

# Strategic Investment in Bank Danamon

December 26, 2017

This document contains forward-looking statements in regard to forecasts, targets and plans of PT Bank Danamon Indonesia, Tbk. and its group companies (collectively, “Bank Danamon Group”). These forward-looking statements are based on information currently available for us and are stated here on the basis of the outlook at the time that this document was produced. In addition, in producing these statements certain assumptions (premises) have been utilized. These statements and assumptions (premises) are subjective and may prove to be incorrect and may not be realized in the future. Underlying such circumstances are a large number of risks and uncertainties. Please see other financial disclosure and public filings made or will be made by Bank Danamon Group, for additional information regarding such risks and uncertainties. We have no obligation or intent to update any forward-looking statements contained in this document

In addition, information on companies and other entities outside Bank Danamon Group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of such information has not been verified by us and cannot be guaranteed

The financial information used in this material was prepared in accordance with accounting standards generally accepted in Indonesia

This document is being released by MUFG outside of the United States and is not targeted at persons located in the United States

# Agenda

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# 1. Executive Summary

- Mitsubishi UFJ Financial Group, Inc.'s commercial banking entity The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“MUFG”) announced that it has entered into conditional share purchase agreements with Asia Financial (Indonesia) Pte. Ltd. (“AFI”) and other affiliated entities (the “Sellers”), to acquire their majority shareholding interests in Indonesian bank PT Bank Danamon Indonesia, Tbk. (“Danamon”), subject to applicable regulatory approvals. AFI is a wholly-owned subsidiary of Fullerton Financial Holdings Pte. Ltd. The Sellers currently hold in aggregate, 73.8% shareholding interests in Danamon
- The multiple steps to transfer ownership are: 1) an initial acquisition of 19.9%, 2) a further acquisition that will bring MUFG's stake to 40% subject to regulatory approval, 3) additional share purchases subject to necessary approval, and all the steps have closing conditions customary for a transaction of this nature (MUFG's final stake in Danamon is expected to be over 73.8%)
- Bank Danamon is the 5th largest Indonesian commercial bank by profit (the 5<sup>th</sup> largest by market capitalization) and one of the most prominent private banks excluding state-owned players. Bank Danamon is an excellent bank with high profitability (ROE) backed by high level of NIM from the retail business and also has been successful in its aspirational transformation towards a well-balanced business portfolio through the expansion of the mid-sized enterprise and SME businesses
- This strategic initiative allows MUFG to 1) contribute to the growth of Indonesian economy and incorporate the growth of Indonesia through the investment, 2) diversify its overseas business and enforce its overseas commercial banking business, 3) expand the presence in Indonesia by supporting the growth of the partner bank, and 4) establish comprehensive and unrivaled unique financial services platform. This is an extremely important transaction with strategic significance for MUFG to reinforce and complete the current strategy in ASEAN markets

## 2. Transaction Overview and Deal Structure

### Overview

- **Step 1**  
MUFG will acquire an initial 19.9% stake in Danamon and AFI will continue to be the majority shareholder in Danamon upon closing of Step 1
- **Step 2<sup>\*1</sup>**  
MUFG intends to then seek regulatory and other relevant approvals to acquire an additional 20.1% to increase its stake in Danamon to 40%
- **Step 3<sup>\*1,2</sup>**  
Upon completion of Step 2, MUFG intends to seek the necessary approvals to increase their stake in Danamon beyond the 40%. With the closing of Step 3, MUFG's final stake in Danamon is expected to be over 73.8%

### Purchase price

- **Step 1**  
The price is based on a 3Q17 P/B of 2.0x with certain adjustments applied
- **Step 2 and 3**  
To be based on a similar approach to Step 1

### Step 1 transaction value

- IDR 8,323 per share (US\$0.61 <sup>\*3</sup>)
- IDR 15.9 trillion (US\$ 1,171 million<sup>\*3</sup>)

<sup>\*1</sup> For the avoidance of doubt, in accordance with Indonesian regulations, there will not be a mandatory tender offer in Step 2 and Step 3

<sup>\*2</sup> This step will provide an opportunity for all other existing Danamon shareholders to either remain as shareholders or receive cash from MUFG

<sup>\*3</sup> 1USD=13,561IDR

# 3. Overview of Bank Danamon (1)

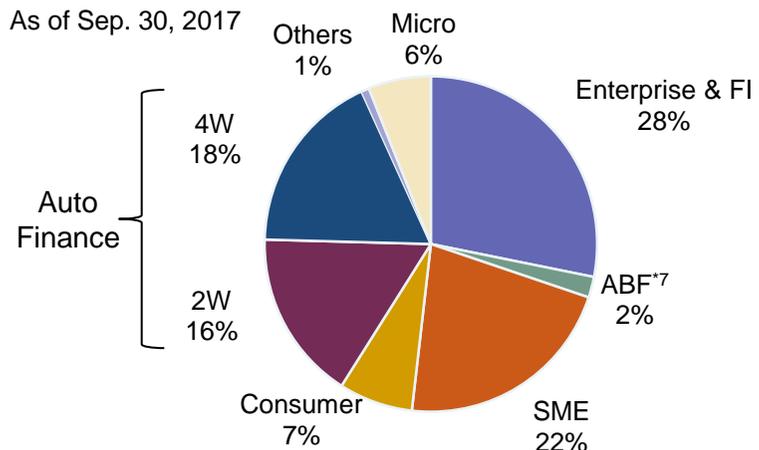
## Company overview

Company Overview	
<b>Company name</b>	PT Bank Danamon Indonesia, Tbk. <Major subsidiaries / business / share holding> <ul style="list-style-type: none"> <li>■ Adira Finance / auto finance / 92%</li> <li>■ Adira Insurance / insurance / 90%</li> <li>■ Adira Kredit / consumer finance / 99%</li> </ul>
<b>Rating</b>	Moody's: Baa3, Fitch: BB+, Pefindo: AAA
<b>Branches*1</b>	1,859
<b>Employees*1</b>	Consolidated basis: 44,019 (Danamon stand-alone basis: 22,832)
<b>Market cap*2</b>	Market cap: IDR57,508bn (approx. US\$4.2bn) Share price: IDR6,000 (PBR1.51x)
<b>Strengths</b>	Leading player in Auto finance (through Adira Finance), Business transformation focusing on mid-sized enterprise / SME

