

Danamon and DBS

A Combination for Growth

DBS Group Holdings
May 2012

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Transaction summary

Acquisition of Danamon

- Acquisition of 67.37% stake in Danamon through the purchase of Asia Financial (Indonesia) from Fullerton Financial Holdings
 - Implied consideration of S\$6.2 billion⁽¹⁾ to be satisfied by issue of 439 million new DBS shares
- Mandatory tender offer to acquire the remaining listed Danamon shares from minority shareholders
 - Cash consideration amounting to approx. S\$2.9 billion⁽¹⁾

Reference price

- IDR 7,000 per Danamon share, representing
 - P/B of 2.6x Danamon's 31 December 2011 book value
 - Premium of 52% over last closing price prior to announcement date
 - Premium of 56% over 1-month VWAP prior to announcement date
 - Premium of 35% over 12-month VWAP prior to announcement date

Closing

- Subject to various conditions including approvals from regulators in Singapore and Indonesia, and independent DBS shareholders

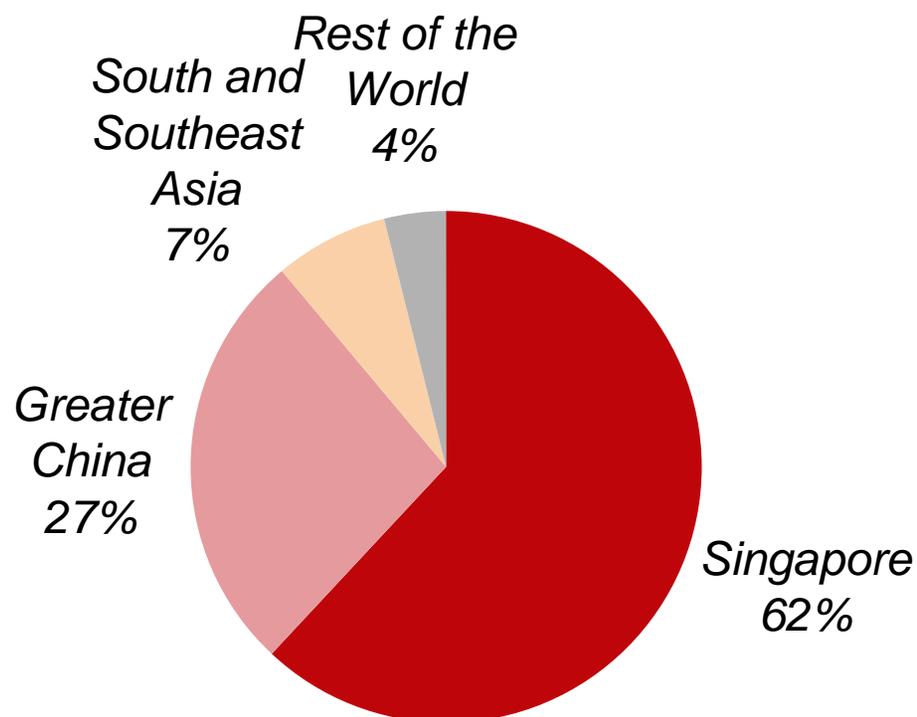
Note

1. Based on exchange rate of S\$/IDR of 7,318

Rebalance and diversify geographic mix of DBS' business

From a Singapore and Greater China-centric financial institution ...

