

18 May 2021  
Banking, Equity

Price **IDR. 760**  
Target Price **IDR. 900**  
JKSE Index **5833.86**



**Stock Code**  
**Bloomberg code** BJTM IJ  
**Market cap (IDR.bn)** 12,015B  
**52-Week High (IDR)** 970  
**52-Week Low (IDR)** 470  
**6-m Avg Daily. Val (IDR)** 737  
**Free Float (%)** 20.31

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

**USD/IDR-YE**  
**2020A** 14050  
**2021F (6M Avg)** 14232

**Key Indicators**  
**Non Performing Loan (x)** 4.20  
**Net Interest Margin (x)** 4.64

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### Investment Consideration

#### Low LDR

In 1Q21 LDR decreased to 54.85% from 60.58% in FY20. Loan Growth experienced positive growth in 1Q21 of 8.63% YoY and 8.16% QoQ, but Third-Party Funds experienced even higher growth of 31.72% YoY and 13.08% QoQ. BJTM will gradually improve its lending function for consumers and SMEs, so we estimate LDR will reach 60% in 2021F.

#### Balance sheet Growth

1Q21 and FY20 saw high total asset growth of 28.6% YoY and 9% YoY as a result of the large increase in Third Party Funds in the form of Time Deposits and Current accounts from the government. This helped to keep the Cost of Funds at a low level of 2.75-2.67%. As a result of their 53.47% third party funds growth the government funding as a proportion of the total has now reached 30.11%. Lending assets did experience some growth, especially in the Commercial and SME segments.

#### Budget realization begins

In collaboration with Fintech player Amarta, BJTM plans this year to distribute KUR with a ceiling of IDR 1 trillion, through recruitment of new ASNs who will become new debtors. The government construction budget has started to be realized this year so commercial customers have the potential to experience growth and there will also be an impact on the growth of Third Party Funds due to transactions of Government funds through Bank Jatim.

