

Analyst Briefing
First Quarter 2016 Financial Results

Jakarta, 26 April 2016

- **Financial Results**

- **Regulations Update**

First Quarter 2016 Highlights: NPAT and ROE improved

- Total loans stood at Rp 125.8 tn. Corporate loans rose 6% YoY to Rp 17.4 tn while SME increased 4% YoY to Rp 23.0 tn. The loan growth in Corporate and SME was offset by the 13% decline in Mass Market loans to Rp 58.4 tn.
- NIM increased 30bps YoY to 8.6% driven by lower CoF.
- CIR improved by 5.2% YoY to 48.7%, as the productivity measures last year start to show results.
- Pre-Provision Operating Profit (“PPOP”) grew by 12% YoY to Rp 2.2 tn.
- CoC ratio worsened by 30 bps YoY to 3.6%, but improved by 80 bps from 4Q15.
- NPAT for 1Q16 improved 18% YoY to Rp 814 bn.
- ROE rose 120 bps from 8.6% in 1Q15 to 9.8% in 1Q16.

<i>In Rp billion</i>	1Q15	1Q16	YoY	4Q15	1Q16	QoQ
Total Assets	193,811	179,334	-7%	188,057	179,334	-5%
Loans (gross)	135,694	125,846	-7%	129,367	125,846	-3%
Government Bonds	7,014	6,605	-6%	6,916	6,605	-4%
Total Funding	143,309	132,077	-8%	139,782	132,077	-6%
Current Accounts	22,406	14,552	-35%	16,778	14,552	-13%
Savings Accounts	31,531	31,396	0%	33,007	31,396	-5%
Time Deposit	62,567	65,140	4%	66,991	65,140	-3%
Borrowings and LT. Funding	26,805	20,989	-22%	23,006	20,989	-9%
Equity	33,505	34,866	4%	33,932	34,866	3%

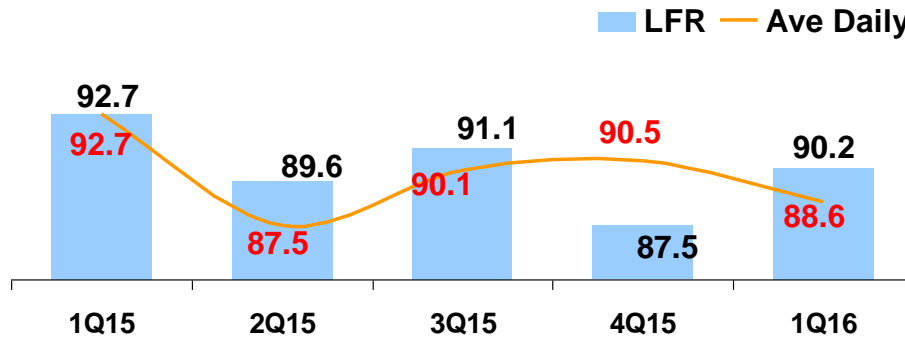
<i>In Rp billion</i>	1Q15	1Q16	YoY	4Q15	1Q16	QoQ
Net Interest Income	3,430	3,394	-1%	3,455	3,394	-2%
Fee Income	891	967	9%	1,032	967	-6%
Operating Income	4,321	4,361	1%	4,487	4,361	-3%
Operating Expenses	2,331	2,125	-9%	2,189	2,125	-3%
Pre-Provision Op. Profit ("PPOP")	1,990	2,236	12%	2,299	2,236	-3%
Cost of Credit	1,091	1,129	3%	1,425	1,129	-21%
Risk Adjusted Op. Profit	899	1,107	23%	875	1,107	27%
Restructuring Cost				182		N/A
Net Profit after taxes	687	814	18%	498	814	63%

