

11 December 2020  
Banking, Equity

Price IDR. 3,400  
Target Price IDR. 3,910  
JKSE Index 5,933.70

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



Stock Code BDMN IJ  
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) 14,520

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

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### Investment Consideration Higher net interest income

BDMN reported 9M20 net profit of Rp1.48tn, -43.1% YoY. Net Interest Income grew by 1% YoY, supported by a further decline in Cost of Credit by 48%, due to strong CASA, which in 9M20, was up 3.8% YoY. NIM contracted by 14bp QoQ due to lower yields. BDMN's focus on growth in large blue-chip companies and the SOE segment will be enhanced by collaboration with the MUFG network, and less lending to the ADMF and SME segments.

### Restructured Loans

As of 30 Sep 2020, the amount of restructured loans reached IDR 29.6 trillion, equivalent to 21.4% of total loans. The restructuring scheme includes extended tenor, and deferred principal and interest payments. By segment, from IDR 29.6 trillion, 10% came from the enterprise banking segment, 23% from SMEs, 8% from consumers, and around 57% from Adira Finance. BDMN is targeting total restructured loans to reach 23% of total loans..

### Loan Growth slightly decreased

Loans decreased -1% YoY, driven by ADMF which fell -15% YoY, as the amount of new financing was weaker at IDR 3.2tn 3Q20, but that's up from only IDR 1.7tn in 2Q20. SME loans fell -15% YoY, Consumer fell -1% due to lower mortgages. Collaboration with the MUFG network has resulted in the Enterprise Banking segment growing +26% YoY.