#### Valuation: 18%Upside, Hold.

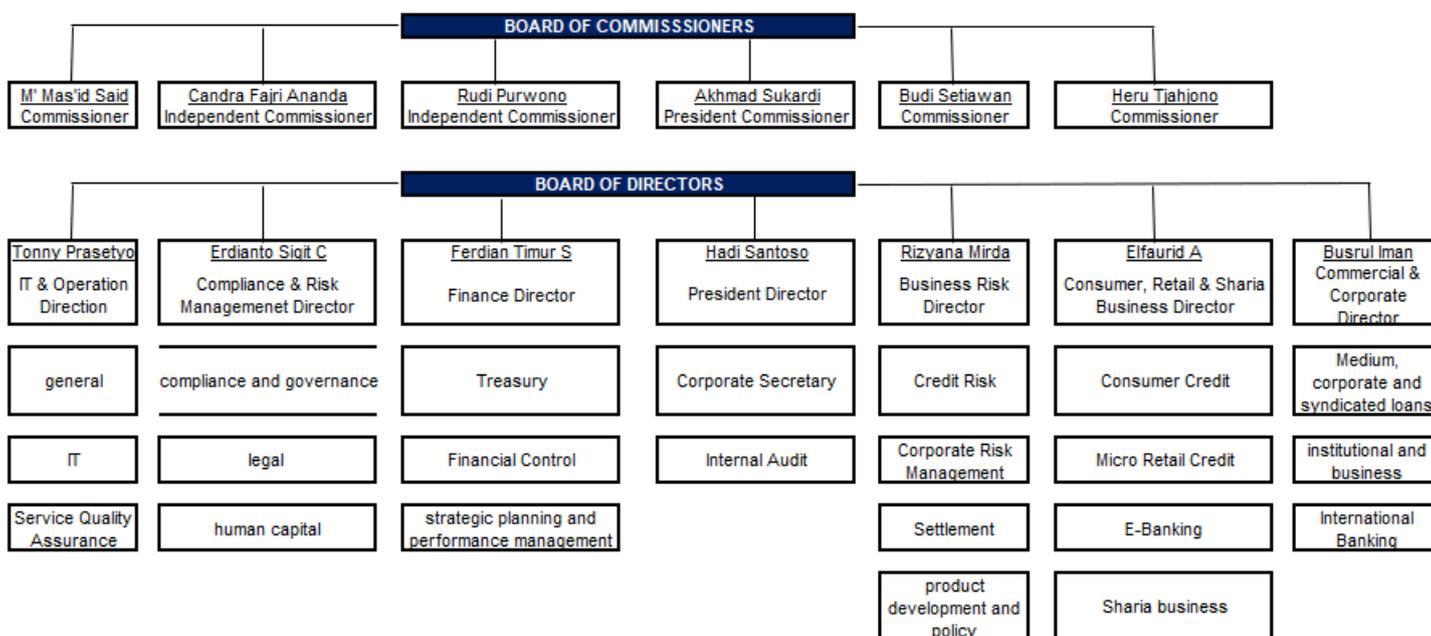
Based on our DDM Valuation, we have a target price within one year of IDR. 900 or trading at 1x PBV which gives 18% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	4.890	5.201	5.839	6.089	6.216	7.061	8.119
Interest Expense	1.405	1.513	1.839	2.031	2.273	2.400	2.899
<b>Net Interest Income</b>	<b>3.485</b>	<b>3.688</b>	<b>4.000</b>	<b>4.057</b>	<b>3.944</b>	<b>4.661</b>	<b>5.220</b>
Net Operating Income	371	413	474	418	532	573	683
Operating Expense	1.996	2.262	2.307	2.391	2.792	3.136	3.657
<b>PPOP</b>	<b>1.860</b>	<b>1.840</b>	<b>2.167</b>	<b>2.084</b>	<b>1.684</b>	<b>2.099</b>	<b>2.246</b>
Provision Expense	217	134	370	568	-564	-320	-389
<b>Operating Profit</b>	<b>1.643</b>	<b>1.974</b>	<b>2.537</b>	<b>2.652</b>	<b>1.120</b>	<b>1.778</b>	<b>1.858</b>