Key Financials					
(US\$ MM*3)	2014	2015	2016	2017 9M	CAGR*4
<b>Total Assets</b>	14,440	13,867	12,837	12,807	(4.3%)
<b>Loan</b>	10,254	9,539	9,548	9,356	(3.3%)
<b>Deposits</b>	8,725	8,611	7,779	7,407	(5.8%)
<b>Net Assets</b>	2,390	2,502	2,650	2,744	5.2%
<b>Operating Income*5</b>	1,300	1,277	1,306	1,307	0.2%
<b>Net Income*5</b>	192	176	197*6	235*6	1.2%
<b>NIM</b>	8.4%	8.2%	8.9%	9.3%	-
<b>NPL</b>	2.3%	3.0%	3.1%	3.3%	-
<b>ROE</b>	8.6%	7.5%	8.0%	11.6%	-
<b>Tier 1 Ratio</b>	17.2%	18.8%	20.1%	21.5%	-

## Loan Portfolio

As of Sep. 30, 2017



Source: Company filings, SNL Financial

\*1 As of 31 Dec. 2016, Branch number includes the branches of Adira Finance, micro, Syariah and conventional \*2 As of 22 Dec. 2017 \*3 1USD=13,561IDR

\*4 CAGR of B/S items: 31 Dec. 2014 – 30 Sep. 2017; CAGR of P/L items: FY2014 – 2016 \*5 Figures of 9M 2017 represent 2016Q4-2017Q3 LTM

\*6 Danamon and subsidiaries participated in the Tax Amnesty Program, resulting in a one time tax expense adjustment (US\$ 34 MM)

\*7 Asset Based Financing. Loan secured by collateral (assets)

## Awards (2017)

- **3rd Best Overall Performance 2017**
  - Infobank
- **Brand Used Most Often**
  - Warta Ekonomi
- **Silver Champion Indonesia Branding Campaign of the Year 2017 category Public Relations**
  - Markplus Inc
- **Best Digital Marketing Campaign and Best Marketing Campaign Overall 2017**
  - Retail Banking International
- **Public Relations Indonesia Award (CSR)**
  - Public Relations Indonesia
- **Indonesia's Top 100 Most Valuable Brands 2017**
  - SWA Magazine and Brand Finance

### 3. Overview of Bank Danamon (2)

#### Position of Bank Danamon

#### Indonesian Bank Sector Overview (Top 10 large banks based on its Asset (US\$ MM<sup>\*1</sup>))

#	Name	Total Asset <sup>*2</sup>	Operating Income <sup>*3</sup>	Net Income <sup>*3</sup>	NIM <sup>*4</sup> (%)	ROA <sup>*4</sup> (%)	ROE <sup>*4</sup> (%)	Market Cap <sup>*5</sup>	PBR <sup>*5,6</sup>	Branches
1	Mandiri (government-affiliated)	79,545	3,835	1,243	5.9%	1.9%	12.9%	26,412	2.2x	2,107
2	BRI (government-affiliated)	76,593	5,415	2,047	8.1%	2.7%	18.0%	31,471	2.7x	1,096
3	BCA	54,560	3,036	1,646	6.2%	3.2%	18.7%	39,089	4.2x	1,231
4	BNI (government-affiliated)	49,274	2,333	1,016	5.5%	2.1%	14.9%	13,545	1.9x	1,493
5	CIMB Niaga	18,592	927	220	5.7%	1.2%	8.3%	2,520	0.9x	515
6	BTN (government-affiliated)	17,103	671	221	4.5%	1.2%	13.5%	2,733	1.8x	820
7	Panin	15,715	603	206	4.7%	1.4%	8.6%	2,069	0.8x	583
8	Danamon	12,807	1,307	235 <sup>*7</sup>	9.3%	2.3%	11.6%	4,241	1.5x	1,859 <sup>*8</sup>
9	Maybank	12,498	505	155	5.2%	1.1%	9.9%	1,319	0.9x	491
10	Permata	11,110	389	(335)	3.9%	0.6%	4.6%	1,261	0.8x	323

Source: Company filings, SNL Financial

\*1 1USD=13,561IDR \*2 As of 30 Sep. 2017 \*3 2016Q4-2017Q3 LTM \*4 2017 Q1-3 \*5 As of 22 Dec. 2017 \*6 Book Value is as of 30 Sep. 2017

\*7 Danamon and subsidiaries participated in the Tax Amnesty Program, resulting in a one time tax expense adjustment (US\$ 34 MM)

