

***Analyst Briefing***  
***First Half 2016 Financial Results***

***Jakarta, 26 July 2016***

## First Half 2016 Highlights: Revenue stability and efficiency improvements underlie the 38% growth in net profit.

- Total loans stood at Rp 124.9 tn. The combined Corporate and Commercial portfolio, including marketable securities related to Trade Finance, grew by 7% YoY. Decline in Mass Market loans decelerated in 2Q16.
- In line with the loan decline, third-party deposits were reduced by 12% YoY to Rp 106.1 tn. CASA balance decreased 19% to Rp 44.7 tn, mostly in the high cost CASA.
- PPOP increased 17% YoY to Rp 4.6 tn. NIM improvement of 60 bps and fee income growth of 11% contributed to the increase in PPOP.
- CIR improved by 620 bps YoY to 48.5% as the productivity measures last year continued to show results.
- Cost of credit ratio improved 10 bps QoQ to 3.5%.
- NPAT for 1H16 increased 38% YoY to Rp 1.7 tn.
- ROE rose 270 bps YoY to 10.5% in 1H16.

# 1H16 Balance Sheet Highlights

<i>In Rp billion</i>	1H15	1H16	YoY	1Q16	2Q16	QoQ
Total Assets	200,091	174,855	-13%	179,334	174,855	-2%
Loans (gross)	136,275	124,922	-8%	125,846	124,922	-1%
Marketable Securities related to Trade Finance (MS - TF)	169	2,958	1,650%	253	2,958	1,060%
Total loan and MS – TF	136,444	127,880	-6%	126,099	127,880	1%
Government Bonds	6,382	8,291	30%	6,605	8,291	26%
Total Funding	147,448	127,852	-13%	132,077	127,852	-3%
CASA	55,160	44,712	-19%	45,948	44,712	-3%
Time Deposit	65,884	61,391	-7%	65,140	61,391	-6%
Borrowings and LT. Funding	26,404	21,749	-18%	20,989	21,749	4%
Equity	33,056	35,018	6%	34,886	35,018	0%

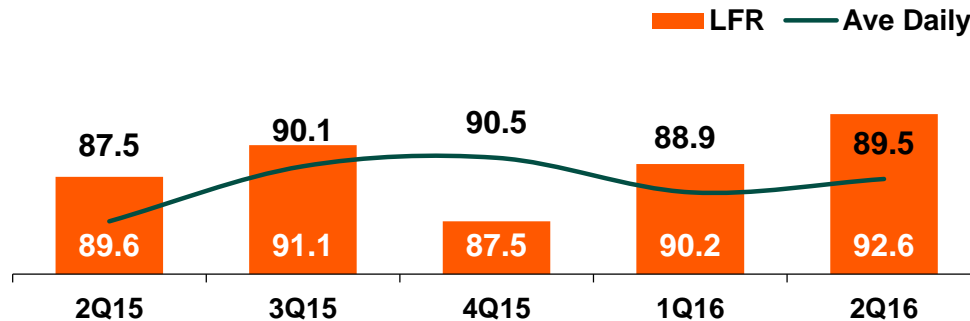
<i>In Rp billion</i>	1H15	1H16	YoY	1Q16	2Q16	QoQ
<b>Net Interest Income</b>	<b>6,741</b>	<b>6,803</b>	<b>1%</b>	<b>3,395</b>	<b>3,408</b>	<b>0%</b>
Fee Income	1,871	2,069	11%	966	1,103	14%
<b>Operating Income</b>	<b>8,611</b>	<b>8,872</b>	<b>3%</b>	<b>4,361</b>	<b>4,511</b>	<b>3%</b>
Operating Expenses	4,709	4,306	-9%	2,125	2,181	3%
<b>Pre-Provision Op. Profit ("PPOP")</b>	<b>3,903</b>	<b>4,566</b>	<b>17%</b>	<b>2,236</b>	<b>2,330</b>	<b>4%</b>
Cost of Credit	2,237	2,208	-1%	1,129	1,079	-4%
<b>Risk Adjusted Op. Profit</b>	<b>1,728</b>	<b>2,358</b>	<b>36%</b>	<b>1,107</b>	<b>1,250</b>	<b>13%</b>
<b>Net Profit after taxes</b>	<b>1,252</b>	<b>1,734</b>	<b>38%</b>	<b>814</b>	<b>921</b>	<b>13%</b>

%	1H15	1H16	YoY	1Q16	2Q16	QoQ
Net Interest Margin	8.1	8.7	0.6	8.6	8.8	0.2
Cost of Credit	3.4	3.6	0.2	3.6	3.5	-0.1
Cost / Income	54.7	48.5	-6.2	48.7	48.4	-0.4
ROAA	1.3	1.9	0.6	1.8	2.1	0.3
ROAE	7.9	10.5	2.7	9.8	11.2	1.4
Assets to Capital (x)	6.4	5.5	-0.9	5.6	5.5	-0.1
LFR*	89.6	92.6	3.0	90.2	92.6	2.4
Bank Only CAR	19.6	22.0	2.4	22.1	22.0	0.0
Consolidated CAR	18.5	20.6	2.1	20.8	20.6	-0.2
NPL – Gross	2.9	3.3	0.4	3.3	3.3	0.0
Loan Loss Coverage (LLP/NPL)	107.8	110.6	2.8	108.3	110.6	2.3

\*) 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.