Profit Before Tax	1.637	1.754	1.864	1.507	2.239	2.410	2.626
Tax Expense	478	493	488	18	639	686	748
<b>Net Profit</b>	<b>1.159</b>	<b>1.260</b>	<b>1.377</b>	<b>1.489</b>	<b>1.601</b>	<b>1.724</b>	<b>1.878</b>
<b>EPS (Rp/Share)</b>	<b>77,4</b>	<b>84,2</b>	<b>91,9</b>	<b>99,4</b>	<b>106,9</b>	<b>115,1</b>	<b>125,4</b>

**Company Profile**

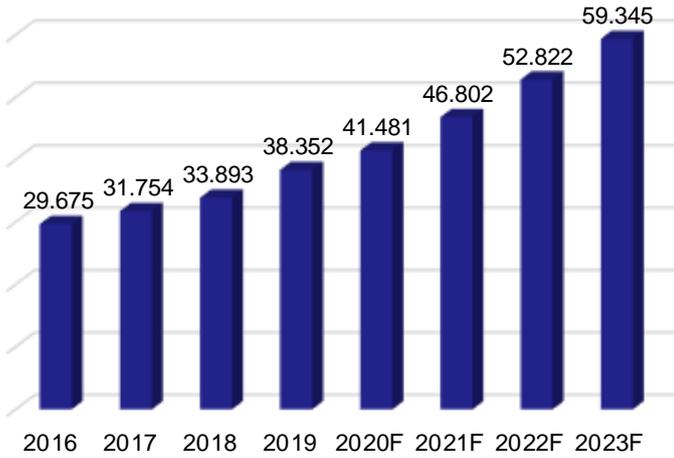
PT Bank Pembangunan Daerah Jawa Timur Tbk (the “Bank”) was established under the name of PT Bank Pembangunan Daerah Djawa Timur based on the notarial deed No.91 dated August 17, 1961 of Anwar Mahajudin. Pursuant to Law No.13 year 1962 regarding the Basic Terms for Regional Development Banks, which require 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**