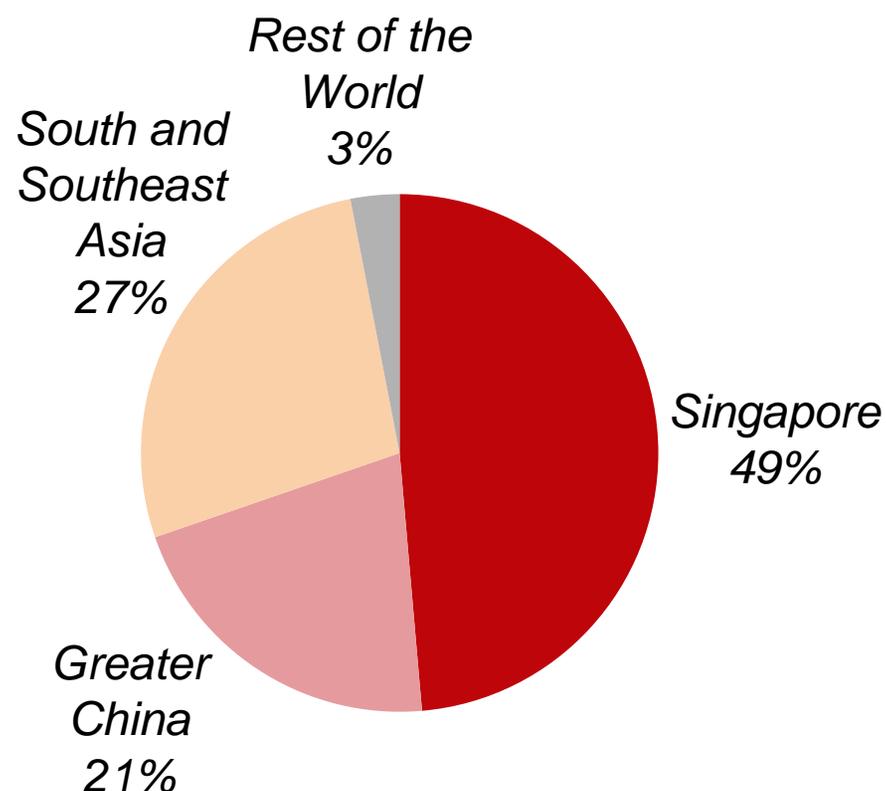
2011 actual (pre-transaction)



Total revenues: S\$7.6 billion

... to a more diversified Asian financial institution

2011 pro forma (post-transaction) ⁽¹⁾



Total revenues: S\$9.6 billion⁽²⁾

Notes

- 1. Based on exchange rate of S\$/IDR of 7,318
- 2. Excludes interest expense arising from the proposed acquisition of Danamon

Significantly increase presence in high growth markets

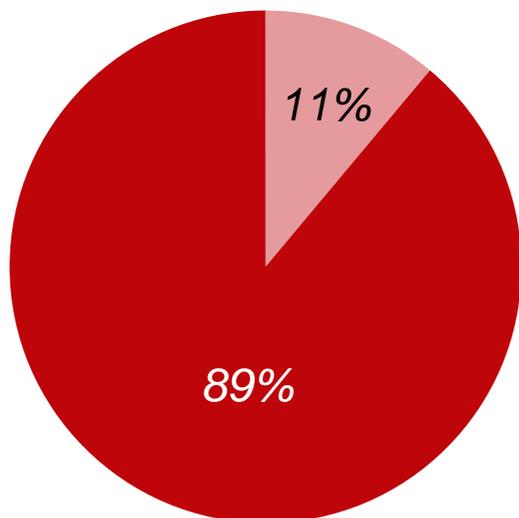
Transforming DBS from a player in mature markets ...

... to a player with good exposure to high growth markets (China, India and Indonesia)