%	1Q15	1Q16	YoY	4Q15	1Q16	QoQ
Net Interest Margin	8.3	8.6	0.3	8.6	8.6	0.0
Cost of Credit	3.3	3.6	0.3	4.5	3.6	- 0.9
Cost / Income	53.9	48.7	-5.2	48.8	48.7	- 0.1
ROAA	1.4	1.8	0.4	1.1	1.8	0.7
ROAE	8.6	9.8	1.2	6.1	9.8	3.7
Assets to Capital (x)	6.2	5.6	-0.6	6.0	5.6	- 0.4
LFR*	92.7	90.2	-2.5	87.5	90.2	2.7
Bank Only CAR	19.8	22.1	2.3	20.8	22.1	1.3
Consolidated CAR	18.7	20.8	2.1	19.7	20.8	1.1
NPL – Gross	2.5	3.3	0.8	3.0	3.3	0.3
Loan Loss Coverage (LLP/NPL)	115.3	108.3	-7.0	112.0	108.3	- 3.7

*) 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.

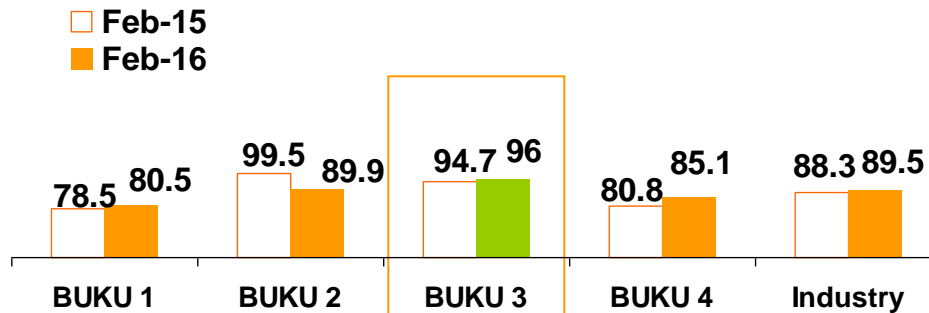
LFR stood at 90.2% vs. 92.7% last year.

LFR* and Ave. Daily LFR (%) – Liquidity has been stable.



- Danamon’s LFR has been manageable

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

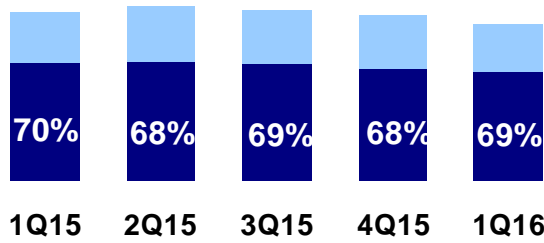


- ...well below BUKU 3 LDR.

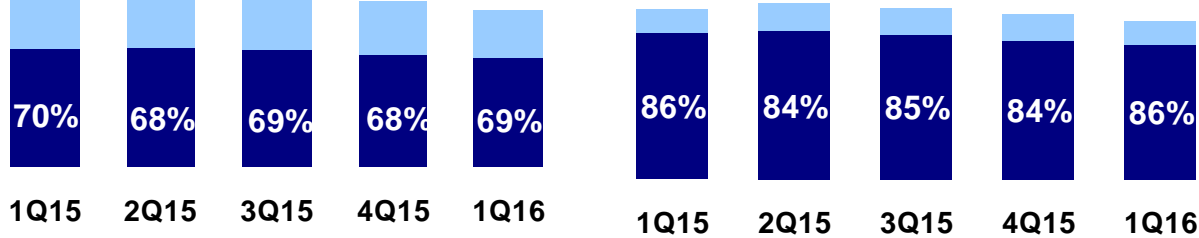
*) Loan to Funding Ratio (“LFR”) calculation is as stipulated in BI regulation No. 17 / 11 / PBI / 2015 dated 25 June 2015 effective in August 2015. LDR data is used prior to Aug 2015. Industry data use OJK Banking Statistic Feb 16.