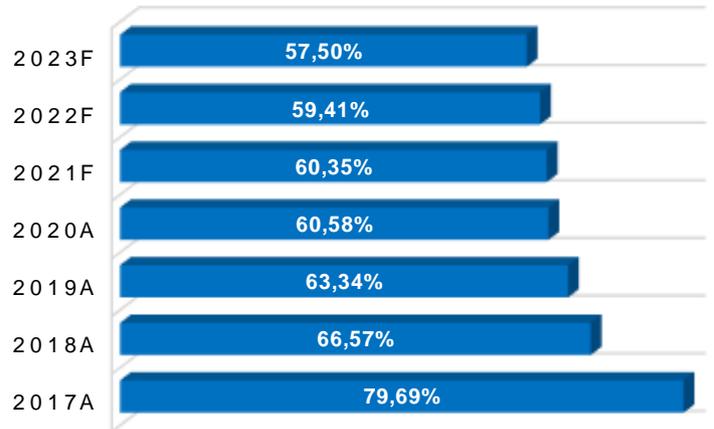


Source: Company

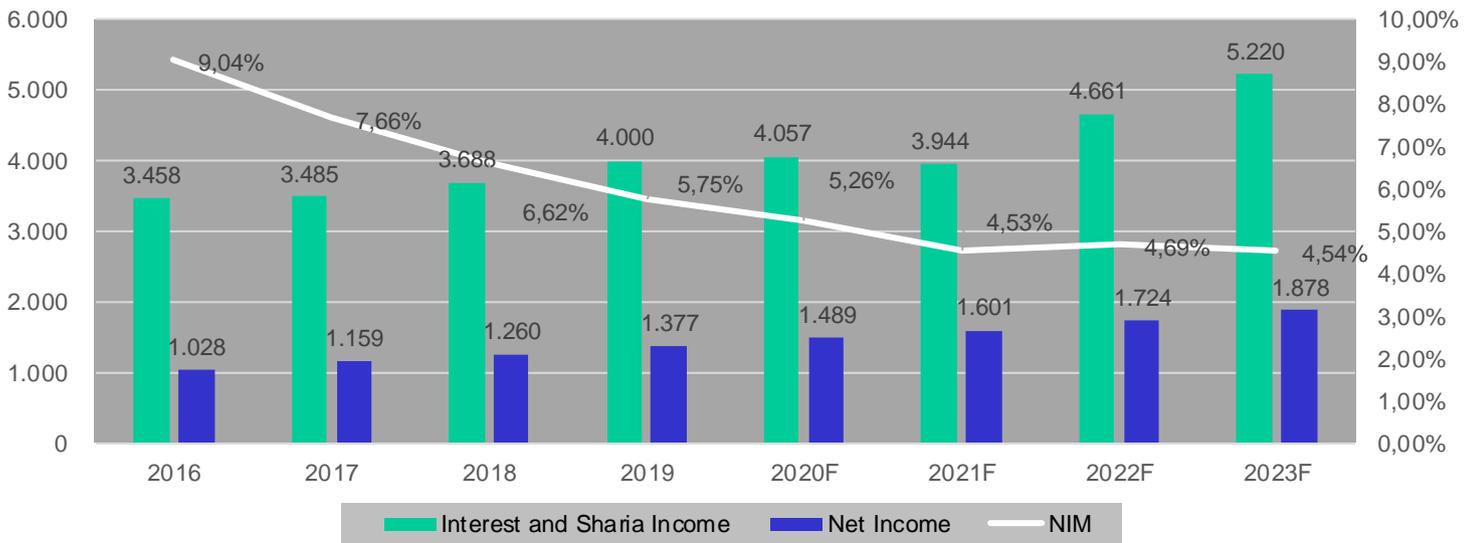
**Chart: Gross Loan (x) YoY**



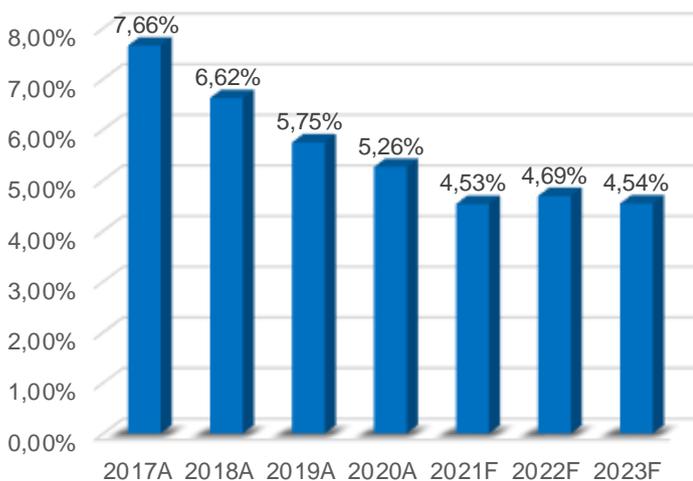
**Chart: Loan to Deposit Ratio (x) YoY**



