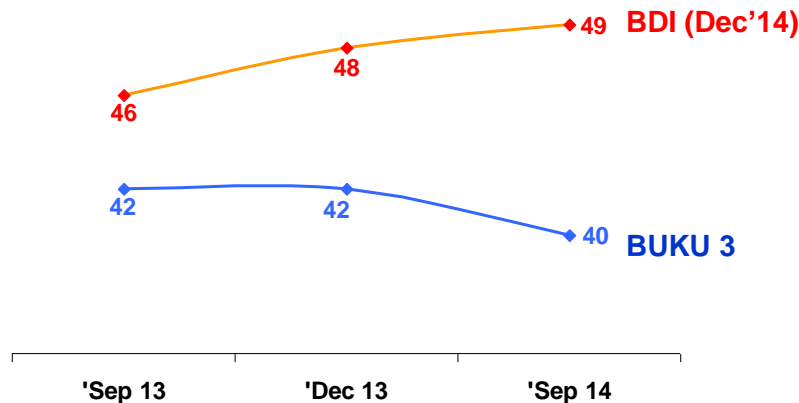


SA growth of 10% y-y, ahead of TD expansion of 4%

■ SA (Rp tn) ■ TD (Rp tn)



CASA Ratio comparison (%)



Customers	People & Infrastructure	Product / Services
<ul style="list-style-type: none"> <li>Grow the customer base focusing on self employed and affluent segment</li> </ul>	<ul style="list-style-type: none"> <li>Leverage Adira and DSP – 4 Adira branches piloting for cross selling and expand to all Adira branches by end of year 2014</li> <li>Relocation of non performing ATMs and branches</li> <li>Launched SMS Banking and Mobile Banking apps</li> <li>Introduced Customer Lifecycle Management to increase the stickiness of customers</li> <li>Improve skills and increase +/- 1,000 number of sales force to nearly 3,000 by end of 2014 from 2008.</li> <li>Financial Supply Chain to boost funding</li> </ul>	<ul style="list-style-type: none"> <li>X-sell, new Bancassurance and CASA products</li> <li>Speed up process, reduce queuing time</li> <li>Centralized complaint handling system</li> </ul>

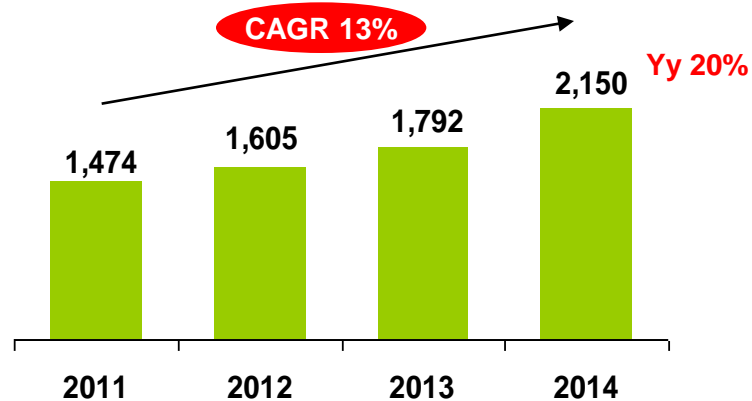
Slide 25

\*) Danamon is under BUKU 3 (Tier 1 below Rp30tn)

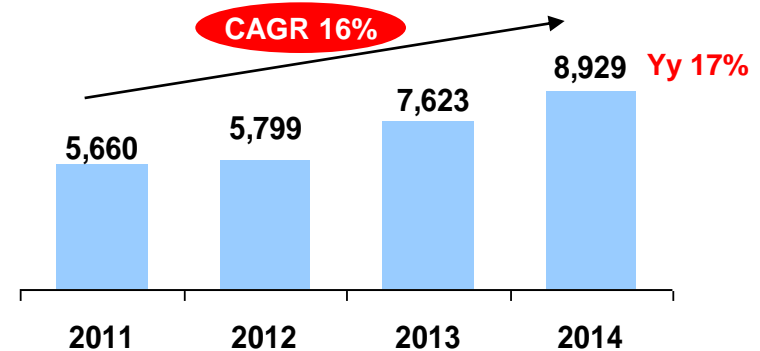
# Adira Insurance :

## Strong growth of GWP and number of active policies

Gross Written Premium (Rp bn)



No of Active Policy (000)



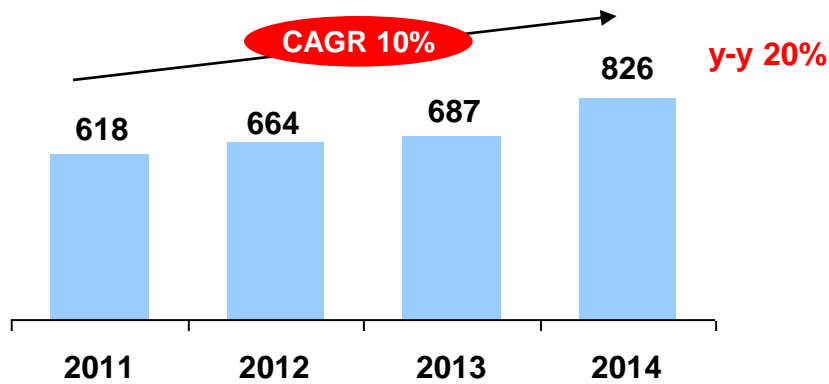
- GWP rose 20% to Rp 2,150 billion, while the number of active policies reached 8.9 million (up 17% y-y).
- Cost to Income ratio improved 3% to 37% by year end 2014.
- ROA was stable at 9%, while ROE also rose 3% to 32% against 29% last year.

