

## PT Bank Danamon Indonesia,Tbk

**BUY**

3 Maret 2020  
Banking, Equity

Price IDR. 3,170  
Target Price IDR. 3,810  
JKSE Index 5,361.25

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



**Stock Code**  
**Bloomberg code** BDMN IJ  
**Market cap (IDR.bn)** 30,844.4B  
**52-Week High (IDR)** 10,000  
**52-Week Low (IDR)** 3,110  
**6-m Avg Daily. Val (IDR)** 4,096  
**Free Float (%)** 00.00

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

**USD/IDR-YE**  
2019A 14,375  
2020F (6M Avg) 13,866

**Key Indicators**  
**Non Performing Loan (%)** 4.00  
**Net Interest Margin (%)** 7.52

Analyst: Lingga Pratiwi  
Lingga.pratiwi@binaartha.com

### Investment Consideration Higher CASA Growth

CASA in FY19 grew by 7% YoY, up from 3% YoY in FY18. The growth was driven by new mobile accounts and a focus on the consumer and SME segments for funding. There was also inorganic growth through a merger with Bank Nusantara Parahyangan (BNP). We estimate future CASA growth to average 5%.

### Loan Growth 3.4%

In 2019, Loan Growth was only 3.4% YoY from 8% in 2018 due mainly to less asset-based financing (ABF) which was intentionally decreased by 43.6% YoY and by -14% in 2018. SME loans although small, still grew by 1.1% and financing through subsidiary Adira Finance (ADMF) grew too by 6.7% even though car industry sales declined 12% and motorcycle sales grew just 1.8%.

### Asset Quality improves

In terms of asset quality, Non Performing Loans decreased to Rp 4183bn from Rp 4536bn the previous quarter. Thanks to sufficient reserves and write offs, the Coverage Ratio also increased to 140%.

### Enterprise Banking Strategy

BDMN continues to focus on enterprise banking as their growth engine. A collaboration with MUFG is helping to boost Supply Chain financing to distributors with financing and cash management services which can be assimilated into the ecosystem of MUFG's large customers. Customers who receive funding are filtered based on their transaction history with MUFG's customers. Auto financing through Subsidiary ADMF is still expected to grow above the industry average, aided by an increase in cross-selling to bank customers for multi-purpose loans as well as from repeat customers. SME and Consumer business will continue to be maintained and asset quality improved. This year BDMN will invest in human capital, technology and marketing to strengthen the bank's competitiveness.