\*8 Including the branches of Adira Finance, micro, Syariah and conventional

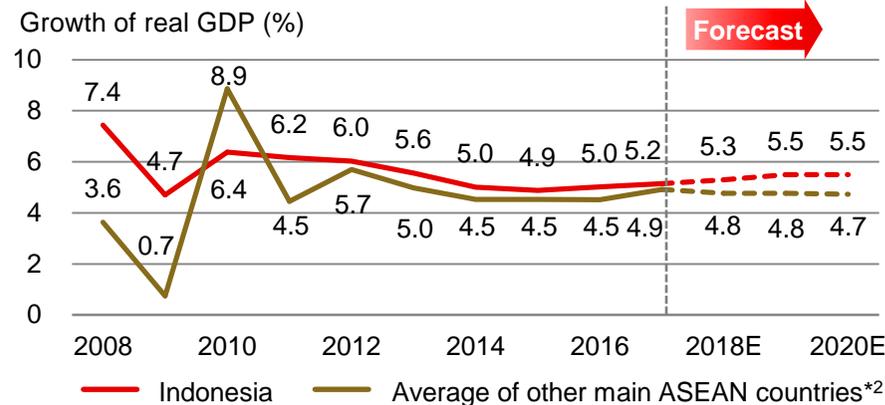
# 4. Indonesia as an Attractive Market (1)

Largest population and GDP in ASEAN. GDP maintains growth of 5% / year. The amount of the investments from Japan and the number of Japanese companies is also significant

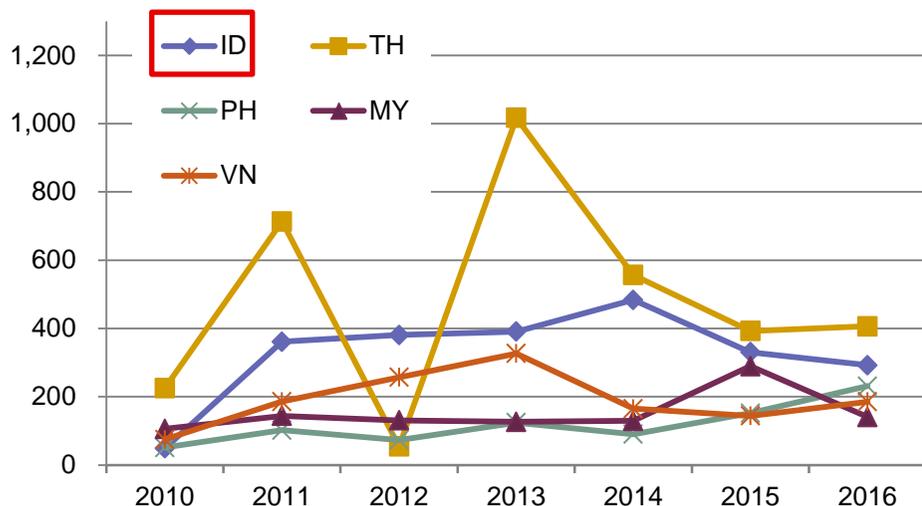
The largest population and GDP in ASEAN\*1 (2016)

	ID	PH	VN	TH	MA	SG
Population (mm) <i>Largest in ASEAN</i>	261.1	103.3	94.6	68.9	31.2	5.6
Median age	28.0	24.1	30.4	37.8	27.7	40.0
Nominal GDP (US\$ bn) <i>Largest in ASEAN</i>	932.4	312.8	201.3	406.9	296.6	277.4
GDP per capita (US\$)	3,570	3,021	2,128	5,909	9,509	49,339

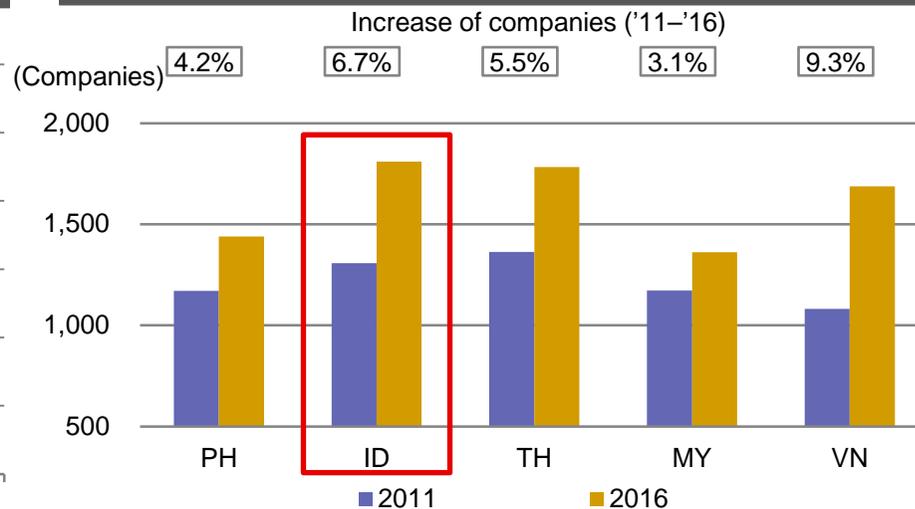
Robust economic growth



Direct investments from Japan\*1,3,4 (JPYbn)



Japanese companies which entered into ASEAN countries\*1



(Source) The Ministry of Foreign Affairs of Japan, Bank of Japan, Ministry of Economy, IMF, EIU, World Bank, JETRO, BMI, BTMU Economic Research Office

