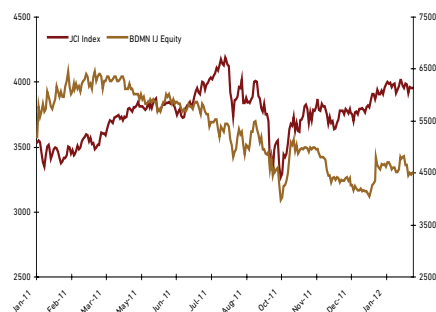




**Ciptadana**  
Research Report  
February 15, 2012

**PT Bank Danamon Tbk**  
*Fiscal year 2011 results update*

**BDMN vs JCI**



source : Bloomberg

Target Price : 5,900/sh  
 Recommendation : BUY  
 Current price (2/15/2012) : 4,500  
 52 Wk high (3/17/2011) : 6,550  
 52 Wk low (10/4/2011) : 3,975  
 Shares outstanding (mn) : 9,584.64  
 Market cap (Rp bn) : 43,130.90  
 Bloomberg code : BDMN IJ

source : Bloomberg

**PT BANK DANAMON - TP 5,900/sh**

**Fiscal year 2011 results update**

**Fiscal Year 2011 results update**

PT Bank Danamon Tbk (BDMN) booked 15.7%YoY increase of net profit in 2011 to Rp3.3 trillion. The 2011 bottom line was slightly above our expectation as we estimated that BDMN's 2011 net income would be at the level of Rp3.1 trillion. The increase of net income last year was supported by 9.5%YoY increase of net interest income to Rp10.9 trillion and lower non performing loan. BDMN's net interest income of Rp10.8 trillion was within our expectation. In 2011, BDMN was in struggle to increase its deposit as customer deposit only increased 8%YoY in 2011. The 15.7% increase of loan book was also lower than previous year.

**Asset quality is getting better**

One of the most encouraging facts from the bank's 2011 performance was the decrease of NPL. BDMN's NPL in 2011 was at 2.6% level, lower than 2010 NPL of 3%. As the asset quality improving in 2011, provisioning expense only increased 2.3%YoY. As the risk of European financial crisis will still linger throughout 2012, we estimate that BDMN'S NPL in 2012 could increase to 3%.

**NIM will stabilize**

The decreasing trend of interest rate in Indonesia is beneficial for BDMN as the bank has substantial proportion of time deposits compares to its total customer deposits (CASA was only 41% as of 2011). Although cost of fund could decrease in the foreseeable future, stiffer competition in micro lending could force the bank to lower its lending interest rate. In the near future we estimate that BDMN's NIM will stabilize at 10%

**BUY recommendation with target price of Rp5,900/share**

We change our recommendation of BDMN from HOLD to BUY with target price of Rp5,900/share. Our calculation of target price was based on 18% sustainable ROE and 13.8% cost of equity.

**Tab1. BDMN FY11 Highlights**

BDMN (Rp million)	Dec-11	Dec-10	chg
Net interest income	10,849.1	9,908.5	9.5%
Net operating income	5,234.7	4,630.1	13.1%
Net profit	3,336.3	2,883.5	15.7%
EPS	378.8	342.9	10.5%
NIM	9.8%	11.3%	
NPL-gross	2.6%	3.0%	
LDR	102.0%	95.1%	
CAR	17.6%	16.1%	

Source : Company & Ciptadana estimates

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Tab2. Income Statement summary

