

Investment Consideration

Net Income Decreased

Bank Danamon reported a loss of IDR 1 trillion , meaning FY20 net profit declined 75.3% YoY. This decrease was due to slow growth and high cost of credit.

Loan growth declined

In FY20, credit growth decreased by 6% YoY. SME loans were down 15% YoY, while Adira Finance credits were down 20% YoY. BDMN will focus on growth in the large corporate segment and blue-chip SOEs through collaboration with the MUFG network, and will reduce lending in the ADMF and SME segments. We expect loans to grow to 5% YoY.

Restructured loans

As of December 31, 2020, the restructured loans were IDR 29.2 trillion, or 21.5% of the total loans. The restructuring scheme includes longer tenor, and reduced principal and interest payments. 65% of total restructured loans entered normal repayment by December. Of the total restructured loans, Adira Finance has had 34% of its loans restructured, while 16% of the bank loans were restructured, which are mostly from the SME segment. Meanwhile, 10% of corporate loans were restructured.

Valuation: 8% Upside, Hold.

Based on our DDM Valuation, we set a target price within one year of IDR 3,390, which means the shares will be traded at 0.7x PBV and gives 8% potential upside. Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	21.837	20.172	21.970	20.088	18.366	20.982	21.726
Interest Expense	-7.073	-5.931	-7.391	-6.364	-5.944	-6.849	-6.942
Net Interest Income	14.764	14.241	14.579	13.724	12.422	14.133	14.784
Net Operating Income	3.755	3.696	3.787	4.192	4.246	4.374	4.568
Operating Expense	12.934	9.512	15.093	15.645	14.694	15.645	16.698
PPOP	5.586	8.425	3.274	2.271	1.975	2.862	2.654
Provision Expense	0	3.267	0	0	583	1.366	1.027
Operating Profit	5.586	11.692	3.274	2.271	2.558	4.228	3.680
Profit Before Tax	5.367	4.926	5.488	2.067	1.186	1.287	1.416
Tax Expense	1.539	819	1.247	978	343	424	515
Net Profit	3.828	4.107	4.241	1.089	844	863	901
EPS (Rp/Share)	384,1	357,6	378,7	103,1	75,4	77,7	80,2

