

16 November 2020
Banking, Equity

Price **IDR. 620**
Target Price **IDR. 730**
JKSE Index **5461.058**



Stock Code **BJTM IJ**
Bloomberg code **8258.5B**
Market cap (IDR.bn) **710**
52-Week High (IDR) **378**
52-Week Low (IDR) **580**
6-m Avg Daily. Val (IDR) **79.69**
Free Float (%) **79.69**

Major Shareholders (%)
Government RI **79.69%**
Public **20.31%**

USD/IDR-YE
2019A **14390**
2020F (6M Avg) **14577**

Key Indicators
Non Performing Loan (x) **2.90**
Net Interest Margin (x) **5.80**

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Investment Consideration

Net profit decreased

In 9M20, Net profit decreased 3.59% YoY. Net interest Income grew 2.46% YoY but there was an increase in impairment loss expenses of 8.58% YoY and non-interest operational expenses also increased by 9.18% YoY. Loan growth rose 7% YoY which was largely contributed by the SME segment. The net interest margin decreased to 5.70% compared to 6.30% in 9M19.

Loan and Time Deposit growth

In 9M20 loan growth for the consumer segment increased by 4.6%, for the commercial segment by 9.86%, for the SME segment by 12.24%. This increase was contributed by payroll and pension loans. BJTM received PEN funds and most of the local governments also transferred funds so that deposits jumped by 32.9% YoY. At the end of the year, civil servant salaries and government funding should shift to low-cost funds which are currently 63%, so we estimate that CASA will increase to 76% and the LDR will be around 64% at the end of the year.

Restructured BJTM

Restructured loans are now IDR 16,95.91Tn or 4.20% of total loans and BJTM estimates that they will reach 5% by the end of the year, while new loan growth is being limited. On Asset quality, gross non-performing loans increased to 4.5%, from 4.3% in 2Q20. Most of the increase was from construction loans. Late payment penalties and additional interest for NPL loans are also being given a 75-100% discounts to help customers pay off the principal. We estimate that NPLs will decline with economic recovery to around 2.9% in 2020.

Valuation: 18% Upside, Hold.