RWA / Total Assets

RWA BDI Only

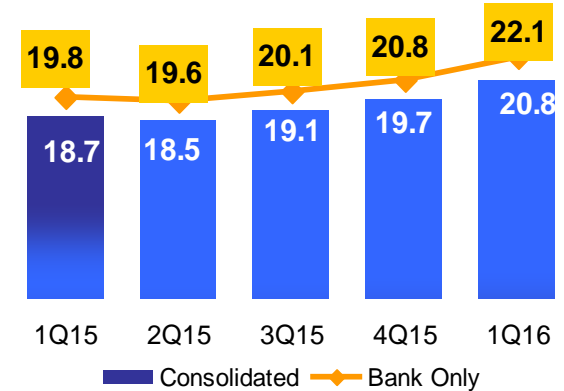


RWA Consolidated



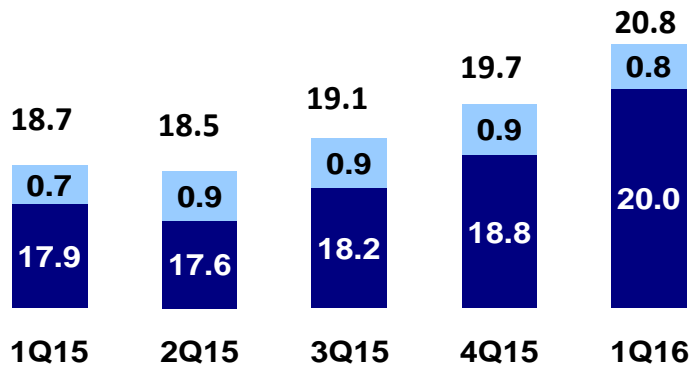
■ RWA ■ Other Assets

Capital Adequacy Ratio (%)



■ Consolidated — Bank Only

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



■ Tier 1 Capital ■ Tier 2 Capital

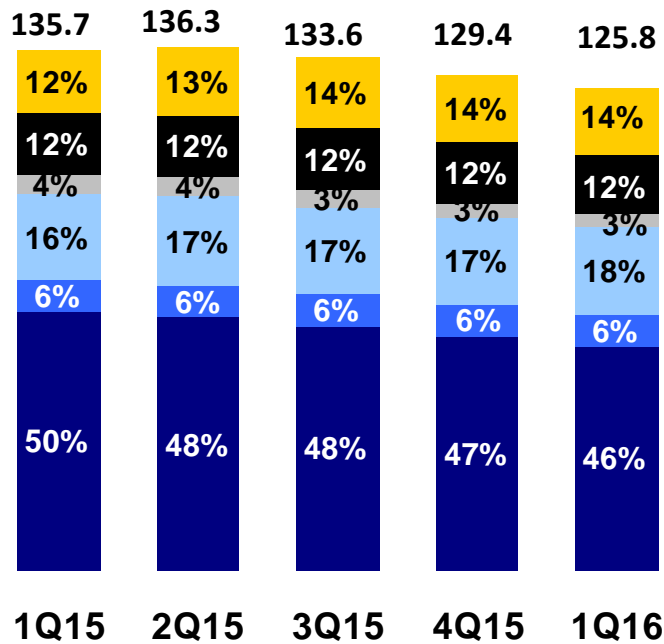
%	1Q15	2Q15	3Q15	4Q15	1Q16
CAR w/ Credit Risk	23.6	23.2	24.0	25.1	26.8
Market Risk Charge	0.1	0.1	0.1	0.1	0.1
Operational Risk Charge	4.8	4.6	4.8	5.3	5.9
CAR Consolidated	18.7	18.5	19.1	19.7	20.8

Loans amounted to Rp 125.8tn.

The growth in Corporate and SME was offset by the decline in Mass Market.