18 March 2021
Banking, Equity

Price IDR. 3,150
Target Price IDR. 3,390
JKSE Index 6,347.83

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 (%) 7.53

Major Shareholders (%)
MUFG Bank, Ltd 92.47%
Public 7.53%

USD/IDR-YE (IDR)
2020A 14,050
2021F (6M Avg) 14,427

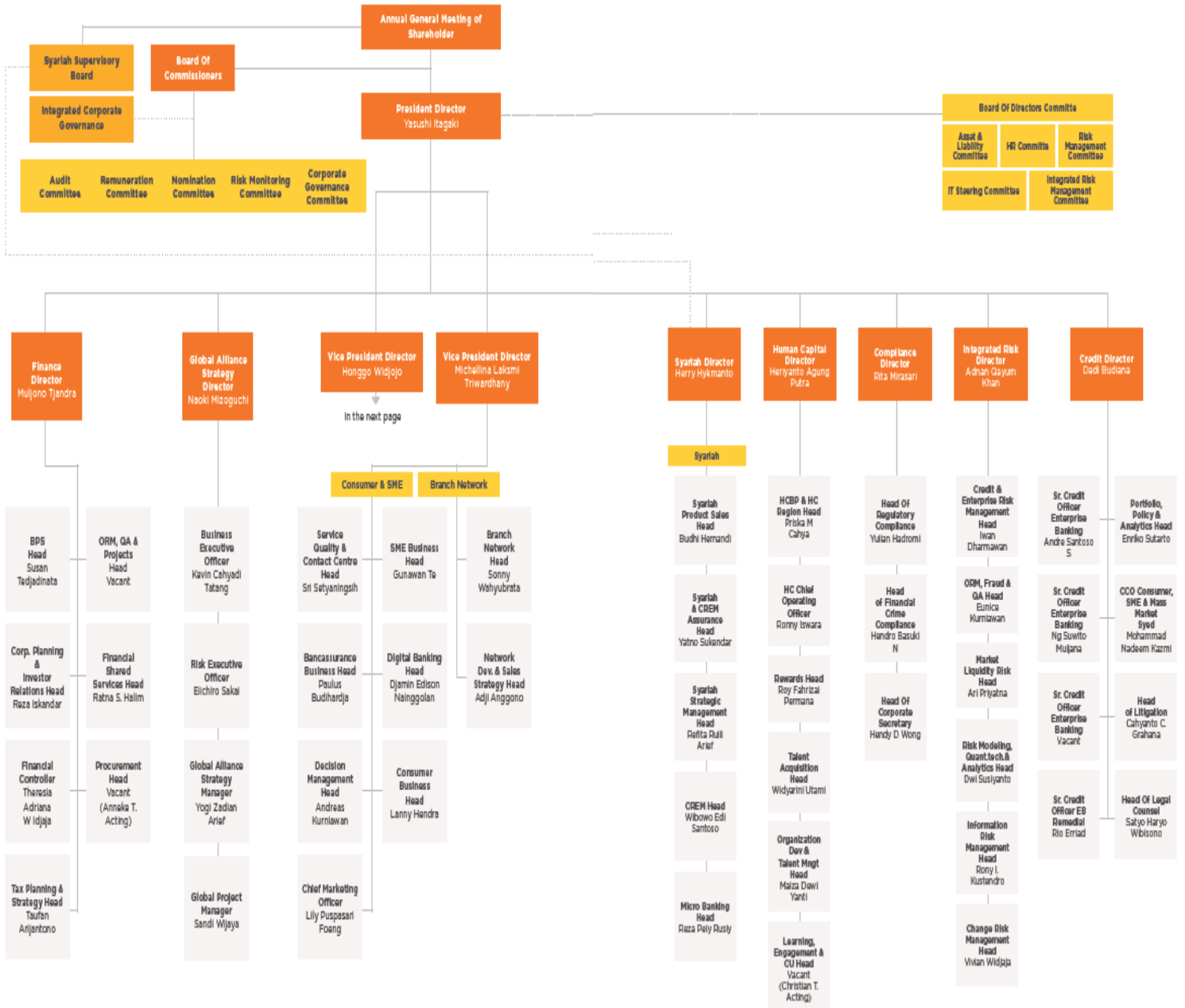
Key Indicators
Non Performing Loan (%) 2.74
Net Interest Margin (%) 7.02

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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