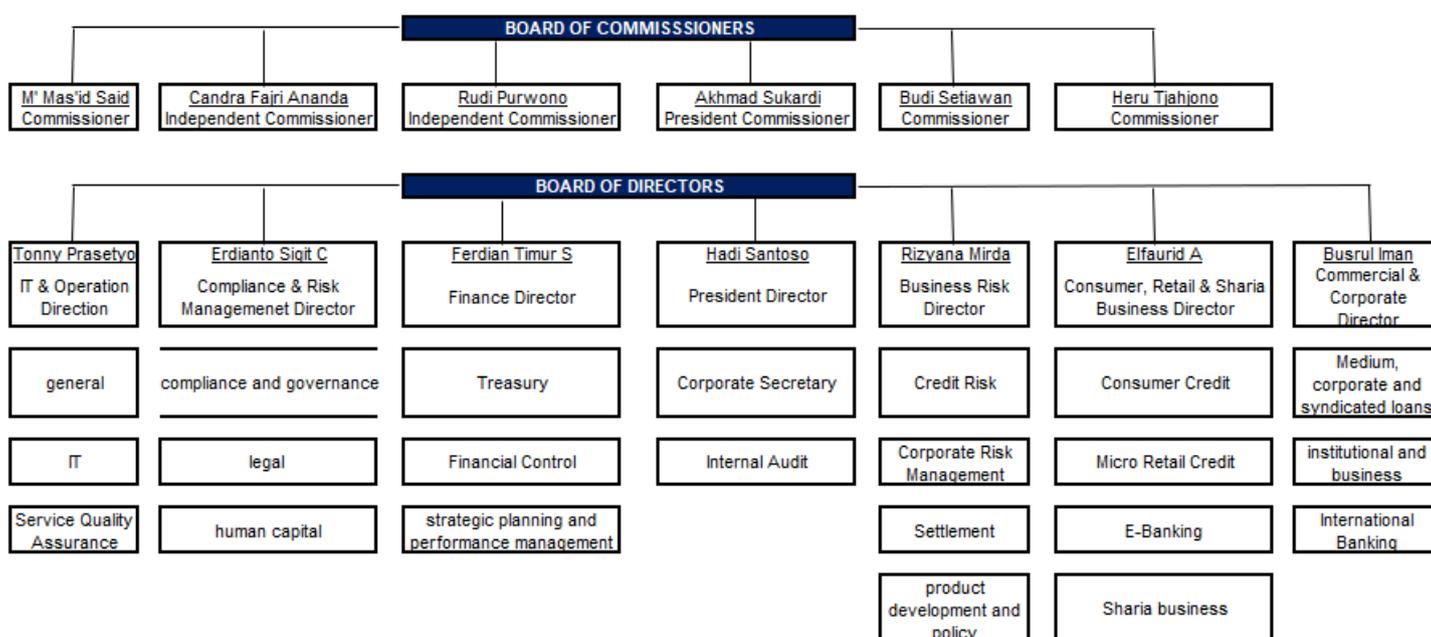
Based on our DDM Valuation, we have a target price within one year of IDR. 680 or trading at 0.8x PBV which gives 18% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Interest Income	4.890	5.201	5.839	6.526	7.394	8.215
Interest Expense	1.405	1.513	1.839	2.058	2.296	2.492
Net Interest Income	3.485	3.688	4.000	4.468	5.097	5.723
Net Operating Income	371	413	474	586	665	736
Operating Expense	1.996	2.262	2.307	3.269	3.743	4.126
PPOP	1.860	1.840	2.167	1.785	2.019	2.333
Provision Expense	217	134	370	-270	-286	-343
Operating Profit	1.643	1.974	2.537	1.515	1.734	1.990
Profit Before Tax	1.637	1.754	1.864	2.124	2.374	2.745
Tax Expense	478	493	488	603	677	781
Net Profit	1.159	1.260	1.377	1.521	1.697	1.964
EPS (Rp/Share)	77,4	84,2	91,9	101,5	113,3	131,1

Company Profile

PT Bank Pembangunan Daerah Jawa Timur Tbk (the “Bank”) was established under the name of PT Bank Pembangunan Daerah Djawa Timur based on the notarial deed No.91 dated August 17, 1961 of Anwar Mahajudin. Pursuant to Law No.13 year 1962 regarding the Basic Terms for Regional Development Banks, which require that the establishment of Regional Development Banks be based on Municipal District Regulations, therefore the Municipal District I of East Java issued Municipal District Regulation No.2 in 1976. Based on this Municipal District Regulation, the name of PT Bank Pembangunan Daerah Djawa Timur was changed to Bank Pembangunan Daerah Jawa Timur. The main role of the Bank is to participate in developing regional economic growth by providing financial services to small and medium sized businesses to achieve appropriate profit levels. The bank’s main activities involve collecting and lending funds and other banking services.