Loan Composition

Rp tn



Loan Growth

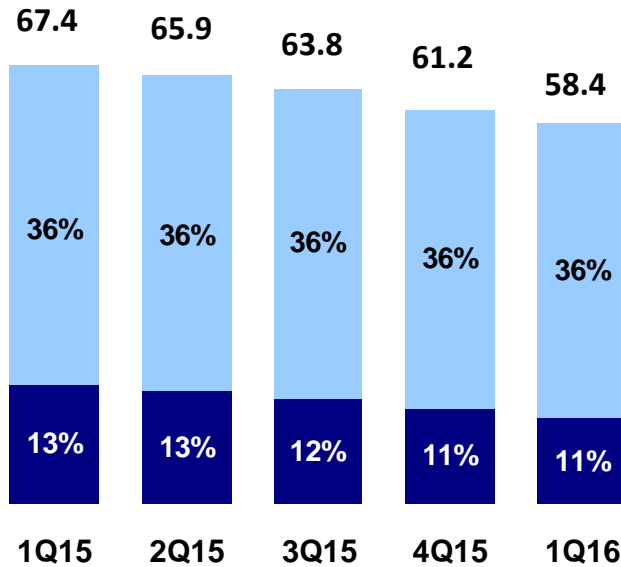
%

Rp bn	1Q15	1Q16	ΔYoY
Corporate	16,446	17,419	6%
Commercial	15,958	15,441	-3%
ABF	5,371	3,484	-35%
SME	22,193	23,024	4%
Consumer	8,329	8,041	-3%
Mass Market	67,397	58,437	-13%
Total	135,694	125,846	-7%

Mass Market segment was affected by the soft economy.

Mass Market Loan (as % to total loans)

Rp tn



Mass Market Loan Growth

Rp bn	1Q15	1Q16	ΔYoY
Adira Finance	49,191	45,112	-8%
DSP	18,205	13,325	-27%
Total	67,397	58,437	-13%

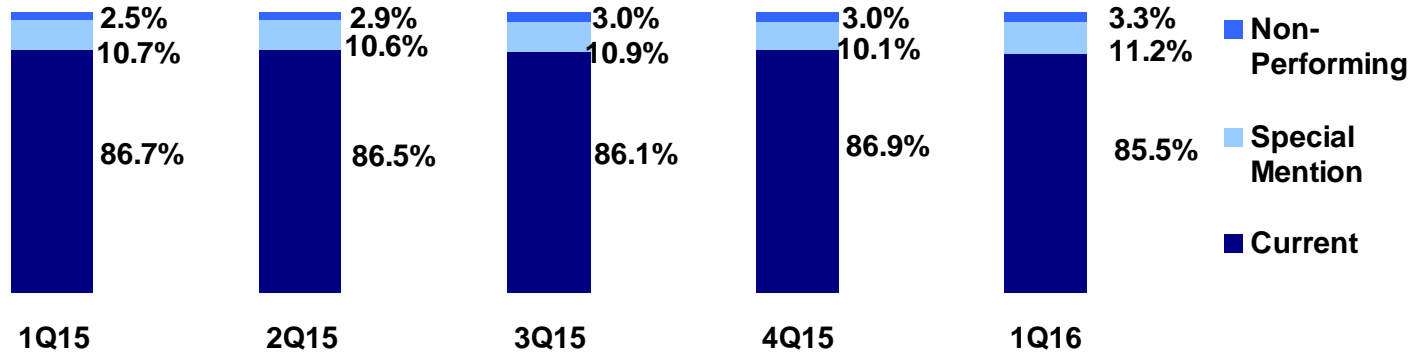
Note:

Adira Finance : auto financing and white goods financing

DSP : micro lending

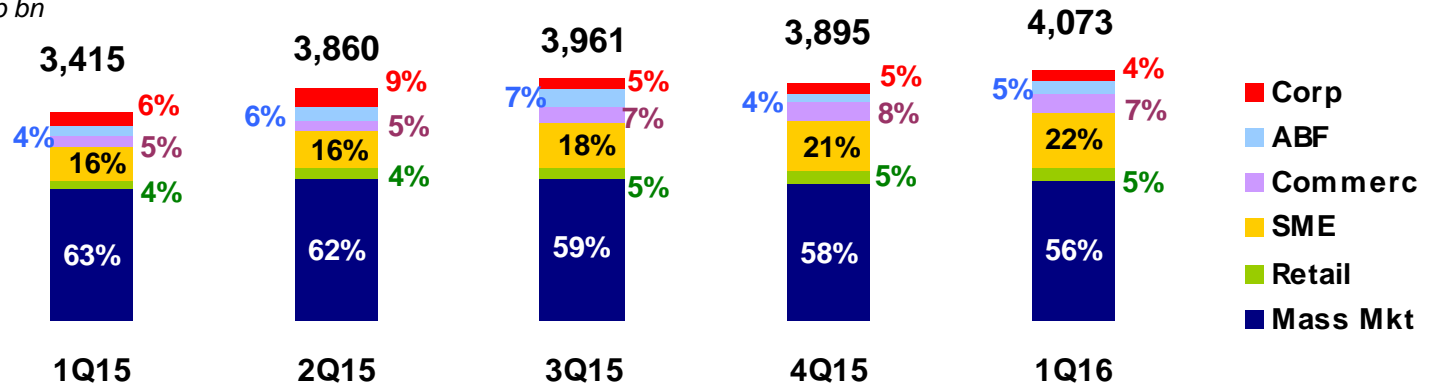
Loan Collectibility

As % of Total Loans



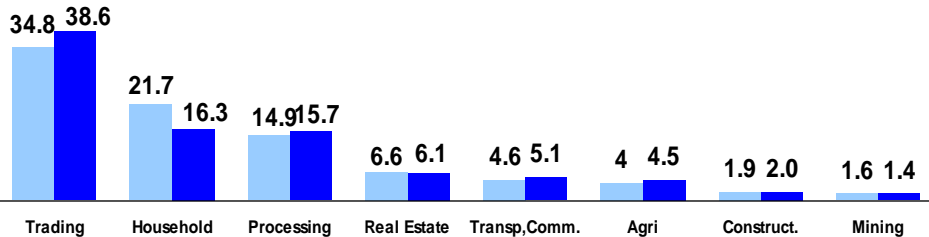
NPL Composition

Rp bn



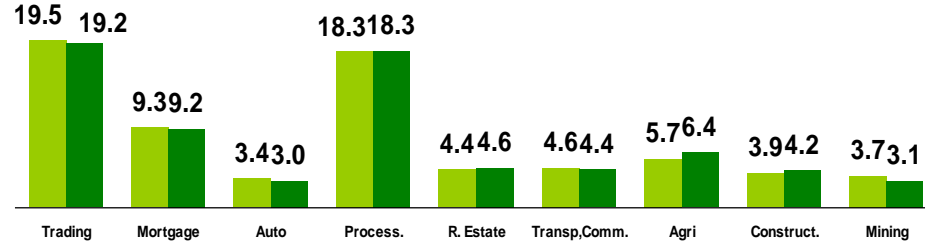
BDI Loans by Sector (% of total loans)

■ Mar-15 ■ Mar-16



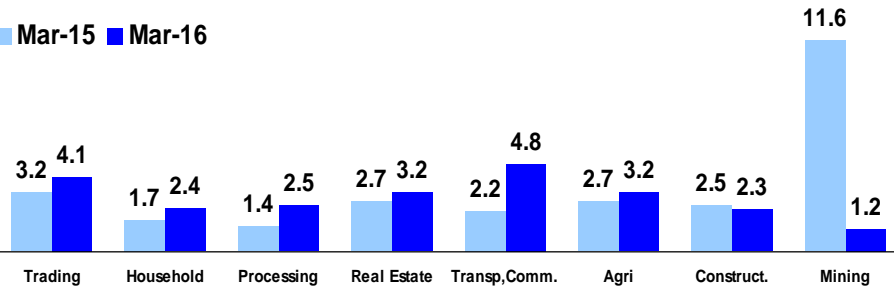
Industry Loans by Sector (% of total loans)

