

11 August 2020
Banking, Equity

Price IDR. 2,800
Target Price IDR. 3,110
JKSE Index 5,190.17

Bank Danamon Indonesia Tbk, Indonesia, Jakarta:BDMN, M



Stock Code
Bloomberg code **BDMN IJ**
Market cap (IDR.bn) **26,854.1B**
52-Week High (IDR) **5,350**
52-Week Low (IDR) **1,620**
6-m Avg Daily. Val (IDR) **2,651**
Free Float (%) **00.00**

Major Shareholders (%)
MUFG Bank, Ltd **94.10%**
Public **5.90%**

USD/IDR-YE (IDR)
2019A **14,390**
2020F (6M Avg) **13,344**

Key Indicators
Non Performing Loan (%) **4.00**
Net Interest Margin (%) **5.76**

Analyst: Lingga Pratiwi
Lingga.pratiwi@binaartha.com

Investment Consideration

Net Profit drops

The 2Q20 Net Loss of IDR 400 billion, resulted in a -53% decline in 1H20 net profit to IDR 845 billion. There was still a 3% increase in Net Interest Income in 1H20, and Non-Interest Income, rose quite significantly too by 18%, partly thanks to a long-term agreement with Zurich Insurance which is starting to produce revenue. The increase in Non-Interest Income was not enough to offset the higher Cost of Credit which increased by 87% because of loan restructuring.

Loan Restructure Process

In June 2020, restructured loans amounted to IDR 28.3 trillion, 19% of the total loans. Loan restructuring involves deferring principal payments to maturity for corporate, lower interest rates for the commercial segment, and deferred interest payments for SMEs. The largest contributor to restructuring was Adira Finance representing 83.5% and the SME segment was 18%. BDMN targets restructured loans to reach 20% of the total loans in FY2020.

Loan Growth has decreased

At the end of 2Q20, lending decreased -4% YoY driven by the SME segment which was down -22% YoY, Adira Finance decreased -7% YoY. The corporate segment increased +4% YoY due to synergy with the MUFG network. BDMN is focusing on growing loans to blue-chip corporations and SOEs, and reducing disbursement of loans to the ADMF and SME segments.

Valuation: 11% Upside, Hold.