Company Structure



Source: Company

Chart: Gross Loan (x) YoY

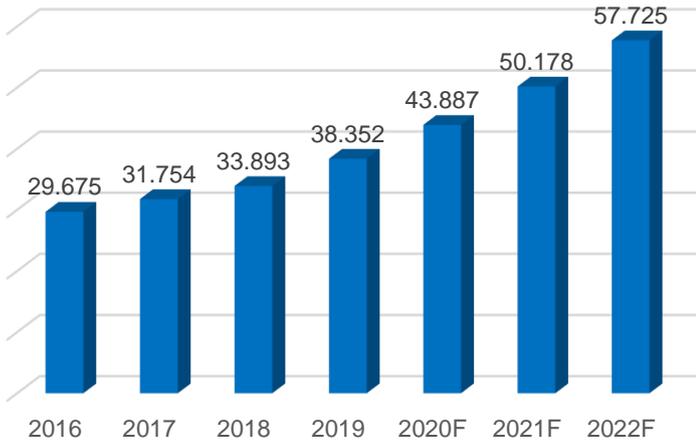


Chart: Loan to Deposit Ratio (x) YoY

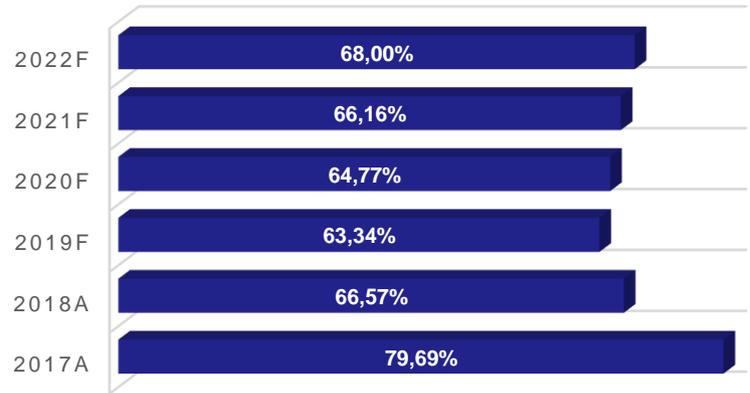