### Valuation: 20% Upside, BUY.

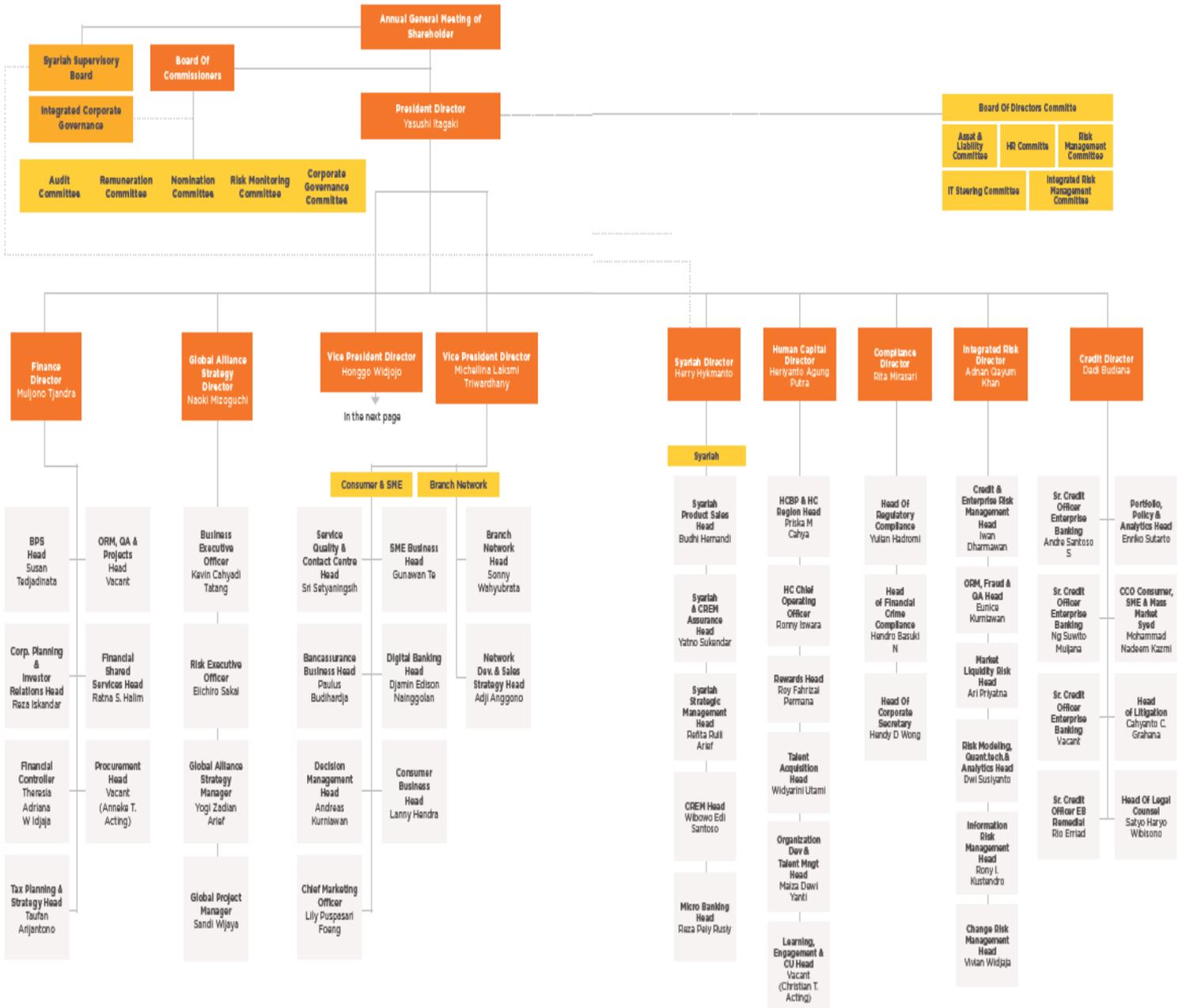
Based on our DDM Valuation, we set a target price within one year of IDR 3,810, which means the shares will be traded at 0.7x PBV and gives 20% potential upside. BUY.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	21.837	20.172	21.970	21.713	21.474	23.353
Interest Expense	-7.073	-5.931	-7.391	-8.090	-7.470	-8.157
<b>Net Interest Income</b>	<b>14.764</b>	<b>14.241</b>	<b>14.579</b>	<b>13.622</b>	<b>14.003</b>	<b>15.196</b>
Net Operating Income	3.755	3.696	3.787	4.071	4.127	4.273
Operating Expense	12.934	9.512	15.093	14.417	15.093	15.877
<b>PPOP</b>	<b>5.586</b>	<b>8.425</b>	<b>3.274</b>	<b>3.276</b>	<b>3.038</b>	<b>3.592</b>
Provision Expense	0	3.267	0	530	126	91
<b>Operating Profit</b>	<b>5.586</b>	<b>11.692</b>	<b>3.274</b>	<b>3.806</b>	<b>3.163</b>	<b>3.684</b>
Profit Before Tax	5.367	4.926	5.488	5.854	6.051	6.671
Tax Expense	1.539	819	1.247	1.327	1.251	1.469
<b>Net Profit</b>	<b>3.828</b>	<b>4.107</b>	<b>4.241</b>	<b>4.527</b>	<b>4.800</b>	<b>5.202</b>
<b>EPS (Rp/Share)</b>	<b>384,1</b>	<b>357,6</b>	<b>378,7</b>	<b>403,9</b>	<b>430,3</b>	<b>465,8</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: Net Interest Margin (x) yoy