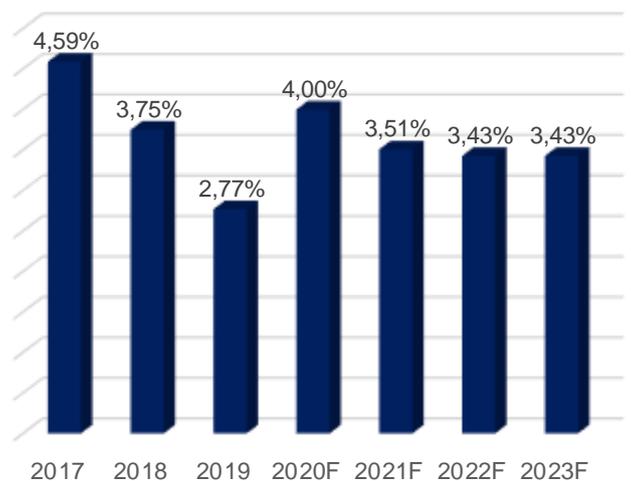
**Chart: Profitability (x) YoY**



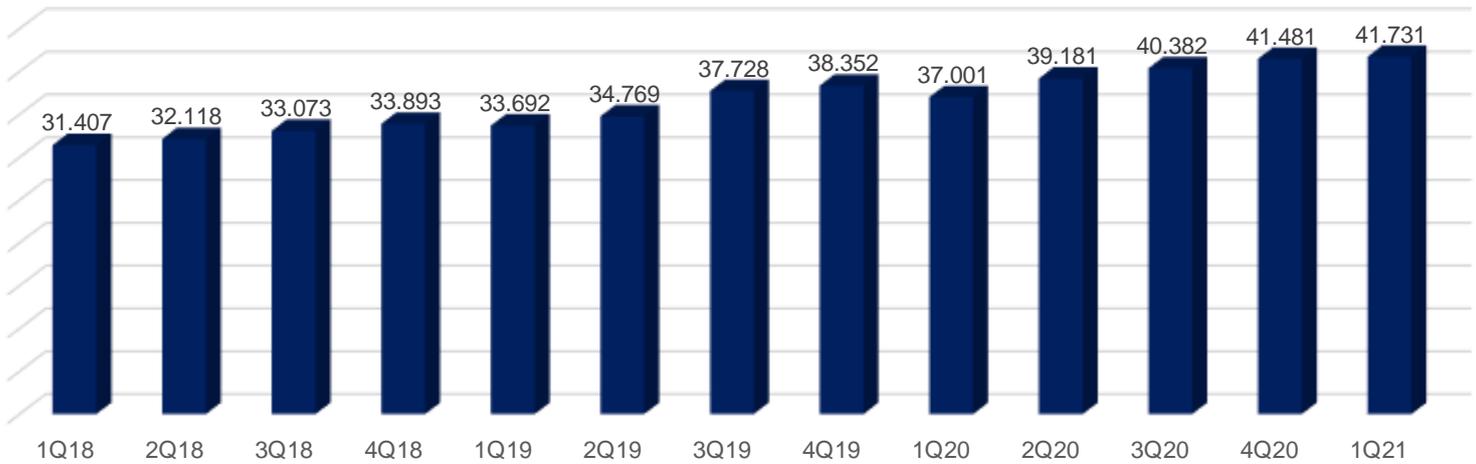
**Chart: Net Interest Margin (x) YoY**



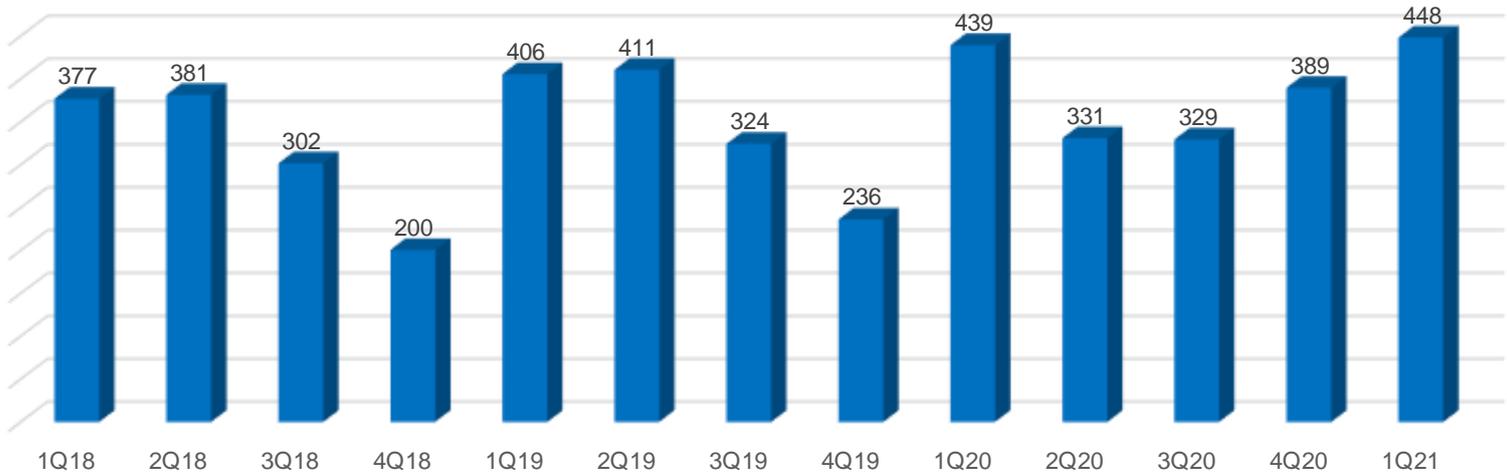
**Chart: Non Performing Loan (x) YoY**



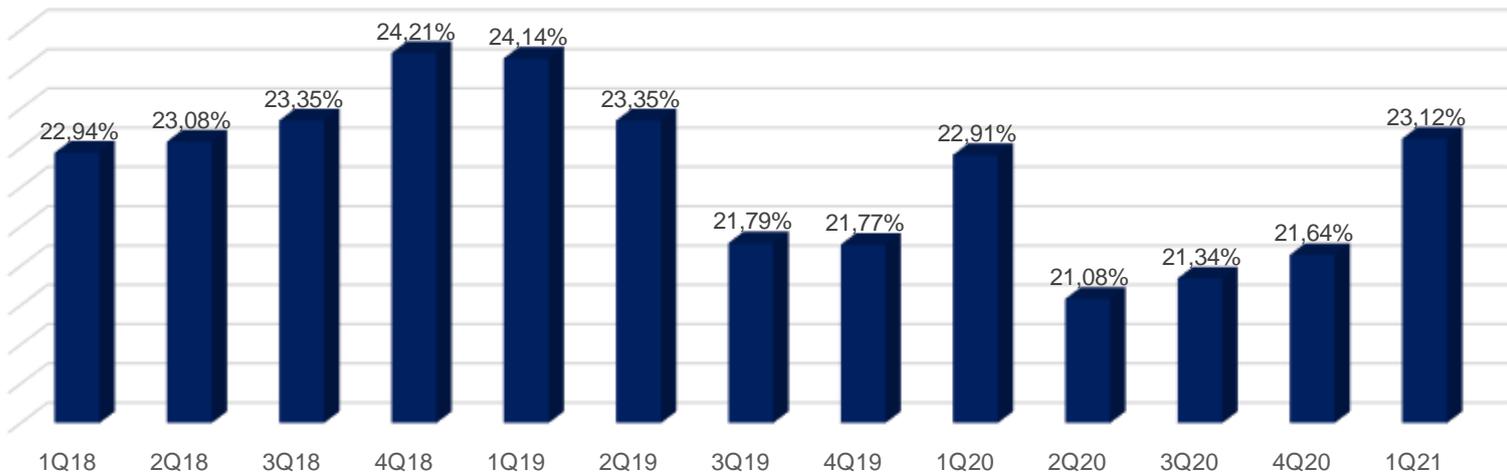
**Chart: Gross Loan (x) QoQ**



**Chart: Net Income (x) QoQ**



**Chart: CAR (x) QoQ**



## Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	5.291	5.990	8.464	6.172	5.600	5.671	5.708
Interbank Placement	8.946	13.347	11.987	6.884	16.528	16.015	17.701
Marketable Securities	4.742	8.358	15.401	27.232	23.006	29.570	37.058
Gross Loan	31.754	33.893	38.352	41.481	46.802	52.822	59.345
Allowance for Loans	-1.394	-1.199	-980	-1.455	-1.994	-2.290	-2.653
Loans-net	30.360	32.695	37.372	40.026	44.808	50.532	56.692