Chart: Profitability (x) YoY

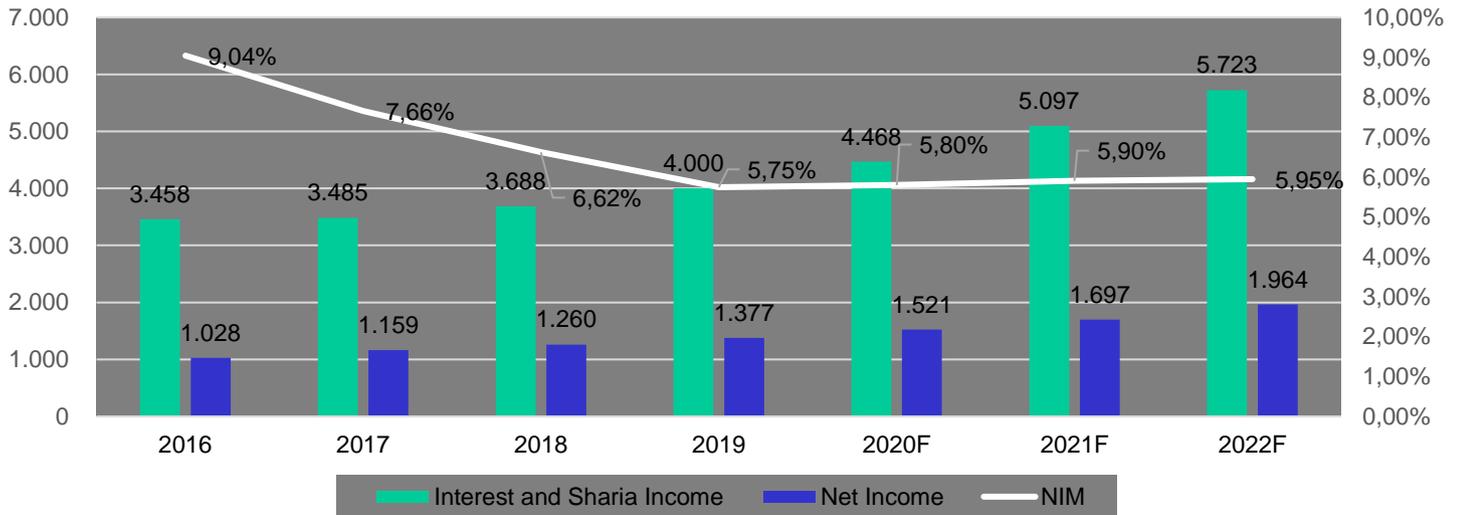


Chart: Net Interest Margin (x) YoY

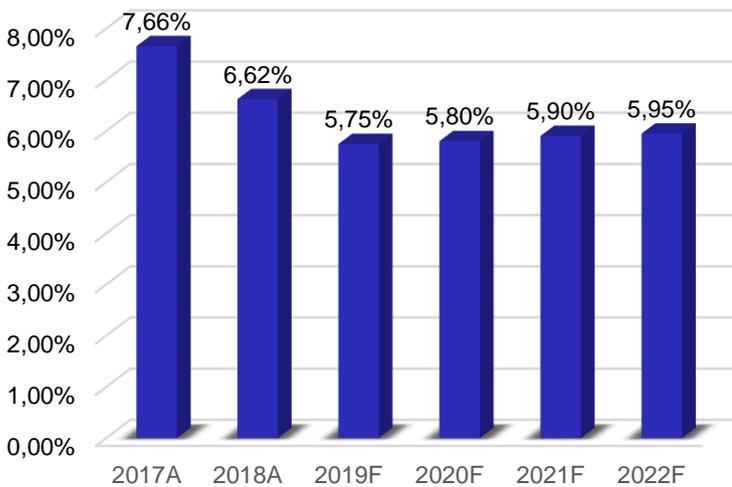


Chart: Non Performing Loan (x) YoY

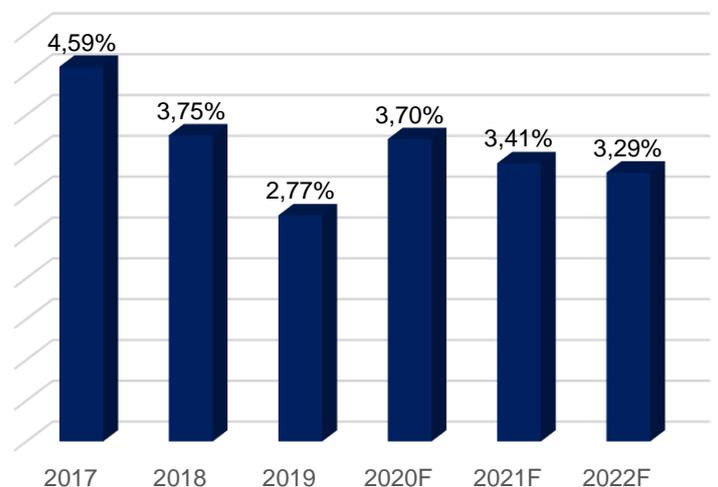