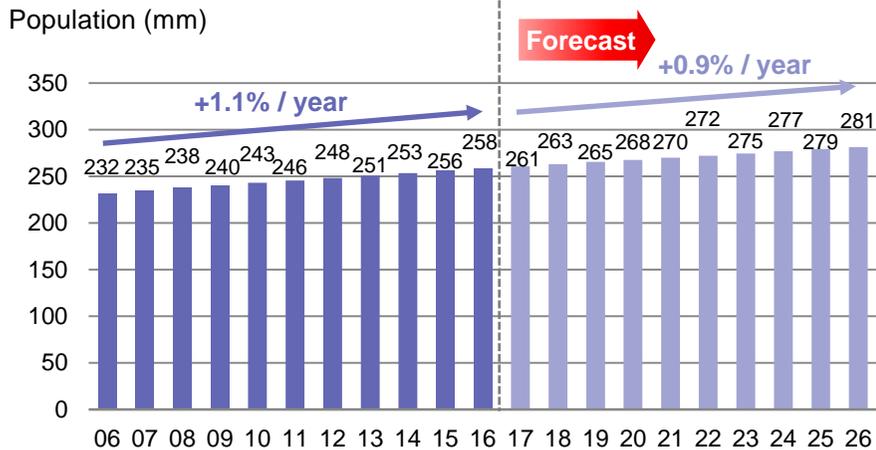
\*1 ID: Indonesia, PH: Philippines, VN: Vietnam, TH: Thailand, MY: Malaysia \*2 Average of Philippines, Vietnam, Thailand, Malaysia and Singapore

\*3 Calculated based on local companies' increase of net worth \*4 The sharp decrease of investment to Thailand in 2012 is mainly due to net worth decrease of Japanese insurance companies, who paid for flood damage the year before

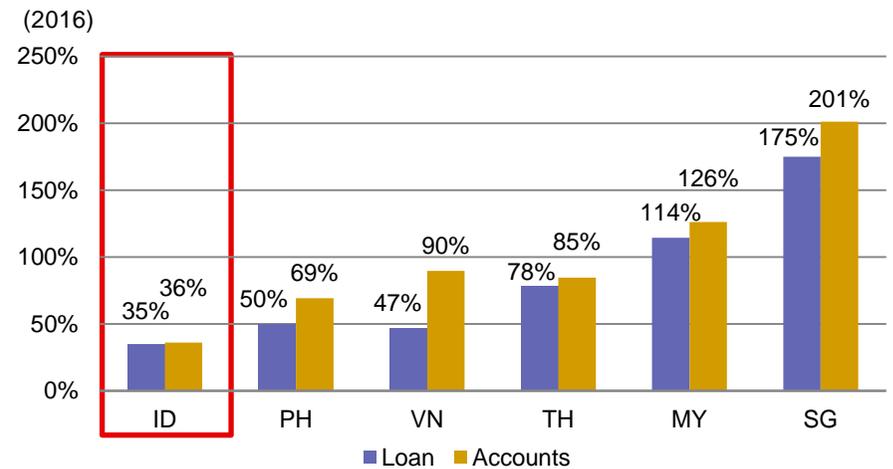
# 4. Indonesia as an Attractive Market (2)

Penetration of loans and deposits is low and expected to expand

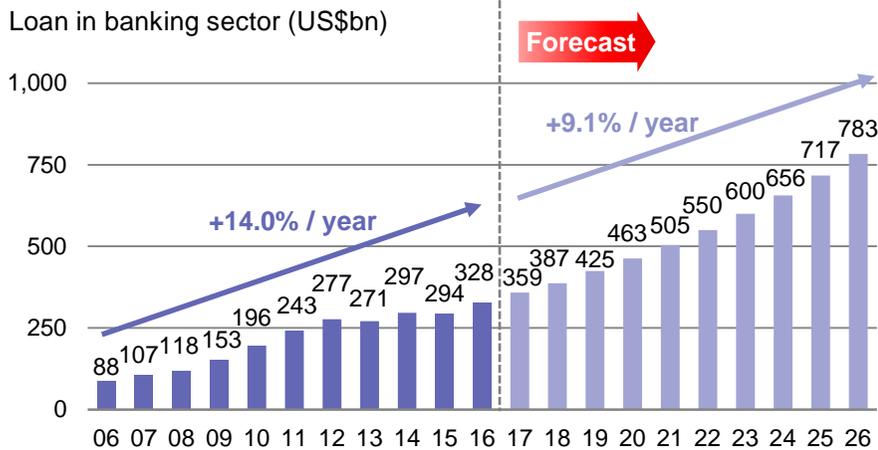
## Historical and expected population growth