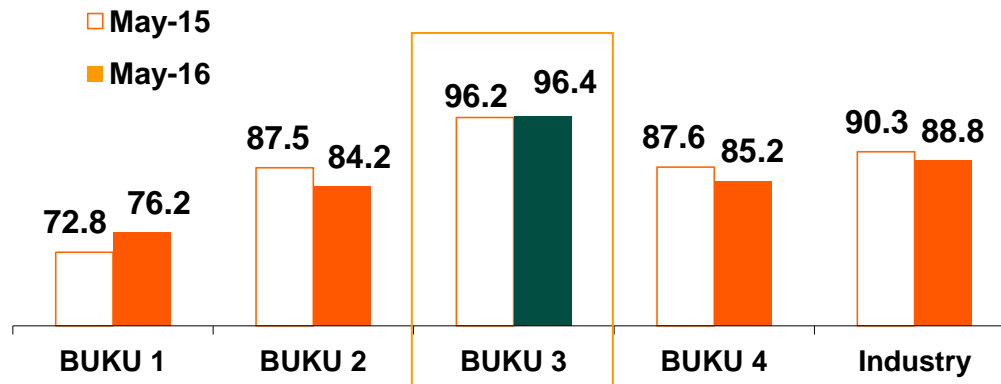
Average LFR had been managed at around 90%.

**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**

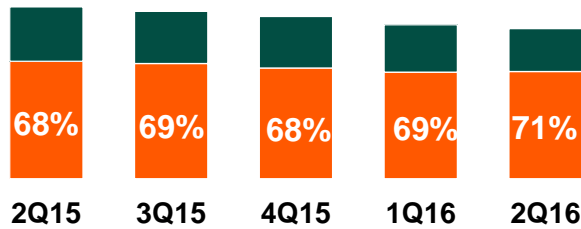


- ...well below BUKU 3's LDR.

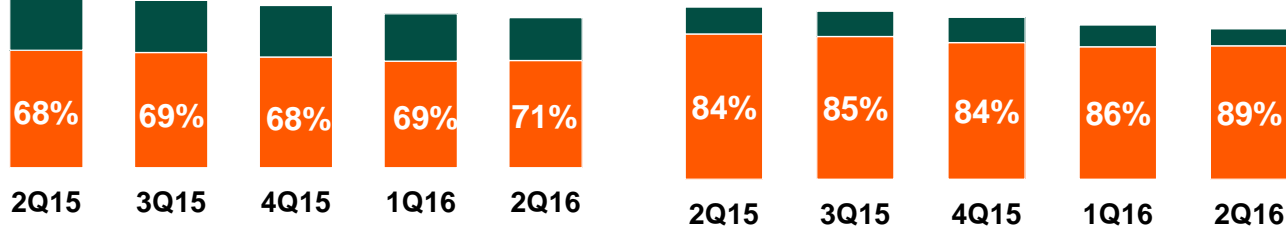
\*) Loan to Funding Ratio ("LFR") calculation is as stipulated in BI regulation No. 17 / 11 / PBI / 2015 dated 25 June 2015 effective in August 2015. LDR data is used prior to Aug 2015. Industry data use OJK Banking Statistic Feb 16.