Chart: Gross Loan (x) QoQ

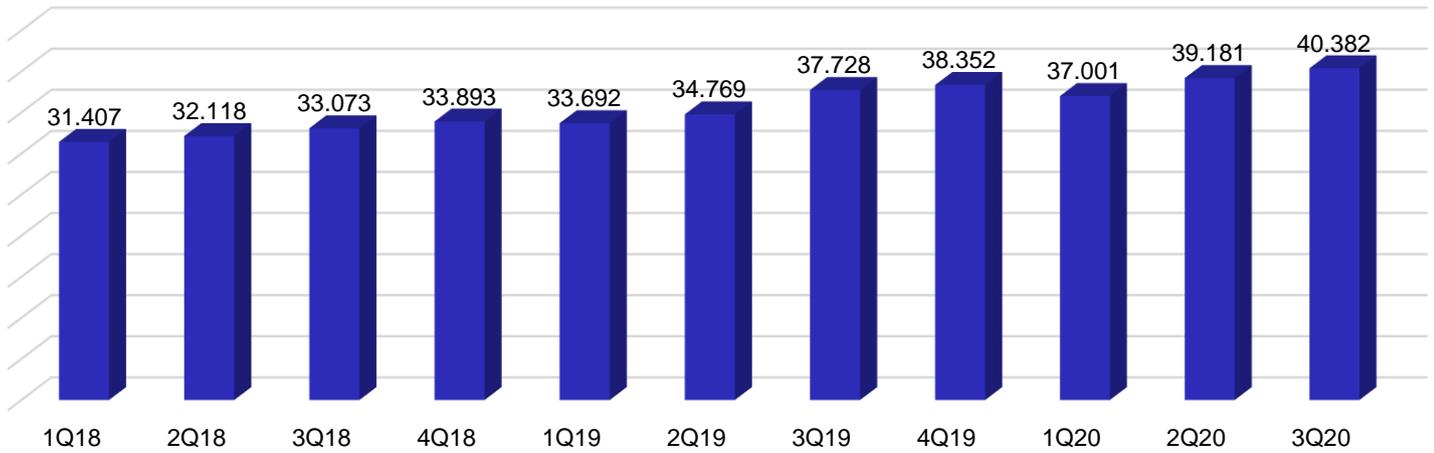


Chart: Net Income (x) QoQ

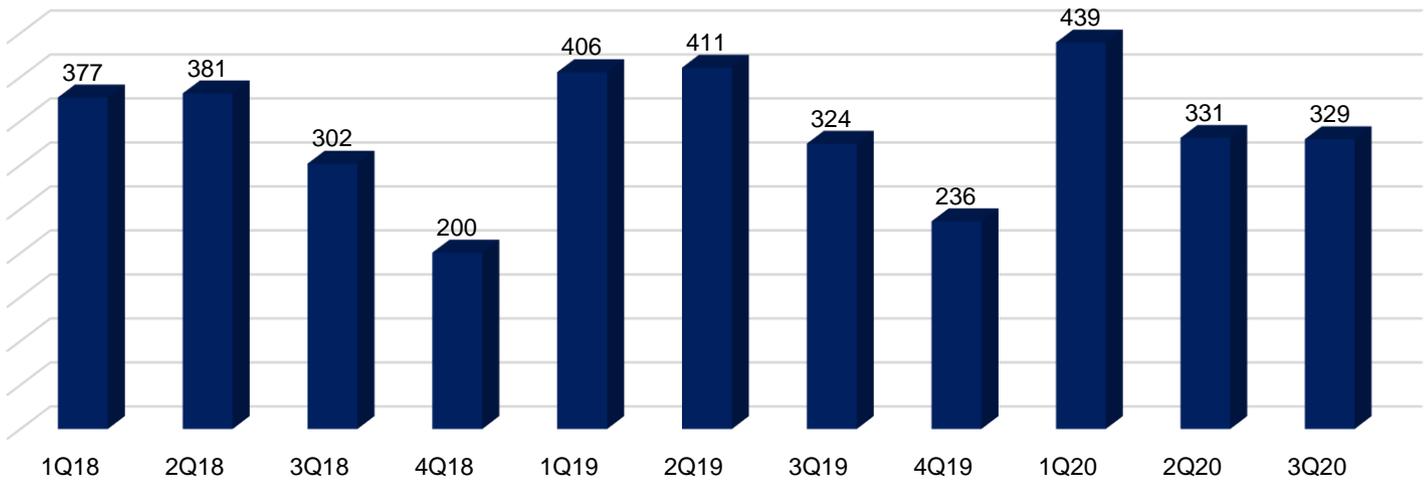
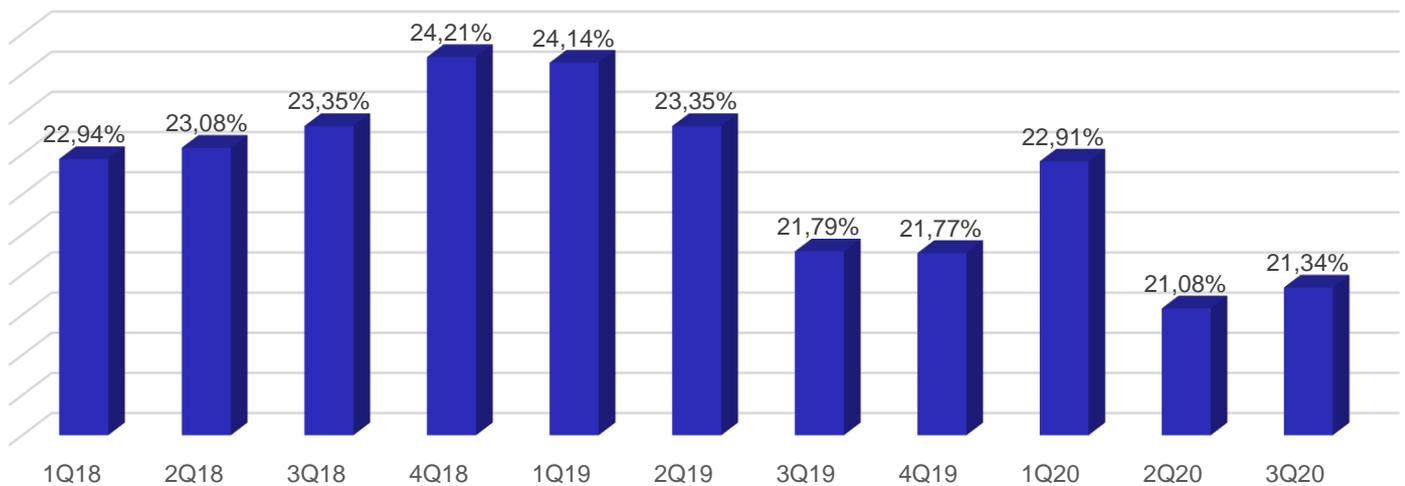