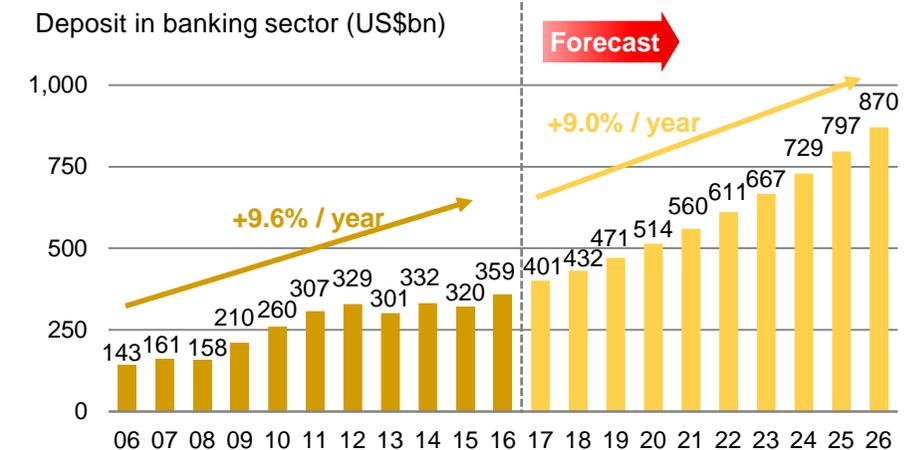
## Penetration of banking services\*1



## Historical and expected loan growth



## Historical and expected deposits growth



(Source) BMI, EIU

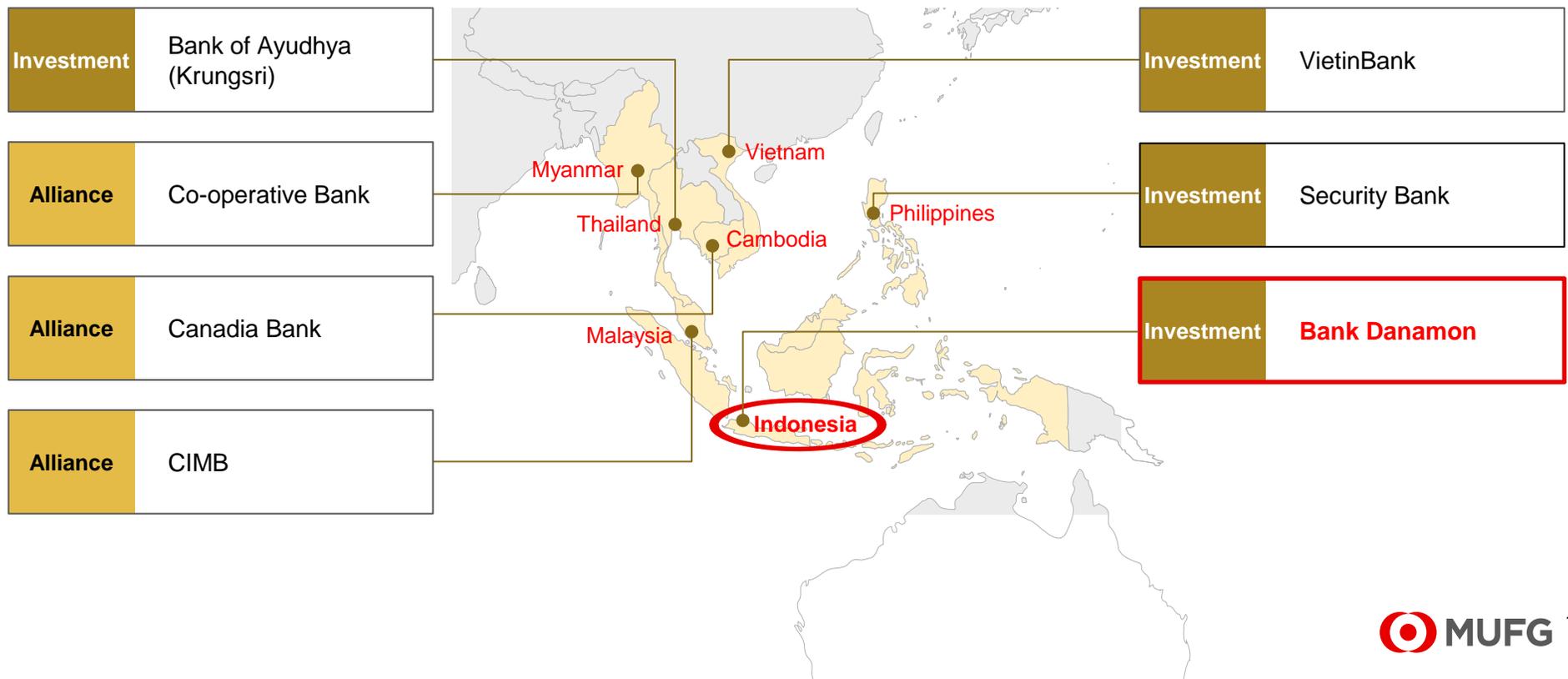
\*1 ID: Indonesia, PH: Philippines, VN: Vietnam, TH: Thailand, MY: Malaysia, SG: Singapore

## 5. Strategic Rationale (1)

### MUFG's investment and alliance strategy in Asia

- In addition to the branch network, MUFG has established a local network through the investment and alliance with the major financial institutions within Asia
- Through the investment and alliance strategy with the partner banks, MUFG intends to enhance client services and incorporate the growth of Asia by utilizing local networks, and strengthen relationships with local regulators
- Through the investment and alliance relationship with Bank Danamon, establish a firm business foundation within Indonesia, as well as further strengthen the business network in Asia, and aim to develop and accelerate the commercial banking business model

### MUFG's key investment and alliance relationships with local financial institutions within South East Asia



## 5. Strategic Rationale (2)

### (1) Contribute to the Indonesia's economy and capture the growth of the country

- Indonesia is the largest economy in ASEAN underpinned by excellent economic fundamentals backed by a large population of 261 million. Indonesia is also a stable and growing market that has maintained annual GDP growth of 5.2%
- Banking services penetration rate (percentage of loans and deposits to GDP) is relatively low and expected to grow going forward, which will lead the expansion of the banking sector in the future
- MUFG will further contribute to the development of the Indonesian banking industry and to the growth of the Indonesian economy

### (2) Diversifying MUFG's overseas business and enhance overseas retail and commercial banking business

- MUFG has been running businesses with focus on overseas wholesale and corporate client. MUFG intends to diversify its portfolio by enhancing the retail and commercial banking business in overseas market where growth is anticipated
- Our wholesale and corporate banking business will be rolled out globally whereas retail and mid-sized enterprise / SME banking business will be focusing on Japan, US, and Asia. By combining the investment in Bank Danamon with our existing investment portfolio, we will be able to establish a solid retail and mid-sized banking business platform in Asia
- MUFG can further strengthen our Retail and Mid-sized banking business through cooperation and knowledge transfer among the existing partner banks and Bank Danamon

### (3) Expansion of the presence in Indonesia through supporting growth of Bank Danamon

- MUFG has been operating for over 50 years in Indonesia and currently is one of the largest foreign banks in the country
- Bank Danamon has an excellent management team and employees, and is working on business transformation for further growth. MUFG will strongly support its growth strategy by utilizing its knowledge and expertise as a group
- MUFG will fully support both its existing branch and Bank Danamon to develop a long-term presence in Indonesia