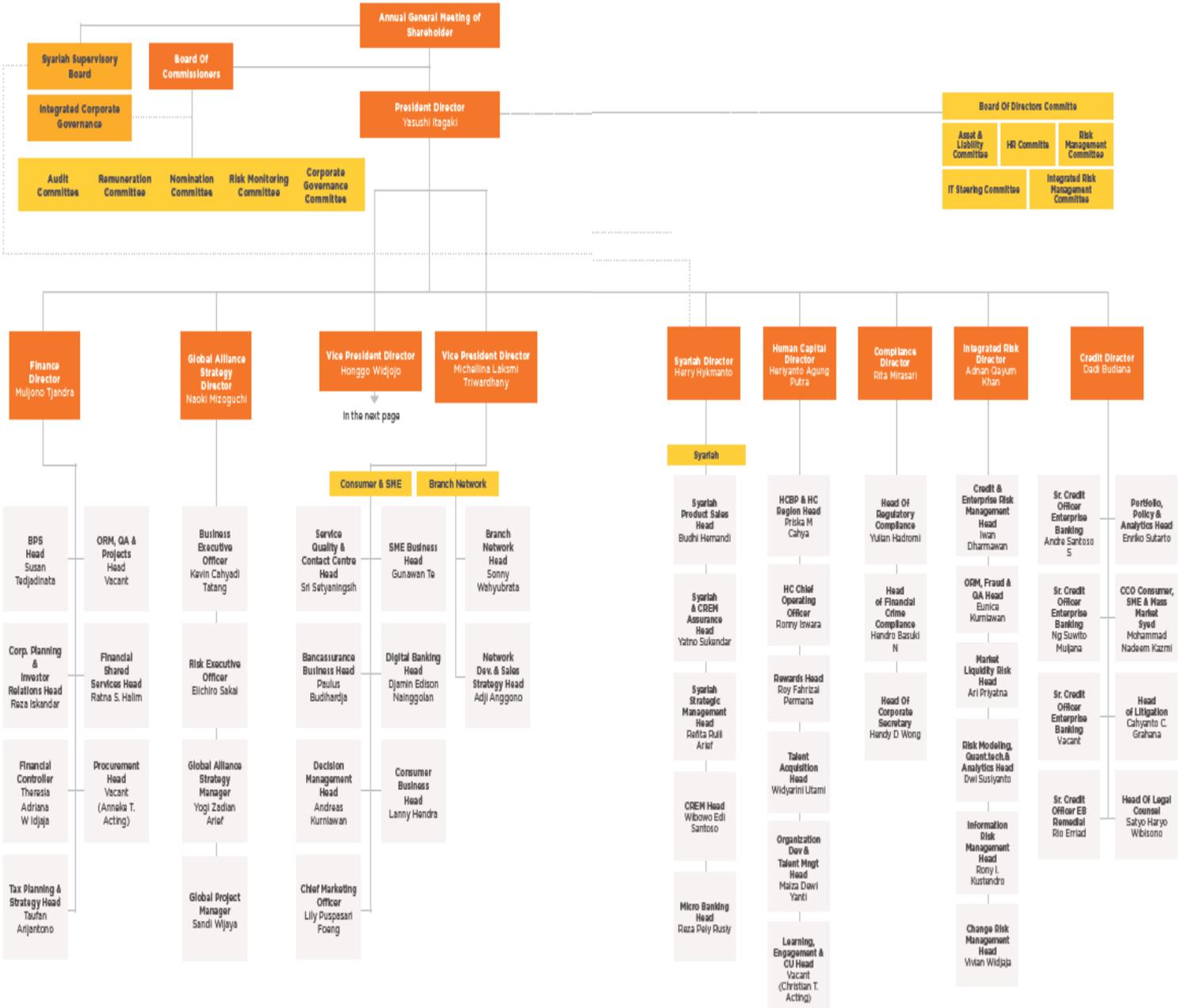
Based on our DDM Valuation, we set a target price within one year of IDR 3,110, which means the shares will be traded at 0.6x PBV and gives 11% potential upside. Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	21.837	20.172	21.970	17.283	17.022	18.673
Interest Expense	-7.073	-5.931	-7.391	-6.204	-6.093	-6.879
Net Interest Income	14.764	14.241	14.579	11.079	10.929	11.793
Net Operating Income	3.755	3.696	3.787	4.122	4.129	4.197
Operating Expense	12.934	9.512	15.093	9.175	9.490	9.800
Pre Provision Operating Profit	5.586	8.425	3.274	6.026	5.568	6.190
Provision Expense	0	3.267	0	3.416	2.696	2.704
Operating Profit	5.586	11.692	3.274	9.443	8.264	8.893
Profit Before Tax	5.367	4.926	5.488	5.718	6.011	6.656
Tax Expense	1.539	819	1.247	1.296	1.243	1.466
Net Profit	3.828	4.107	4.241	4.422	4.768	5.190
EPS (Rp/Share)	384,1	357,6	378,7	397,6	430,6	468,3

Company Profile

In accordance with notarial deed No.55 dated 24 August 2011 of Fathiah Helmi, S.H., Notary in Jakarta, the Bank's shareholders through the Extraordinary General Meeting of Shareholders ("EGMS") dated 24 August 2011 approved the Bank's plan to conduct the Limited Public Offering with pre-emptive rights (Rights Issue) V, with the approved maximum new shares issued by the Bank of 1,162,285,399 B series shares. In accordance with the Shareholders Register dated 26 September 2011, an allotment date of the above Rights Issue, the total new shares issued in conjunction with Rights Issue V were 1,162,285,399 B series shares.