## RWA / Total Assets

### RWA BDI Only

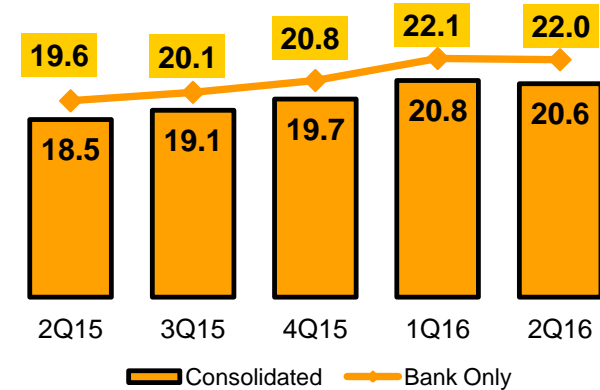


### RWA Consolidated



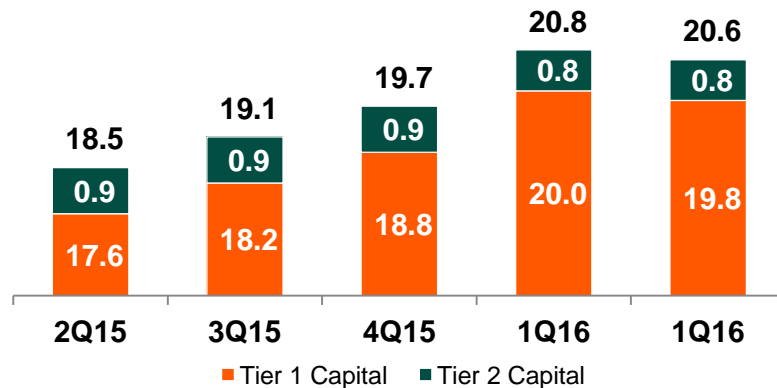
■ RWA ■ Other Assets

## Capital Adequacy Ratio (%)



■ Consolidated — Bank Only

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

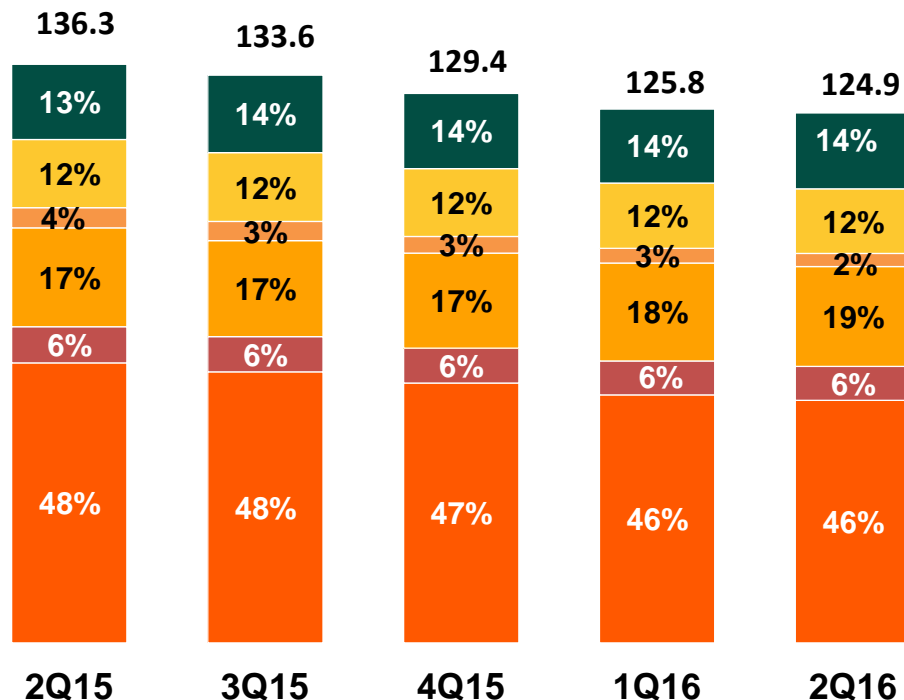


■ Tier 1 Capital ■ Tier 2 Capital

%	2Q15	3Q15	4Q15	1Q16	2Q16
CAR w/ Credit Risk	23.2	24.0	25.1	26.8	26.5
Market Risk Charge	0.1	0.1	0.1	0.1	0.1
Operational Risk Charge	4.6	4.8	5.3	5.9	5.8
<b>CAR Consolidated</b>	<b>18.5</b>	<b>19.1</b>	<b>19.7</b>	<b>20.8</b>	<b>20.6</b>

# Trade Finance boosted non-Mass Market portfolio.

Loan Composition (Rp tn)



Growth of Loans & MS related to Trade Finance (%)

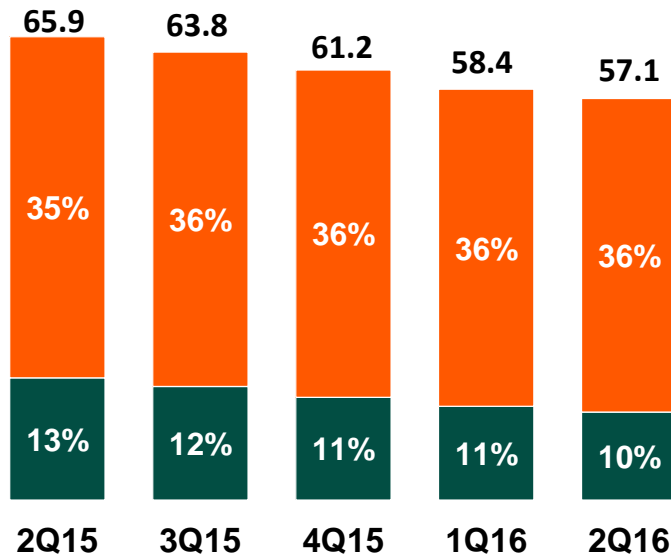
Rp bn	1H15	1H16	ΔYoY	ΔQoQ
Corporate	17,700	17,917	1%	3%
Commercial	16,033	15,238	-5%	-1%
ABF	4,839	3,064	-37%	-12%
SME	23,254	23,530	1%	2%
Consumer	8,542	8,036	-6%	0%
Mass Market	65,907	57,137	-13%	-2%
<b>Total Loans</b>	<b>136,275</b>	<b>124,922</b>	<b>-8%</b>	<b>-1%</b>
MS related to Trade Finance	169	2,958	1,650%	1,060%
<b>Total</b>	<b>136,444</b>	<b>127,880</b>	<b>-6%</b>	<b>1%</b>