### (4) Providing unparalleled comprehensive financial services

- By integrating MUFG's resources such as customer base, services, network and management expertise, with Bank Danamon's unique business model, MUFG will be able to provide unprecedented comprehensive financial solutions to the customers
- MUFG has already been working with partner banks in ASEAN countries to date. The collaboration among MUFG and the partner banks will bolster its competitiveness in each country and make it an unique existence compared to other local and foreign peers

# 6. Why Bank Danamon (1)

## Overview

### Strengths of Bank Danamon

#### Management

- Excellent management team with strong track record and active commitment to business transformation

#### Business portfolio

- Solid track record within the Indonesian retail (including auto financing) business
- Active diversification of business area by shifting to mid-sized enterprise / SME business
- Active restructuring of non performing portfolio, such as micro finance

#### Financials

- Profitability
  - Relatively high NIM (2017Q1-3: 9.3%) that supports the high ROE (2017Q1-3: 11.6%)
- Financial soundness
  - High CET1 ratio

#### Strategic alignment

- Bank Danamon has a prominent local franchise and MUFG can support its growth strategy by providing the knowledge, experience and expertise on retail and mid-sized banking business gained on a global basis

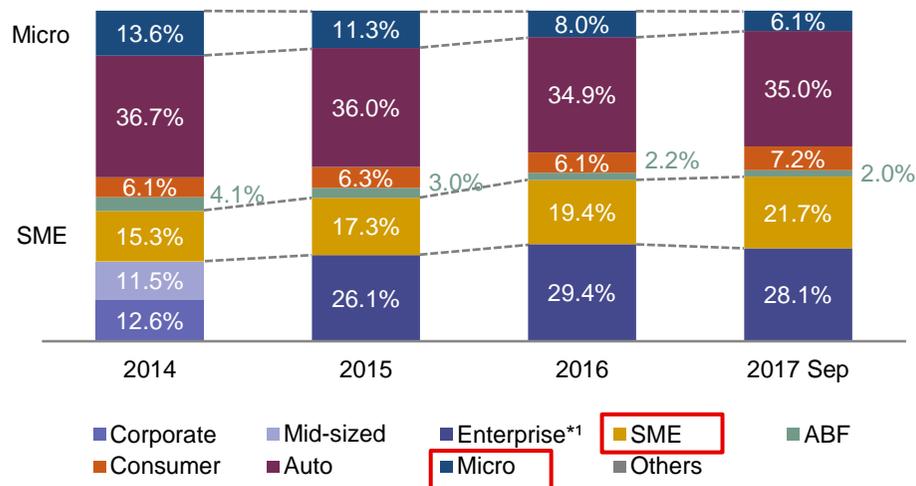
#### Opportunity

- Opportunity to acquire a majority stake in a leading bank with a good franchise and brand name in Indonesia

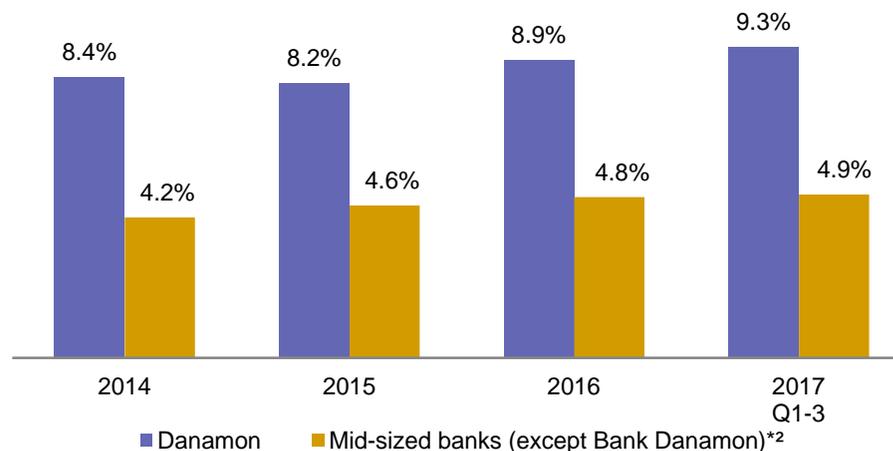
# 6. Why Bank Danamon (2)

Business transformation since 2015 has been successfully implemented. Due to the shift from Micro to SME and decrease in cost of funding and improvement in efficiency ratio, ROE has been improving