%	2010	2011	2012	2013	2014	Y-y
RBC	401	337	234	205	209	4
CIR	31	32	35	40	37	-3
RoE	36	38	36	29	32	3
RoA	15	14	11	9	9	-

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

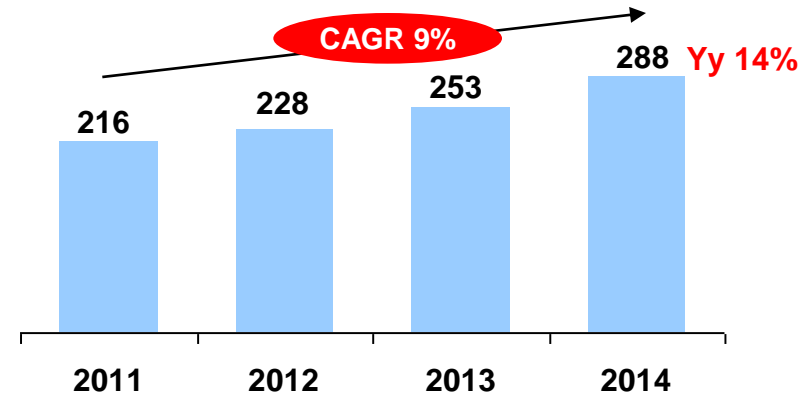
# Fee Income\* : General Insurance dominated fee income, rose 20%.

General Insurance (Rp bn)

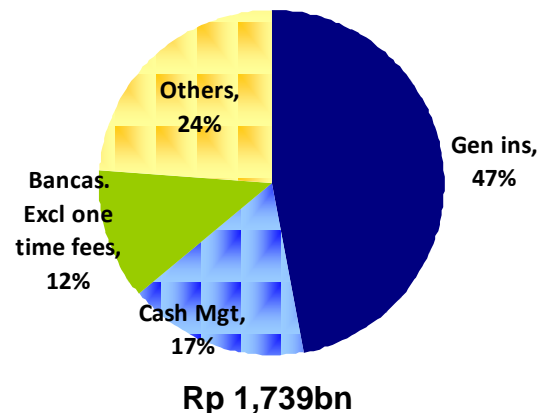


Note : General insurance including investment fees

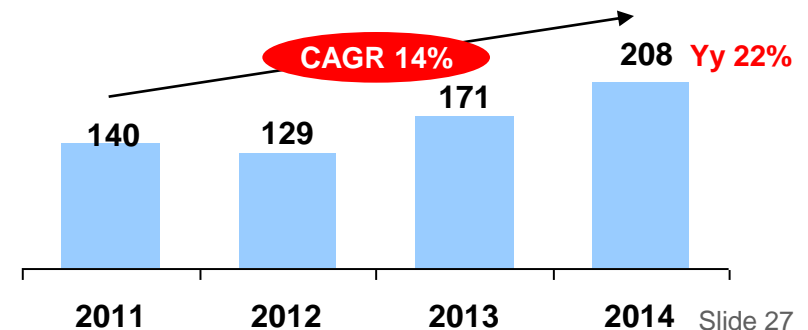
Cash Management (Rp bn)



Distribution of Fee Income FY14 (%)



Bancassurance excluding one time fee (Rp bn)

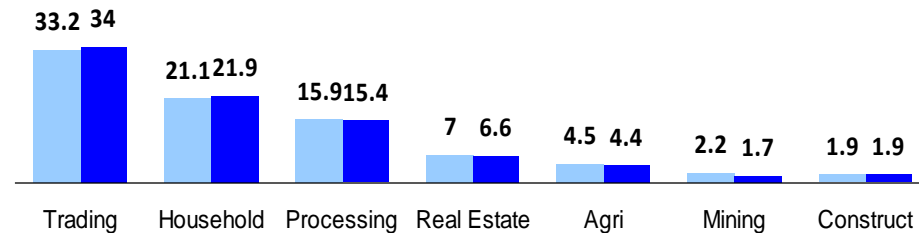


\* Ex-credit related

# Asset Quality : NPL and CoC each improved 10bps q-q in 4Q14, standing at 2.3% and 2.9%, respectively. Overall asset quality remained in-check.

