

Analyst Briefing

Full Year 2016 Financial Result

Jakarta, 01 March 2017

	2015: Starting the journey	2016: Setting up the foundation	2017: Gaining momentum
1 Diversify growth engines	<ul style="list-style-type: none"> Network rationalization 	<ul style="list-style-type: none"> ADMF, SME, Commercial, Consumer and Adira Insurance's transformations in key regions. Branch optimization. 	<ul style="list-style-type: none"> Nation-wide roll out of new initiatives and coverage models. Streamline SEMM model.
2 Sharpen competitive edge	<ul style="list-style-type: none"> Shared service consolidation 	<ul style="list-style-type: none"> Transaction Banking as solution integrator. Treasury, and Sharia alignment with S&D Network 	<ul style="list-style-type: none"> Leaner and more efficient Operations support.
3 Increase customer-centric focus		<ul style="list-style-type: none"> S&D nationwide rollout. Cross-sell and product bundling initiatives. Bankwide marketing strategy. 	<ul style="list-style-type: none"> Upskilling S&D Branches' staffs, Area Managers, Regional Heads.
4 Ride on technology		<ul style="list-style-type: none"> Continue to enhance consumer and business segments' digital channels. Automate the back-end process. Implementation of rules-based engine in SEMM. Starting the journey to leverage analytics. 	
5 Enhance human capital	<ul style="list-style-type: none"> Implemented meritocracy (SIPASTI). 	<ul style="list-style-type: none"> Revamped incentive system. Improved internal talent training and development. 	<ul style="list-style-type: none"> Instill strong sales & service culture throughout the organization.

Assets and Liabilities

- Combined portfolio including Trade Finance¹⁾ grew 2% QoQ to Rp 127.3 tn. Excluding Micro loans, the portfolio grew 4% QoQ and 2% YoY.
- SME, Wholesale²⁾ and Consumer Mortgage portfolio grew double digit at 10.1%, 10.8% and 20.8% YoY, respectively.
- Third-party funding was reduced by 10%, in line with LFR target of 90%-92%. However CASA ratio increased by 340 bps from prior year to reach 46.0%.

Asset Quality

- NPL amount decreased 4.1% YoY to Rp 3.7 tn, in contrast with industry's NPL increase of 27% YoY.
- NPL ratio stood at 3.1% at the end of FY16.
- Cost of credit (CoC) amount declined 12% YoY to Rp 4.4 tn. CoC ratio improved by 30 bps to 3.5% in FY16.

Profit and Loss

- Risk-Adjusted NIM improved 100 bps to 5.4% in FY16.
- Cost to Income Ratio (CIR) improved 320 bps from 52.0% in FY15 to 48.8% in FY16.
- Net Profit Before Taxes (NPBT) jumped 39% YoY to Rp 4.5 tn.
- Danamon and subsidiaries participated in the Tax Amnesty Program, resulting in a one time tax expense adjustment of Rp 456 bn.
- Net Profit after Taxes (NPAT) increased 12% YoY to Rp 2.7 tn. Normalized NPAT grew 31% to Rp 3.1 tn.

1) Trade Finance includes related marketable securities

2) Commercial, Corporate, and FI

<i>In Rp billion</i>	FY15	FY16	YoY	1Q16	2Q16	3Q16	4Q16	QoQ
Total Assets	188,057	174,087	-7%	179,334	174,855	174,686	174,087	0%
Total Loan Portfolio and Trade Finance ¹⁾	129,474	127,310	-2%	126,099	127,880	124,553	127,310	2%
Total Loan Portfolio and Trade Finance ¹⁾ excl. Micro	114,868	117,125	2%	112,774	115,370	113,109	117,125	4%
Government Bonds	6,916	9,563	38%	6,605	8,291	9,143	9,563	5%
Total Funding	139,782	126,224	-10%	132,077	127,852	124,575	126,224	1%
CASA	49,785	48,536	-3%	45,948	44,712	45,574	48,536	6%
Time deposits	66,991	56,955	-15%	65,140	61,391	58,197	56,955	-2%
Borrowings and LT. Funding	23,006	20,733	-10%	20,989	21,749	20,804	20,733	0%
Equity	33,932	35,943	6%	34,886	35,018	35,849	35,943	0%

1) Trade Finance includes related marketable securities.

<i>In Rp billion</i>	FY15	FY16	YoY	1Q16	2Q16	3Q16	4Q16	QoQ
Net Interest Income	13,648	13,793	1%	3,395	3,408	3,445	3,546	3%
Fee Income	3,666	3,913	7%	928	1,062	928	996	7%
Operating Income	17,314	17,706	2%	4,322	4,469	4,373	4,542	4%
Operating Expenses	8,999	8,632	-4%	2,086	2,140	2,168	2,238	3%
PPOP¹⁾	8,313	9,074	9%	2,236	2,330	2,205	2,304	4%
Cost of Credit	4,925	4,358	-12%	1,129	1,079	1,153	997	-14%
Operating Profit	3,389	4,716	39%	1,107	1,250	1,052	1,307	24%
Restructuring Cost	182	260	42%	0	0	0	260	nm
NPBT	3,206	4,456	39%	1,107	1,250	1,052	1,047	0%
Taxes ²⁾ & Minority Interest	813	1,787	120%	294	330	270	894	232%
NPAT	2,393	2,669	12%	814	921	782	152	-81%
Normalized NPAT³⁾	2,393	3,125	31%	814	921	782	608	-22%

1) Pre-Provision Operating Profit

2) 4Q16: Danamon and subsidiaries participated in the Tax Amnesty Program, resulting in a one time tax expense adjustment of Rp 456 bn.

3) Excludes a one time tax expense adjustment.