Company Structure



Source: Company

Chart: Gross Loan (x) YoY

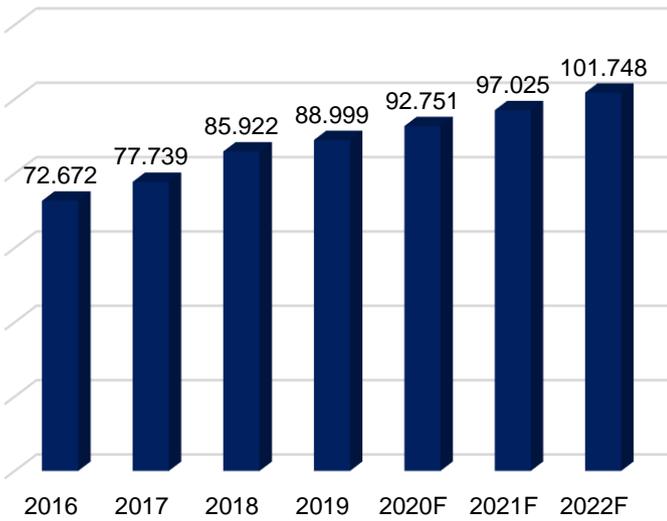


Chart: Customer Deposit (x) YoY

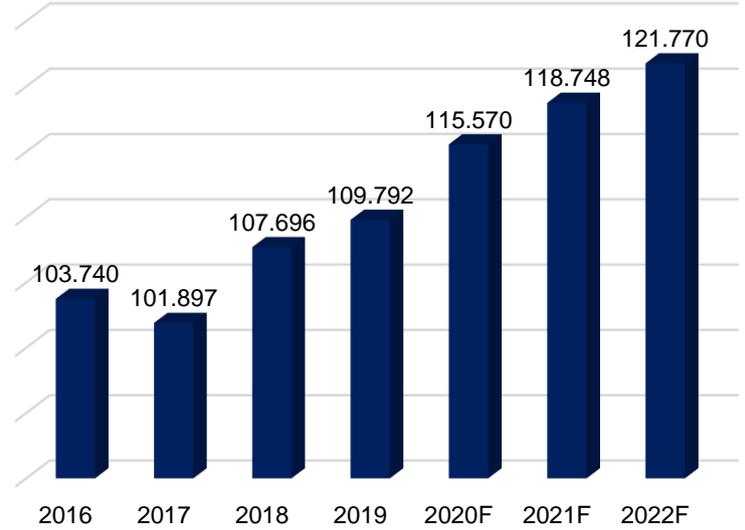


Chart: Profitability (x) YoY

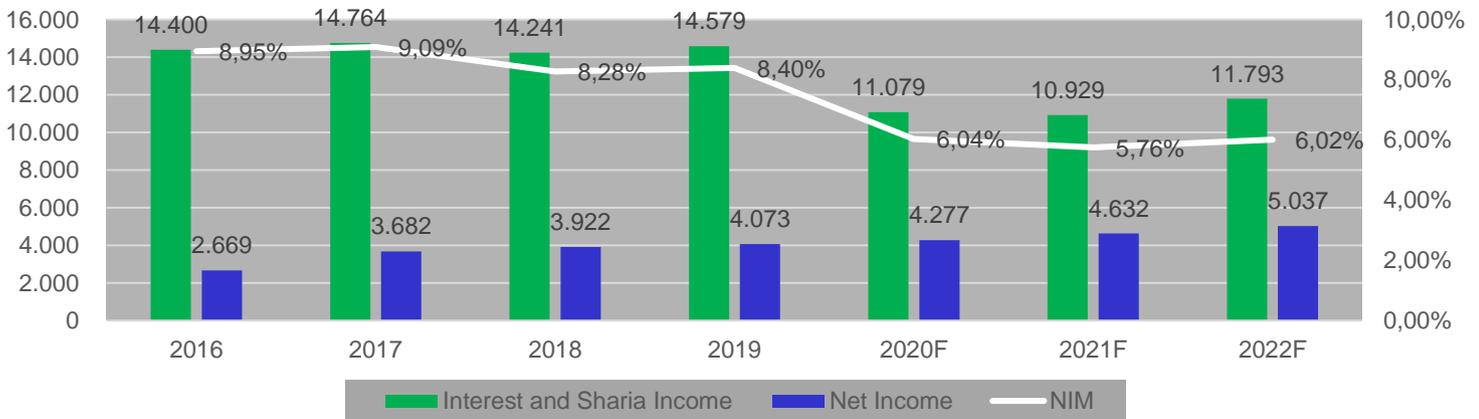


Chart: Net Interest Margin (x) YoY

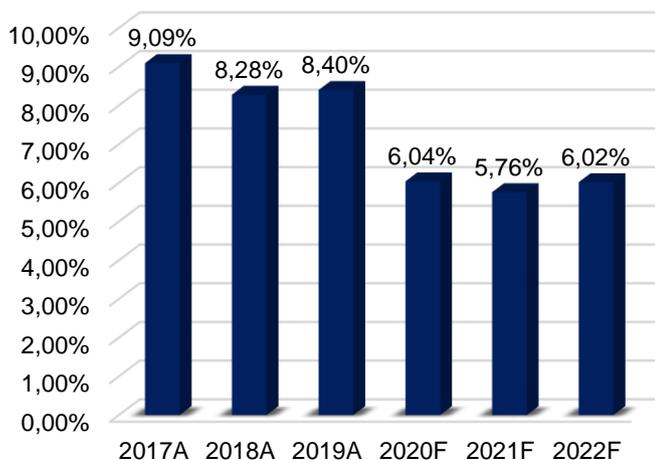


Chart: Loan to Deposit Ratio (x) YoY

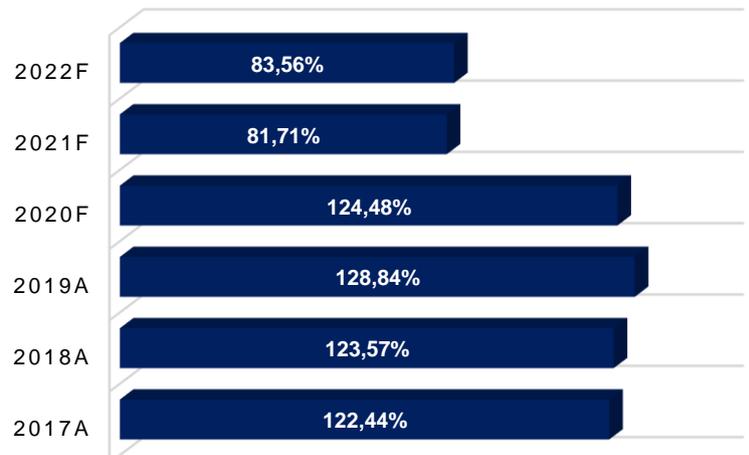


Chart: Gross Loan (x) QoQ

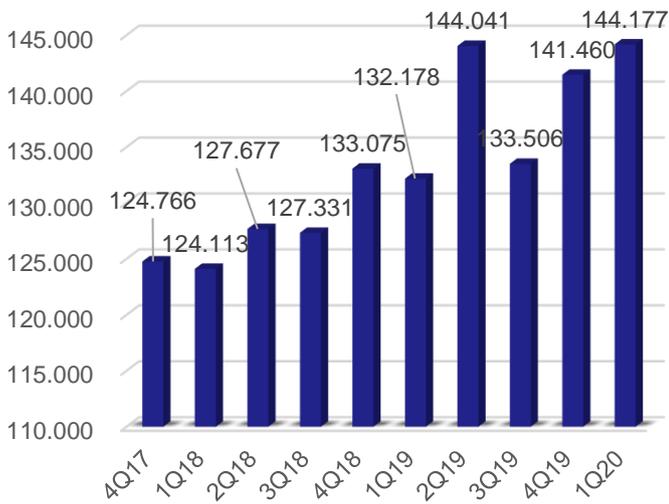


Chart: Customer Deposit (x) QoQ

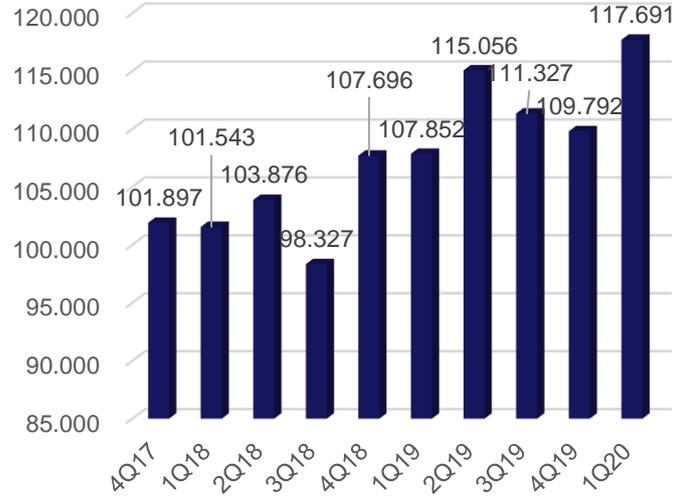


Chart: Profitability (x) QoQ

