

11 May 2020
Banking, Equity

Price IDR. 2,490
Target Price IDR. 2,780
JKSE Index 4,639,11

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



Stock Code
Bloomberg code **BDMN IJ**
Market cap (IDR.bn) **24,238.4B**
52-Week High (IDR) **6,100**
52-Week Low (IDR) **1,620**
6-m Avg Daily. Val (IDR) **3,260**
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 (%) **7.22**

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Investment Consideration Flat NIM

Net Interest Margin (NIM) at 8.4% is flat QoQ, as no new loans were made. In April 2020, more than 130 thousand debtors with total loans outstanding of Rp12tn, requested easing of their financial obligations. Many of the debtors were of Adira (ADMF) and came from SME/informal sector. We still however estimate that the NIM will reach 8% in 2020.

Slower Loan Growth

In 1Q20, loan growth was 1.92% QoQ and 9.08% YoY. The enterprise segment increased significantly by 22% YoY, compared to 7% YoY in 1Q19. The increase was driven by collaborations with large global companies that the Bank established last year. The Small and Medium Enterprises (SME) and consumer mortgage loans also were Rp28.5 trillion and Rp8.9 trillion respectively, as of end of March 2020. We estimate the Bank's loan growth will be 2.5% YoY in 2020.

Managing Asset Quality

Non-Performing Loans increased by 40 bps to 3.4% QoQ while Loan Loss Coverage increased to 129.3% QoQ from 112.6% in 4Q19. Meanwhile, the repaired credit ratio rose 20 bps compared to the previous 2.4%. BDMN is still able to manage the Non-Performing Loans quite well and new loan disbursement will come from the more secure MUFG client base. We expect BDMN will be able to manage its asset quality, given that most of the restructured loans are given a period of up to 1 year.

Valuation: 12% Upside, HOLD.

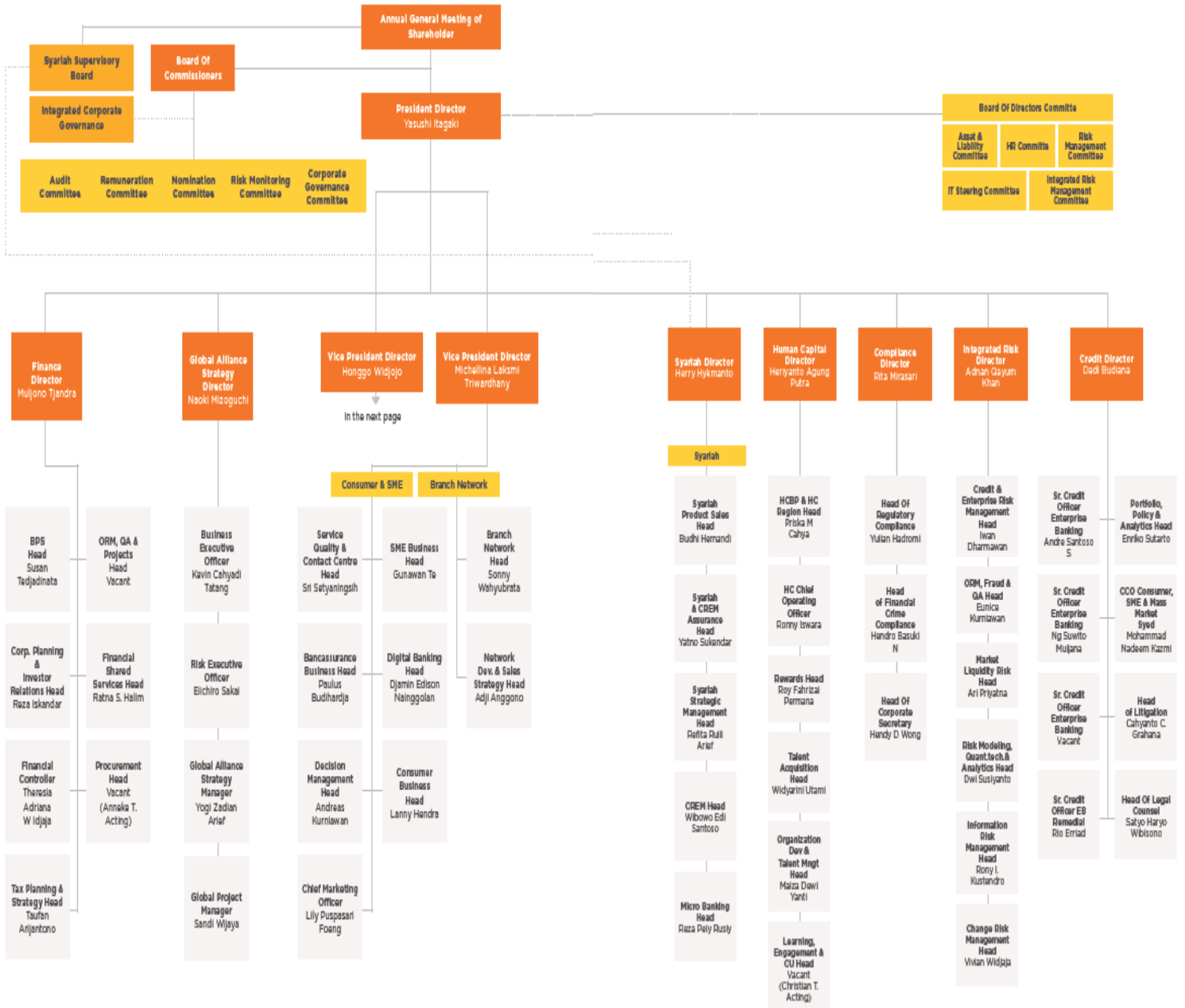
Based on our DDM Valuation, we set a target price within one year of IDR 2,780, which means the shares will be traded at 0.6x PBV and gives 12% potential upside. HOLD.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	21.837	20.172	21.970	22.542	20.781	21.935
Interest Expense	-7.073	-5.931	-7.391	-8.085	-7.399	-7.976
Net Interest Income	14.764	14.241	14.579	14.457	13.381	13.959
Net Operating Income	3.755	3.696	3.787	4.046	4.060	4.136
Operating Expense	12.934	9.512	15.093	14.588	15.093	15.591
PPOP	5.586	8.425	3.274	3.916	2.349	2.504
Provision Expense	0	3.267	0	1.571	158	105
Operating Profit	5.586	11.692	3.274	5.487	2.507	2.609
Profit Before Tax	5.367	4.926	5.488	5.452	5.330	5.570
Tax Expense	1.539	819	1.247	1.236	1.102	1.227
Net Profit	3.828	4.107	4.241	4.216	4.228	4.343
EPS (Rp/Share)	384,1	357,6	378,7	374,4	377,6	387,0