### Valuation: 13% Upside, Hold.

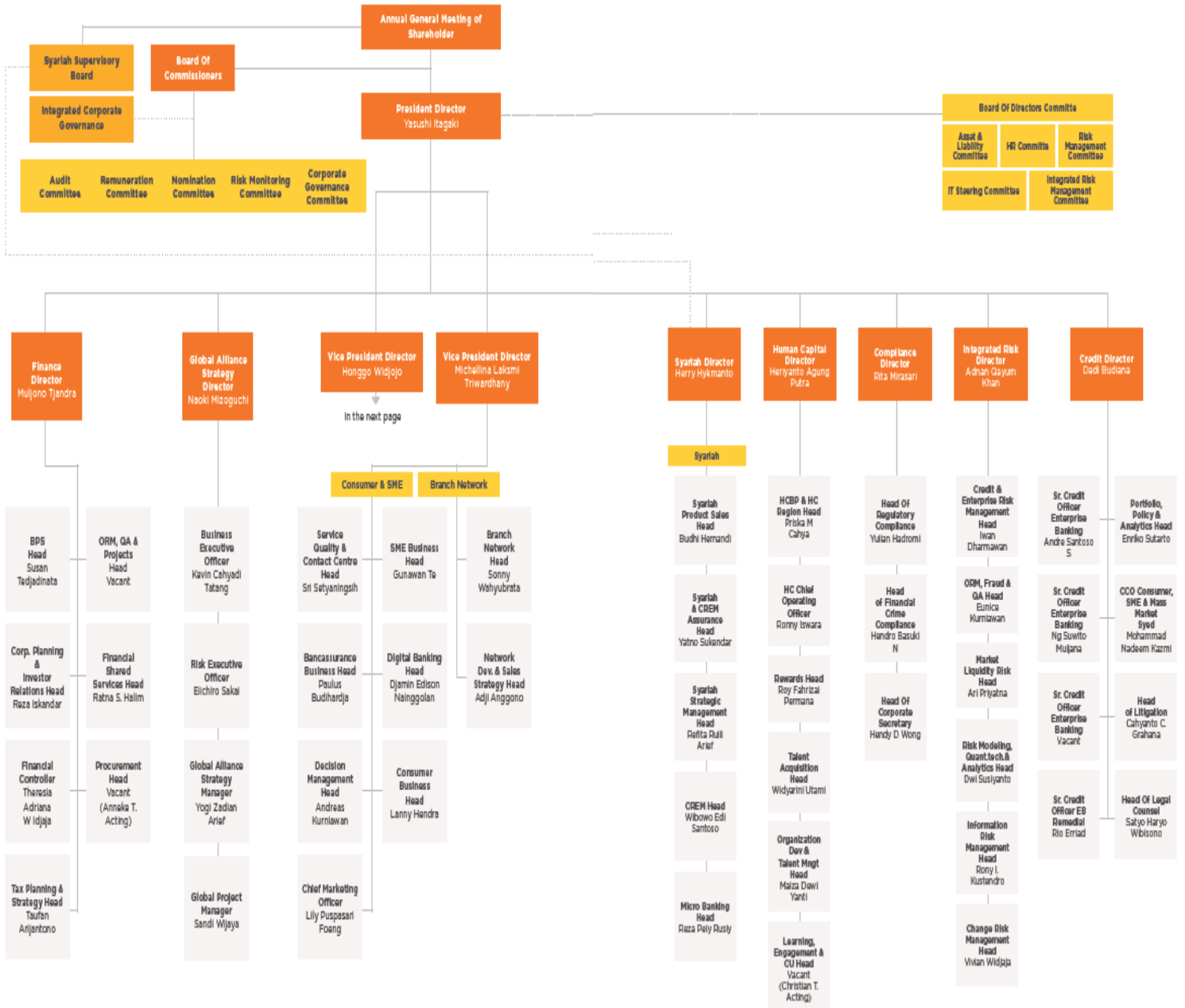
Based on our DDM Valuation, we set a target price within one year of IDR 3,910, which means the shares will be traded at 0.6x PBV and gives 13% potential upside. Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	21.837	20.172	21.970	17.455	17.577	19.816
Interest Expense	-7.073	-5.931	-7.391	-6.191	-6.185	-7.149
<b>Net Interest Income</b>	<b>14.764</b>	<b>14.241</b>	<b>14.579</b>	<b>11.265</b>	<b>11.392</b>	<b>12.667</b>
Net Operating Income	3.755	3.696	3.787	4.161	4.262	4.447
Operating Expense	12.934	9.512	15.093	9.352	9.921	10.550
<b>Pre Provision Operating Profit</b>	<b>5.586</b>	<b>8.425</b>	<b>3.274</b>	<b>6.073</b>	<b>5.734</b>	<b>6.563</b>
Provision Expense	0	3.267	0	2.678	1.681	1.664
<b>Operating Profit</b>	<b>5.586</b>	<b>11.692</b>	<b>3.274</b>	<b>8.752</b>	<b>7.415</b>	<b>8.227</b>
Profit Before Tax	5.367	4.926	5.488	6.503	7.192	8.069
Tax Expense	1.539	819	1.247	1.474	1.487	1.777
<b>Net Profit</b>	<b>3.828</b>	<b>4.107</b>	<b>4.241</b>	<b>5.028</b>	<b>5.705</b>	<b>6.292</b>
<b>EPS (Rp/Share)</b>	<b>384,1</b>	<b>357,6</b>	<b>378,7</b>	<b>453,9</b>	<b>517,3</b>	<b>569,8</b>

