

25 September 2019
Banking, Equity

Price **IDR. 650**
Target Price **IDR. 800**
JKSE Index **6137.61**



Stock Code BJTM IJ
Bloomberg code 9,676.5
Market cap (IDR.bn) 755
52-Week High (IDR) 590
52-Week Low (IDR) 639
6-m Avg Daily. Val (IDR) 20.31
Free Float (%)

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

USD/IDR-YE
2018A 14,390
2019F (6M Avg) 14,100

Key Indicators
Non Performing Loan (x) 4.7
Net Interest Margin (x) 8.8

Analyst: Lingga Pratiwi
Lingga.pratiwi@binaartha.com

Investment Consideration

Strong growth in Commercial and SME loans

During 1H19, commercial and SME lending grew at double digit rates of 17.7% and 11.63% yoy respectively. Commercial loan growth has become a new booster to BJTM as previously the market share of BJTM was mainly focused on SME and consumer lending. The 17% growth of commercial loans reflects BJTM's participation in infrastructure projects such as toll roads, etc, that have small risk of default. Going forward, BJTM will focus on infrastructure projects outside east Java. BJTM also focuses on developing KUR (Kredit Usaha Rakyat) to support higher SME lending loan growth in east Java in 2020.

Coverage ratio remain stable

BJTM's coverage ratio target for 2019 remains 92-94% and gross NPL and net NPL are stable and comparable to historical data. During 1H19, the NPL ratio of commercial loans decreased to 9.77% compared to 17.19% in 1H18. The NPL ratio of consumer loans remains small at 0.29% and SME at 4.76%. BJTM's entry into commercial lending means the provision will be higher. But overall formation of provisions remain small, as long as the majority of BJTM credit loans is from Consumer loans. Consumer loans are mainly to Civil Servants.

Focused on generating Consumer Loan

Of concern is the Consumer market share because it is currently not growing, despite the many incentives. Customers can get an incentive credit, based on interest replacement. This has yet to be accepted by the consumer credit market.

LDR Ratio 1H19 remain low

During 1H19, BJTM's Loan to Deposit Ratio went down to 60.02% compared to 64.86% in 1H18. LDR ratio should increase on higher credit distribution during 2019. Low LDR has been influenced by low consumer credit demand and large temporary placement of funds from the government (the funds are used for ASN payments).

Valuation: 23% Upside, BUY.