In %	FY15	FY16	YoY	1Q16	2Q16	3Q16	4Q16	QoQ
NIM	8.2	8.9	0.7	8.6	8.8	8.9	9.4	0.5
CoC	3.8	3.5	-0.3	3.6	3.5	3.8	3.3	-0.5
Risk-adjusted NIM	4.4	5.4	1.0	5.0	5.3	5.2	6.1	0.9
Cost to Income	52.0	48.8	-3.2	48.3	47.9	49.6	49.3	-0.3
ROAA ¹⁾	1.2	1.5	0.3	1.8	2.1	1.8	0.4	-1.4
ROAE ¹⁾	7.5	8.0	0.5	9.8	11.2	9.2	1.8	-7.4
Regulatory LFR ²⁾	87.5	91.0	3.5	90.2	92.6	91.7	91.0	-0.7
Consolidated LFR ³⁾	92.5	97.0	4.5	95.3	97.7	97.6	97.0	-0.6
CAR – Consolidated	19.7	20.9	1.2	20.8	20.6	21.5	20.9	-0.6
NPL Gross	3.0	3.1	0.1	3.3	3.3	3.5	3.1	-0.4
Loan Loss Coverage (LLC)	112.0	116.9	4.9	109.5	110.6	102.3	116.9	14.6

1) 4Q16: Danamon and subsidiaries participated in the Tax Amnesty Program, resulting in a one time tax expense adjustment of Rp 456 bn.

2) Loan to Funding Ratio (“LFR”) calculation is as stipulated in BI regulation No. 17 / 11 / PBI / 2015 dated 25 June 2015 effective in August 2015. LDR data is used prior to Aug 2015.

3) Consolidated including Adira finance structured funding.

Non-Micro businesses have yielded growth

	Consolidated Financials – with SEMM			Consolidated Financials – If without SEMM*		
	FY15	FY16	YoY	FY15	FY16	YoY
NIM (%)	8.2	8.9	0.7	6.5	7.5	1.0
Cost of Credit (%)	3.8	3.5	-0.3	2.4	2.4	0.0
Cost-to-Income Ratio (%)	52.0	48.8	-3.2	50.2	46.0	-4.2
Net Profit Before Taxes (Rp bn)	3,206	4,456	38.9%	3,735	5,180	38.7%
ROAE (%)	7.5	8.0	0.5	9.2	9.5	0.3

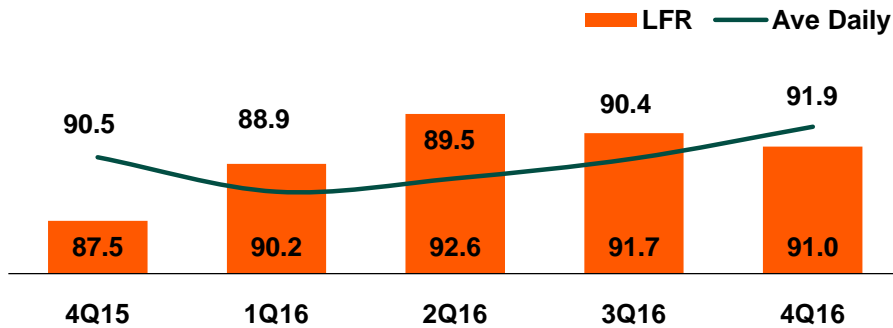
*) Opex reduction are based on SEMM direct cost only

Micro Banking Turnaround Strategy

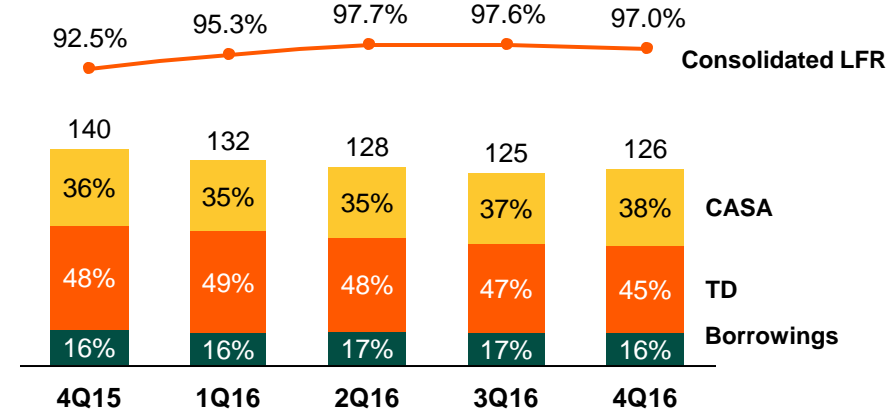
- > Reorganized SEMM into Micro Banking branches and Special Assets (non-profitable) branches.
- > Focus on network rationalization and collection in Special Assets branches.
- > Revamp business model to improve efficiency and automation in Micro Banking.

LFR was maintained below those of BUKU 3 and regulatory limit

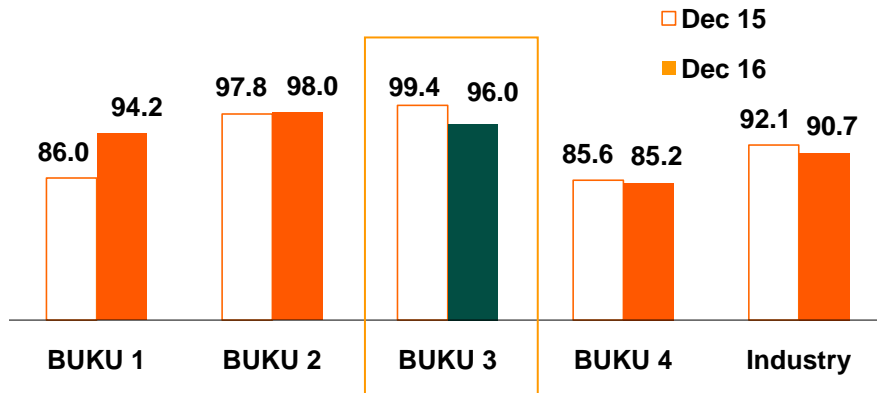
Bank only LFR* (%) – Liquidity has been stable