2011 actual (pre-transaction) ⁽¹⁾

2011 pro forma (post-transaction) ^{(1) (2)}

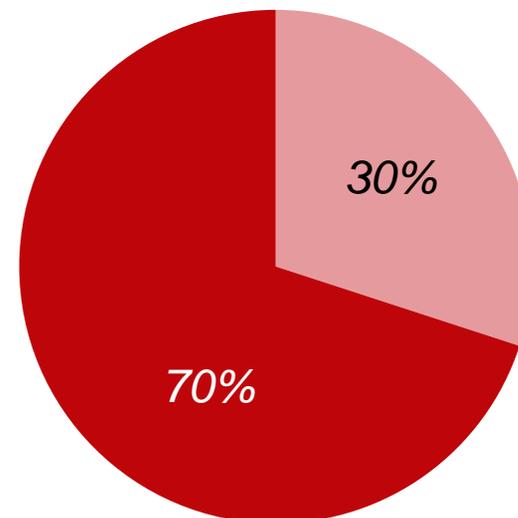
High growth markets



Mature markets

Total revenues: S\$7.6 billion

High growth markets



Mature markets

Total revenues: S\$9.6 billion⁽³⁾

Notes

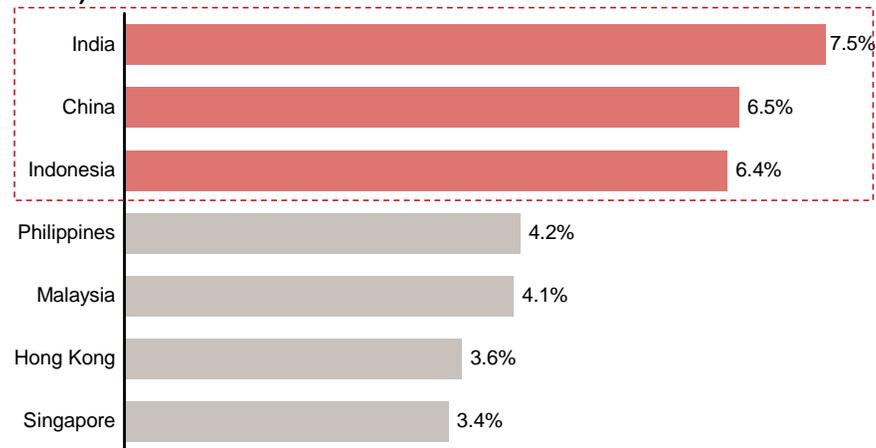
1. High growth markets: China, India and Indonesia; Mature markets: Singapore, Hong Kong, Taiwan and others
2. Based on exchange rate of S\$/IDR of 7,318
3. Excludes interest expense arising from the proposed acquisition of Danamon

Expands presence in Indonesia – a resilient high growth economy

- Strong demographics and macroeconomic fundamentals
 - 4th largest population in the world
 - 3rd fastest growing economy in Asia
 - Record low inflation
 - High monetary maneuverability and fiscal flexibility
 - Leading commodities exporter with large natural reserves
 - Strong domestic consumption
- Resilient to global crises
- Regained investment grade rating
 - Significant improvement in investors' risk perception

One of the fastest growing economies in Asia

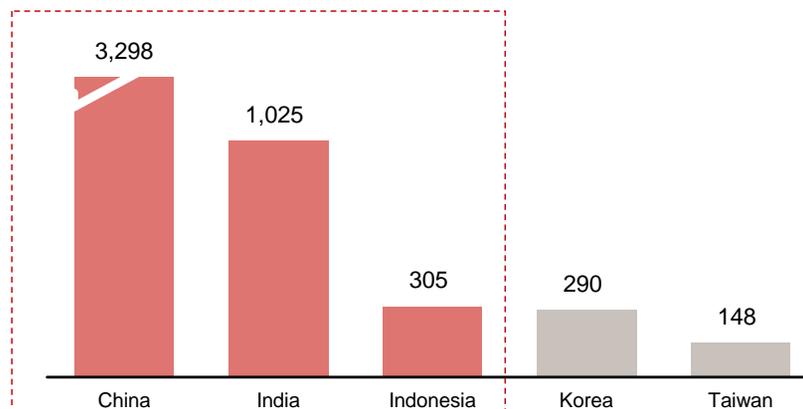
2010-2020E real GDP growth⁽¹⁾
(CAGR %)



Source: Business Monitor International

Key contributor to increasing consumption

2010-2020E growth in private consumption expenditure
(Constant 2010 US\$ billion)



Source: DBS Group Research, Business Monitor International

Note

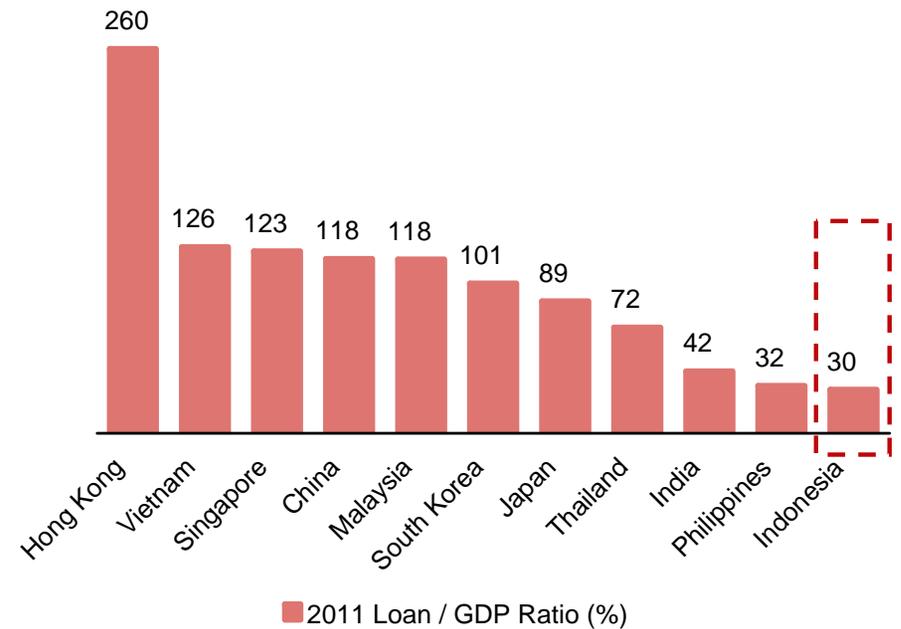
1. For countries in Asia Pacific with 2011 real GDP above US\$100 billion