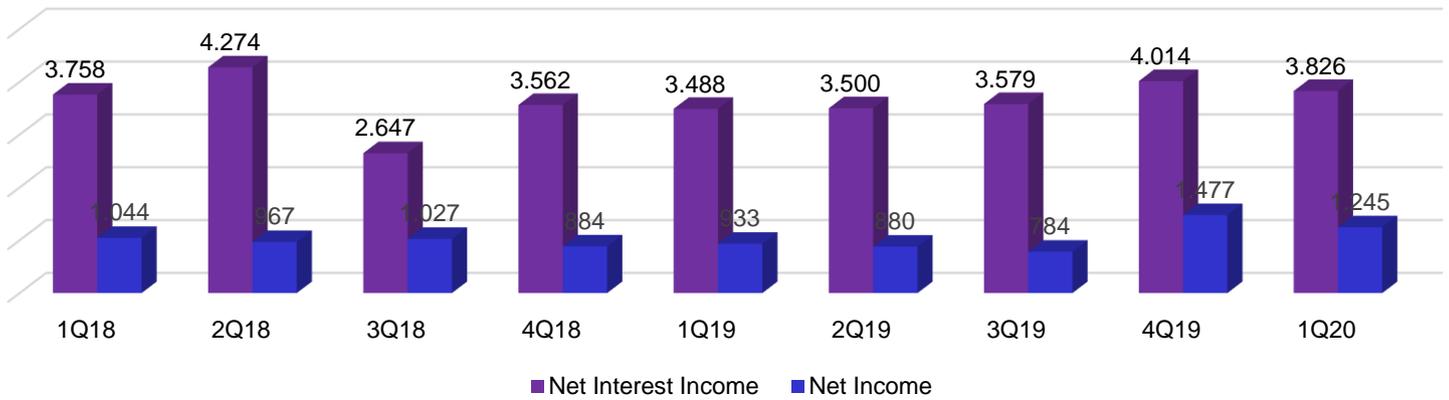
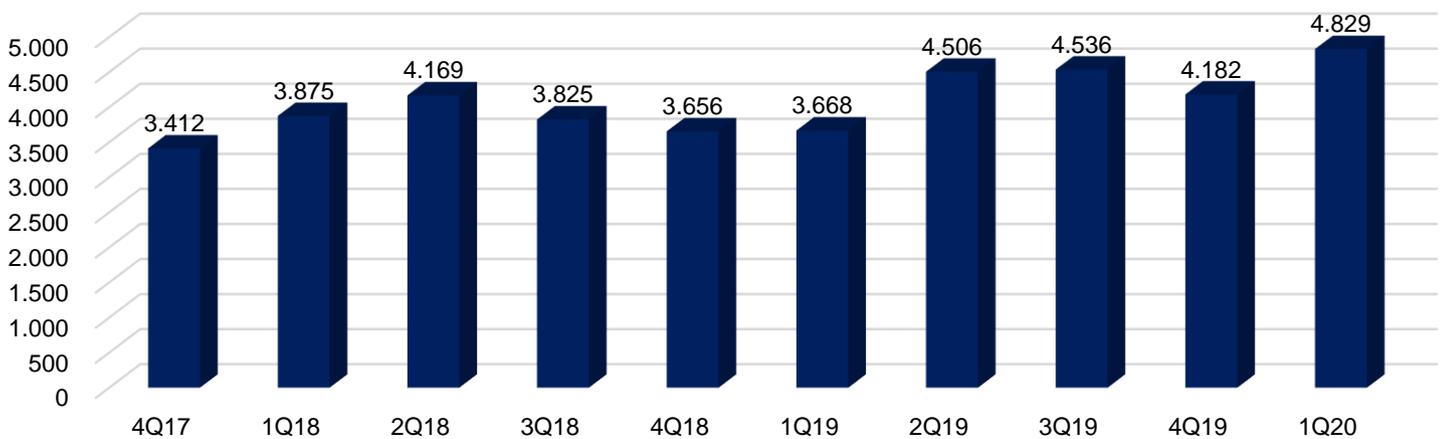


Chart: Non Performing Loan (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	10.102	9.283	8.354	21.235	29.622	40.773
Interbank Placement	5.199	8.576	5.591	6.694	16.620	15.610
Marketable Securities	16.060	9.149	9.406	12.041	24.385	25.668
Gross Loan	124.766	133.075	141.460	143.865	97.025	101.748
Allowance for Loans	-2.938	-2.921	-3.116	-4.687	-4.845	-4.950
Loans-net	121.828	130.154	138.345	139.178	92.180	96.798
Other Earning Asset	37.652	39.021	37.573	39.638	92.769	94.256
Non Earning Asset	8.675	8.305	9.262	9.323	9.884	10.083
Total Asset	178.257	186.762	193.534	209.374	224.456	241.910
Deposit:						
Current Account	14.646	15.885	15.837	16.152	16.698	16.981
Saving Account	34.074	33.945	38.258	40.936	42.983	45.132
Time Deposits	53.178	57.865	55.697	58.482	59.066	59.657
Other Interest Bearing Liabilities	11.093	11.535	10.477	11.565	12.746	14.026
Non Interest Bearing Liabilities	26.095	25.591	27.848	34.785	43.370	54.206
Total Liabilities	139.085	144.822	148.117	161.920	174.863	190.002
Total Shareholder's Equity	39.172	41.940	45.417	47.454	49.592	51.908