Consolidated Funding (Rp tn, %) – Increase in CASA ratio



LDR (%) by BUKU – BUKU 3 Banks posted the highest LDR

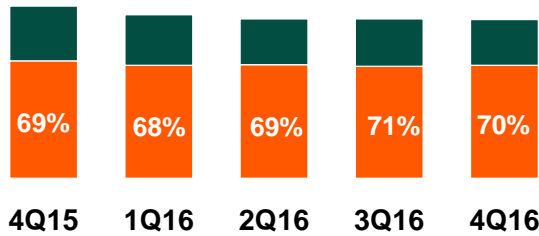


- Danamon's LFR is in line with management's target range of 90-92%.
- The 91.0% LFR is below those of BUKU 3, and is also lower than the 94% regulatory limit.
- CASA proportion of total funding has improved.

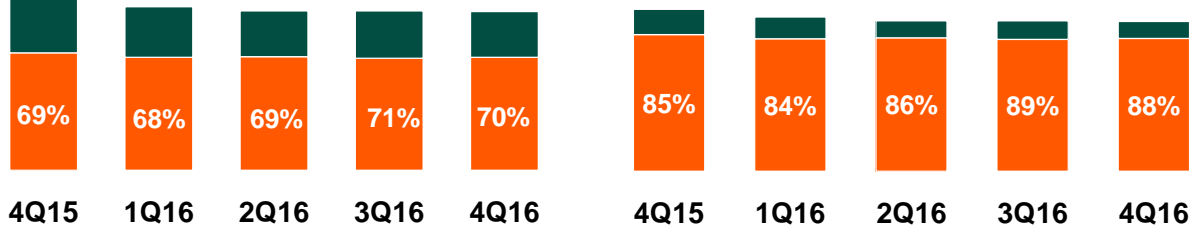
**) Loan to Funding Ratio ("LFR") calculation is as stipulated in BI regulation No. 17 / 11 / PBI / 2015 dated 25 June 2015 effective in August 2015.*

RWA / Total Assets

RWA BDI Only

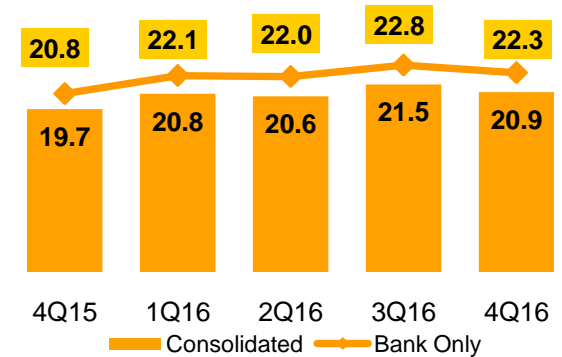


RWA Consolidated

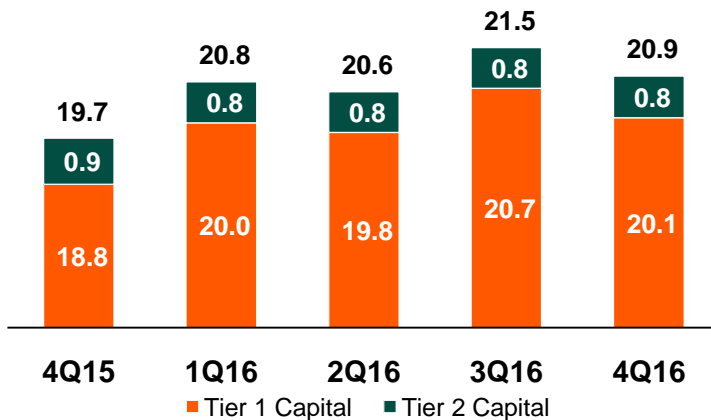


■ RWA ■ Other Assets

Capital Adequacy Ratio (%)



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

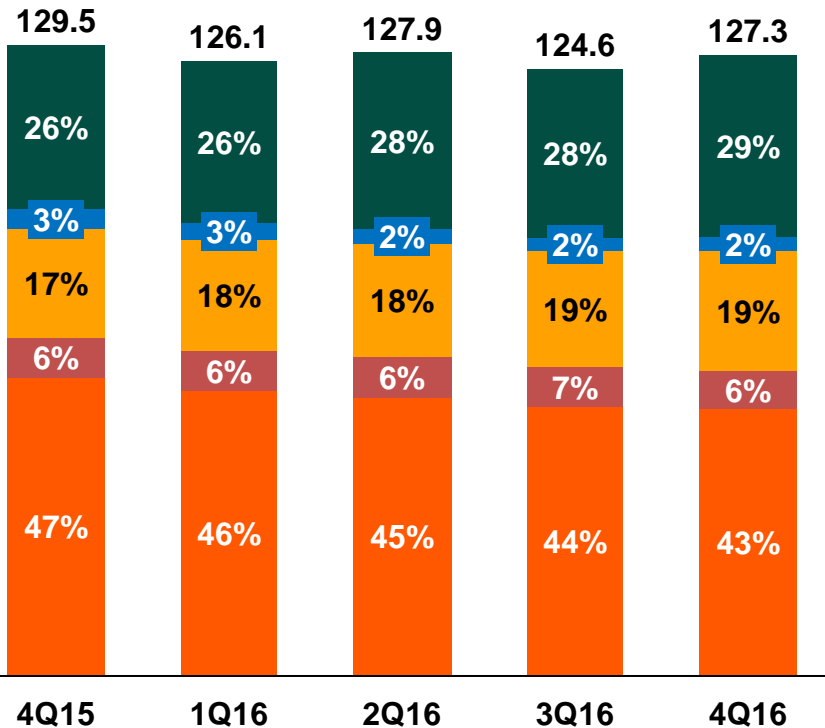


■ Tier 1 Capital ■ Tier 2 Capital

%	4Q15	1Q16	2Q16	3Q16	4Q16
CAR w/ Credit Risk	25.1	26.8	26.5	27.9	26.9
Market Risk Charge	0.1	0.1	0.1	0.2	0.1
Operational Risk Charge	5.3	5.9	5.8	6.2	6.0
CAR Consolidated	19.7	20.8	20.6	21.5	20.9