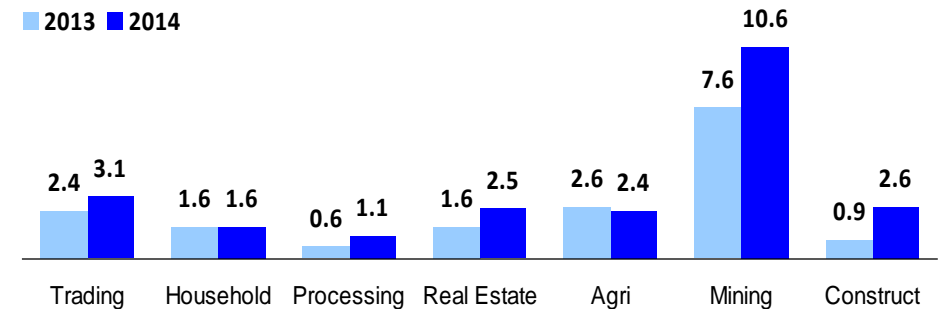
**BDI Loans by Industry (% of total loans)**

■ 2013 ■ 2014



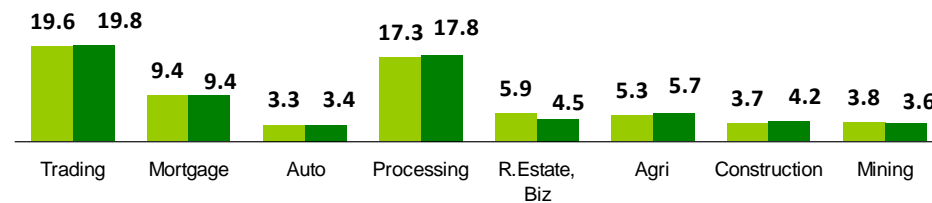
**BDI NPL (%)**

■ 2013 ■ 2014



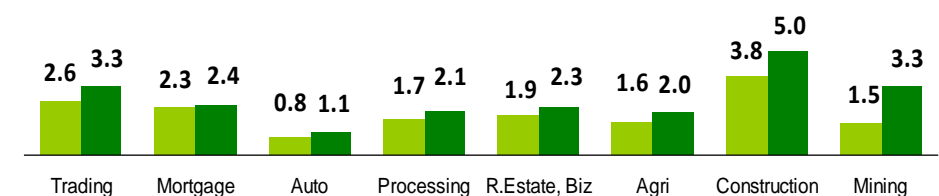
**Industry Loans by Industry (% of total loans)**

■ Nov-13 ■ Nov-14



**Industry NPL (%)**

■ Nov-13 ■ Nov-14

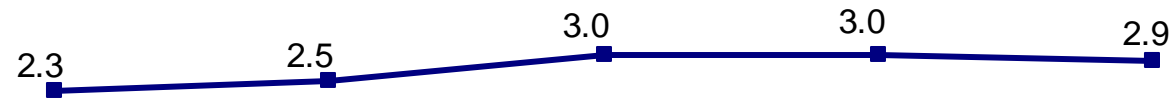


- Trading loans rose driven by Commercial and Corporate segment

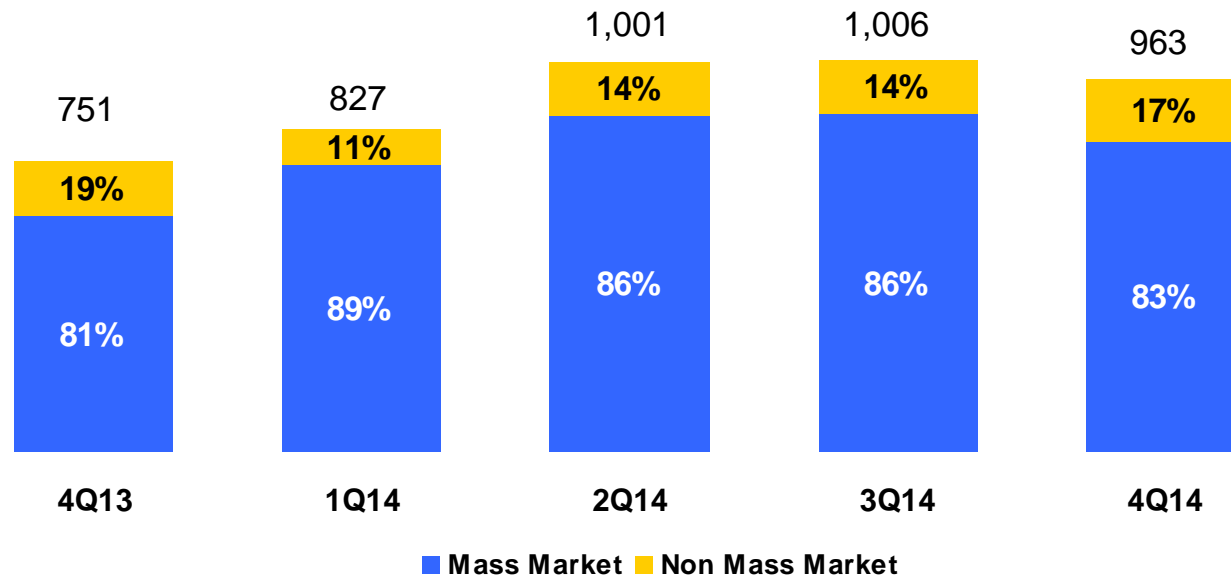
- Increase in NPL ratio for mining industry is partly caused by worsening performance of some coal-related borrowers

Cost of Credit of 2.9% in 4Q14, sustained at 2.8% for FY14.