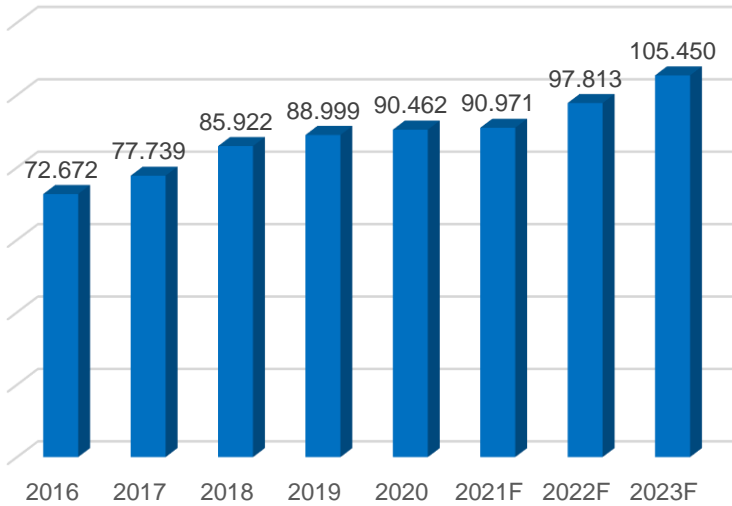


Chart: Customer Deposit (x) YoY

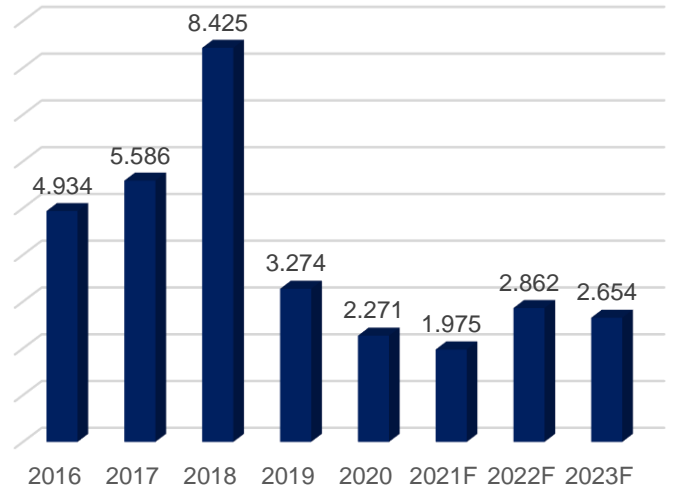


Chart: Profitability (x) YoY

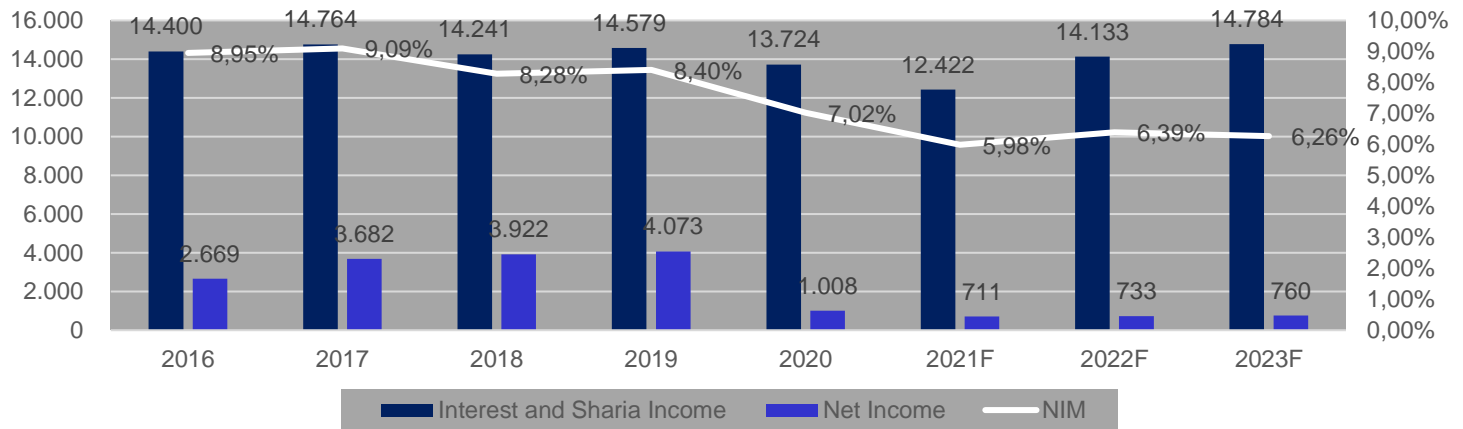


Chart: Net Interest Margin (x) YoY

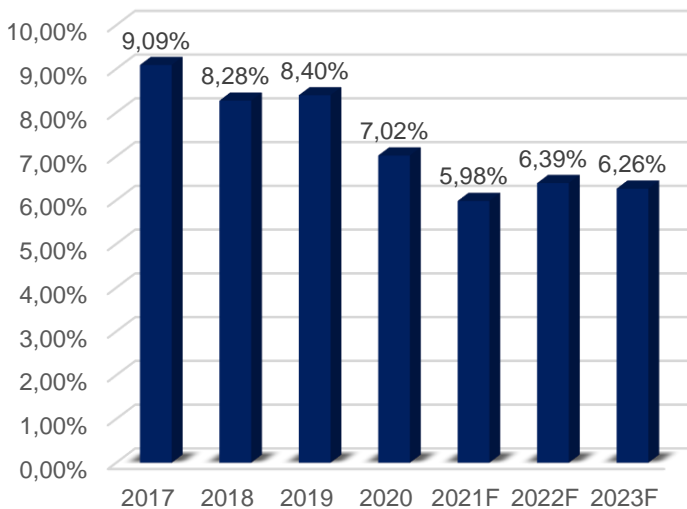


Chart: Loan to Deposit Ratio (x) YoY

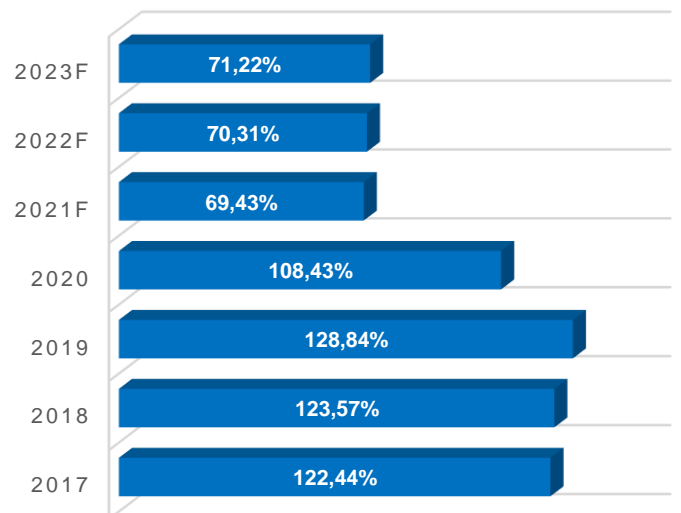


Chart: Gross Loan (x) QoQ

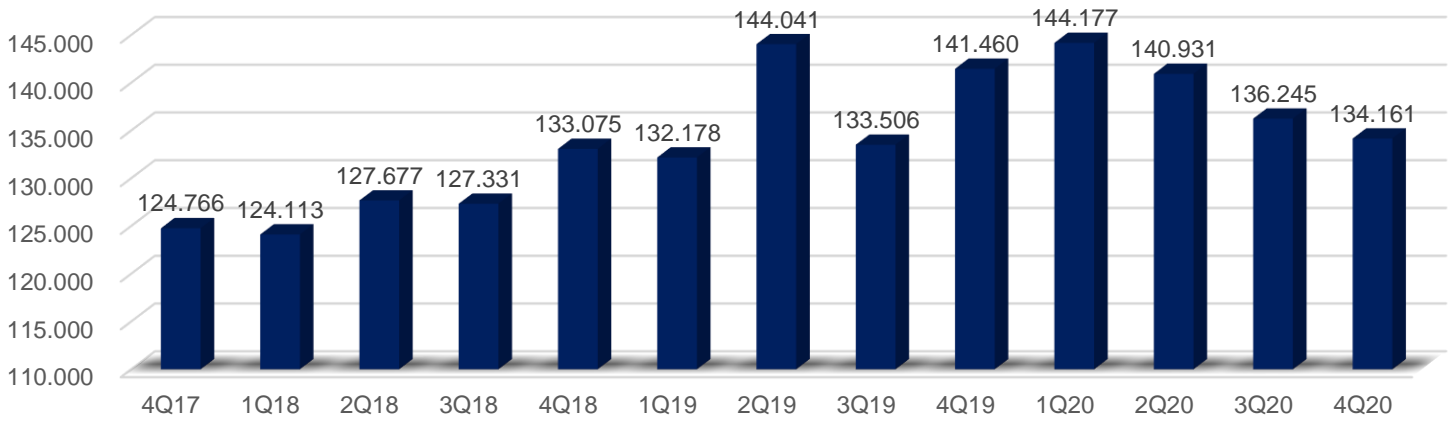


Chart: Profitability (x) QoQ

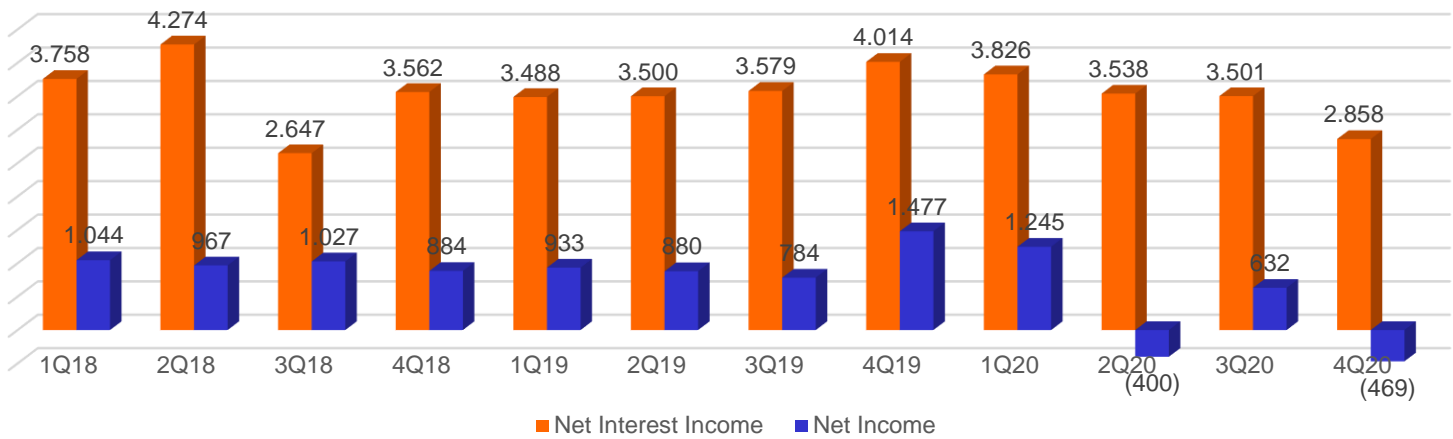
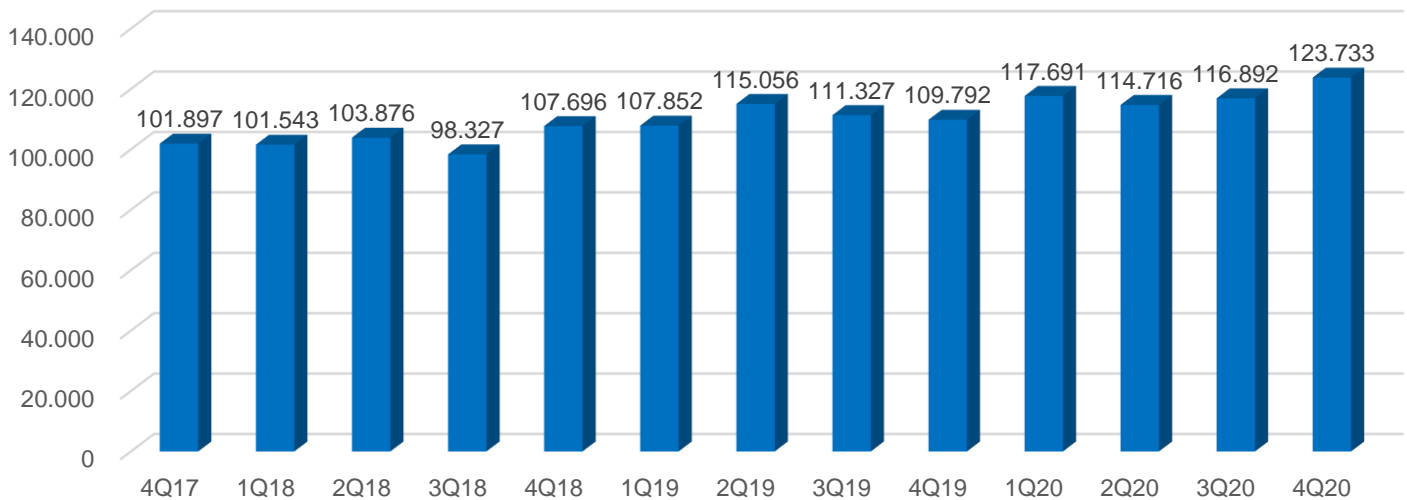


Chart: Customer Deposit (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	10.102	9.283	8.354	5.024	-4.307	-4.110	-3.868
Interbank Placement	5.199	8.576	5.591	7.304	19.366	18.250	19.290
Marketable Securities	16.060	9.149	9.406	4.689	22.085	21.478	19.429
Gross Loan	124.766	133.075	141.460	134.161	90.971	97.813	105.450