Wholesale, SME and Consumer Mortgage grew double digit

Composition of Loan Portfolio & Trade Finance¹⁾
(Rp tn)



Growth of Loan Portfolio & Trade Finance¹⁾
(%)

Rp bn	2015	2016	ΔYoY	ΔQoQ
Wholesale²⁾	33,763	37,406	11%	9%
ABF	3,899	2,812	-28%	-1%
SME	22,407	24,675	10%	3%
Consumer	8,206	7,780	-5%	-5%
Mortgage	3,677	4,442	21%	8%
Others ³⁾	4,529	3,338	-26%	-18%
Mass Market	61,199	54,637	-11%	-1%
Total	129,474	127,310	-2%	2%
Total excl Micro	114,868	117,125	2%	4%
Sharia loans ⁴⁾	2,920	2,812	-4%	-2%

1) Trade finance includes related marketable securities

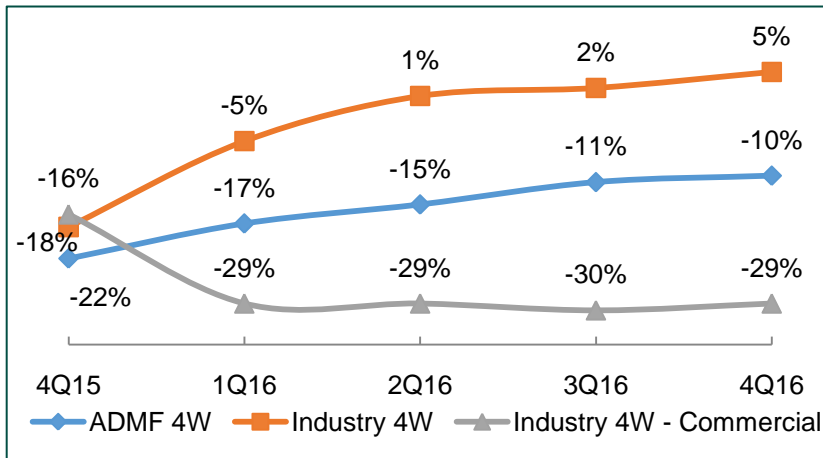
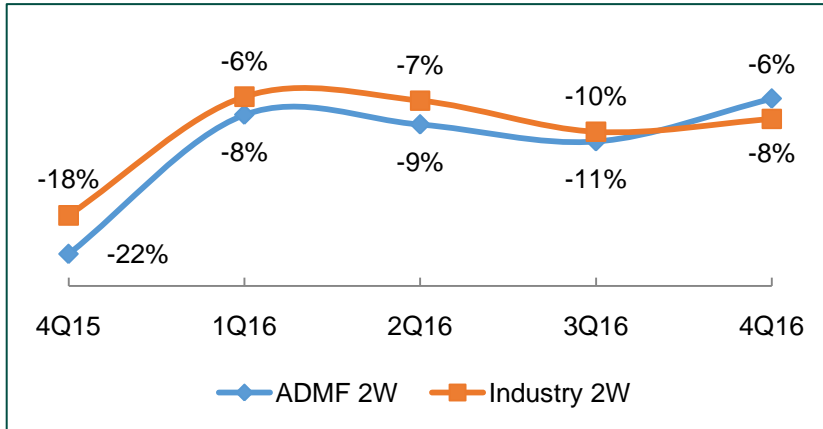
2) Commercial, Corporate, and FI

3) Unsecured Personal Loan, Credit Card, and Other

4) Sharia loans were blended into the above Wholesale, ABF, and SME loans

ADMF new sales performed better than industry

ADMF New Sales vs. Industry (% YoY growth)

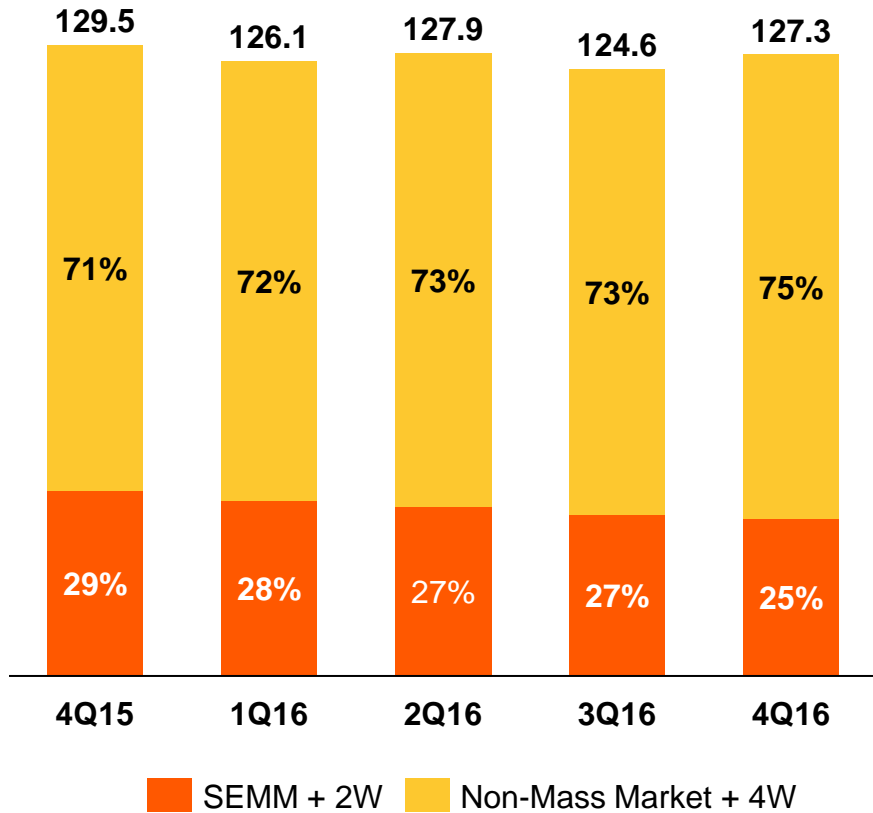


Mass Market Loan Growth (%)