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

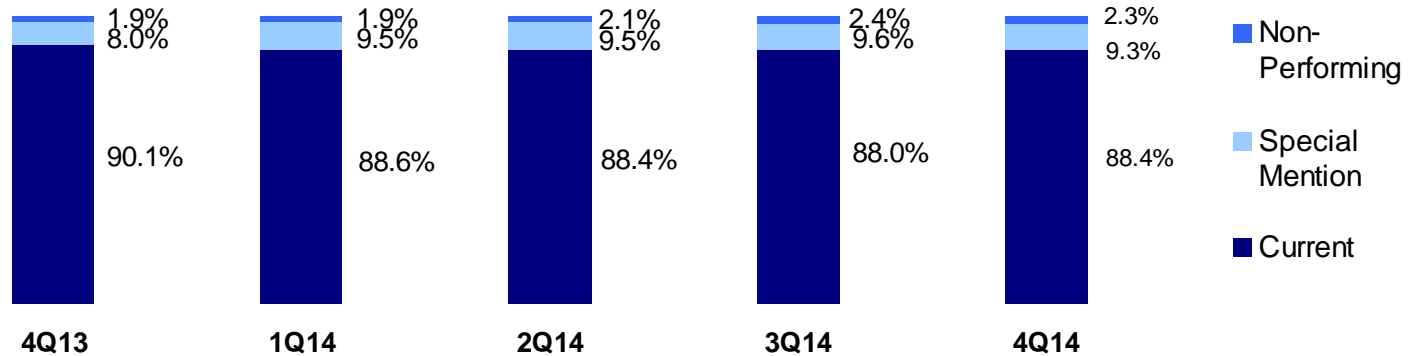


### Cost of Credit (Rp billion)

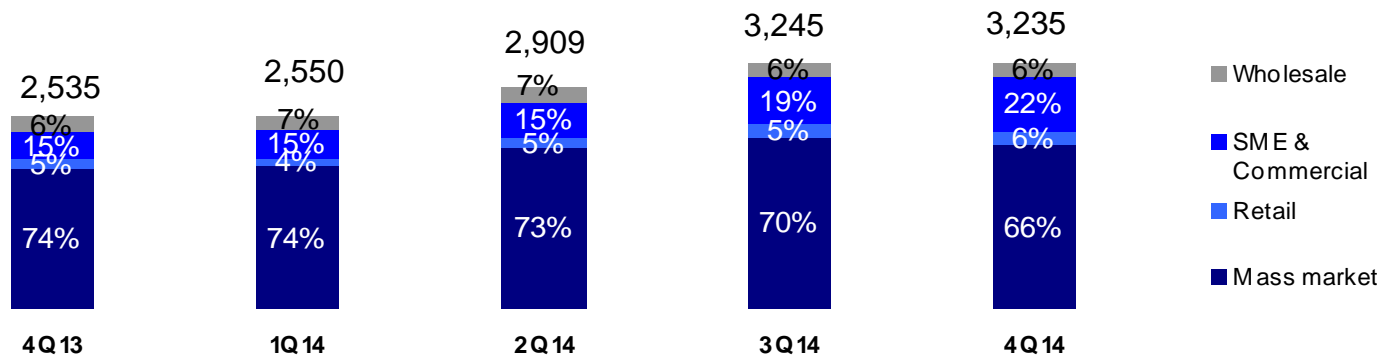


# NPL remained low

## Loan's Collectibility % of Outstanding loans



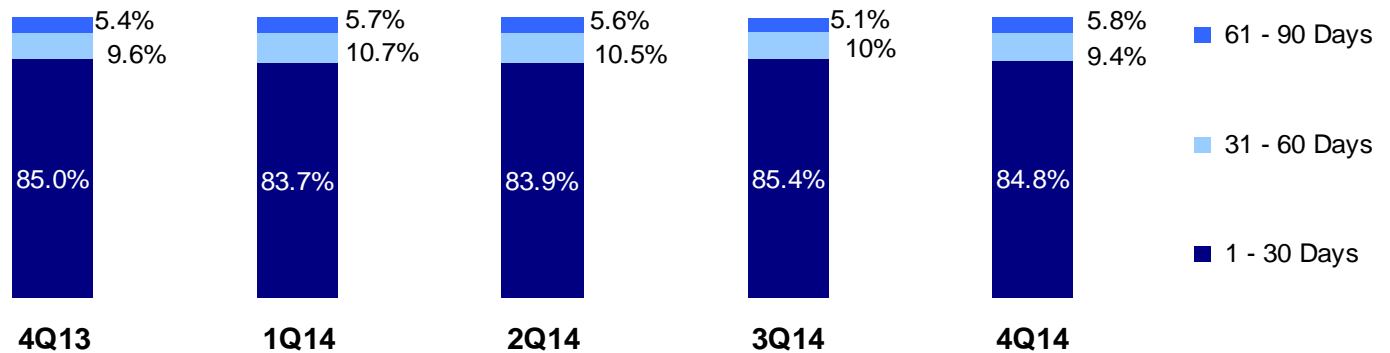
## Non-Performing Loans by Segment Rp billion