Other Earning Asset	13.755	21.803	28.538	34.353	40.226	46.586	55.605
Non Earning Asset	2.112	2.202	2.341	3.069	3.195	3.803	4.309
<b>Total Asset</b>	<b>51.519</b>	<b>62.689</b>	<b>76.715</b>	<b>83.619</b>	<b>93.830</b>	<b>106.591</b>	<b>122.314</b>
Deposit:							
Current Account	12.002	19.286	23.826	21.129	22.185	23.295	24.459
Saving Account	15.847	19.112	22.224	22.874	23.560	24.267	24.995
Time Deposits	11.996	12.518	14.496	24.465	31.805	41.346	53.750
Other Interest Bearing Liabilities	1.860	1.816	4.283	3.341	3.504	3.675	3.854
Non Interest Bearing Liabilities	1.998	1.485	2.701	1.806	1.853	1.902	1.952
<b>Total Liabilities</b>	<b>43.703</b>	<b>54.217</b>	<b>67.530</b>	<b>73.615</b>	<b>82.907</b>	<b>94.485</b>	<b>109.011</b>
<b>Total Shareholder's Equity</b>	<b>7.816</b>	<b>8.472</b>	<b>9.186</b>	<b>10.005</b>	<b>10.923</b>	<b>12.107</b>	<b>13.303</b>