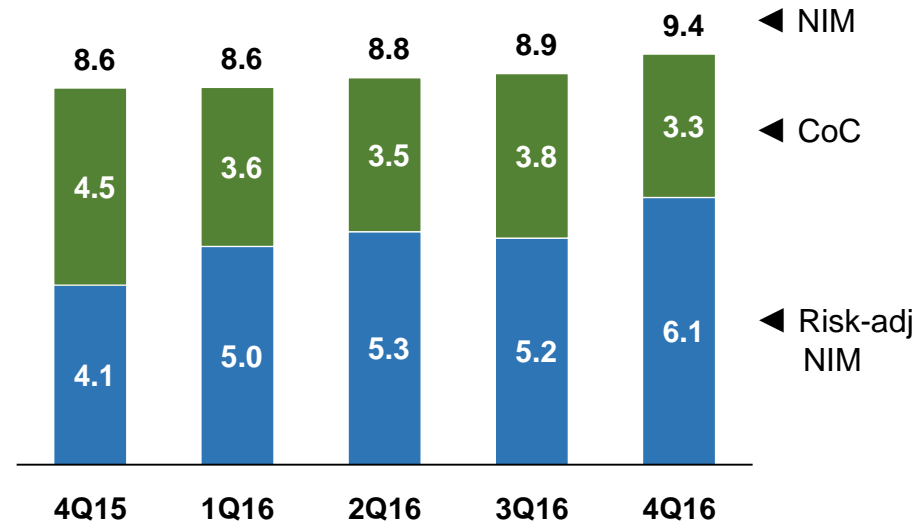
Rp bn	2015	2016	ΔYoY	ΔQoQ
2W auto loans	22,420	20,961	-7%	1%
4W auto loans	23,312	22,614	-3%	2%
White goods and others	861	877	2%	3%
Adira Finance	46,593	44,452	-5%	2%
SEMM (Micro)	14,606	10,185	-30%	-11%
Total	61,199	54,637	-11%	-1%

Lower yield due to asset mix change was offset by lower CoC

Composition of Loan Portfolio & Trade Finance
(Rp tn)



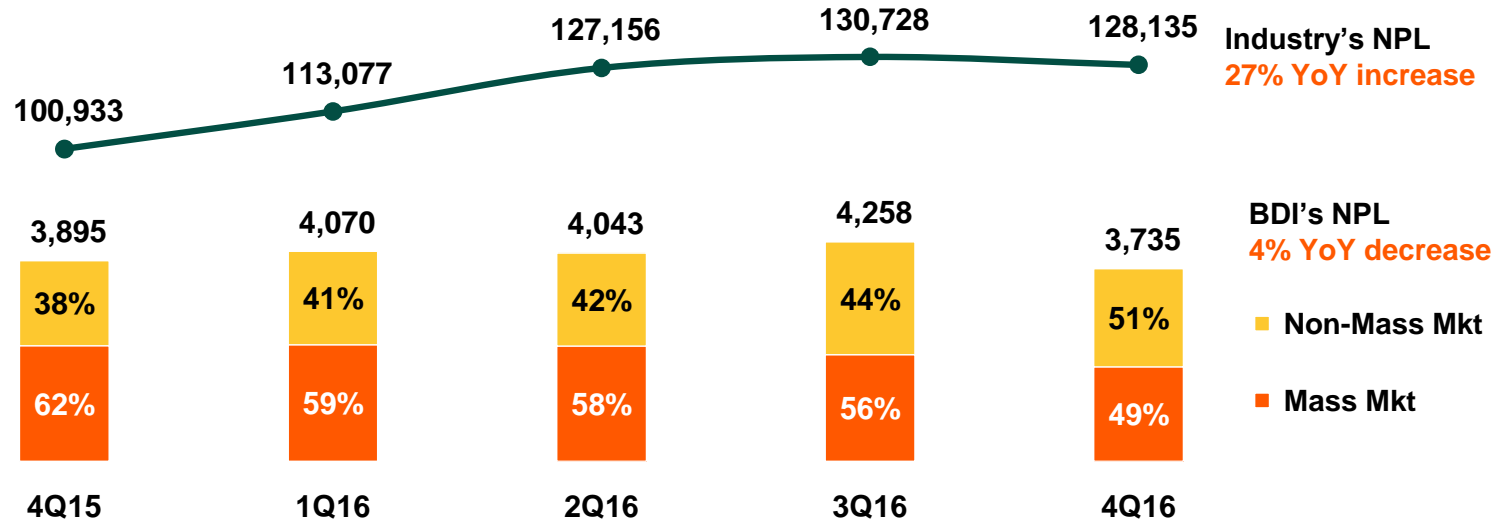
Risk-Adjusted NIM (%)