## 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

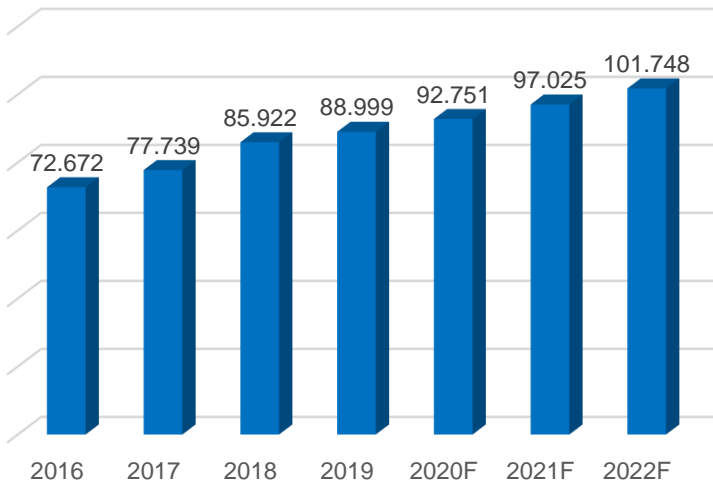


Chart: Customer Deposit (x) YoY

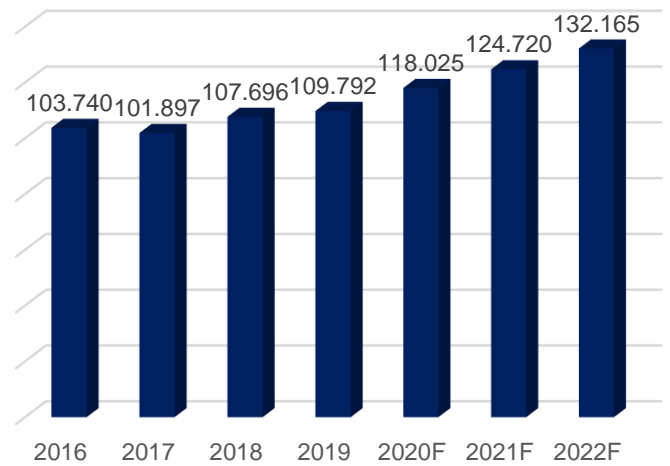


Chart: Profitability (x) YoY

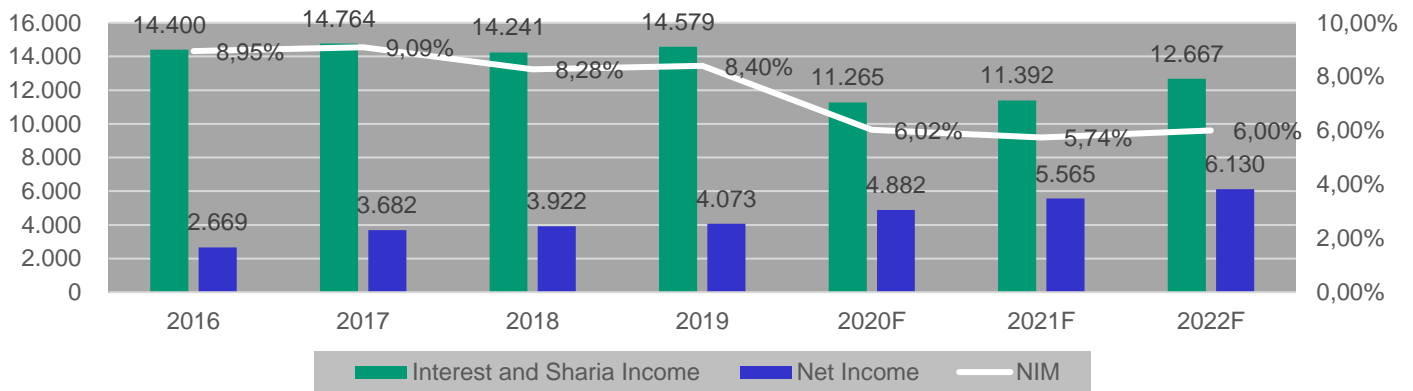


Chart: Net Interest Margin (x) YoY

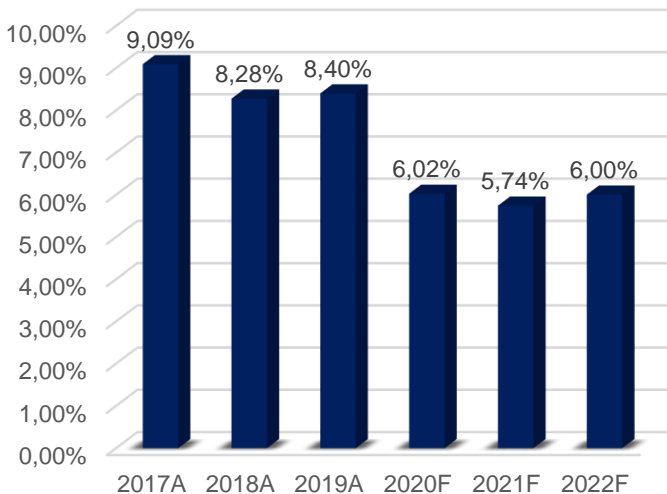


Chart: Loan to Deposit Ratio (x) YoY

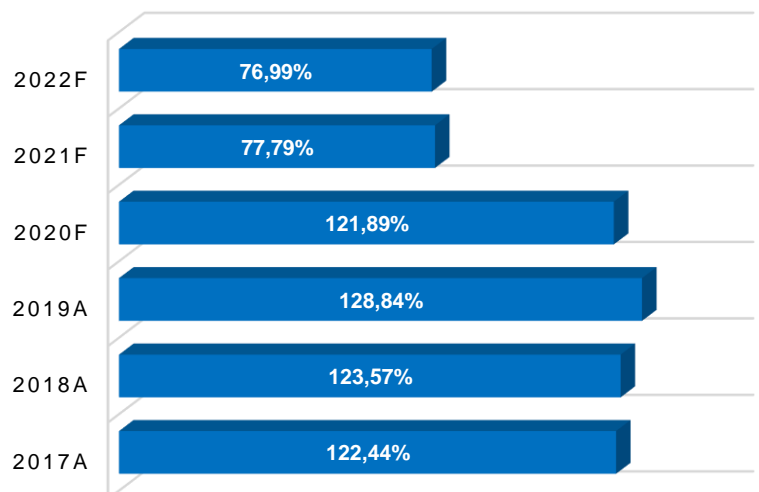


Chart: Gross Loan (x) QoQ

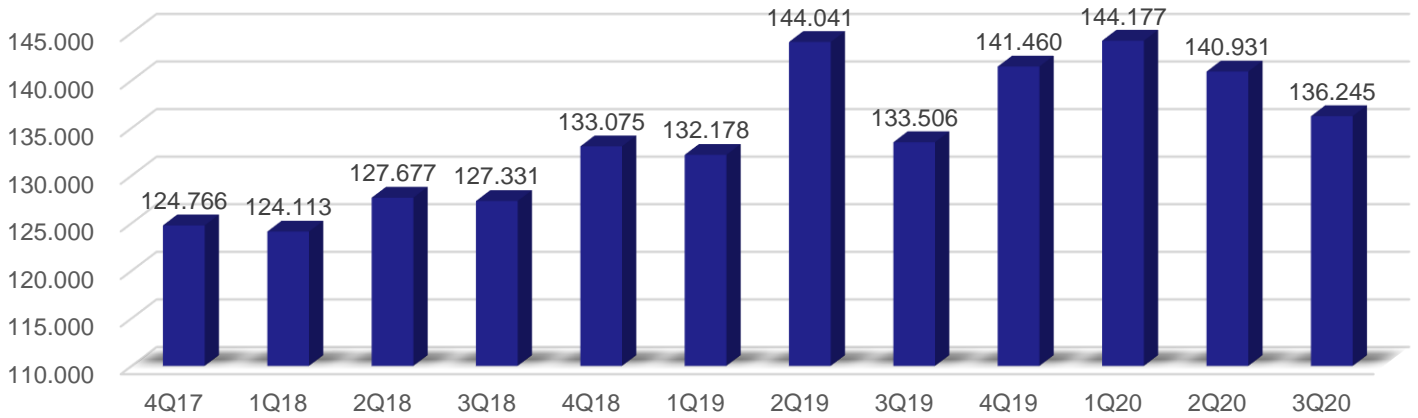


Chart: Profitability (x) QoQ