# Majority of special mention loans were within 30 days

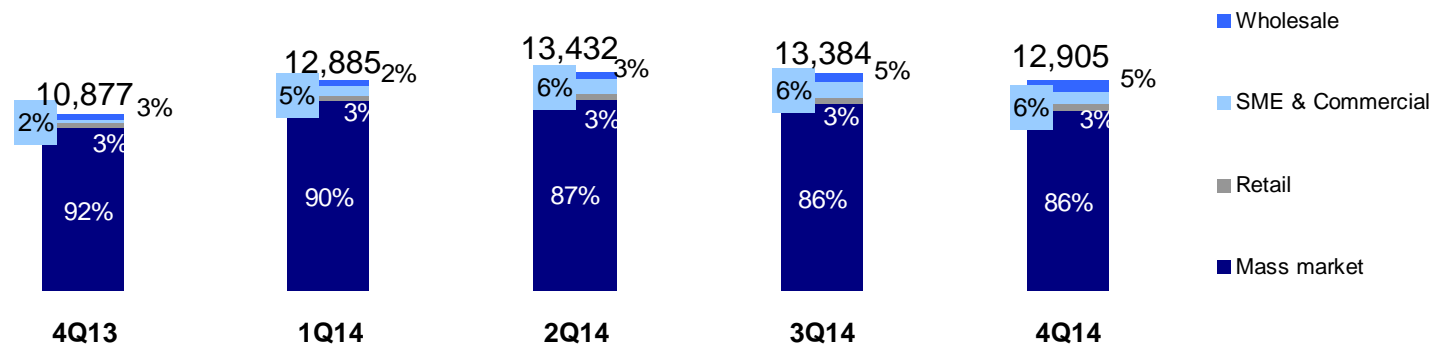
## Special mention loans by Aging

% of Special Mention Loans



## Special Mention Loans by Segment

Rp billion



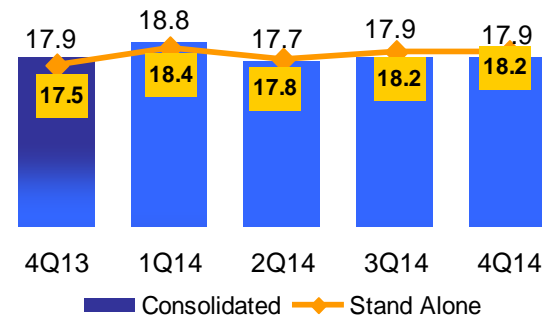
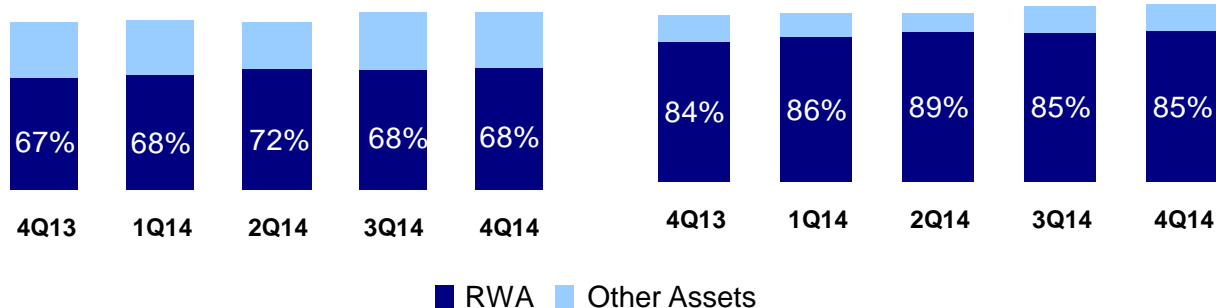
# Secured capitalization for growth and Basel III

## RWA / Total Assets

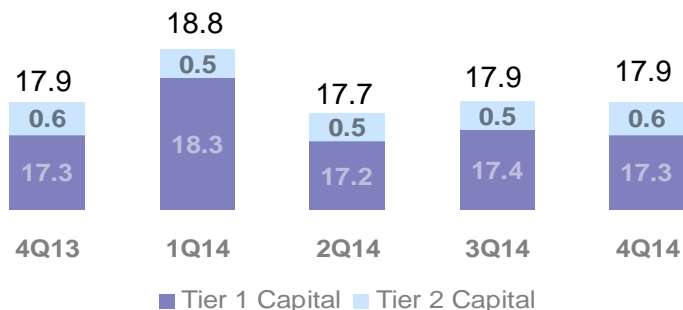
## Capital Adequacy Ratio (%)

### RWA BDI Only

### RWA Consolidated



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



%	4Q13	1Q14	2Q14	3Q14	4Q14
CAR w/ Credit Risk	22.0	23.5	22.1	22.4	22.2
Market Risk Charge	0.0	0.0	0.1	0.1	0.0
Operational Risk Charge	4.1	4.7	4.3	4.4	4.3
<b>CAR Consolidated</b>	<b>17.9</b>	<b>18.8</b>	<b>17.7</b>	<b>17.9</b>	<b>17.9</b>