Net Interest Margin

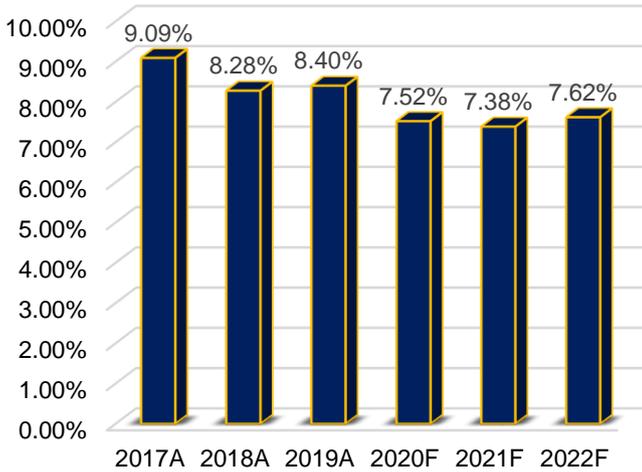


Chart: Loan to Deposit Ratio (x) yoy

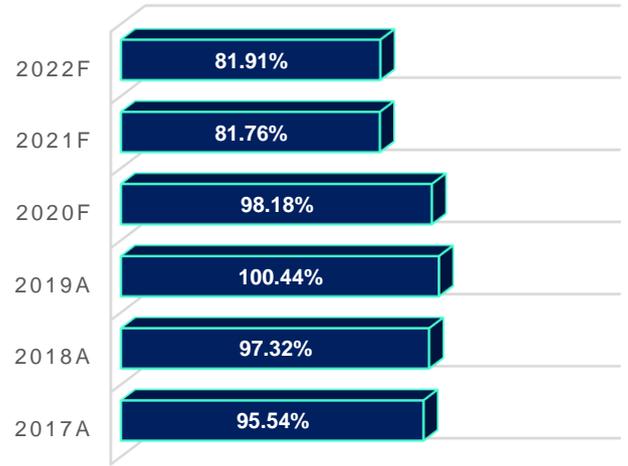


Chart: Profitability Ratio (x) yoy

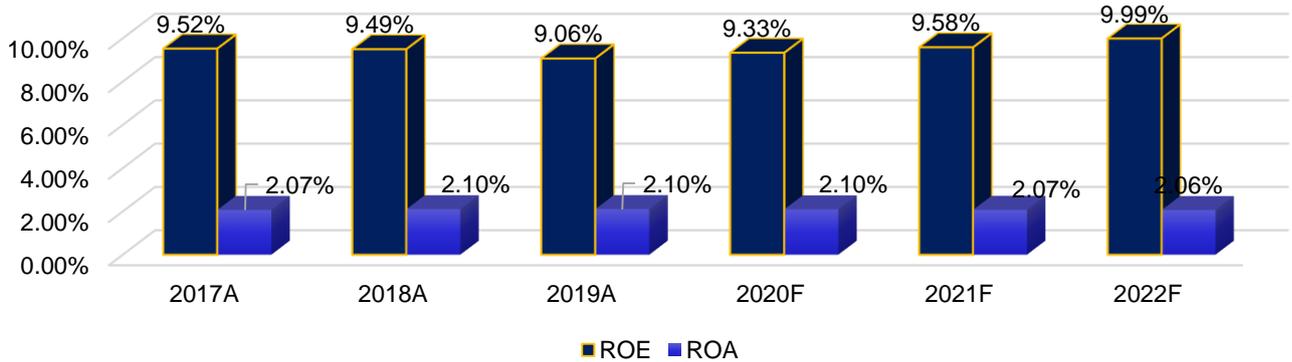
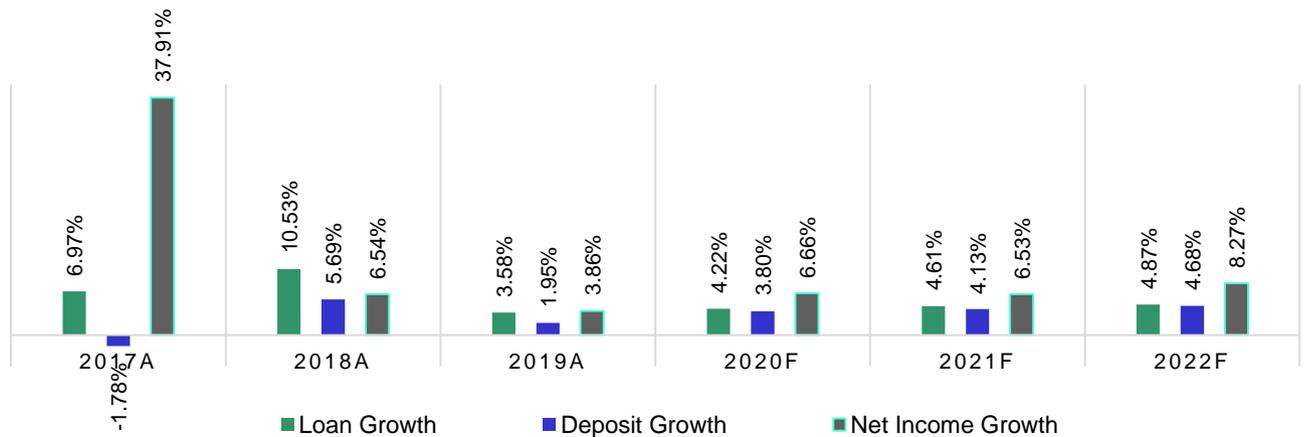