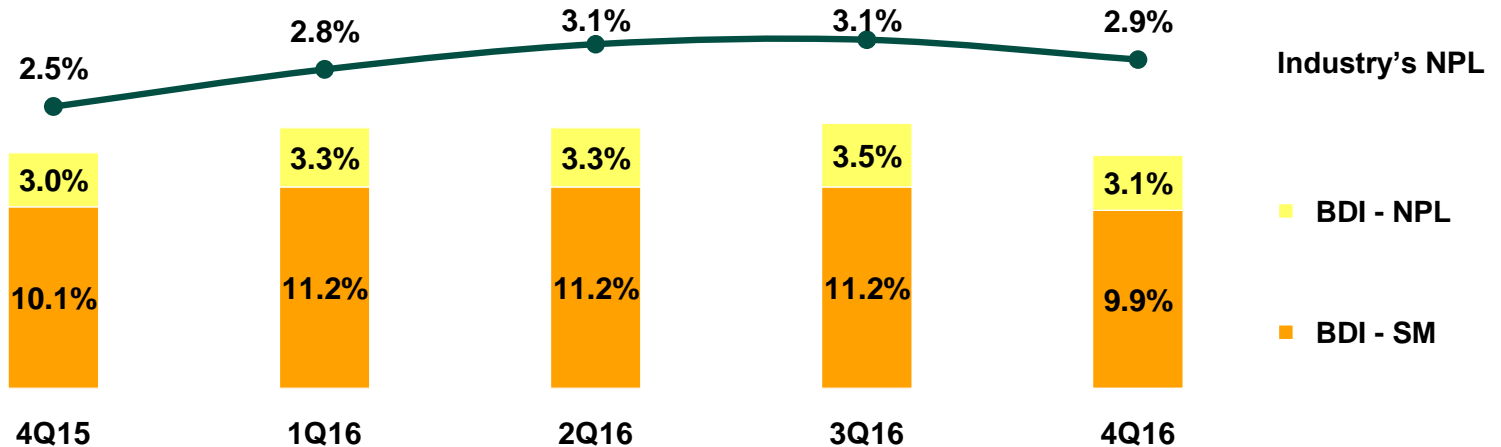
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NPL amount improved 4% YoY while that of the industry worsened 27% YoY

NPL amount
(Rp bn)
and
Composition
(% of Total NPL)

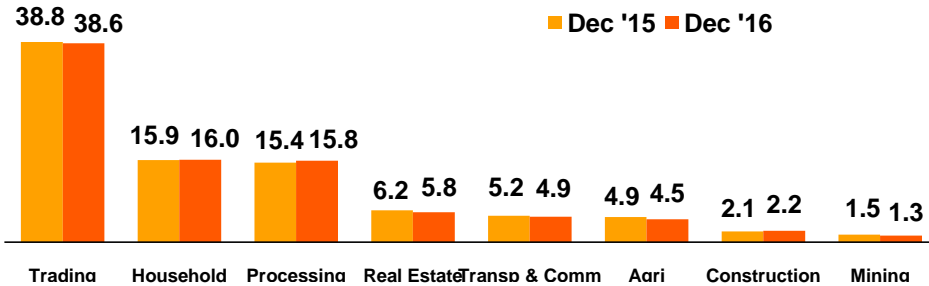


Loan Collectability
(% of Total Loans)

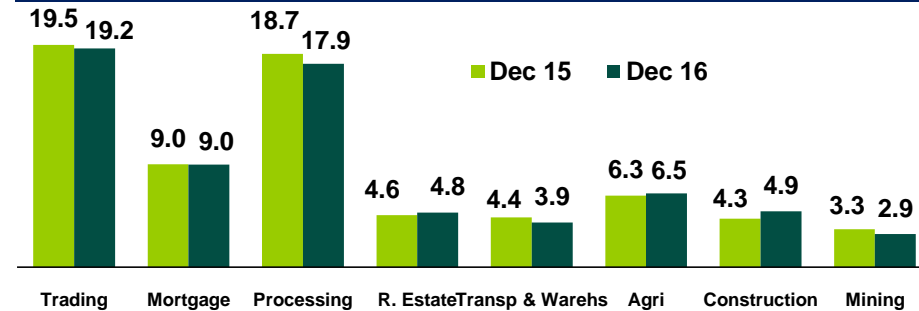


Asset quality by sector is better across the majority of industry sectors

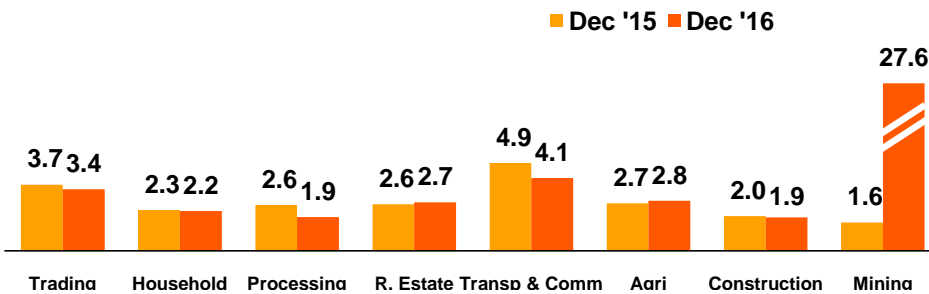
BDI Loans by Sector (% of total loans)



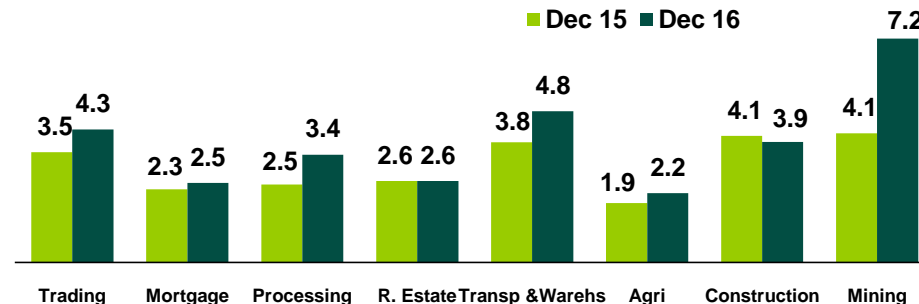
Industry Loans by Sector (% of total loans)