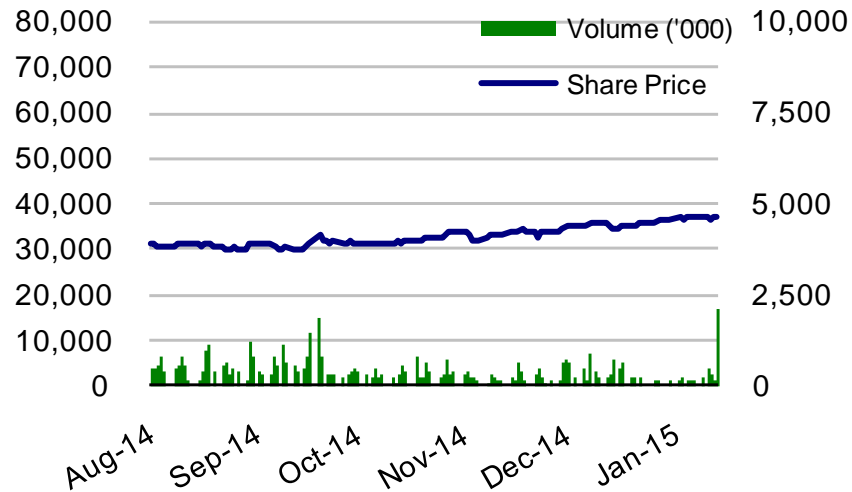
# Agenda

- Financial Results

- **Appendix**

## Daily share price and trading volume

BDMN IJ



## Ownership Structure

As of 31 December 2014

Ownership Structure	Number of Shares	Ownership (%)
Asia Financial (Indonesia) Pte. Ltd.	6,457,558,472	67.4%
JPMCB - Franklin Templeton Inv. Funds	650,279,488	6.8%
Public < 5%	2,476,805,405	25.8%
<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>November 2014</i>	LT General Obligation	idAAA
<b>Standard &amp; Poor's</b>	Outlook	Stable
<i>December 2014</i>	LT Issuer Credit	BB
	ST Issuer Credit	B
<b>Fitch's</b>	Outlook	Stable
<i>August 2014</i>	LT Issuer Default Rating	BB+
	ST Issuer Default Rating	B
	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 Debt	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 Underwriting 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
13,774	427	137	5,114	(15,389)	-	(510)	3,554	(871)	(79)	2,604

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
13,911	5,541	19,452	(15,389)	4,063	-	(510)	(871)	(79)	2,604	
(231)		(231)	231	-						- LPS Deposit Insurance
	(6)	(6)		(6)	6					- Provision for ADMF acquisition cost
	(183)	(183)		(183)	183					- Write off on amortization cost
	(230)	(230)	230	-						- ADMF indirect acquisition cost
	(311)	(311)	311	-						- Decrease in fair value of financial assets (MTM)
	(2)	(2)	2	-						- Losses from sale of financial assets (marketable securities)
	(464)	(464)	464	-		-				- Losses from spot and derivative transaction (realised)
		-	3,986	3,986	(3,986)					- Impairment losses on financial assets
	(347)	(347)	347	-						- Fees/commissions and administrative expenses
	(41)	(41)	(5)	(46)		46				- Others
13,680	3,956	17,636	(9,821)	7,814	(3,799)	(463)	(871)	(79)	2,604	
Analyst Briefing Presentation										

## **Global Economy : USD strength continue as EU's economy weakens**

- IMF revised down global growth forecast to 3.5% (from previously 3.8%), but more optimistic on US growth. US growth forecast raised from 3.1% to 3.6% this year.
- SNB remove caps on Swiss Franc. The decision is made in anticipating the ECB's QE to avoid higher cost in defending the currency cap. ECB launched the QE, plan to buy asset by around 60bn Euro per month, this year, starting March 15.

## **Domestic : Fuel subsidy scrapped, bigger allocation for infrastructure**

- The government fully scrap the subsidy for premium gasoline while maintaining a fixed amount of subsidy for diesel fuel. As global oil price continue to come down, the government lowers down the premium gasoline further to currently at Rp6.600/USD
- The government to propose major changes on the revised budget to the parliament. Expect a lower fiscal deficit of 1.9% of GDP, with savings of fuel subsidy re-allocated to capital spending.
- December's inflation higher than expectation at 2.46%mom (8.36%yoy) due to the second round impact of Nov's fuel price hike. November's trade performance still in deficit of USD425.7mn
- BI Rate maintained at 7.5% in January. Credit growth declined further to 11.9%yoy in Nov.

## **Market implication**

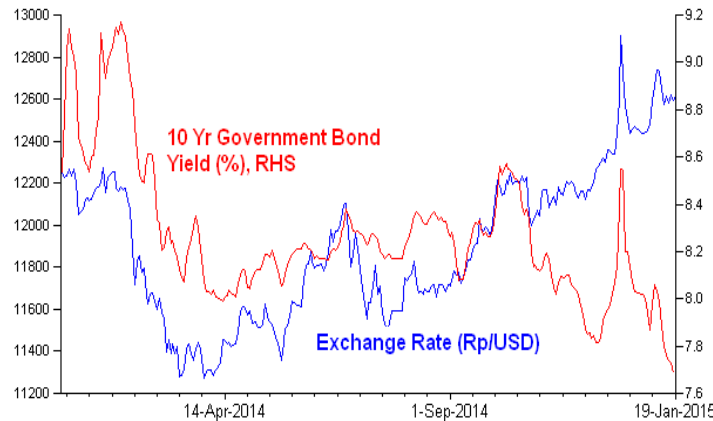
- Rising volatility affecting the exchange rate and the bond market. We revised down the IDR forecast this year end to Rp12,450/USD, watchful for volatility following the expected Fed rate reversal.