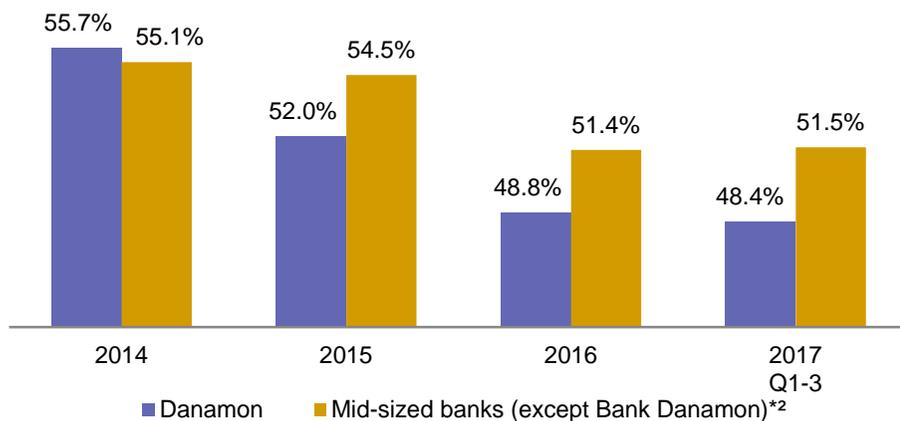
## Historical loan portfolio



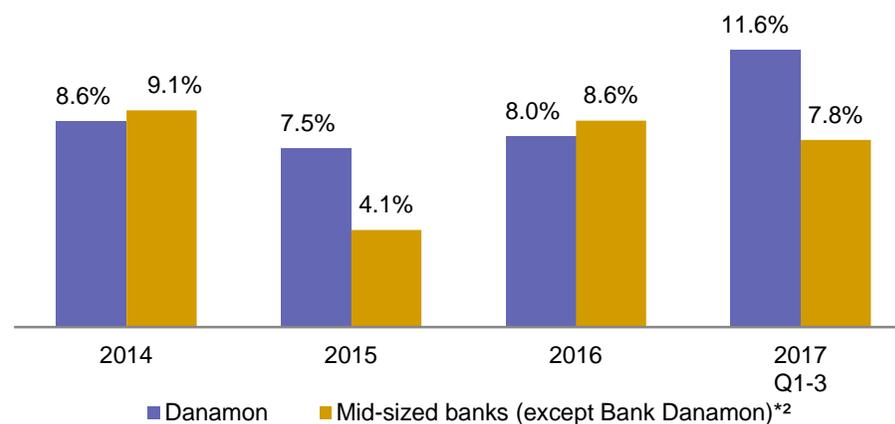
## Historical NIM



## Historical efficiency ratio



## Historical ROE



(Source) Company disclosure, SNL Financial

\*1 Enterprise: Corporate and Mid-sized

\*2 Applied on average of mid-sized banks (except Bank Danamon: CIMB Niaga, Panin, Maybank (Indonesia), Permata)

## 6. Why Bank Danamon (3)

Consistent strategy

### Accelerating the growth strategy by utilizing the synergies with MUFG

#### Features of Bank Danamon

- Strengthening SME and Transaction Banking services
- Maintaining leadership position in the Auto industry
- Promoting cross-selling
- Growth of digital channels
- Mortgages and knowledge of real estate business



#### Strengths of MUFG

- Global network
- Transactions of Japanese Corporate clients
- Strong financial foundation
- Products and services
- Track record of synergies from partnering ASEAN banks

#### Synergies

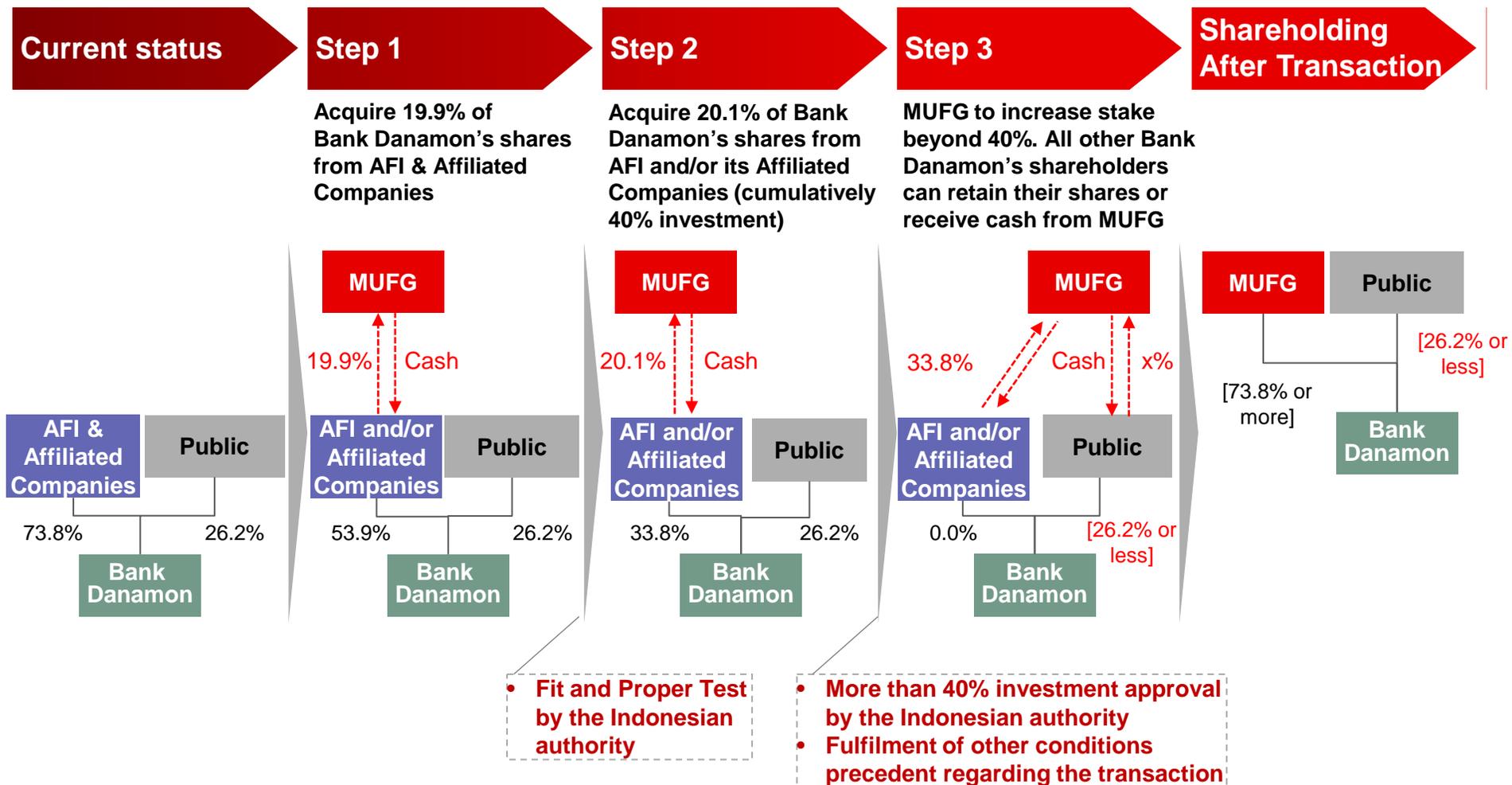
- Utilizing the features of Bank Danamon and strengths of MUFG to establish a framework to provide services with higher quality
- Creating business opportunities by utilizing the network and know-how of the two banks in each step of the value chain in various industries between the two countries, and establishing an “ecosystem”
- Aiming to achieve further growth of Bank Danamon which is currently ranked 5<sup>th</sup> as a mid sized bank (by profit)