■ Feb-15 ■ Feb-16



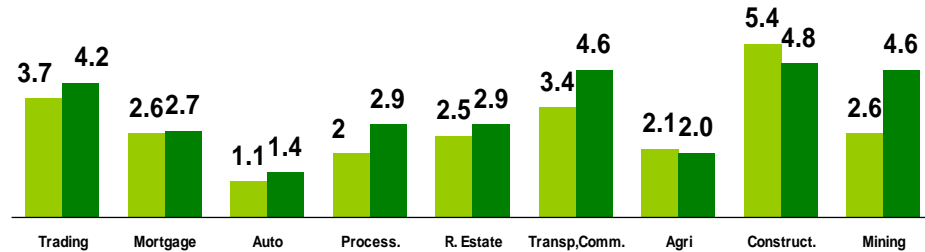
BDI NPL by Sector (%)

■ Mar-15 ■ Mar-16



Industry NPL by Sector (%)

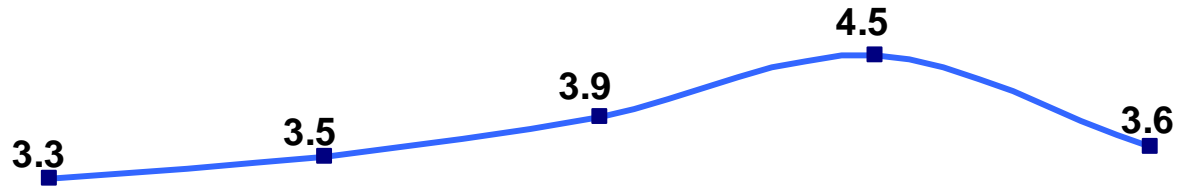
■ Feb-15 ■ Feb-16



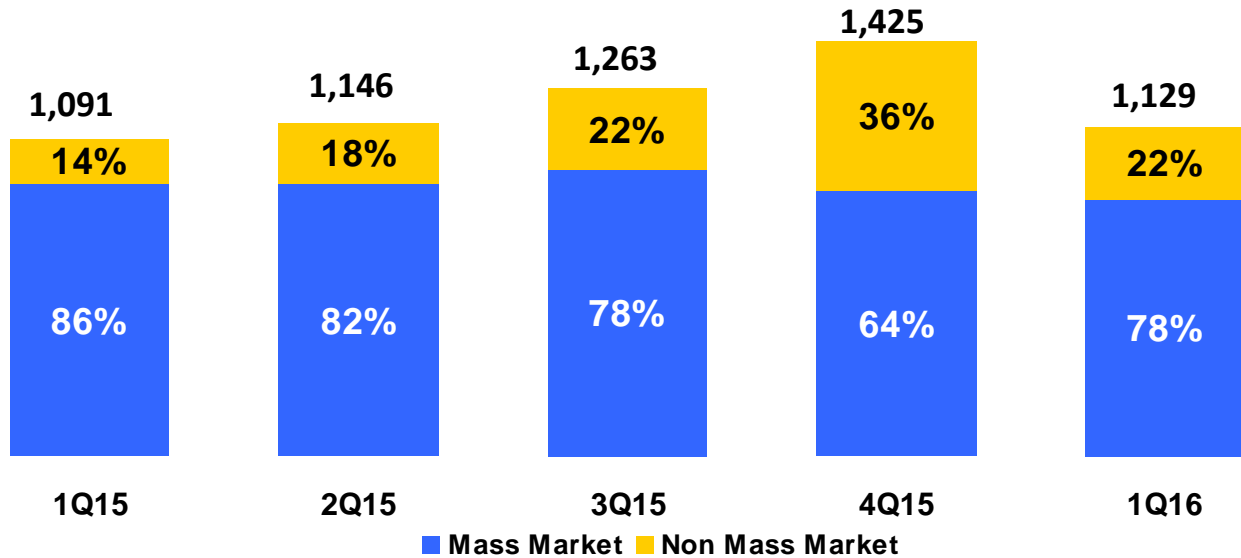
Source: OJK Feb 16

- NPL in the transportation and communication industry rose 2.6% mainly from debtors supporting the commodity sector.
- Increase of NPL in the processing sector was primarily due to oil and gas related borrower.
- NPL in the trading sector rose 90bps due to automotive related debtor.