# Rupiah weaken mainly on US recovery, EU struggle

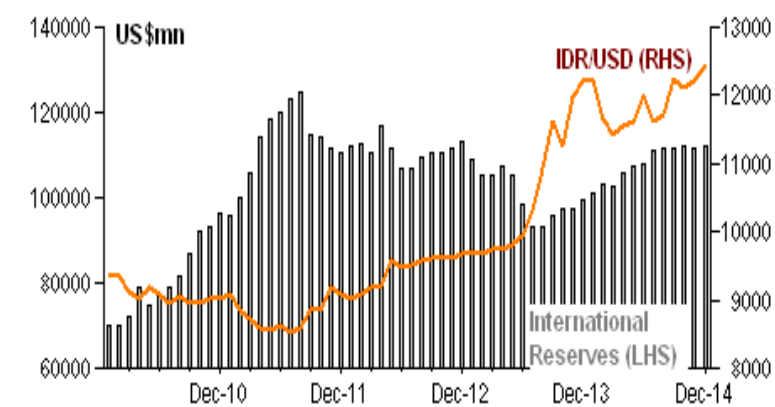
## Rupiah

- Rupiah weakens, as EU's economy remains struggling, causing USD strengthen globally. Rupiah currently traded at Rp12500/USD.
- Forex reserve stable at USD111.9bn by end of Dec

## IDR and Bond Yield



## Foreign Exchange Reserves USDmn



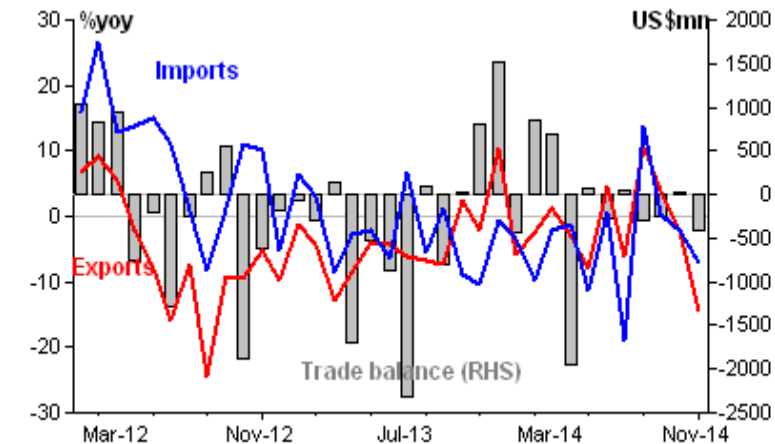
## Inflation

- Dec's inflation was mild at 2.46%mom (8.36%yoy) due to second round impact of Nov's fuel price hike
- Pressure should gradually decline. We expect 5.03%yoy inflation by YE

## Inflation %yoy



## Trade



## Trade

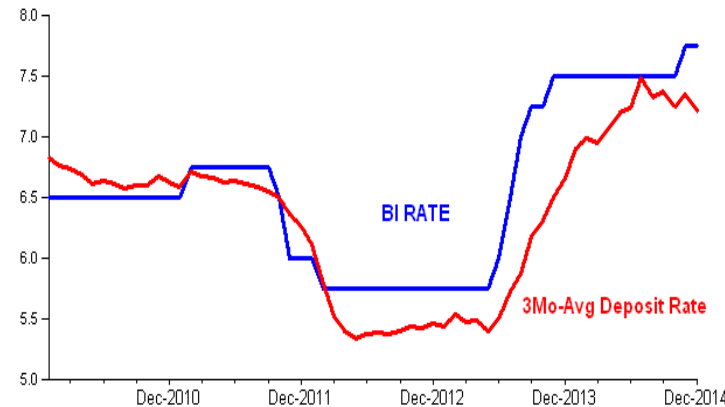
- Trade balance slipped back to deficit of USD 426mn in Nov as imports outperformed exports.

# Credit growth slowed down further

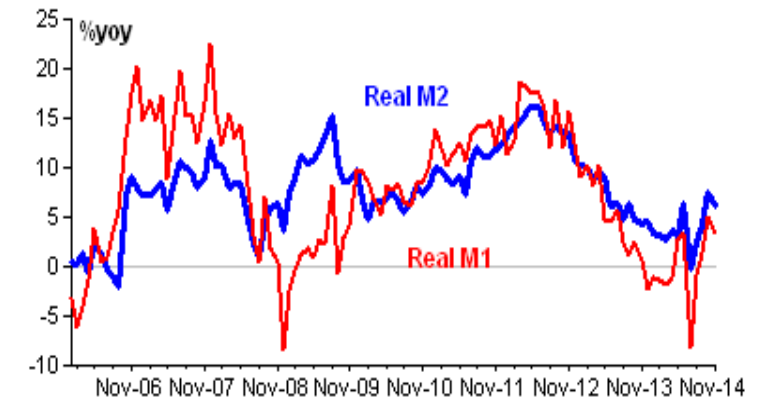
## Banking Sector

- BI Rate maintained at 7.5% in January
- Credit growth slowed further to 11.9%yoy in Nov.
- Liquidity condition remained relatively stable, as reflected in the moderate growth deposit at 13.8%yoy.
- BI set the inflation target at 3-5% for 2015-2016
- BI's growth forecast remains at 5.4-5.8%yoy, with credit growth expected at 15-17%yoy