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: Net Interest Margin (x) yoy

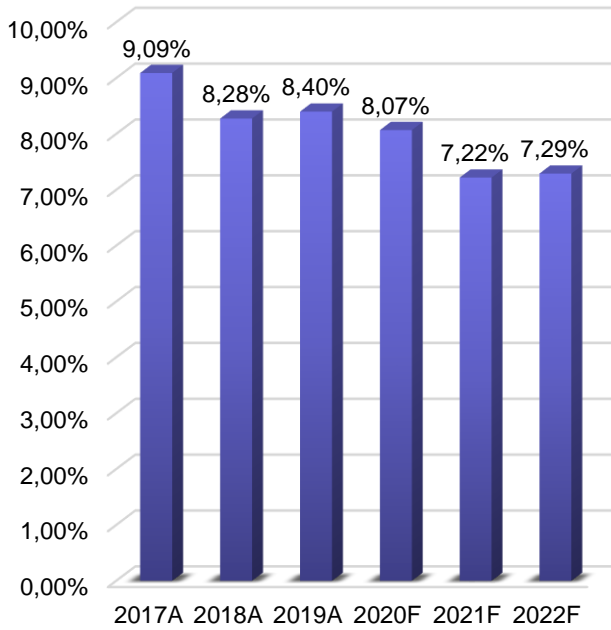


Chart: Loan to Deposit Ratio (x) yoy

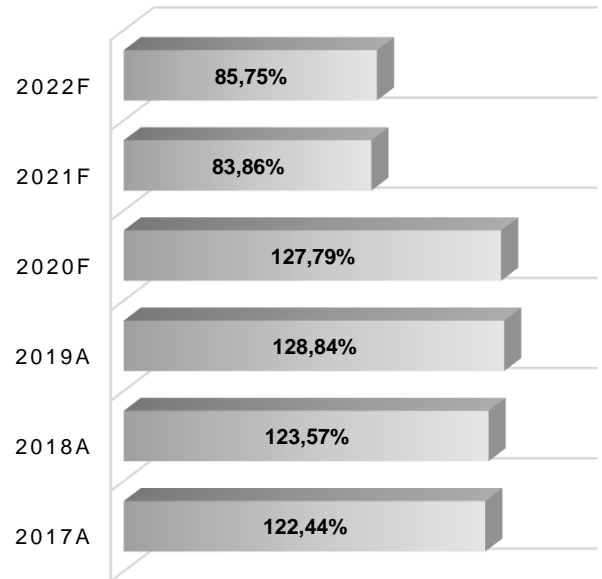


Chart: Profitability Ratio (x) yoy

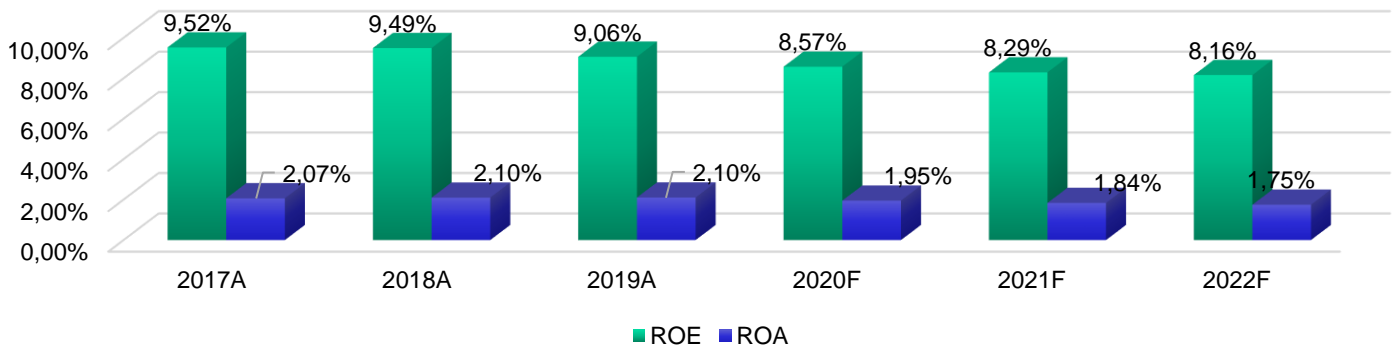
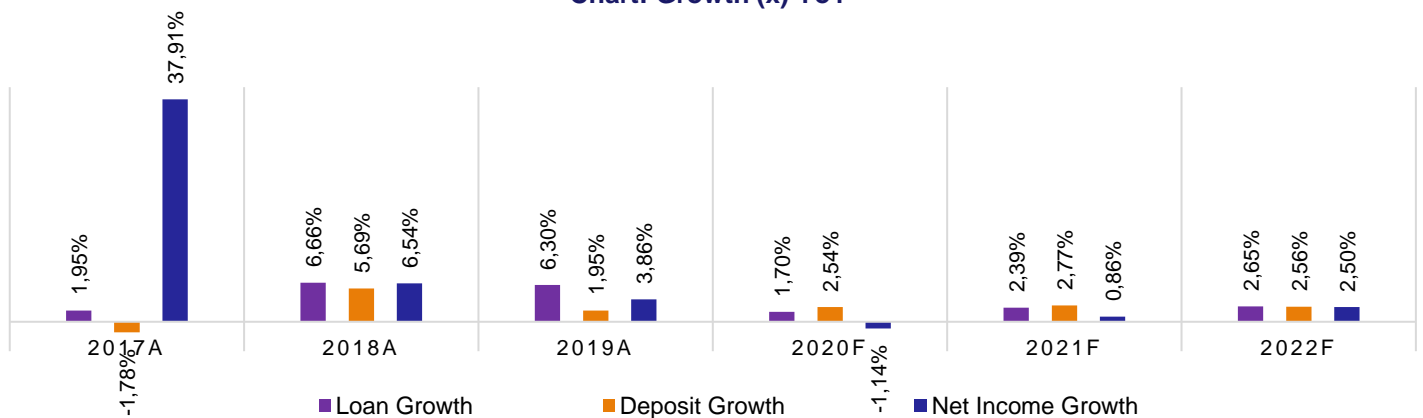


Chart: Growth (x) YoY



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	22.781	31.080	41.976
Interbank Placement	5.199	8.576	5.591	5.965	15.830	14.865
Marketable Securities	16.060	9.149	9.406	10.729	23.227	24.443
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	35.318	88.362	89.759
Non Earning Asset	8.675	8.305	9.262	9.103	9.655	9.852
Total Asset	178.257	186.762	193.534	206.381	221.277	238.384

Deposit:

Current Account	14.646	15.885	15.837	16.152	16.698	16.981
Saving Account	34.074	33.945	38.258	40.171	42.180	44.289
Time Deposits	53.178	57.865	55.697	56.254	56.816	57.384
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	158.927	171.810	186.885
Total Shareholder's Equity	39.172	41.940	45.417	47.454	49.467	51.498

Income Statement (IDR.bn)

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Interest Income	21.837	20.172	21.970	22.542	20.781	21.935
Interest Expense	-7.073	-5.931	-7.391	-8.085	-7.399	-7.976
Net Interest Income	14.764	14.241	14.579	14.457	13.381	13.959
Net Operating Income	3.755	3.696	3.787	4.046	4.060	4.136
Operating Expense	12.934	9.512	15.093	14.588	15.093	15.591
Pre Provision Operating Profit	5.586	8.425	3.274	3.916	2.349	2.504
Provision Expense	0	3.267	0	1.571	158	105
Operating Profit	5.586	11.692	3.274	5.487	2.507	2.609
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EPS (Rp/Share)	384,1	357,6	378,7	374,4	377,6	387,0