Indonesia presents compelling universal banking proposition

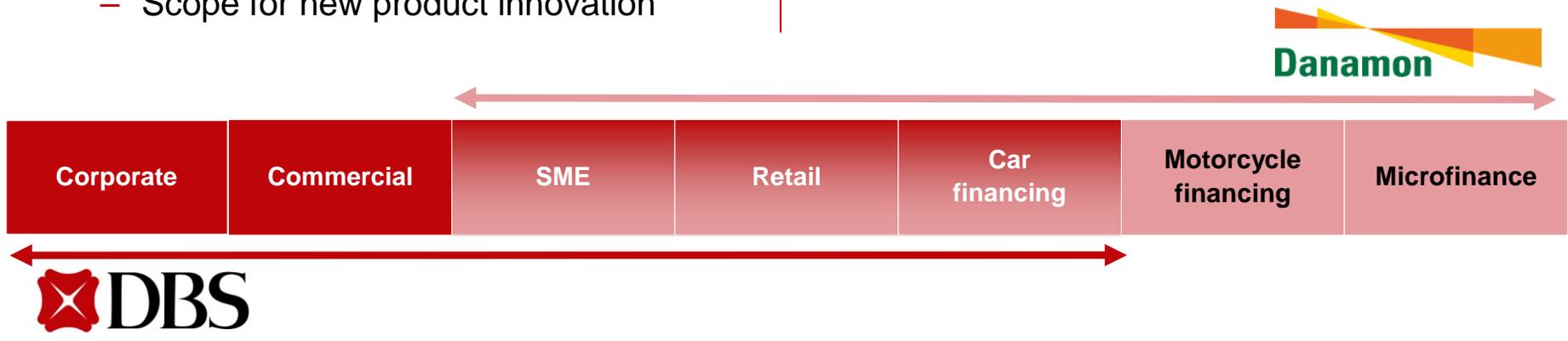
- Significant market opportunities across product and customer segments
 - Retail and mass market demand driven by population of over 235 million people with a rapidly growing middle class
 - Corporate and SME banking driven by credit requirements and increased regional trade flows

- Banking sector has high growth potential
 - Lowest credit penetration amongst peer countries
 - Scope for new product innovation

Lowest credit penetration amongst peer countries



Source: Business Monitor International



Complementary businesses and strengths



- Asia-wide presence
- Unmatched deposit franchise
- Strong product capabilities
 - Trade finance, supply chain and cash management
 - Treasury and capital markets
 - Retail deposits
 - Wealth management
- Superior risk management capabilities
- Robust capital position
- Strong credit rating
- Indonesia-wide distribution
 - Approx. 3,000 branch offices & outlets
- Large customer base of approx. 6 million
- Differentiated market presence
 - #2 in auto lending with best-in-class Adira Finance franchise
 - #2 in microfinance with early mover and scale advantage
 - Growing SME and retail presence
 - Growing Adira Quantum, Adira Insurance and Syariah businesses
- Professional and highly experienced management team

- **Structurally modifies DBS' growth trajectory with minimal impact on risk profile**
 - **Propels DBS to become 5th largest bank in Indonesia**

Why now?

Window of opportunity

- Limited opportunities to acquire a major bank in Indonesia
- Reasonable banking sector valuation levels