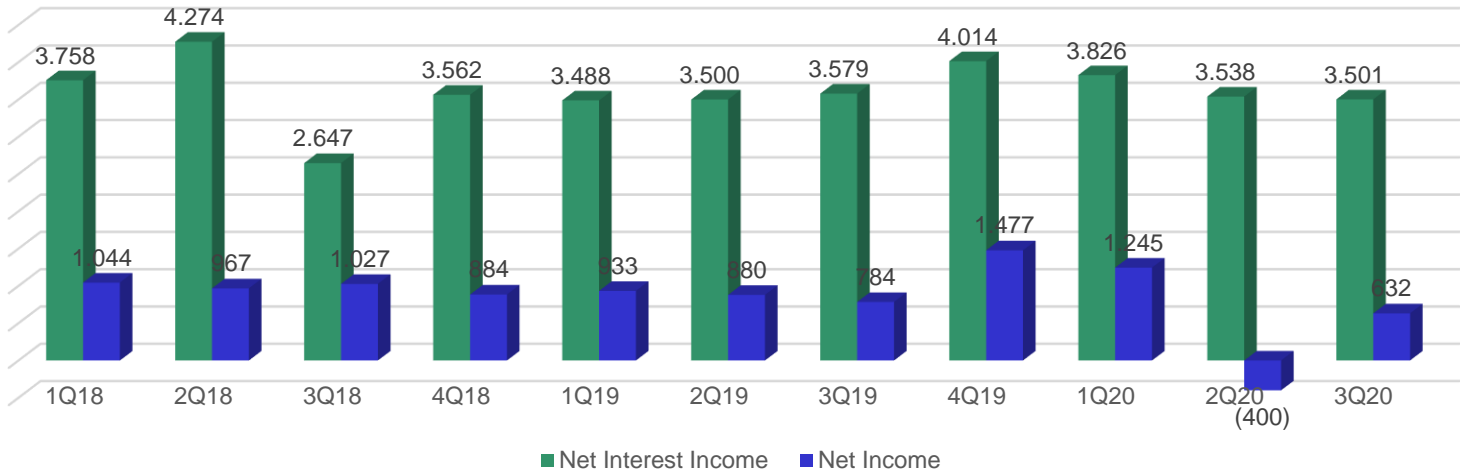
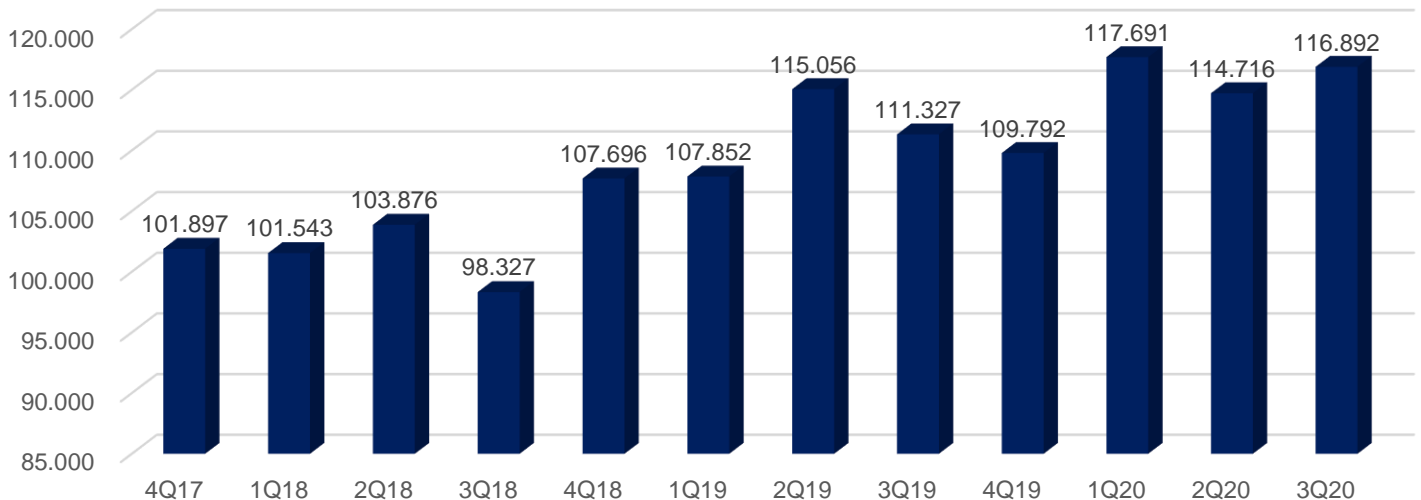


Chart: Customer Deposit (x) QoQ



## 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	19.966	26.828	36.161
Interbank Placement	5.199	8.576	5.591	7.293	18.164	18.095
Marketable Securities	16.060	9.149	9.406	13.118	26.651	29.754
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	43.182	101.389	109.261
Non Earning Asset	8.675	8.305	9.262	9.503	10.333	10.855
<b>Total Asset</b>	<b>178.257</b>	<b>186.762</b>	<b>193.534</b>	<b>211.829</b>	<b>230.730</b>	<b>253.074</b>
Deposit:						
Current Account	14.646	15.885	15.837	16.312	16.801	17.306
Saving Account	34.074	33.945	38.258	43.232	48.852	55.203
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
<b>Total Liabilities</b>	<b>139.085</b>	<b>144.822</b>	<b>148.117</b>	<b>164.375</b>	<b>180.835</b>	<b>200.397</b>
<b>Total Shareholder's Equity</b>	<b>39.172</b>	<b>41.940</b>	<b>45.417</b>	<b>47.454</b>	<b>49.895</b>	<b>52.677</b>