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	9,09%	8,28%	8,40%	6,04%	5,76%	6,02%
Cost-to-Income Ratio	69,84%	53,03%	82,18%	60,36%	63,02%	61,29%
ROE	9,52%	9,49%	9,06%	9,10%	9,43%	9,80%
ROA	2,07%	2,10%	2,10%	2,04%	2,06%	2,08%
ROAE		9,51%	9,28%	9,08%	9,27%	9,61%
BOPO	78,17%	78,39%	87,29%	87,81%	86,42%	84,76%
Cost of Credit	0,00%	2,45%	0,00%	2,37%	2,78%	2,66%
Liquidity						
LDR	122,44%	123,57%	128,84%	124,48%	81,71%	83,56%
CASA	47,81%	46,27%	49,27%	49,40%	50,26%	51,01%
Asset Quality						
Gross NPL	2,73%	2,75%	2,96%	4,00%	4,00%	4,00%
Provision Coverage	287,03%	266,34%	276,68%	271,51%	274,10%	272,80%
Capital						
CAR	21,60%	21,00%	21,40%	21,33%	21,24%	21,33%
Growth						
Loan Growth	1,95%	6,66%	6,30%	1,70%	2,39%	2,65%
Deposit Growth	-1,78%	5,69%	1,95%	5,26%	2,75%	2,54%
Net Income Growth	37,91%	6,54%	3,86%	4,99%	8,32%	8,75%

QoQ Result

Balance Sheet	2Q19	1Q19	2Q20	%QoQ	%YoY
Loan	144.041	144.177	140.931	-2,3%	-2,2%
Loan Loss Reserves	-2.734	-4.528	-4.970	9,7%	81,8%
NPL	4.506	4.829	5.789	19,9%	28,5%
Deposit					
Demand	16.764	19.683	20.905	6,2%	24,7%
Savings	35.884	38.440	39.639	3,1%	10,5%
Time Deposit	62.408	59.568	54.172	-9,1%	-13,2%
Total Asset	198.590	203.213	194.441	-4,3%	-2,1%
Shareholder Equity	42.621	42.846	42.711	-0,3%	0,2%

Income Statement	2Q19	1Q19	2Q20	%QoQ	%YoY
Interest Income	5.394	5.553	5.141	-7,4%	-4,7%
Interest Expense	1.895	1.727	1.603	-7,2%	-15,4%
Net Interest Income	3.500	3.826	3.538	-7,5%	1,1%
Net Operating Income	957	1.633	823	-49,6%	-14,1%
Operating Expense	1.685	3.675	4.731	28,7%	180,8%
PPOP	2.772	1.784	-370	-120,7%	-113,4%
Provision Expense	1.699	0	0	#DIV/0!	-100,0%
Operating Profit	3	-28	-43	51,9%	-1570,6%
Profit Before Tax	1.076	1.756	-413	-123,5%	-138,4%
Tax Expense	145	469	-19	-104,0%	-113,0%
Net Profit	930	1.287	-394	-130,6%	-142,4%

Ratio	2Q19	1Q19	2Q20	QoQ	YoY
Profitability & Efficiency					
NIM	8,40%	8,40%	7,90%	(0,50)	(0,50)
Cost-to-Income Ratio	42,90%	42,90%	49,90%	7,00	7,00
ROAE	12,40%	12,40%	-4,00%	(16,40)	(16,40)
ROAA	2,50%	2,50%	-0,80%	(3,30)	(3,30)
Cost of Credit	3,30%	3,30%	5,80%	2,50	2,50
Liquidity					
LDR	95,70%	95,10%	94,60%	(0,50)	(1,10)
CASA	49,90%	49,90%	53,20%	3,30	3,30
Asset Quality					
Gross NPL (Bank only)	3,20%	3,40%	4,20%	0,80	1,00
Provision Coverage	129,30%	129,30%	117,20%	(12,10)	(12,10)
Capital					
CAR	21,70%	22,10%	23,40%	1,30	1,70

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

RESEARCH TEAM
(62-21) 520-6678 ext.612

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