BDI NPL by Sector (%)



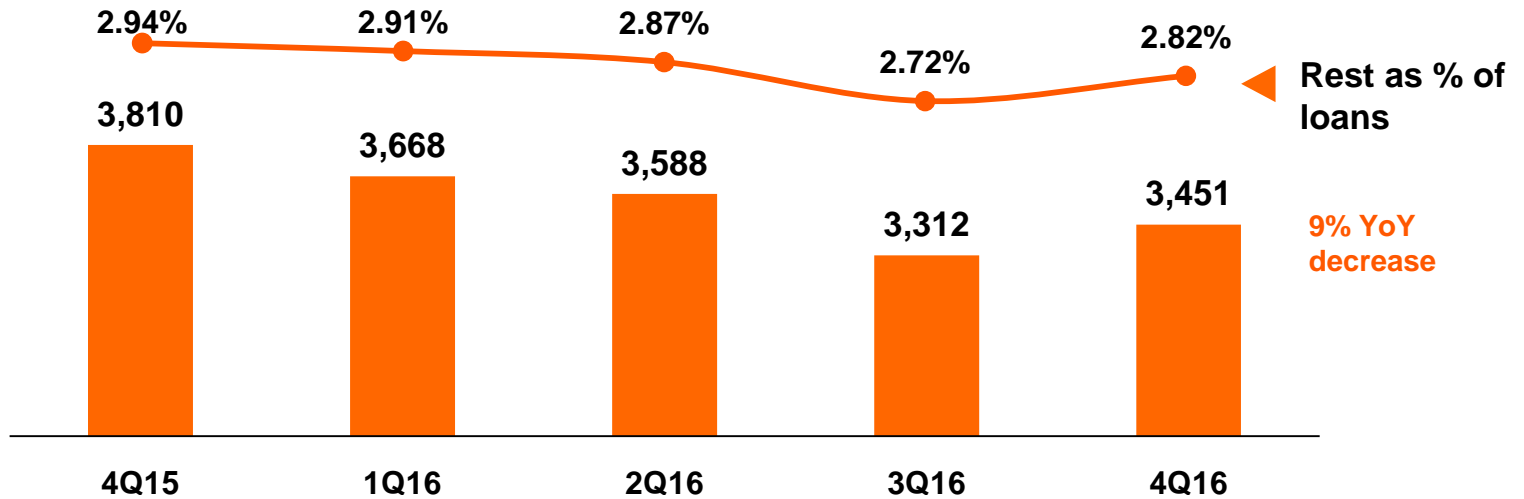
Industry NPL by Sector (%)



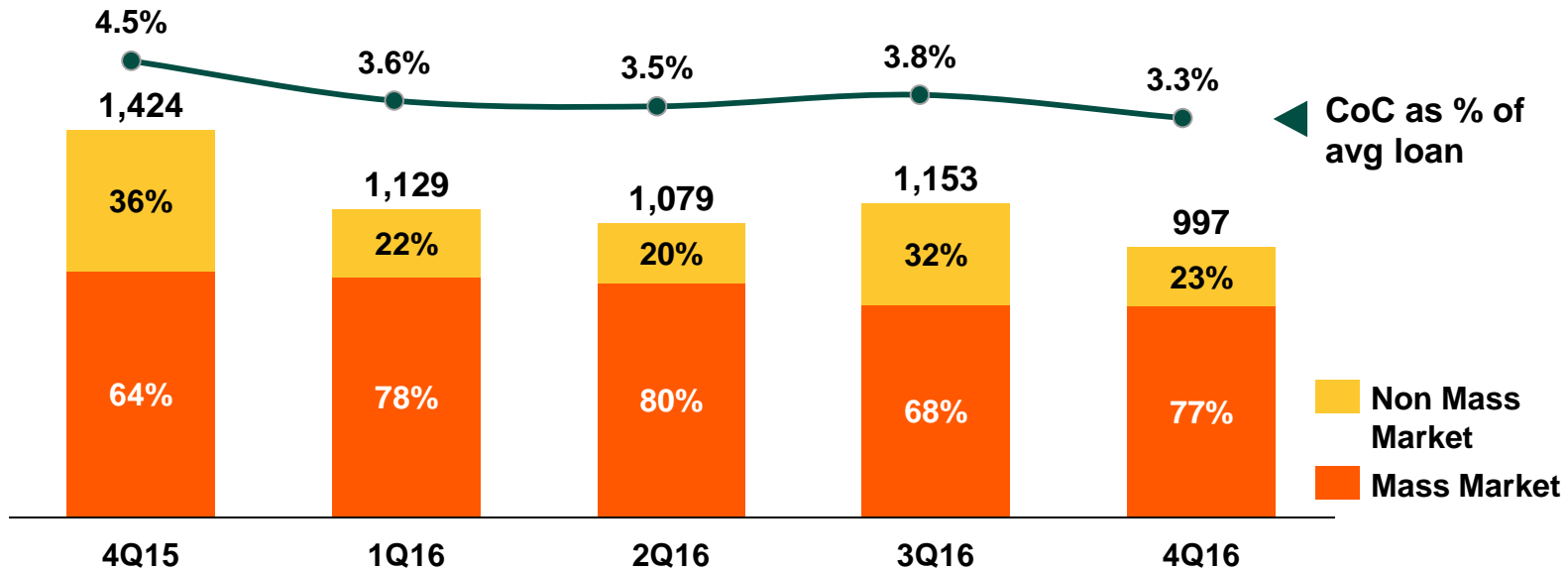
Source: OJK Dec 16

- NPL increase in the mining sector was primarily due to a coal related corporate loan debtor.
- NPL in the transportation & communication sector decreased by 80 bps due to settlement of certain troubled loans.
- NPL in the processing sector decreased by 70 bps primarily due to write-off.