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Cash and CA with BI	5.291	5.990	8.464	6.451	6.585	7.509
Interbank Placement	8.946	13.347	11.987	18.598	19.209	19.394
Marketable Securities	4.742	8.358	15.401	14.013	16.225	18.097
Gross Loan	31.754	33.893	38.352	43.887	50.178	57.725
Allowance for Loans	-1.394	-1.199	-980	-1.194	-1.422	-1.707
Loans-net	30.360	32.695	37.372	42.693	48.755	56.019
Other Earning Asset	13.755	21.803	28.538	33.159	36.173	38.482
Non Earning Asset	2.112	2.202	2.341	3.178	3.636	4.010
Total Asset	51.519	62.689	76.715	85.480	95.150	106.019
Deposit:						
Current Account	12.002	19.286	23.826	26.923	30.423	34.378
Saving Account	15.847	19.112	22.224	24.891	27.878	31.223
Time Deposits	11.996	12.518	14.496	15.946	17.540	19.294
Other Interest Bearing Liabilities	1.860	1.816	4.283	4.586	4.910	5.258
Non Interest Bearing Liabilities	1.998	1.485	2.701	2.779	2.860	2.944
Total Liabilities	43.703	54.217	67.530	75.125	83.612	93.097
Total Shareholder's Equity	7.816	8.472	9.186	10.355	11.538	12.922

Income Statement (IDR.bn)

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Net Interest Income	3.485	3.688	4.000	4.468	5.097	5.723
Net Operating Income	371	413	474	586	665	736
Operating Expense	1.996	2.262	2.307	3.269	3.743	4.126
Pre Provision Operating Profit	1.860	1.840	2.167	1.785	2.019	2.333
Provision Expense	217	134	370	-270	-286	-343
Operating Profit	1.643	1.974	2.537	1.515	1.734	1.990
Profit Before Tax	1.637	1.754	1.864	2.124	2.374	2.745
Tax Expense	478	493	488	603	677	781
Net Profit	1.159	1.260	1.377	1.521	1.697	1.964
EPS (Rp/Share)	77,4	84,2	91,9	101,5	113,3	131,1