## Income Statement (IDR.bn)

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## Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
<b>Profitability &amp; Efficiency</b>						
NIM	9,09%	8,28%	8,40%	6,02%	5,74%	6,00%
Cost-to-Income Ratio	69,84%	53,03%	82,18%	60,63%	63,37%	61,65%
ROE	9,52%	9,49%	9,06%	10,39%	11,26%	11,74%
ROA	2,07%	2,10%	2,10%	2,30%	2,41%	2,42%
ROAE		9,51%	9,28%	9,73%	10,83%	11,50%
BOPO	78,17%	78,39%	87,29%	84,29%	81,44%	79,81%
Cost of Credit	0,00%	2,45%	0,00%	1,86%	1,73%	1,64%
<b>Liquidity</b>						
LDR	122,44%	123,57%	128,84%	121,89%	77,79%	76,99%
CASA	47,81%	46,27%	49,27%	50,45%	52,64%	54,86%
<b>Asset Quality</b>						
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%
<b>Capital</b>						
CAR	21,60%	21,00%	21,40%	21,33%	21,24%	21,33%
<b>Growth</b>						
Loan Growth	1,95%	6,66%	6,30%	1,70%	2,39%	2,65%
Deposit Growth	-1,78%	5,69%	1,95%	7,50%	5,67%	5,97%
Net Income Growth	37,91%	6,54%	3,86%	19,85%	13,98%	10,15%

## QoQ Result

Balance Sheet	3Q19	2Q20	3Q20	%QoQ	%YoY
Loan	133.506	140.931	136.245	-3,3%	2,1%
Loan Loss Reserves	2.921	-4.970	-4.424	-11,0%	-251,5%
NPL	4.536	5.789	5.789	0,0%	27,6%
Deposit					
Demand	14.325	20.905	19.900	-4,8%	38,9%
Savings	38.195	39.639	39.767	0,3%	4,1%
Time Deposit	58.806	54.172	57.226	5,6%	-2,7%
<b>Total Asset</b>	<b>195.826</b>	<b>194.441</b>	<b>196.631</b>	<b>1,1%</b>	<b>0,4%</b>
<b>Shareholder Equity</b>	<b>43.440</b>	<b>42.711</b>	<b>43.531</b>	<b>1,9%</b>	<b>0,2%</b>

Income Statement	3Q19	2Q20	3Q20	%QoQ	%YoY
Interest Income	5.527	5.141	5.072	-1,4%	-8,2%
Interest Expense	1.948	1.603	1.571	-2,0%	-19,3%
<b>Net Interest Income</b>	<b>3.579</b>	<b>3.538</b>	<b>3.501</b>	<b>-1,1%</b>	<b>-2,2%</b>
Net Operating Income	974	823	917	11,5%	-5,8%
Operating Expense	2.519	4.731	3.418	-27,8%	35,7%
<b>PPOP</b>	<b>2.033</b>	<b>-370</b>	<b>1.000</b>	<b>-370,3%</b>	<b>-50,8%</b>
Provision Expense	1.105	0	0	-	-100,0%
<b>Operating Profit</b>	<b>-2</b>	<b>-43</b>	<b>-18</b>	<b>-57,4%</b>	<b>820,6%</b>
Profit Before Tax	926	-413	982	-337,7%	6,1%
Tax Expense	92	-19	333	-1861,9%	261,5%
<b>Net Profit</b>	<b>833</b>	<b>-394</b>	<b>649</b>	<b>-264,6%</b>	<b>-22,1%</b>

Ratio	3Q19	2Q20	3Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	8,10%	7,90%	7,60%	(0,30)	(0,50)
Cost-to-Income Ratio				-	-
ROAE	7,90%	-4,20%	6,60%	10,80	(1,30)
ROAA	1,60%	-0,80%	1,30%	2,10	(0,30)
Cost of Credit	3,10%	5,80%	2,80%	(3,00)	(0,30)
<b>Liquidity</b>					
LDR	96,50%	94,60%	88,70%	(5,90)	(7,80)
CASA	54,20%	53,20%	51,50%	(1,70)	(2,70)
<b>Asset Quality</b>					
Gross NPL (Bank only)	3,20%	3,40%	4,20%	0,80	1,00
Provision Coverage				-	-
<b>Capital</b>					
CAR	22,50%	23,40%	24,90%	1,50	2,40

**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.

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