Income Statement (Rp million)	2009	2010	2011	2012E	2013E	2014E
Interest Income	17,666,110	14,417,745	16,882,491	20,831,871	22,003,571	23,808,336
Interest expense	(7,469,309)	(4,509,295)	(6,033,390)	(7,928,967)	(8,690,182)	(9,777,526)
Net Interest Income	10,196,801	9,908,450	10,849,101	12,902,904	13,313,388	14,030,810
Fee based income	601,991	2,125,035	2,844,516	3,982,322	5,575,251	7,805,352
Other operational Income	10,791,915	11,740,250	12,670,165	13,518,041	14,099,827	15,036,421
Operational Income	11,393,906	13,865,285	15,514,681	17,500,364	19,675,078	22,841,773
Provision expenses and others	(2,890,269)	(2,134,124)	(2,182,849)	(2,871,776)	(2,780,539)	(3,058,593)
Operational expenses	(5,721,525)	(7,101,097)	(8,097,123)	(8,934,051)	(9,919,458)	(11,096,802)
Operating profits	2,782,112	4,630,064	5,234,709	5,694,537	6,975,081	8,686,378
Non-operating income	(411,552)	(628,533)	(623,153)	0	0	0
Pre-tax profits	2,370,560	4,001,531	4,611,556	5,694,537	6,975,081	8,686,378
Income taxes	(756,838)	(1,017,770)	(1,162,523)	(1,708,361)	(2,092,524)	(2,605,913)
Minority interest	(81,189)	(100,293)	(112,767)	(129,682)	(149,134)	(171,505)
Net income	1,532,533	2,883,468	3,336,266	3,856,494	4,733,422	5,908,960
eps (Rp/share)	186	343	379	402	494	617

Tab3. Balance Sheet

Balance Sheet (Rp million)	2009	2010	2011	2012E	2013E	2014E
Cash	2,117,368	1,985,338	1,895,058	2,680,945	2,176,579	2,770,684
Current accounts with BI	3,820,180	5,274,888	6,940,363	7,712,940	9,363,040	10,299,344
Marketable Securities	4,431,548	5,323,969	4,819,809	5,201,689	7,282,364	10,299,344
Government Bonds	11,010,829	6,138,340	3,947,174	5,674,570	6,242,027	8,010,601
Loans	60,579,275	75,773,522	87,698,136	94,576,160	104,033,776	114,437,153
Provision for loan losses	(2,211,621)	(2,505,197)	(2,235,337)	(2,837,285)	(3,121,013)	(3,433,115)
Fixed assets	1,802,274	1,771,489	1,898,695	2,278,434	2,734,121	3,007,533
Other Assets	17,048,100	24,444,224	36,970,534	36,033,604	41,894,221	48,332,567
Total Assets	98,597,953	118,206,573	141,934,432	151,321,057	170,605,114	193,724,111
Deposits from Customer	67,216,228	79,642,803	85,978,327	94,576,160	104,033,776	114,437,153
Other liabilities	15,479,739	19,954,742	30,119,604	28,738,868	35,065,995	43,367,421
Total Liabilities	82,695,967	99,597,545	116,097,931	123,315,028	139,099,770	157,804,575
Equity	15,805,751	18,449,787	25,629,956	27,716,866	31,100,515	35,352,777
Minority interest	96,235	159,241	206,545	289,163	404,828	566,759
Total Liabilities & Equity	98,597,953	118,206,573	141,934,432	151,321,056	170,605,113	193,724,111
BVPS (Rp/share)	1,922	2,194	2,912	2,892	3,245	3,689

Source : Company and Ciptadana Estimates

Tab4. Key Ratios

Ratios	2009	2010	2011	2012E	2013E	2014E
NIM	12.5%	11.3%	9.8%	10.6%	10.1%	9.5%
Effective tax rate	31.9%	25.4%	25.2%	30.0%	30.0%	30.0%
ROAE	11.6%	16.8%	15.1%	14.5%	16.1%	17.8%
ROAA	1.5%	2.7%	2.6%	2.6%	2.9%	3.2%
Cost efficiency	50.2%	51.2%	52.2%	51.1%	50.4%	48.6%
NPL-gross	4.6%	3.0%	2.6%	3.0%	3.0%	3.0%
Loan loss coverage	78.9%	110.2%	98.3%	100.0%	100.0%	100.0%
LDR	90.1%	95.1%	102.0%	100.0%	100.0%	100.0%
CAR	17.5%	16.1%	17.6%	16.9%	16.6%	15.8%
Dividend pay-out	58.3%	52.7%	37.3%	35.0%	35.0%	35.0%
P / B	-	-	-	1.6	1.4	1.3
P / E	-	-	-	11.7	9.5	7.6

Source : Company and Ciptadana Estimates

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