DBS is ready

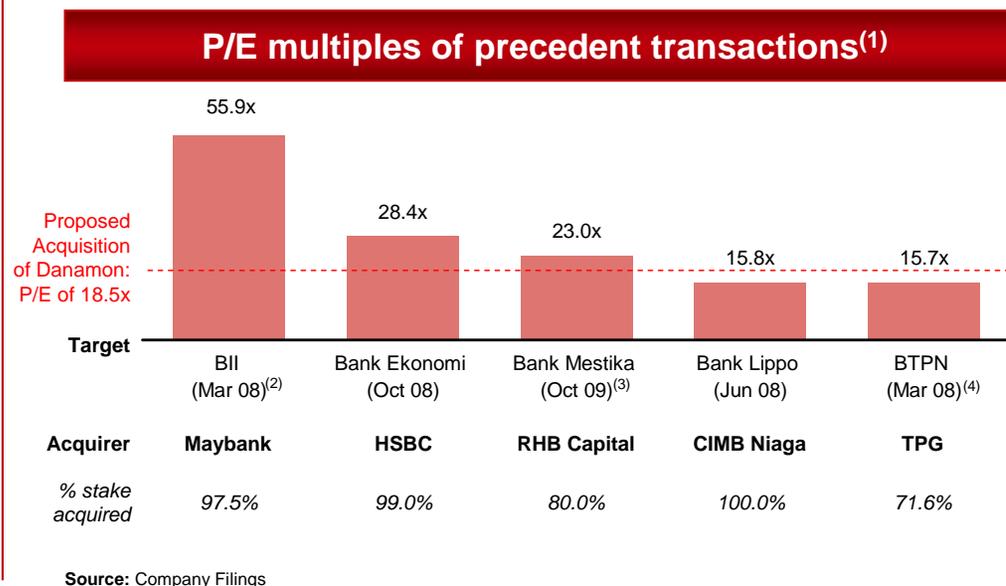
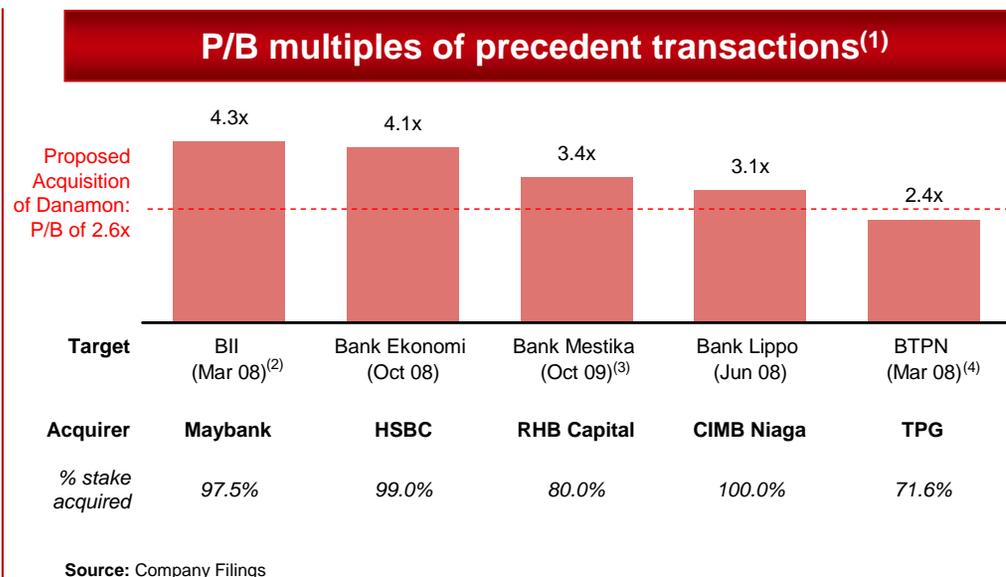
- Organic strategic priorities in place since late 2009
- Consistent and substantial progress made in all geographies and business segments
 - Demonstrated via last nine quarters of results
- Built regional management capabilities, systems and practices
- Successfully integrated Bowa (Taiwan) and RBS (China) acquisitions
- Capacity and know-how to integrate Danamon

Solid understanding of Indonesian market

- Present in Indonesia since 1989
 - 40 branches and over 1,000 employees
- Senior management team has extensive operating experience in Indonesia
- Transformed DBS Indonesia over the last 2 years
 - Net profit of S\$52 million in 2011 vs. S\$20 million in 2009

A fair acquisition price which creates value for DBS shareholders

- Danamon's pre-announcement trading price not fully reflective of its standalone value
 - Below mean analyst target price
- Acquisition price reflects DBS' assessment of Danamon's long-term franchise value
 - Incorporates control premium and expected benefits from DBS' ability to integrate and synergise with Danamon's businesses
 - Reasonable premium of 35% over 12-month VWAP prior to announcement date
- Transaction compares favourably with precedents
- DBS' capital position will remain strong post-transaction
- Transaction expected to be EPS and ROE accretive by 2015