- Decline in the consumer loans was due to a conscious effort to reduce unsecured personal loans portfolio. The rest of the Consumer portfolio grew by 6% YoY.
- The combined Corporate and Commercial portfolio, including marketable securities related to Trade Finance, grew by 7% on a YoY basis.



# Decline in Mass Market decelerated in 2Q16.

## Mass Market Loan (as % to total loans and Rp tn)



## Mass Market Loan Growth (%)

Rp bn	1H15	1H16	ΔYoY	ΔQoQ
Adira Finance	48,517	44,627	-8%	-1%
DSP	17,390	12,510	-28%	-6%
<b>Total</b>	<b>65,907</b>	<b>57,137</b>	<b>-13%</b>	<b>-2%</b>

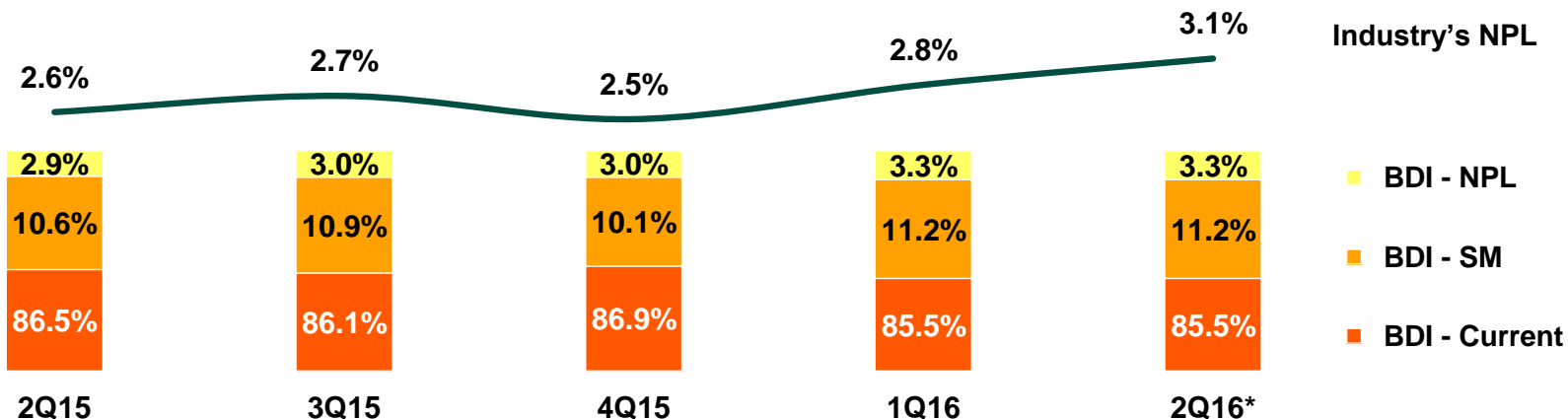
Note:

Adira Finance : auto financing and white goods financing

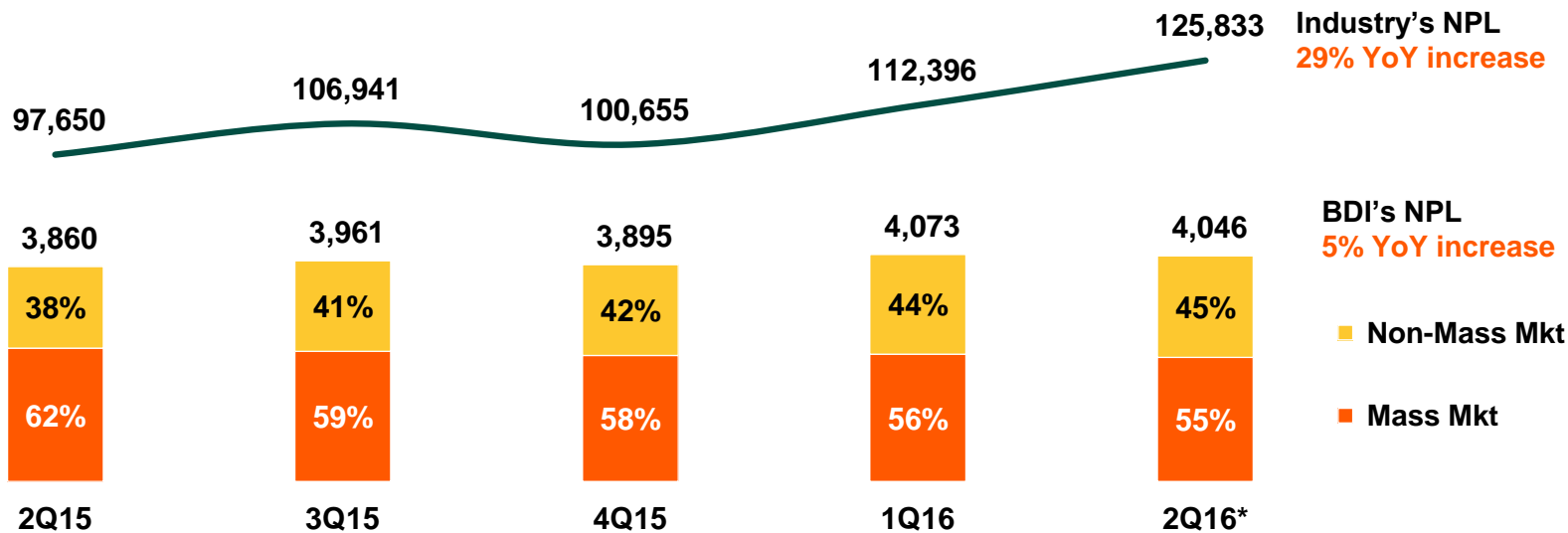
DSP : micro lending

# Increase in NPL amount is significantly less than industry.

## Loan Collectability (% of Total Loans)

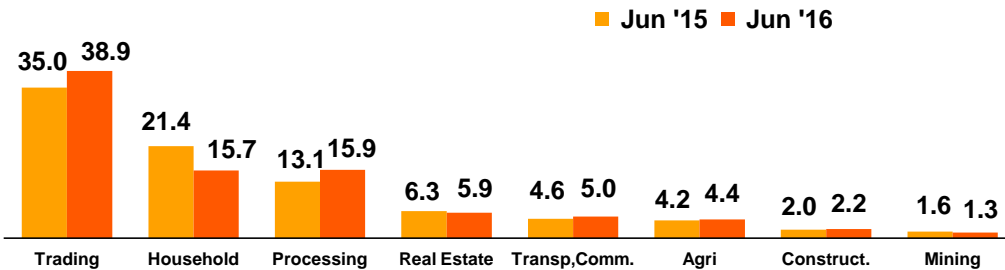


## NPL amount (Rp bn) and Composition (% of Total NPL)

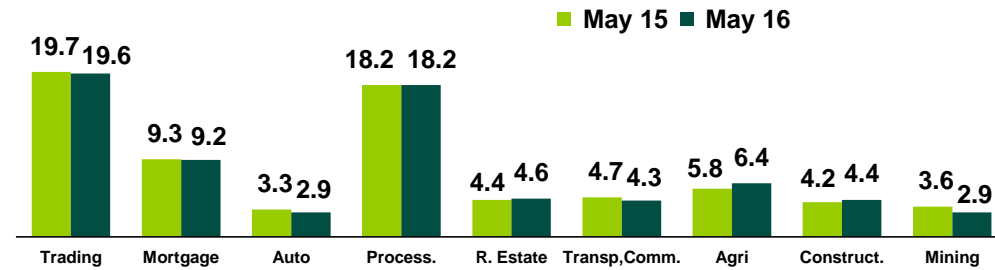


# Asset quality by sector is generally better than industry

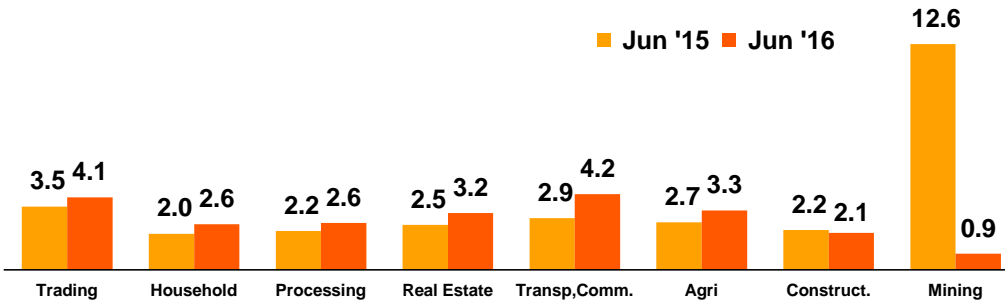
**BDI Loans by Sector (% of total loans)**