Ratio Highlights

Ratio Analysis	2017A	2018A	2019F	2020F	2021F	2022F
Profitability & Efficiency						
NIM	7,66%	6,62%	5,75%	5,80%	5,90%	5,95%
Cost-to-Income Ratio	51,77%	55,14%	51,56%	64,68%	64,96%	63,88%
ROE	14,83%	14,88%	14,99%	14,69%	14,71%	15,20%
ROA	2,25%	2,01%	1,79%	1,78%	1,78%	1,85%
ROAE		14,85%	14,93%	14,84%	14,70%	14,95%
BOPO	68,77%	69,61%	71,54%	71,10%	71,40%	70,11%
Cost of Credit	0,68%	0,39%	0,97%	-0,62%	-0,57%	-0,59%
Liquidity						
LDR	79,69%	66,57%	63,34%	64,77%	66,16%	68,00%
CASA	69,89%	75,41%	76,06%	76,47%	76,87%	77,27%
Asset Quality						
Gross NPL	4,59%	3,75%	2,77%	2,90%	2,87%	3,07%
Provision Coverage	88,32%	85,21%	86,76%	85,99%	86,37%	86,18%
Capital						
CAR	24,65%	24,21%	21,77%	20,05%	21,00%	20,94%
Growth						
Loan Growth	7,01%	6,74%	13,16%	14,43%	14,33%	15,04%
Deposit Growth	21,48%	27,79%	18,91%	11,91%	11,93%	11,94%
Net Income Growth	12,76%	8,71%	9,22%	10,48%	11,56%	15,75%

BJTM QoQ Result

Balance Sheet	3Q19	2Q20	3Q20	%QoQ	%YoY
Loan	37.728	39.181	40.382	3,06%	7,03%
Loan Loss Reserves	-1.047	-1.222	-1.231	0,76%	17,54%
NPL	1.092	1.674	1.814	8,38%	66,10%
Deposit					
Demand	22.703	23.529	23.529	0,00%	3,64%
Savings	17.628	20.596	20.596	0,00%	16,84%
Time Deposit	17.603	19.883	19.883	0,00%	12,95%
Total Asset	72.128	75.240	82.081	9,09%	13,80%
Shareholder Equity	8.943	9.171	9.644	5,16%	7,85%

Income Statement	3Q19	2Q20	3Q20	%QoQ	%YoY
Interest Income	1.495	1.486	1.532	3,11%	2,48%
Interest Expense	495	502	492	-2,00%	-0,69%
Net Interest Income	1.000	984	1.040	5,71%	4,05%
Net Operating Income	126	97	101	4,79%	-20,01%
Operating Expense	589	494	673	36,14%	14,15%
PPOP	537	586	469	-20,08%	-12,70%
Provision Expense	90	161	25	-84,73%	-72,57%
Operating Profit	7	-7	5	-162,70%	-38,67%
Profit Before Tax	455	418	449	7,33%	-1,31%
Tax Expense	130	87	119	36,86%	-8,49%
Net Profit	324	331	329	-0,45%	1,57%

Ratio	3Q19	2Q20	3Q20	QoQ	YoY
Profitability & Efficiency					
NIM	6,52%	19,41%	18,63%	(0,78)	12,11
Cost-to-Income Ratio	40,86%	44,19%	49,51%	5,32	8,65
ROE	21,11%	19,41%	18,63%	(0,78)	(2,48)
ROA	3,63%	2,73%	2,57%	(0,16)	(1,06)
BOPO	62,70%	68,96%	70,25%	1,29	7,55
Cost of Credit	1,28%	1,46%	1,09%	(0,37)	(0,19)
Liquidity					
LDR	62,02%	61,21%	57,88%	(3,33)	(4,14)
CASA	69,80%	68,94%	63,14%	(5,80)	(6,66)
Asset Quality					
Gross NPL	3,46%	4,27%	4,49%	0,22	1,03
Provision Coverage	91,42%	73,02%	67,87%	(5,15)	(23,55)
Capital					
CAR	24,14%	21,08%	21,34%	0,26	(2,80)

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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