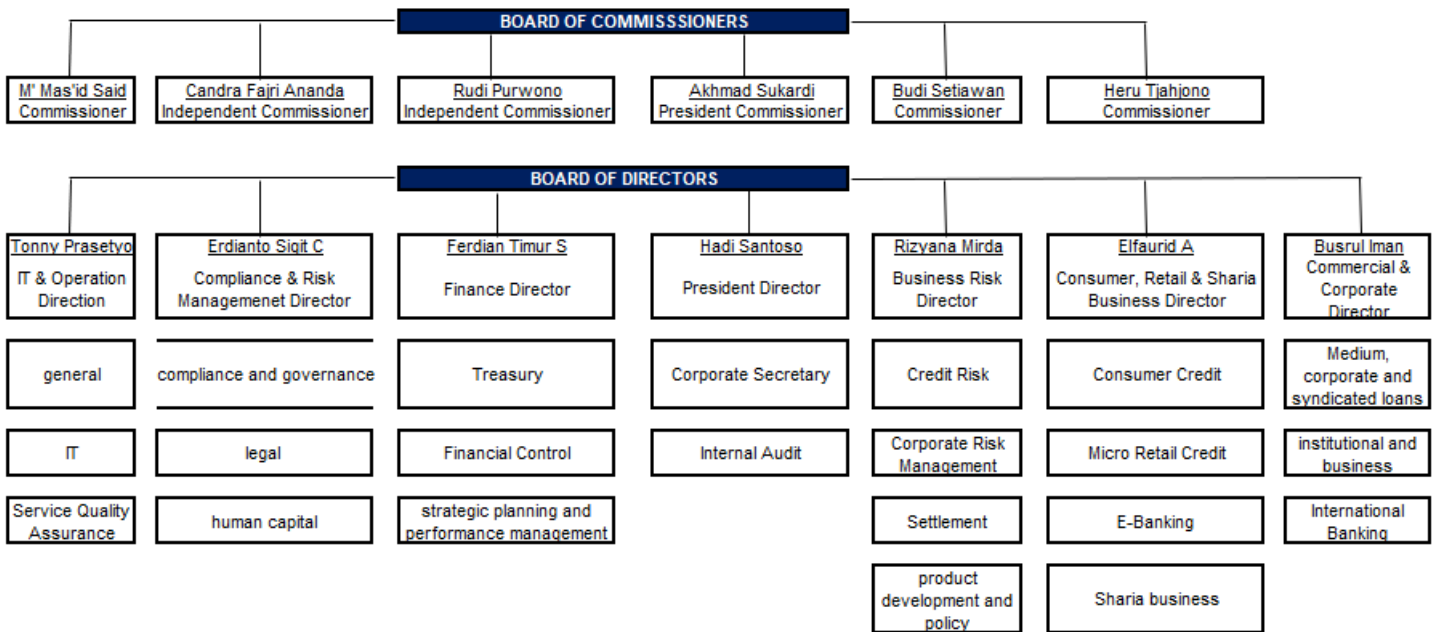
Based on our DDM Valuation, we have a target price within one year of IDR. 800 or trading at 1.3x PBV which gives 23% potential upside, BUY.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F
Interest Income	4.890	5.201	5.995	7.432	9.556
Interest Expense	-1.405	-1.513	-1.867	-2.379	-2.726
Net Interest Income	3.485	3.688	4.129	5.053	6.830
Net Operating Income	371	413	290	468	403
Operating Expense	-1.996	-2.262	-1.895	-2.344	-3.030
Pre Provision Operating Profit	1.860	1.840	2.523	3.176	4.203
Provision Expense	-217	-134	-440	-492	-606
Operating Profit	1.643	1.706	2.083	2.684	3.597
Profit Before Tax	1.637	1.754	2.110	2.713	3.628
Tax Expense	-478	-493	-571	-736	-984
Net Profit	1.159	1.260	1.539	1.977	2.644
EPS (Rp/Share)	77	84	103	132	177

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 the year 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. Its main activities involve collecting and lending funds and other banking services.