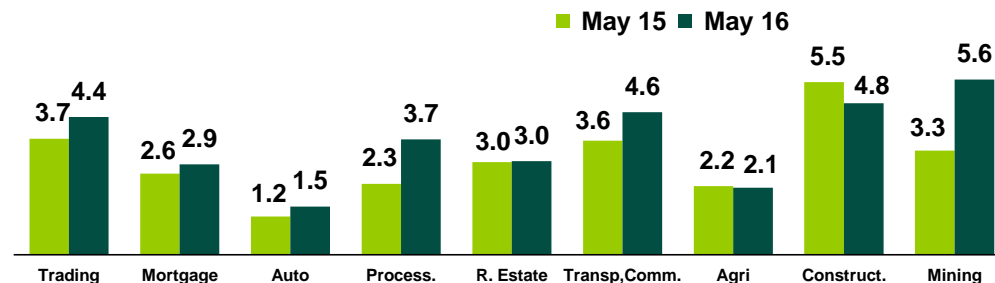
**Industry Loans by Sector (% of total loans)**



**BDI NPL by Sector (%)**



**Industry NPL by Sector (%)**

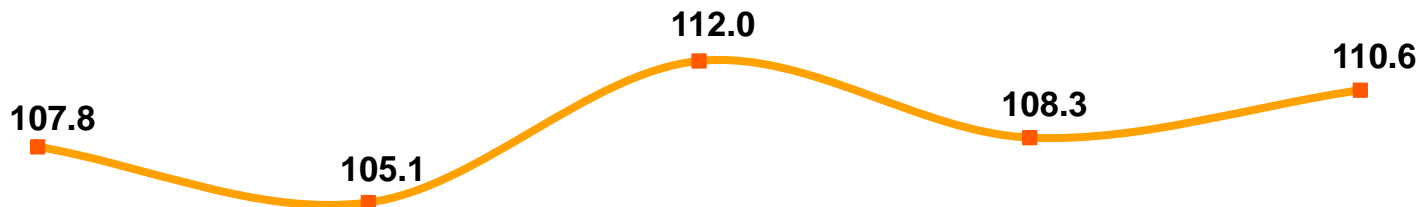


Source: OJK May 16

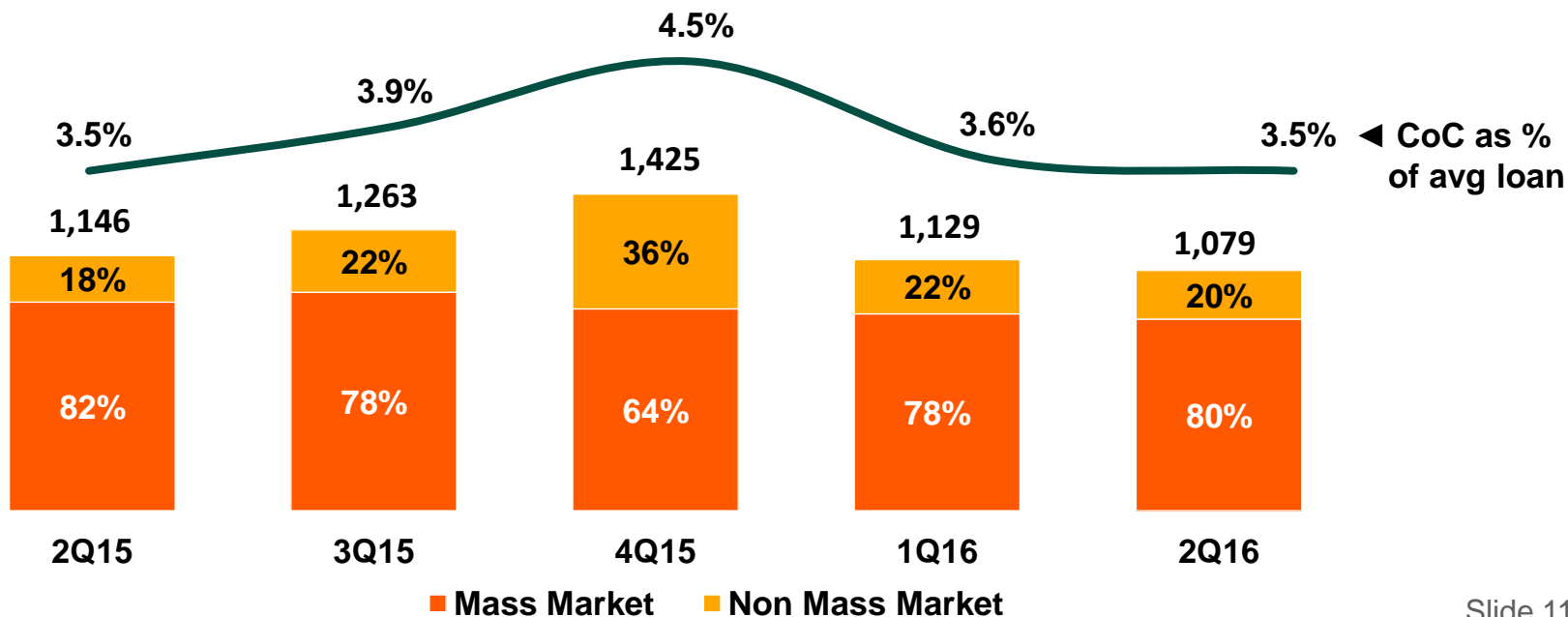
- NPL in the transportation and communication industry rose 1.4% mainly from debtors supporting the commodity sector.
- Increase of NPL in the real estate, rental and business services sector was mainly come from debtors in rental of transport vehicles business.
- NPL in the agriculture sector rose 60 bps due to commodity related debtor.