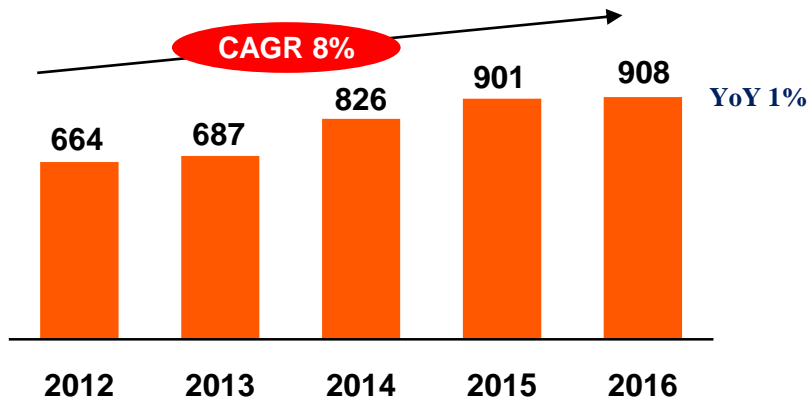
Restructured Loans
(% of Total Loans and Rp bn)



Cost of Credit
(% of Avg Loans and Rp bn)

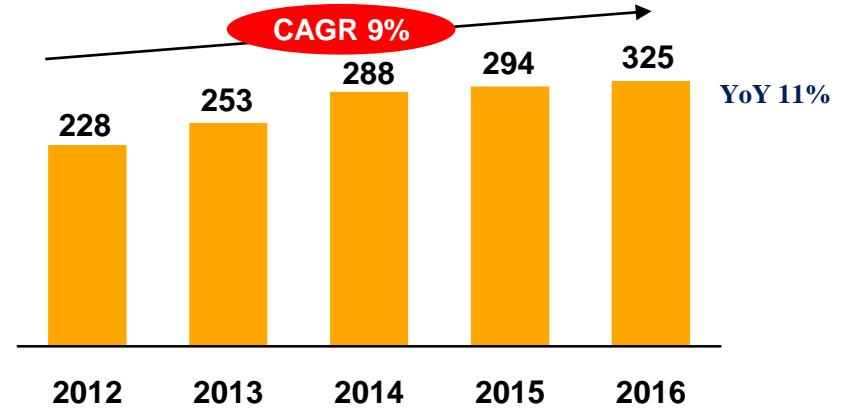


General Insurance (Rp bn)

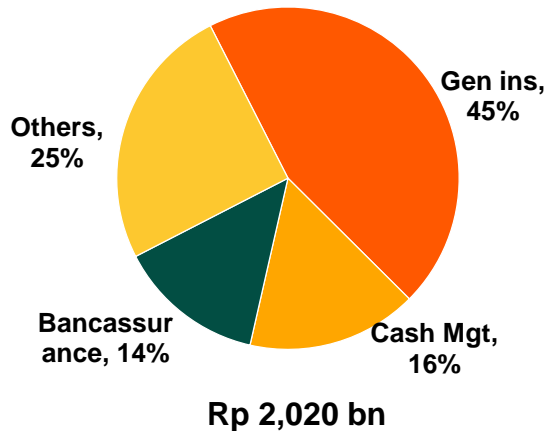


Note : General insurance including investment fees

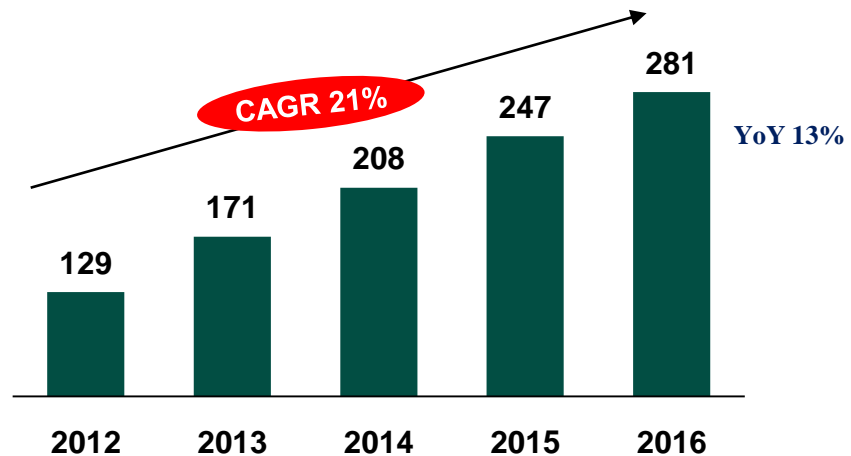
Cash Management (Rp bn)



Distribution of Fee Income 2016 (%)



Bancassurance excl. One Time Fee (Rp bn)



* Ex-credit related. Others fee income include mutual fund, treasury fee.



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APPENDIX

Background on BDMN's Tax Amnesty participation

- The Indonesian Government has been encouraging Indonesian companies to participate in the Tax Amnesty Program. In return, Tax Amnesty participants will be exempt from tax audit for fiscal year 2015 and earlier. The purpose of the Program is not to evade taxes, but to encourage participants to clear up past tax issues from before 2016.
- In 2016, Danamon and subsidiaries participated in the Tax Amnesty Program in support of the Government.
- At that time, Danamon was in the process of contesting a Rp 456 bn tax assessment from 2010 and 2011 audit. It is typical for any tax audit to yield disputes due to differences in tax interpretation, rather than due to undeclared income. We believe we have a strong argument in our favor. However, as part of the Tax Amnesty participation requirement, we had to forego our right to contest the tax assessment.
- At the same time, Danamon no longer has any potential tax exposure for 2015 and earlier due to tax audit exemption for those years. After consideration of the costs and benefits, management believes it is beneficial for Danamon to participate in the Program.

Thank You

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