Notes

1. P/B calculated based on latest quarterly results publicly available prior to the announcement of the relevant take-over transactions, unless stated otherwise. P/E calculated based on reported earnings per share as extracted from the last full financial year results publicly available prior to the announcement of the relevant take-over transactions, unless stated otherwise. Multiples shown cover initial stake acquisition and subsequent tender offer, if any

2. Blended P/B and P/E based on acquisition of 55.6% from the controlling shareholder (P/B of 4.0x; P/E of 51.8x) and 41.9% from minorities (P/B of 4.7x; P/E of 61.0x)

3. Announced but not completed

4. Transaction announced in March 2008 but SPA signed in May 2007; multiples calculated based on latest available financial information at the time of SPA signing



Potential synergies from the combination

- Reduction of wholesale funding costs for Danamon
- Scaling up of treasury and markets platform in Indonesia
 - Leverage Danamon's balance sheet and DBS' regional expertise and systems
- Realise untapped opportunities in the corporate and SME segments
 - DBS' regional connectivity and Danamon's Indonesian network to tap on end-to-end trade flows
 - Increased ability to cross-sell products
 - Potential to scale up business in Indonesia and drive fee income (trade finance, cash management, treasury, capital markets)

Potential synergies from the combination (cont'd)

- Re-acceleration of growth of microfinance and consumer businesses
 - Easing of funding and capital constraints to unshackle growth and margin constraints
 - Improve resilience to withstand credit cycles
- Acceleration of consumer revenue growth
 - Leverage Danamon's distribution network and DBS' product expertise (affluent banking, retail banking, credit cards, unsecured personal loans and mortgages)
- Realise scale and operating cost benefits from integrating DBS Indonesia with Danamon

Financial details

Financial effects of proposed transaction



S\$ billion; FY2011 ⁽¹⁾⁽²⁾			Pro forma	Danamon contribution
Balance sheet				
Total assets	341	19.4	366	5%
Net loans	195	13.5	208	6%
Customer deposits	225	11.7	237	5%
Shareholders' equity	28.8	3.50	34.8	10%
Income statement				
Total income	7.63	2.00	9.50	21%
Net earnings	3.04	0.46	3.36	14%
Others				
Risk weighted assets	214	17.3	231	7%

Notes

1. Based on S\$ / IDR exchange rate of 7,318
2. Assumptions: (i) final stake of 99% stake in Danamon (ii) any financial effect from transaction (e.g. goodwill) is attributed to DBS



Financial effects of proposed transaction (cont'd)



FY2011 ⁽¹⁾	Pro forma		
Selected ratios			
Net interest margin	1.77%	9.85%	2.14%
Non-interest income (as % of total income)	37%	26%	35%
Cost-to-income ratio	43%	54%	46%
NPL ratio	1.3%	2.3%	1.4%
Provisioning coverage ⁽²⁾	126%	113%	125%
Loan-to-deposit ratio ⁽³⁾	86%	96% ⁽⁴⁾	88%

Notes

1. Based on S\$/IDR exchange rate of 7,318. Assumes final stake of 99% stake in Danamon
2. Refers to NPA provisioning coverage for DBS standalone and pro forma
3. Refers to net loan to deposit ratios
4. Bank only



Pro forma financial impact

Estimated capital impact

- DBS capital position will remain strong post-transaction
 - Acquisition of 67.37% stake in Danamon with an implied consideration of S\$6.2 billion⁽¹⁾ to be satisfied by issue of 439 million new DBS shares
 - Core tier 1 CAR⁽²⁾: 11.0% to 10.3% pro forma⁽³⁾
 - Tier 1 CAR⁽²⁾: 12.9% to 12.1% pro forma⁽³⁾
 - Total CAR⁽²⁾: 15.8% to 14.8% pro forma⁽³⁾
- Minority shareholders: cash consideration to be funded by internal cash resources and future senior debt issuances
- Acquiring entity: DBS Group Holdings

Estimated EPS and ROE impact

- EPS and ROE accretion by 2015
 - 2015 expected to be first full year of synergy realisation
 - 2013 to be the integration year with progressive phasing-in of synergies in 2014

Notes

1. Based on exchange rate of S\$/IDR of 7,318

2. Capital adequacy ratio

3. Pro forma based on reported financial statements as of 31 December 2011; assumes final stake of 99% in Danamon