## Income Statement (IDR.bn)

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Net Operating Income	371	413	474	418	532	573	683
Operating Expense	1.996	2.262	2.307	2.391	2.792	3.136	3.657
<b>Pre Provision Operating Profit</b>	<b>1.860</b>	<b>1.840</b>	<b>2.167</b>	<b>2.084</b>	<b>1.684</b>	<b>2.099</b>	<b>2.246</b>
Provision Expense	217	134	370	568	-564	-320	-389
Operating Profit	1.643	1.974	2.537	2.652	1.120	1.778	1.858
<b>Profit Before Tax</b>	<b>1.637</b>	<b>1.754</b>	<b>1.864</b>	<b>1.507</b>	<b>2.239</b>	<b>2.410</b>	<b>2.626</b>
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<b>EPS (Rp/Share)</b>	<b>77.4</b>	<b>84.2</b>	<b>91.9</b>	<b>99.4</b>	<b>106.9</b>	<b>115.1</b>	<b>125.4</b>

**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
<b>Profitability &amp; Efficiency</b>							
NIM	7,66%	6,62%	5,75%	5,26%	4,53%	4,69%	4,54%
Cost-to-Income Ratio	51,77%	55,14%	51,56%	53,43%	62,37%	59,91%	61,94%
ROE	14,83%	14,88%	14,99%	14,88%	14,65%	14,24%	14,11%
ROA	2,25%	2,01%	1,79%	1,78%	1,71%	1,62%	1,54%
ROAE		14,85%	14,93%	14,93%	14,77%	14,45%	14,18%
BOPO	68,77%	69,61%	71,54%	76,70%	66,68%	68,32%	70,06%
Cost of Credit	0,68%	0,39%	0,97%	1,37%	1,50%	2,00%	1,60%
<b>Liquidity</b>							
LDR	79,69%	66,57%	63,34%	60,58%	60,35%	59,41%	57,50%
CASA	69,89%	75,41%	76,06%	64,27%	58,99%	53,50%	47,92%
<b>Asset Quality</b>							
Gross NPL	4,59%	3,75%	2,77%	2,90%	4,20%	4,40%	4,56%
Provision Coverage	88,32%	85,21%	92,40%	87,69%	90,05%	88,87%	89,46%
<b>Capital</b>							
CAR	24,65%	24,21%	21,77%	21,64%	23,07%	22,67%	22,29%
<b>Growth</b>							
Loan Growth	7,01%	6,74%	13,16%	8,16%	12,83%	12,86%	12,35%
Deposit Growth	21,48%	27,79%	18,91%	13,08%	13,26%	14,65%	16,08%
Net Income Growth	12,76%	8,71%	9,22%	8,17%	7,50%	7,71%	8,91%

**BJTM QoQ Result**

Balance Sheet	4Q19	3Q20	4Q20	%QoQ	%YoY	1Q20	4Q20	1Q21	%QoQ	%YoY
Loan	38.352	40.382	41.481	2,72%	8,16%	37.001	41.481	41.731	0,60%	12,78%
Loan Loss Reserves	-980	-1.231	-1.455	18,17%	48,42%	-1.022	-1.455	-1.556	6,98%	52,23%
NPL	1.062	1.814	1.660	-8,49%	56,34%	1.286	1.660	1.754	5,66%	36,35%
Deposit										
Demand	23.825	23.529	21.129	-10,20%	-11,32%	18.803	21.129	22.552	6,73%	19,94%
Savings	22.223	20.596	22.874	11,06%	2,93%	18.561	22.874	20.477	-10,48%	10,32%
Time Deposit	14.496	19.883	24.465	23,04%	68,77%	20.400	24.465	33.060	35,13%	62,06%
<b>Total Asset</b>	<b>76.715</b>	<b>82.081</b>	<b>83.619</b>	<b>1,87%</b>	<b>9,00%</b>	<b>69.721</b>	<b>83.619</b>	<b>89.648</b>	<b>7,21%</b>	<b>28,58%</b>
<b>Shareholder Equity</b>	<b>9.186</b>	<b>9.644</b>	<b>10.005</b>	<b>3,74%</b>	<b>8,92%</b>	<b>9.560</b>	<b>10.005</b>	<b>10.483</b>	<b>4,78%</b>	<b>9,66%</b>