Company Structure



Source: Company

Chart: Net Interest Margin (x) yoy

Net Interest Margin

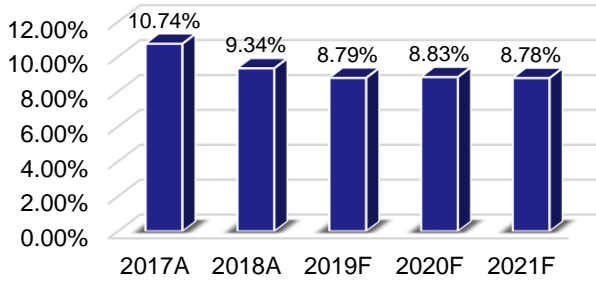


Chart: Loan to Deposit Ratio (x) yoy

LOAN TO DEPOSIT RATIO

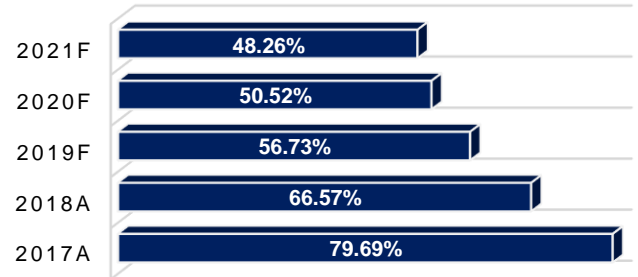


Chart: Profitability Ratio (x) yoy

Profitability

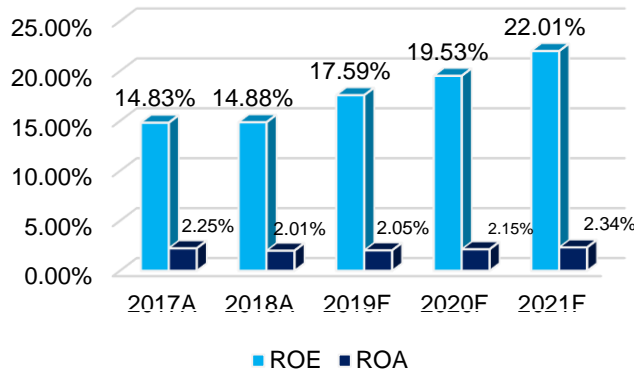
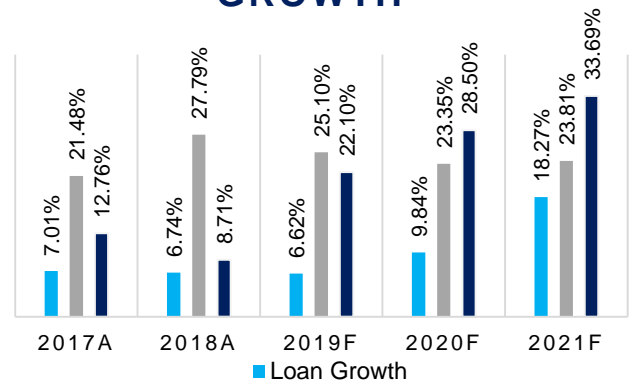


Chart: Loan Growth (x) QoQ

GROWTH



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019F	2020F	2021F
Cash and CA with BI	5.291	5.990	5.717	6.229	2.290
Interbank Placement	8.946	13.347	14.671	20.325	28.311
Marketable Securities	4.742	8.358	12.101	16.765	23.352
Gross Loan	31.754	33.893	36.135	39.690	46.940
Allowance for Loans	-1.394	-1.199	-1.371	-1.718	-2.296
Loans-net	30.360	32.695	34.764	37.972	44.644
Other Earning Asset	13.755	21.803	32.081	44.446	61.909
Non Earning Asset	2.112	2.202	2.672	3.317	4.293
Total Asset	51.519	62.689	75.234	91.965	113.137
Deposit:					
Current Account	12.002	19.286	25.030	30.424	36.981
Saving Account	15.847	19.112	20.028	27.248	37.071
Time Deposits	11.996	12.518	18.639	20.897	23.223
Other Interest Bearing Liabilities	1.860	1.816	1.367	1.515	1.679
Non Interest Bearing Liabilities	1.998	1.485	1.422	1.754	2.172
Total Liabilities	43.703	54.217	66.486	81.838	101.126
Total Shareholder's Equity	7.816	8.472	8.748	10.126	12.010

Income Statement (IDR.bn)

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Ratio Analysis	2017A	2018A	2019F	2020F	2021F
NIM	10,74%	9,34%	8,79%	8,83%	8,78%
LDR	79,69%	66,57%	56,73%	50,52%	48,26%
Gross NPL	4,59%	3,75%	4,16%	4,73%	5,38%
Cost of Credit	0,68%	0,39%	1,22%	1,24%	1,29%
Provision Coverage	73,29%	72,52%	71,33%	71,33%	71,33%
CAR	24,65%	24,21%	22,83%	23,94%	23,80%
CASA	69,89%	75,41%	70,74%	73,40%	76,13%
Cost-to-Income Ratio	51,77%	55,14%	42,90%	42,46%	41,89%
ROE	14,83%	14,88%	17,59%	19,53%	22,01%
ROA	2,25%	2,01%	2,05%	2,15%	2,34%
ROAE		14,85%	16,23%	18,56%	20,77%
BOPO	68,77%	69,61%	66,85%	66,02%	63,88%
Loan Growth	7,01%	6,74%	6,62%	9,84%	18,27%
Deposit Growth	21,48%	27,79%	25,10%	23,35%	23,81%
Net Income Growth	12,76%	8,71%	22,10%	28,50%	33,69%