Chart: Growth (x) YoY



## Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	10.102	9.283	8.354	20.613	27.780	37.144
Interbank Placement	5.199	8.576	5.591	6.668	9.420	9.101
Marketable Securities	16.060	9.149	9.406	12.002	13.774	14.950
Gross Loan	97.353	104.812	110.272	111.895	97.025	101.748
Allowance for Loans	-2.938	-2.921	-3.116	-3.646	-3.771	-3.862
Loans-net	94.415	101.891	107.156	108.249	93.254	97.886
Other Earning Asset	65.065	67.283	68.762	69.296	92.657	97.792
Non Earning Asset	8.675	8.305	9.262	9.205	9.879	10.265
<b>Total Asset</b>	<b>178.257</b>	<b>186.762</b>	<b>193.534</b>	<b>207.365</b>	<b>223.570</b>	<b>243.087</b>
Deposit:						
Current Account	14.646	15.885	15.837	16.152	16.698	16.981
Saving Account	34.074	33.945	38.258	40.449	42.883	46.378
Time Deposits	53.178	57.865	55.697	57.368	59.089	60.861
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>160.318</b>	<b>174.785</b>	<b>192.451</b>
<b>Total Shareholder's Equity</b>	<b>39.172</b>	<b>41.940</b>	<b>45.417</b>	<b>47.046</b>	<b>48.784</b>	<b>50.636</b>

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Net Operating Income	3.755	3.696	3.787	4.071	4.127	4.273
Operating Expense	12.934	9.512	15.093	14.417	15.093	15.877
<b>Pre Provision Operating Profit</b>	<b>5.586</b>	<b>8.425</b>	<b>3.274</b>	<b>3.276</b>	<b>3.038</b>	<b>3.592</b>
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Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
NIM	9,09%	8,28%	8,40%	7,52%	7,38%	7,62%
LDR	95,54%	97,32%	100,44%	98,18%	81,76%	81,91%
Gross NPL	3,50%	3,49%	3,79%	4,00%	4,00%	4,00%
Cost of Credit	0,00%	3,12%	0,00%	0,47%	0,13%	0,09%
Provision Coverage	287,03%	266,34%	276,68%	271,51%	274,10%	272,80%
CAR	21,60%	21,00%	21,40%	21,33%	21,24%	21,33%
CASA	47,81%	46,27%	49,27%	49,66%	50,21%	51,00%
Cost-to-Income Ratio	69,84%	53,03%	82,18%	81,48%	83,25%	81,55%
ROE	9,52%	9,49%	9,06%	9,33%	9,58%	9,99%
ROA	2,07%	2,10%	2,10%	2,10%	2,07%	2,06%
ROAE		9,51%	9,28%	9,20%	9,46%	9,79%
BOPO	78,17%	78,39%	87,29%	89,35%	88,63%	87,33%
Loan Growth	6,97%	10,53%	3,58%	4,22%	4,61%	4,87%
Deposit Growth	-1,78%	5,69%	1,95%	3,80%	4,13%	4,68%
Net Income Growth	37,91%	6,54%	3,86%	6,66%	6,53%	8,27%

## QoQ Result

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	104.812	104.059	110.272	6,0%	5,2%
Loan Loss Reserves	-2.921	2.921	-3.116	-206,7%	6,7%
NPL	3.656	4.536	4.536	0,0%	24,1%
Deposit					
Demand	15.885	14.325	15.837	10,6%	-0,3%
Savings	33.945	38.195	38.258	0,2%	12,7%
Time Deposit	57.865	58.806	55.697	-5,3%	-3,7%
Total Asset	186.762	195.826	193.534	-1,2%	3,6%
Shareholder Equity	41.311	43.440	44.937	3,4%	8,8%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	5.135	5.527	5.859	6,0%	14,1%
Interest Expense	1.573	1.948	1.845	-5,3%	17,3%
Net Interest Income	3.562	3.579	4.014	12,2%	12,7%
<b>Net Operating Income</b>	<b>973</b>	<b>974</b>	<b>966</b>	<b>-0,7%</b>	<b>-0,7%</b>
Operating Expense	2.475	2.519	7.693	205,4%	210,8%
<b>PPOP</b>	<b>2.060</b>	<b>2.033</b>	<b>-2.713</b>	<b>-233,5%</b>	<b>-231,7%</b>
Provision Expense	745	1.105	-2.805	-353,8%	-476,4%
Operating Profit	-272	-2	2.238	-112740,5%	-923,6%
Profit Before Tax	1.043	926	2.330	151,7%	123,3%
Tax Expense	268	255	742	190,7%	176,9%
<b>Net Profit</b>	<b>775</b>	<b>670</b>	<b>1.588</b>	<b>136,9%</b>	<b>104,8%</b>

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,98%	3,20%	3,27%	0,07	0,29
LDR	97,32%	93,47%	100,44%	6,97	3,11
Gross NPL (Bank only)	2,80%	2,50%	2,50%	-	(0,30)
Cost of Credit	1,32%	-1,60%	1,53%	3,13	0,22
Provision Coverage	80%	-64%	69%	133,09	(11,21)
CAR	20,98%	21,38%	21,38%	-	0,40
CASA	46,27%	47,18%	49,27%	2,09	3,00
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

**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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