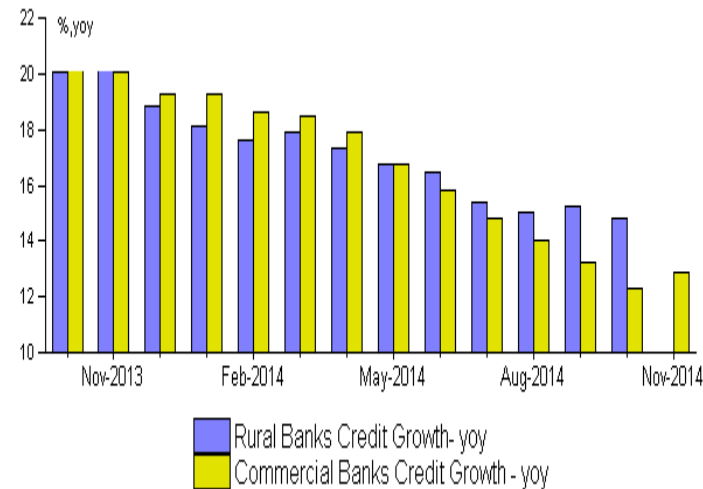
**BI Rate, Deposit Rate  
%yoy**



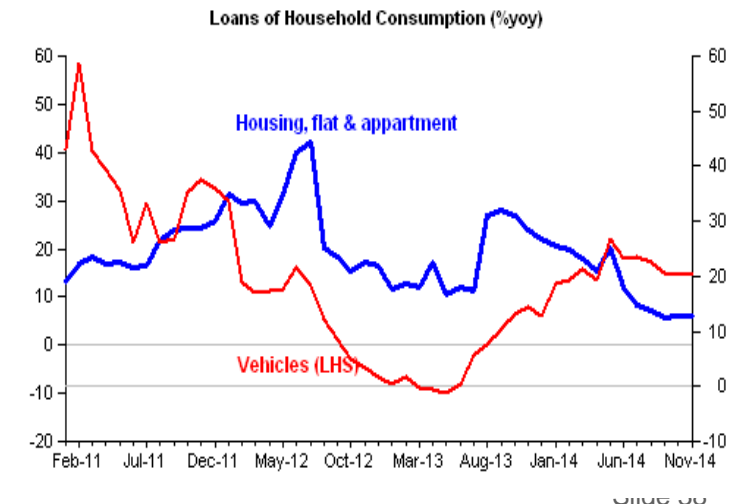
**Money Supply  
%yoy**



**Credit Growth  
%yoy**



**Housing and Vehicles Loans  
%yoy**



# Selected Economics Indicators

Indonesia	2010	2011	2012	2013	2014E	2015E
<b>National Account</b>						
Real GDP (% YoY)	6.2	6.5	6.2	5.8	5.1	5.3
Domestic demand ex. Inventory (% y-o-y)	5.3	5.7	6.2	5.1	5.1	4.9
Real Consumption: Private (% y-o-y)	4.7	4.7	5.3	5.3	5.4	5.0
Real Gross Fixed Capital Formation (% y-o-y)	8.5	8.8	9.8	4.7	4.6	5.1
GDP (US\$ bn) – nominal	709	847	879	871	878	934
GDP per Capita (US\$) – nominal	2,983	3,514	3,596	3,478	3,461	3,636
Open Unemployment Rate (%)	7.1	6.6	6.3	6.3	5.9	5.8
<b>External Sector</b>						
Exports, fob (% YoY, US\$ bn)	32.1	26.9	-6.3	-2.6	1.7	4.0
Imports, fob (% YoY, US\$ bn)	43.7	30.8	8.3	-1.4	3.0	2.5
Central government debt (% of GDP)	26.1	24.6	23.1	22.4	24.4	22.01
International Reserves – IRFCL (US\$ bn)	96.2	110.1	112.9	99.4	111.9	105.0
Reserve cover (Imports and external debt)	7.1	6.3	6.1	5.4	6.3	6.1
Currency / US\$ (Year-end)	8,991	9,068	9,670	12,189	12,400	12,450
<b>Other</b>						
BI Policy Rate (% year end)	6.50	6.00	5.75	7.50	7.75	7.75
Consumer prices (% year end)	6.96	3.79	4.30	8.08	8.36	5.03
Fiscal balance (% of GDP; FY)	-0.73	-1.16	-1.77	-2.24	-2.26	-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.

Slide 41

# Thank You

Investor Relations

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