# Loan loss coverage and cost of credit ratios improved in 2Q16.

## Loan Loss Coverage (LLP/NPL) (%)

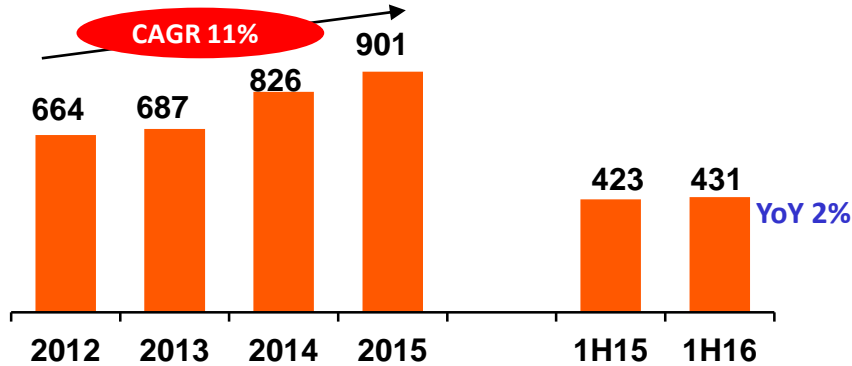


## Cost of Credit (Rp bn)



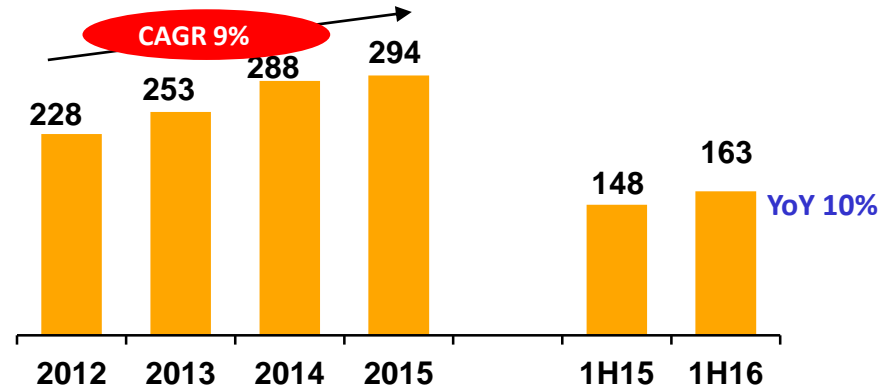
# Cash Management and Bancassurance boosted fee income\* growth.

## General Insurance (Rp bn)

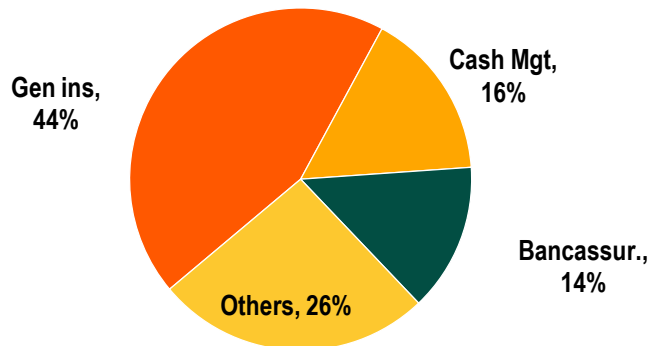


Note : General insurance including investment fees

## Cash Management (Rp bn)

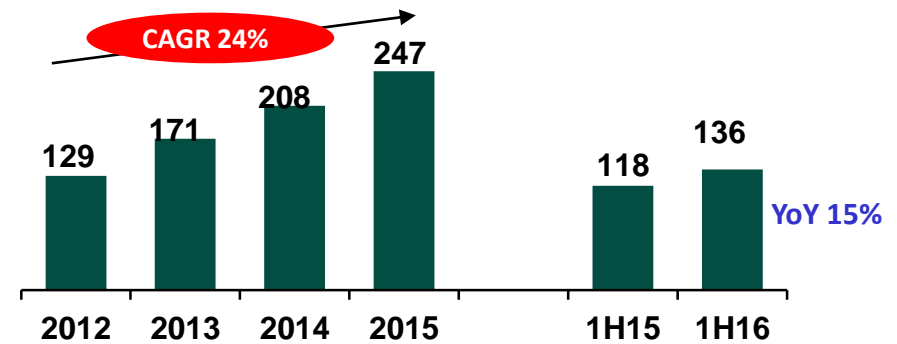


## Distribution of Fee Income 1H16 (%)



Rp 988 bn

## Bancassurance excl. One Time Fee (Rp bn)



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

# Thank You

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# APPENDICES

## 3-Year Strategy Update



Various initiatives are currently underway to help Danamon achieve sustainable long-term growth