BJTM QoQ Result

Balance sheet (Idr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and CA with BI	5.423	5.906	5.667	5.717	5.744	6.248	6.569	6.229	2.427	2.720	3.041	2.290
Interbank Placement	10.043	8.576	13.714	14.671	16.080	17.361	18.829	20.325	23.539	25.072	26.685	28.311
Marketable Securities	9.144	9.331	11.312	12.101	13.263	14.320	15.531	16.765	19.416	20.681	22.011	23.352
Gross Loan	33.692	34.769	35.259	36.135	36.886	37.786	38.694	39.690	41.399	43.123	44.990	46.940
Allowance for Loans	-1.067	-1.015	-1.337	-1.371	-1.412	-1.487	-1.580	-1.718	-1.919	-2.049	-2.193	-2.296
Loans-net	32.625	33.754	33.922	34.764	35.474	36.298	37.114	37.972	39.480	41.074	42.796	44.644
Other Earning Asset	3.575	9.020	4.963	5.310	5.819	6.283	6.814	7.356	8.519	9.074	9.658	10.246
Non Earning Asset	2.282	2.365	2.610	2.672	2.852	2.982	3.153	3.317	3.664	3.863	4.076	4.293
Total Asset	63.091	68.952	72.189	75.234	79.232	83.493	88.010	91.965	97.046	102.484	108.268	113.137
Deposit:												
Current Account	20.005	22.703	23.838	25.030	26.282	27.596	28.975	30.424	31.945	33.543	35.220	36.981
Saving Account	16.114	17.628	18.545	20.028	21.630	23.361	25.230	27.248	29.428	31.782	34.325	37.071
Time Deposits	15.648	17.603	18.113	18.639	19.179	19.736	20.308	20.897	21.503	22.126	22.768	23.223
Other Interest Bearing Liabilities	1.040	1.298	1.332	1.367	1.402	1.439	1.476	1.515	1.554	1.595	1.636	1.679
Non Interest Bearing Liabilities	1.398	1.106	1.351	1.422	1.498	1.579	1.664	1.754	1.851	1.953	2.061	2.172
Total Liabilities	54.205	60.338	63.179	66.486	69.992	73.710	77.653	81.838	86.281	90.999	96.010	101.126
Total Shareholder's Equity	8.887	8.614	9.009	8.748	9.239	9.784	10.356	10.126	10.764	11.485	12.257	12.010

Income Statement (Idr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Interest Income	1.361	1.451	1.550	1.634	1.715	1.808	1.903	2.006	2.165	2.334	2.462	2.595
Interest Expense	-385	-455	-501	-526	-552	-580	-608	-639	-652	-671	-691	-712
Net Interest Income	976	995	1.049	1.108	1.163	1.229	1.295	1.367	1.513	1.663	1.771	1.883
Net Operating Income	111	112	33	34	108	114	120	126	93	98	103	109
Operating Expense	-431	-460	-492	-512	-542	-569	-601	-632	-698	-736	-777	-818
Pre Provision Operating Profit	656	647	589	631	729	773	814	861	908	1.024	1.097	1.174
Provision Expense	-108	-89	-117	-125	-134	-111	-119	-128	-136	-146	-156	-167
Operating Profit	548	558	472	505	594	662	695	733	771	878	941	1.007
Profit Before Tax	553	565	479	512	602	669	702	741	779	886	948	1.014
Tax Expense	-148	-154	-129	-139	-163	-182	-190	-201	-211	-240	-257	-275
Net Profit	406	411	350	373	439	487	512	540	568	646	691	739
EPS (Rp/Share)	27	27	23	25	29	33	34	36	38	43	46	49

Ratio Analysis	2Q18	1Q19	2Q19
NIM	6,41%	6,52%	6,30%
ROE	21,87%	21,11%	21,30%
ROA	3,67%	3,63%	3,50%
Loan Growth	5,34%	7,28%	8,25%
Deposit Growth	17,35%	15,2%	17,00%
Gross NPL	4,79%	3,46%	3,16%
LDR	64,86%	65,02%	60,02%

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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