Quarterly Cost of Credit / Avg. Loans (%)

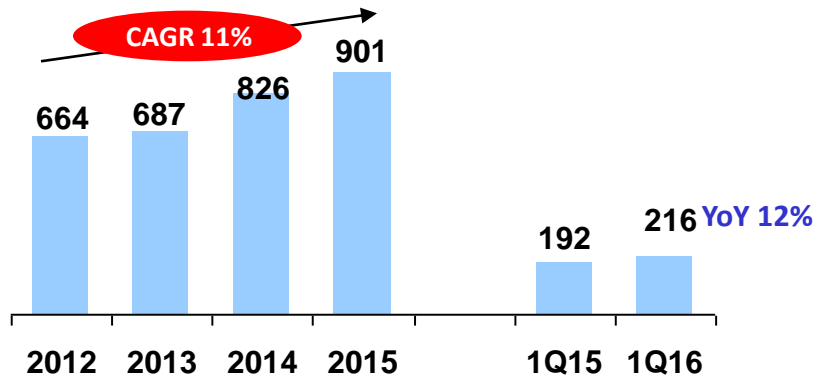


Cost of Credit (Rp bn)



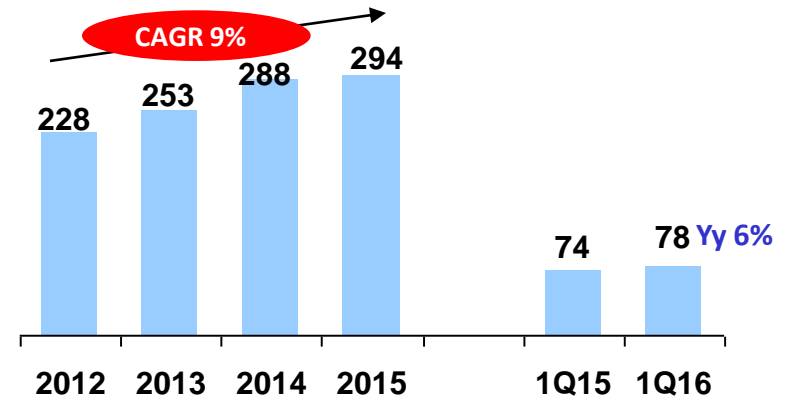
Fee Income* rose 6% to Rp 463 billion dominated by General Insurance.

General Insurance (Rp bn)

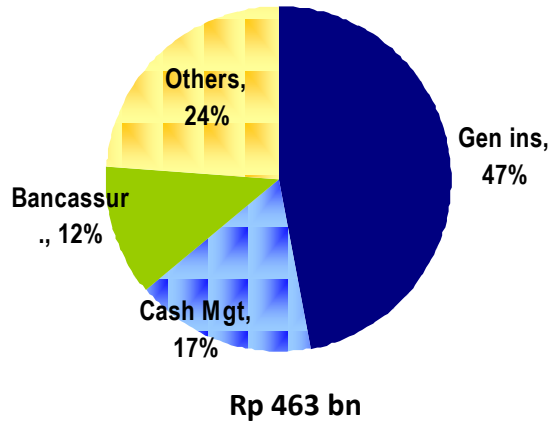


Note : General insurance including investment fees

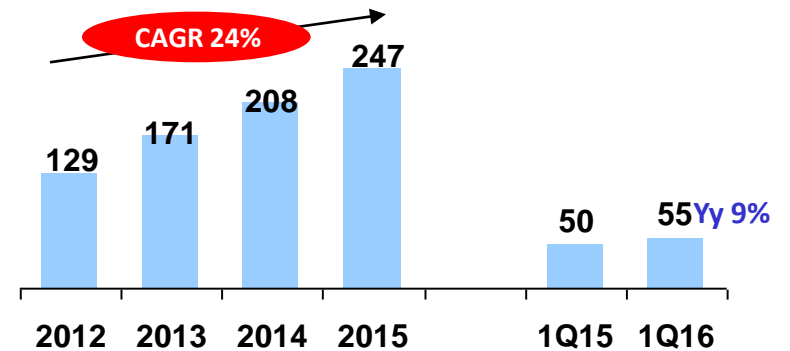
Cash Management (Rp bn)