1

## ADMF and DSP

- **ADMF:**
  - Drive X-sell i.e. CASA, wealth, insurance, white goods.
  - Expand alternative channels (Keday, partnership with digital marketplaces, minimarts).
- **DSP**
  - Rationalize coverage model
  - Leverage DSP outlet to sell additional products (including fee-based products)
  - Enhance efficiencies by adopting analytics-driven decision making and intensify automation

2

## SME, Consumer, Commercial Banking and Adira Insurance

- **SME:**
  - Capture small SMEs with scalable business model
  - Tap low-cost funding
  - Enhance offerings through sector bundles, transaction packages, and value added services.
- **Consumer:**
  - Tailor proposition based on demographic / lifestyle
  - Target transactions and low cost funding
- **Commercial:**
  - Industry expertise as key differentiator
  - Strengthen transaction platform to gain low-cost deposits and fees
- **Adira Insurance:**
  - Expand beyond auto
  - Leverage Danamon Group customers.

3

## Transaction Banking, Treasury and Sharia

- **Transaction Banking :**
  - Act as solution integrator across LoBs
  - Target low cost funding
  - Drive “sticky” client relationships, promote X-selling
- **Treasury:**
  - Strong advisory and customer support
  - Origination of holistic solutions
- **Sharia:**
  - Integrated offerings to target Islamic Institutions, Umroh, Halal and Hajj ecosystem
  - Leverage group network as product unit

4

## Sales and Distribution Network

- **Objectives:**
  - To offer holistic service and provide further X-selling opportunities.
  - To drive collaboration with shared goals and accountabilities across LoBs and subsidiaries
- Will be fully rolled out by July – Aug. 2016.

5

## Digital Technology and Analytics

- **IT:**
  - Enhanced digital channel
  - Digitalization of the back-end B2B
- **Analytics:**
  - Centralized business intelligence ("central brain") and marketing

6

## Human Capital

- Institutionalize meritocracy (“SIPASTI”) in performance management
- Enhanced comprehensive Danamon Academy

S&D network combined retail and SME branches into a single captain structure.

## Phase 1 - East Java

- Live on 18 Jan 16
- 1 Region
- 8 Areas
- 63 branches

## Phase 2 – Jakarta area

- Live on 20 Apr 16
- 4 Regions
- 20 Areas
- 170 branches

**WE ARE HERE!**

## Phase 3 – Nationwide

- Phase 3 A : 3 Regions → Live on June 1.
- Phase 3B : 4 Regions → Live on July 18

**S&D National  
(12 Regions)  
In Jul-16**

## Regulation 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"> <li><b>6.5%</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li><b>7.5%</b> 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.</li> </ul>
Incentive for Bank that conducts merger or consolidation	<ul style="list-style-type: none"> <li>Primary GWM in Rupiah becomes 5.5%, for the first year after the merger / consolidation becomes effective.</li> </ul>	<ul style="list-style-type: none"> <li>Primary GWM in Rupiah of <b>6.5%</b> for the first year after the merger / consolidation becomes effective.</li> </ul>

# 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.

## Reconciliation with Newsletter

Consolidated Statements of Income and Retained Earnings  
PT. Bank Danamon Indonesia, Tbk  
As of June 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
6,913	279	-	2,126	(6,943)	-	21	2,395	(595)	(66)	1,734

a+c	b+d	e		f+g		h	i	Net Profit after Tax and Minority Interest		
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	Remark
6,913	2,404	9,317	(6,943)	2,374	-	21	(595)	(66)	1,734	
(110)		(110)	110	-						- LPS Deposit Insurance
	42	42		42	(42)					- Provision for ADMF acquisition cost
	(75)	(75)		(75)	75					- Write off on amortization cost
	(155)	(155)	155	-						- ADMF indirect acquisition cost
	(6)	(6)	6	-						- Decrease in fair value of financial assets (MTM)
	(65)	(65)	65	-		-				- Losses from spot and derivative transaction (realised)
		-	2,241	2,241	(2,241)					- Impairment losses on financial assets
	(104)	(104)	104	-						- Fees/commissions and administrative expenses
	28	28	(45)	(17)		17				- Others
6,803	2,069	8,872	(4,306)	4,566	(2,208)	37	(595)	(66)	1,734	

Analyst Briefing Presentation