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# Appendix

# Transaction summary / structure

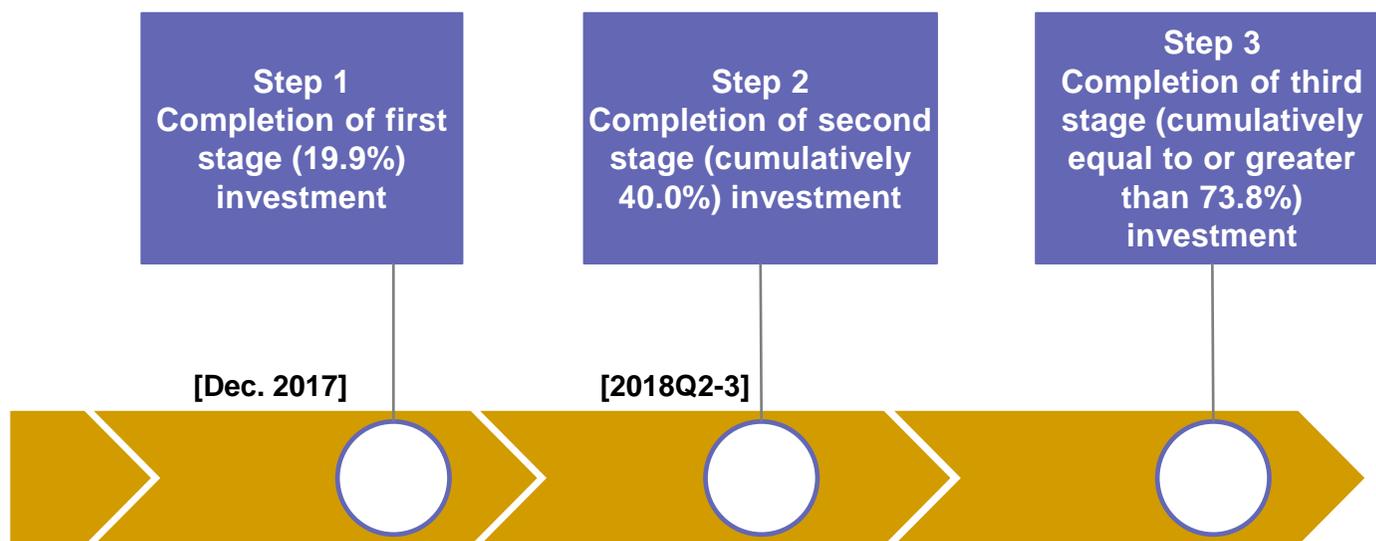
## 3 Step structure



# Transaction Summary / Structure

## Transaction schedule

### Transaction schedule



# Bank Danamon– Key Financials

(US\$ MM*1)	FY2014	FY2015	FY2016	2016 9M	2017 9M	CAGR
<b>Income Statement</b>						<b>14-16</b>
Interest income	1,009	1,006	1,017	756	780	0.4%
Non-interest income	292	270	289	215	192	(0.5%)
Operating income	1,300	1,277	1,306	971	972	0.2%
Net income	192	176	197 <sup>*2</sup>	186	224	1.2%
<b>Balance Sheet</b>						<b>14-17 9M</b>
Total loan	10,254	9,548	9,388	9,185	9,356	(3.3%)
Enterprise & FI	2,472	2,490	2,758	2,455	2,631	2.3%
ABF	424	288	207	206	187	(25.8%)
SME	1,572	1,652	1,820	1,848	2,026	9.7%
Consumer	624	605	574	603	672	2.7%
Auto	3,764	3,436	3,278	3,228	3,273	(5.0%)
Micro	1,399	1,077	751	844	568	(27.9%)
Deposit	8,725	8,611	7,779	7,652	7,407	(5.8%)
Shareholders' equity	2,390	2,502	2,650	2,644	2,744	5.2%
Total assets	14,440	13,867	12,837	12,881	12,807	(4.3%)
<b>Key ratios</b>						
NIM	8.4%	8.2%	8.9%	8.8%	9.3%	-
Fee income / operating income	22.4%	21.2%	22.1%	22.2%	22.1%	-
Cost to income ratio (CIR)	55.7%	52.0%	48.8%	48.6%	48.4%	-
ROA	1.4%	1.2%	1.5%	1.9%	2.3%	-
ROE	8.6%	7.5%	8.0%	10.1%	11.6%	-
NPL ratio	2.3%	3.0%	3.1%	3.5%	3.3%	-
CET1 ratio	17.2%	18.8%	20.1%	20.7%	21.5%	-
<b>Others</b>						
Number of employees	60,618	50,226	44,019	46,778	39,184	-

Source: Company filings

\*1 1USD=13,561IDR \*2 Danamon and subsidiaries participated in the Tax Amnesty Program, resulting in a one time tax expense adjustment (US\$ 34 MM)