Distribution of Fee Income 1Q16 (%)



Bancassurance excl. One Time Fee (Rp bn)



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

- Financial Results

- Regulations Update

BI Regulation No. 18/3/PBI/2016 Regarding the Third Changes of BI Regulation No 15/15/PBI/2013 Regarding Statutory Reserves in IDR and Foreign Exchange for Conventional Bank

Topic	New Regulation PBI No 18/3/PBI/2016	Previous Regulation PBI No 17/21/PBI/2015
Primary GWM in Rupiah	<ul style="list-style-type: none"> • 6.5% of Third Party Funds in Rupiah, whereby only the 1.5% portion will gain interest of 2.5% per annum . The remaining 5% will not receive any interest. 	<ul style="list-style-type: none"> • 7.5% of Third Party Funds in Rupiah whereby the 2.5% portion will gain interest of 2.5% per annum. The remaining 5% will not receive any interest.
Incentive for Bank that conducts merger or consolidation	<ul style="list-style-type: none"> • Primary GWM in Rupiah becomes 5.5%, for the first year after the merger / consolidation becomes effective. 	<ul style="list-style-type: none"> • Primary GWM in Rupiah of 6.5% for the first year after the merger / consolidation becomes effective.

OJK Regulation update No. 46/POJK.03/2015 regarding change in Surcharge for D-SIB

	2016	2017	2018	2019
Minimum CAR based on Risk Profile Rating: <ul style="list-style-type: none"> Rating 1 : CAR min 8% Rating 2 : CAR min 9-<10% Rating 3 : CAR min 10-<11% Rating 4 & 5 : CAR min 11-<14% 	No Change			
Conservation Buffer	0.625%	1.25%	1.875%	2.5%
Countercyclical Buffer	0 – 2.5%	0 – 2.5%	0 – 2.5%	0 – 2.5%
Surcharge D-SIB	New: 0.25 - 0.625%	0.5 - 1.25%	0.75 – 1.875%	1 – 2.5%
	Previous: 1 – 2.5%	1 – 2.5%	1 – 2.5%	1 – 2.5%

Liquidity: Internal LCR assessment has met OJK’s 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.

Implementation LCR in Danamon

- Following a consultative paper that was issued in 2014, OJK issued regulation No.42/POJK.03/2015 in December 2015 on Commercial-Bank Mandatory Liquidity Coverage Ratios.
- The LCR estimation is conducted periodically to meet the Basel III standard and local regulatory requirement. The formula is as follows:

$$\frac{\text{High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

- BUKU 3 and foreign banks must meet the LCR requirement gradually:

Minimum LCR	Starting from
70%	30 June 2016
80%	30 June 2017
90%	31 December 2017
100%	31 December 2018

- 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.

Thank You

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Consolidated Statements of Income and Retained Earnings
PT. Bank Danamon Indonesia, Tbk
As of Mar 2016

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
3,451	129	-	1,060	(3,516)	-	4	1,127	(282)	(32)	814

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	
3,451	1,189	4,640	(3,516)	1,124	-	4	(282)	(32)	814	
(57)		(57)	57	-						- LPS Deposit Insurance
	10	10		10	(10)					- Provision for ADMF acquisition cost
	(40)	(40)		(40)	40					- Write off on amortization cost
	(89)	(89)	89	-						- ADMF indirect acquisition cost
	(28)	(28)	28	-						- Decrease in fair value of financial assets (MTM)
	(11)	(11)	11	-						- Losses from spot and derivative transaction (realised)
		-	1,158	1,158	(1,158)					- Impairment losses on financial assets
	(49)	(49)	49	-						- Fees/commissions and administrative expenses
	(15)	(15)		(15)		15				- Others
3,394	967	4,361	(2,125)	2,236	(1,129)	20	(282)	(32)	814	

Analyst Briefing Presentation