Allowance for Loans	-2.938	-2.921	-3.116	-5.455	-1.851	-2.211	-2.181
Loans-net	121.828	130.154	138.345	128.706	89.120	95.602	103.269
Other Earning Asset	37.652	39.021	37.573	56.474	116.683	123.286	130.535
Non Earning Asset	8.675	8.305	9.262	10.685	11.216	12.015	12.785
Total Asset	178.257	186.762	193.534	200.890	212.712	226.793	242.721
Deposit:							
Current Account	14.646	15.885	15.837	22.900	24.274	25.730	27.274
Saving Account	34.074	33.945	38.258	40.967	46.293	52.311	59.112
Time Deposits	53.178	57.865	55.697	59.866	60.465	61.069	61.680
Other Interest Bearing Liabilities	11.093	11.535	10.477	11.679	12.835	14.071	15.429
Non Interest Bearing Liabilities	26.095	25.591	27.848	21.902	26.781	32.614	39.328
Total Liabilities	139.085	144.822	148.117	157.315	170.648	185.796	202.823
Total Shareholder's Equity	39.172	41.940	45.417	43.575	42.064	40.997	39.898

Income Statement (IDR.bn)

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Interest Income	21.837	20.172	21.970	20.088	18.366	20.982	21.726
Interest Expense	-7.073	-5.931	-7.391	-6.364	-5.944	-6.849	-6.942
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Net Operating Income	3.755	3.696	3.787	4.192	4.246	4.374	4.568
Operating Expense	12.934	9.512	15.093	15.645	14.694	15.645	16.698
Pre Provision Operating Profit	5.586	8.425	3.274	2.271	1.975	2.862	2.654
Provision Expense	0	3.267	0	0	618	1.405	1.065
Operating Profit	5.586	11.692	3.274	2.271	2.593	4.267	3.718
Profit Before Tax	5.367	4.926	5.488	2.067	1.151	1.249	1.378
Tax Expense	1.539	819	1.247	978	332	412	502
Net Profit	3.828	4.107	4.241	1.089	818	837	877
EPS (Rp/Share)	384,1	357,6	378,7	103,1	72,8	75,0	77,7

Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	9,09%	8,28%	8,40%	7,02%	5,98%	6,39%	6,26%
Cost-to-Income Ratio	69,84%	53,03%	82,18%	87,32%	88,15%	84,54%	86,29%
ROE	9,52%	9,49%	9,06%	2,34%	1,71%	1,81%	1,93%
ROA	2,07%	2,10%	2,10%	0,50%	0,33%	0,32%	0,31%
ROAE		9,51%	9,28%	5,70%	2,02%	1,76%	1,87%
BOPO	78,17%	78,39%	87,29%	90,65%	94,00%	94,25%	93,96%
Cost of Credit	0,00%	2,45%	0,00%	0,00%	0,68%	1,44%	1,01%
Liquidity							
LDR	122,44%	123,57%	128,84%	108,43%	69,43%	70,31%	71,22%
CASA	47,81%	46,27%	49,27%	51,62%	53,85%	56,10%	58,34%
Asset Quality							
Gross NPL	2,73%	2,75%	2,96%	2,74%	2,80%	2,81%	2,83%
Provision Coverage	287,03%	266,34%	112,60%	199,90%	156,25%	178,08%	167,16%
Capital							
CAR	21,60%	21,00%	24,20%	25,00%	23,40%	24,20%	24,20%
Growth							
Loan Growth	1,95%	6,66%	6,30%	-5,16%	5,29%	4,27%	4,48%
Deposit Growth	-1,78%	5,69%	1,95%	12,70%	5,90%	6,17%	6,44%
Net Income Growth	37,91%	6,54%	3,86%	-75,26%	-29,41%	3,07%	3,63%

QoQ Result

Balance Sheet	4Q19	3Q20	4Q20	%QoQ	%YoY
Loan	141.460	136.245	134.161	-1,5%	-5,2%
Loan Loss Reserves	-3.116	-4.424	-5.455	23,3%	75,1%
NPL	4.182	5.789	5.789	0,0%	38,4%
Deposit					
Demand	15.837	19.900	22.900	15,1%	44,6%
Savings	38.258	39.767	40.967	3,0%	7,1%
Time Deposit	55.697	57.226	59.866	4,6%	7,5%
Total Asset	193.534	196.631	200.890	2,2%	3,8%
Shareholder Equity	44.937	43.531	43.107	-1,0%	-4,1%

Income Statement	4Q19	3Q20	4Q20	%QoQ	%YoY
Interest Income	5.859	5.072	4.321	-14,8%	-26,2%
Interest Expense	1.845	1.571	1.463	-6,9%	-20,7%
Net Interest Income	4.014	3.501	2.858	-18,4%	-28,8%
Net Operating Income	966	917	819	-10,7%	-15,3%
Operating Expense	7.693	3.418	3.821	11,8%	-50,3%
PPOP	-2.713	1.000	-143	-114,3%	-94,7%
Provision Expense	-2.805	0	0	#DIV/0!	-100,0%
Operating Profit	2.238	-18	-115	526,0%	-105,1%
Profit Before Tax	2.330	982	-258	-126,2%	-111,1%
Tax Expense	833	333	195	-41,6%	-76,6%
Net Profit	1.497	649	-452	-169,7%	-130,2%

Ratio	4Q19	3Q20	4Q20	%QoQ	%YoY
Profitability & Efficiency					
NIM	8,40%	7,60%	7,02%	(0,58)	(1,38)
Cost-to-Income Ratio	51,40%	51,00%	47,10%	(3,90)	(4,30)
ROAE	11,10%	6,60%	-4,90%	(11,50)	(16,00)
ROAA	2,10%	1,30%	-0,90%	(2,20)	(3,00)
Cost of Credit	3,40%	2,80%	7,10%	4,30	3,70
Liquidity					
LDR	98,90%	88,70%	84,00%	(4,70)	(14,90)
CASA	49,70%	51,50%	52,30%	0,80	2,60
Asset Quality					
Gross NPL (Bank only)	3,00%	3,20%	2,80%	(0,40)	(0,20)
Provision Coverage	23,70%	28,80%	38,60%	9,80	14,90
Capital					
CAR	24,20%	24,90%	25,00%	0,10	0,80

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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