Income Statement	4Q19	3Q20	4Q20	%QoQ	%YoY	1Q20	4Q20	1Q21	%QoQ	%YoY
Interest Income	1.532	1.532	1.590	3,79%	3,76%	1.481	1.590	1.603	0,79%	8,20%
Interest Expense	504	492	573	16,49%	13,69%	465	573	532	-7,17%	14,41%
<b>Net Interest Income</b>	<b>1.028</b>	<b>1.040</b>	<b>1.017</b>	<b>-2,22%</b>	<b>-1,11%</b>	<b>1.016</b>	<b>1.017</b>	<b>1.071</b>	<b>5,28%</b>	<b>5,36%</b>
Net Operating Income	125	101	108	6,42%	-13,71%	113	108	98	-8,77%	-12,83%
Operating Expense	826	673	779	15,78%	-5,77%	446	779	461	-40,77%	3,49%
<b>PPOP</b>	<b>327</b>	<b>469</b>	<b>346</b>	<b>-26,19%</b>	<b>5,87%</b>	<b>683</b>	<b>346</b>	<b>708</b>	<b>104,57%</b>	<b>3,59%</b>
Provision Expense	83	25	256	941,32%	207,41%	126	256	128	-49,95%	1,84%
<b>Operating Profit</b>	<b>48</b>	<b>5</b>	<b>-12</b>	<b>-353,41%</b>	<b>-124,36%</b>	<b>5</b>	<b>-12</b>	<b>-5</b>	<b>-58,26%</b>	<b>-189,17%</b>
Profit Before Tax	291	449	78	-82,59%	-73,16%	563	78	575	635,44%	2,12%
Tax Expense	55	119	-311	-361,09%	-665,80%	123	-311	126	-140,60%	2,45%
<b>Net Profit</b>	<b>236</b>	<b>329</b>	<b>389</b>	<b>18,24%</b>	<b>64,98%</b>	<b>439</b>	<b>389</b>	<b>448</b>	<b>15,08%</b>	<b>2,03%</b>

Ratio	4Q19	3Q20	4Q20	QoQ	YoY	1Q20	4Q20	1Q21	QoQ	YoY
<b>Profitability &amp; Efficiency</b>										
NIM	5,75%	5,70%	5,26%	(0,44)	(0,49)	6,05%	5,26%	5,05%	(0,21)	(1,00)
Cost-to-Income Ratio	51,56%	49,51%	53,43%	3,92	1,87	40,96%	53,43%	41,60%	(11,83)	0,64
ROE	14,99%	18,63%	14,88%	(3,75)	(0,11)	21,76%	14,88%	20,29%	5,41	(1,47)
ROA	1,79%	2,57%	1,79%	(0,78)	-	3,23%	1,79%	2,64%	0,85	(0,59)
BOPO	71,54%	70,25%	76,70%	6,45	5,16	64,95%	76,70%	66,89%	(9,81)	1,94
Cost of Credit	0,97%	1,03%	1,37%	0,34	0,40	1,31%	1,37%	1,23%	(0,14)	(0,08)
<b>Liquidity</b>										
LDR	63,34%	57,88%	60,58%	2,70	(2,76)	66,50%	60,58%	54,85%	(5,73)	(11,65)
CASA	76,06%	63,14%	64,27%	1,13	(11,79)	64,68%	64,27%	56,55%	(7,72)	(8,13)
<b>Asset Quality</b>										
Gross NPL	2,77%	4,49%	2,90%	(1,59)	0,13	3,35%	2,90%	4,20%	1,30	0,85
Provision Coverage	92,40%	67,87%	87,69%	19,82	(4,71)	83,49%	87,69%	88,70%	1,01	5,21
<b>Capital</b>										
CAR	21,77%	21,34%	21,64%	0,30	(0,13)	22,91%	21,64%	23,12%	1,48	0,21

**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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