Cash Flow (IDR.bn)

Cash Flow (In Idr bn)	2016 A	2017 A	2018 A	2019 F	2020 F	2021 F	2022 F
Net Income	2.669	3.682	3.922	4.073	4.027	4.062	4.163
Change in WC		651	3.454	5.706	-5.295	1.748	1.775
Cash From Operating Activities		3.031	468	-1.632	9.322	2.314	2.388
Current Assets – Cash	157.540	159.480	169.174	175.918	174.496	180.542	186.556
Current Liabilities	111.701	112.990	119.231	120.269	124.142	128.440	132.680
WC	45.839	46.489	49.943	55.649	50.354	52.102	53.877
Other Investing Activities		1.396	-371	957	-159	552	197
Cash From Investing Activities		1.396	-371	957	-159	552	197
Change in LT Liabilities		-263	-504	2.257	6.937	8.585	10.836
Change in Equity		-964	-1.272	-447	-1.990	-2.048	-2.132
Change in Minority Interest		77	117	-149	0	0	0
Cash from Financing Activities		-1.150	-1.658	1.660	4.947	6.537	8.704
Net Changes in Cash		485	-819	-929	14.427	8.299	10.896
Cash At the Beginning		9.617	10.102	9.283	8.354	22.781	31.080
Cash At the End		10.102	9.283	8.354	22.781	31.080	41.976

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	9,09%	8,28%	8,40%	8,07%	7,22%	7,29%
Cost-to-Income Ratio	69,84%	53,03%	82,18%	78,84%	86,53%	86,16%
ROE	9,52%	9,49%	9,06%	8,57%	8,29%	8,16%
ROA	2,07%	2,10%	2,10%	1,95%	1,84%	1,75%
ROAE		9,51%	9,28%	8,82%	8,43%	8,23%
BOPO	78,17%	78,39%	87,29%	91,18%	91,18%	90,80%
Cost of Credit	0,00%	2,45%	0,00%	1,09%	0,16%	0,10%
Liquidity						
LDR	122,44%	123,57%	128,84%	127,79%	83,86%	85,75%
CASA	47,81%	46,27%	49,27%	50,03%	50,89%	51,64%
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%	2,54%	2,77%	2,56%
Net Income Growth	37,91%	6,54%	3,86%	-1,14%	0,86%	2,50%

QoQ Result

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	132.178	141.460	144.177	1,9%	9,1%
Loan Loss Reserves	-2.693	-3.116	-4.528	45,3%	68,2%
NPL	3.668	4.182	4.829	15,5%	31,7%
Deposit					
Demand	15.564	15.837	19.683	24,3%	26,5%
Savings	33.409	38.258	38.440	0,5%	15,1%
Time Deposit	58.878	55.697	59.568	6,9%	1,2%
Total Asset	190.042	193.534	203.213	5,0%	6,9%
Shareholder Equity	40.936	44.937	42.846	-4,7%	4,7%

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	5.190	5.859	5.553	-5,2%	7,0%
Interest Expense	1.703	1.845	1.727	-6,4%	1,4%
Net Interest Income	3.562	3.579	4.014	12,2%	12,7%
Net Operating Income	890	966	1.633	69,0%	83,6%
Operating Expense	3.195	7.693	3.675	-52,2%	15,0%
PPOP	2.060	2.033	-2.713	-233,5%	-231,7%
Provision Expense	0	-2.805	0	-100,0%	
Operating Profit	-272	-2	2.238	-112740,5%	-923,6%
Profit Before Tax	1.157	2.330	1.756	-24,6%	51,8%
Tax Expense	320	742	469	-36,7%	46,8%
Net Profit	775	670	1.588	136,9%	104,8%

Ratio	1Q19	4Q19	1Q20	QoQ	YoY
Profitability & Efficiency					
NIM	3,02%	3,40%	3,10%	(0,30)	0,09
Cost-to-Income Ratio	54,58%	55,34%	154,49%	99,14	99,91
ROE	1,76%	1,43%	3,49%	2,06	1,73
ROA	0,39%	0,32%	0,81%	0,49	0,42
BOPO	54,08%	51,72%	180,85%	129,13	126,77
Cost of Credit	1,32%	-1,60%	1,53%	3,13	0,22
Liquidity					
LDR	122,73%	127,07%	131,32%	4,25	8,59
CASA	45,47%	48,59%	52,94%	4,35	7,47
Asset Quality					
Gross NPL (Bank only)	2,80%	3,20%	3,00%	(0,20)	0,20
Provision Coverage	80%	-64%	75%	138,91	(5,39)
Capital					
CAR	22,20%	22,50%	24,20%	1,70	2,00

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
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